

# “Social Accounting and the Obstacles to Implementation for Ontario’s Co-operatives”

A Major Paper submitted to the Faculty of Environmental Studies in partial fulfillment of the requirements for the degree of Master in Environmental Studies

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## **Foreword**

This Major Paper is my final deliverable for the Master in Environmental Studies (MES) program. My area of concentration is “Co-operatives, Democracy and Sustainability,” and I address all of the components to different degrees in this paper. The “democracy” component is addressed by asking this question throughout the paper: how deeply are stakeholders involved in each stage of the Social Accounting (SA) process? This Paper combines both primary and secondary research about Social Accounting and the Ontario co-operatives’ experience implementing SA systems. Through the survey and interviews, I wanted to see whether SA was demanded by the grassroots membership of co-operatives or if it was a strategic choice by leadership. My major learning objective through this paper has been to increase my knowledge of Social Accounting systems, such as the Global Reporting Initiative (GRI), mostly in the context of co-operatives. I have also gained additional insight into the claim that co-operatives are a more sustainable business form than conventional businesses (e.g. publicly-traded corporations).

## **Abstract**

Social Accounting is an instrument of measuring organizational performance that takes a comprehensive approach (usually including social, environmental and economic factors). Conventional financial accounting is increasingly seen as insufficient in revealing the full picture of a business’ performance (Mook 22; Mook and Sumner 160). By ignoring negative social/environmental externalities, conventional accounting (CA) influences our values and behavior – directing our attention only to financial performance and not other factors. Using academic literature, I investigate the core issues of conventional and social accounting, and especially the latter’s ability to produce genuine sustainability data that is of high quality. The

specific SA systems that will be analyzed below are the Global Reporting Initiative (GRI) and the Consumer Co-operative Sustainability and Planning Scorecard. There are serious criticisms, which I outline below, of GRI and GRI-like systems as mere management tools intended to protect corporate brands. Although SA systems may face credibility issues because, for example, they allow high flexibility in terms of material issue selection, it is also true that civil society stakeholders have not shown enough interest in using them or trying to make these systems more reliable. Co-operative enterprises claim to have broader objectives than just financial success, which makes them and Social Accounting apt for each other, according to some scholars. Using empirical data from an online survey and in-depth interviews of co-operatives in Ontario, I explore the obstacles co-operatives face in implementing SA systems, which include costs, time requirements, lack of understanding of its benefits, and others.

## **Introduction**

This is an era of growing expectation of accountability and transparency from business (Brown and Hicks 87). Social Accounting (SA) is a type of accounting that “expands the range of criteria taken into consideration when measuring performance in the context of an organization’s environment, both social and natural” (Mook 5). Despite Milton Friedman’s claim that the only social responsibility of business is to increase profits (Mook 7), the reality now is changing towards an expectation of broader business accountability. The number of multi-national corporations (MNCs) that are producing sustainability reports is growing, as we will see in Section 4 of this paper. The question for this paper is how have the co-operative businesses responded to the increasing proliferation of Social Accounting? In theory, the seven co-operative principles have placed a wider range of responsibilities on co-operatives than just financial success (International Co-operative Alliance). Because of these principles however,

co-operatives are perceived to be more sustainable enterprises than conventional businesses (Mills and Davies 17), and Social Accounting (SA) is seen as more apt for co-operatives (Brown and Hicks 88). But despite this “natural” assumption, my survey results indicate that co-operatives have very low Social Accounting implementation rates (see Section 7).

More specifically, there are two sets of issues addressed in this paper: one is an examination of the problems with established SA theory and practice, and the second is about the obstacles faced by businesses, especially co-operative enterprises, in implementing SA. My paper is therefore divided into two main parts. Part I provides the context of Social Accounting: Problems of conventional accounting (Section 1) and the beginnings of SA (Section 2), problems of SA (Section 3), and an in-depth discussion of two examples of SA systems - Global Reporting Initiative (GRI) and Consumer Co-operative Sustainability and Planning Scorecard (Sections 4,5). Section 3 raises an important fundamental question about SA: who is it for and what purpose does it serve? Part II of the paper is an examination of how SA has been implemented by co-operatives using a survey (Section 7) and interview (Section 8) results of co-operatives in Ontario about the obstacles they face in this implementation. Section 6 features an examination of the philosophical fit between co-operatives and SA, followed by an outline of obstacles to SA implementation in co-operatives based on the academic literature on the subject.

## **Part I: Context: Traditional Accounting, Social Accounting and Their Problems**

### **1. What’s Wrong With Conventional Accounting?**

It is appropriate to start a session on social accounting by defining conventional accounting (CA). It is the “process of identifying, gathering, measuring, summarizing, and

analyzing financial data in order to support economic decision-making (Mook 5).

Conventional accounting is based mostly in the interests of the owners of capital (i.e. shareholders) and ignores the interests of other stakeholders who do not participate in the profitability of the organization. What is a stakeholder? Stakeholders can be defined broadly or narrowly (Rinaldi, Unerman, and Tilt 86). A broad definition:

Individuals or groups within society that are very close to the organization along with others that are very remote from the organization (and could even include future generations and nature) all of whose life experiences and interests are impacted in some way by the organization's operations, policies and/or practices. (Ibid 86).

A narrow definition would only include those entities that are close to the organization in terms of having the strongest ability to affect the success of its operations by their decisions (Rinaldi, Unerman, and Tilt 86-87). For example, narrowly defined stakeholders would include employees, shareholders and customers.

Conventional accounting (CA) has been influenced in its focus on profit by the neoclassical economic theory more than by any other theory (Collison, Ferguson, and Stevenson 32). Consequently, according to Collison, Ferguson, and Stevenson, CA is guided by values and beliefs that help maintain relations of domination. Specifically, the economic rights of shareholders are treated as innately superior, while negative impacts of their actions are treated as externalities to be ignored as much as possible (33). The owners of capital use all tools at their disposal, including lobbying and propaganda, to resist the internalization of externalities (i.e. social, environmental costs on other stakeholders into their "bottom line" (Collison, Ferguson, and Stevenson 33). Externalities can be defined as "factors not included in traditional forms of accounting that affect human well-being; the (usually) unintended consequences of doing business. Negative externalities include pollution" (Mook and Sumner

175). In this way, conventional accounting is a political and value-laden process designed to serve primarily the interests of capital owners and to suppress the interests of everybody else who are affected by the operations of the business. Conventional accounting asks this question: “how can we maximize profit for our owners?” (Mook 17). “Technical rationality” and “scientific-sounding abstractions” within the field of accounting help disguise the real ideology underneath, leading its students towards ignorance of moral problems embedded in conventional accounting (Collison, Ferguson, and Stevenson 33).

The first criticisms of conventional accounting practices emerged in the 1960s and 1970s when critics pointed out that it creates, sustains and may even change social reality, as opposed to just objectively reflecting it (Mook 6). The claim that what we place importance on and measure in society affect our reality and even ourselves is echoed by Dirk Philipsen, the author of “the Little Big Number.” In it, he explains how our faith in GDP as a barometer of prosperity has blinded us to everything else that it does not measure (6). Focusing merely on GDP, just like reporting only on financial information as a measure of performance, limits what we strive for, because what we don’t measure becomes secondary or ignored completely. As Philipsen argues, we “become what we measure” (1). It means that the goals that we strive to achieve and measure ourselves against become part of our values. For example, when GDP growth is held as a highest goal for a national economy while it produces depletion of resources, climate change, erosion of communities and so on; we end up tolerating these sustainability issues as necessary costs of economic development – we become blind to their impacts which leads to our current environmental crisis. “Choices about what to count, and how to count it, define many of our core values” (Philipsen 5). In other words, we become less healthy as a society, but we accept it for the ultimate goal of higher GDP. GDP measures the totality of goods and

services produced in an economy, but is that all we want from our economy? GDP is a blind meter: it counts only output; it ignores costs and losses” (Philipsen 3). Likewise, conventional accounting is missing a big chunk of the story when analyzing the performance of an organization.

Critical accounting emerged from this criticism that conventional accounting creates/changes social reality. Critical accounting seeks to not only understand the world but to change it as well. However, according to Mook, critical accounting theorists most often do not advocate for any alternative models that would better address social, economic and environmental issues (6).

Social Accounting, a third approach, is intended to fill that gap in critical accounting and “provide accountants with working strategies and tools that challenge traditional accounting practices” (Mook 6). In contrast to the question that conventional accounting asks, SA is preoccupied with this: “what difference do our actions make in economic, social and environmental terms?” (Mook 17). Social Accounting is based on mostly the same criticisms of conventional accounting, but aims to “provide a working framework that takes into consideration a broader range of factors and actors in the accounting process” (Mook 7). This paper will now turn to Social Accounting to discuss exactly how SA achieves these broader goals.

## **2. What Is Social Accounting and Why Do We Need It?**

If organizations are claiming to increasingly measure themselves up against the standards of sustainability, first it is essential to know what those standards entail. In this section, I will explore various ways that sustainability/sustainable development and Social Accounting are conceptualized and why there is a need for the latter. Sustainability or sustainable development

is a contested term that is interpreted in different ways (Dresner 69-70). Businesses use sustainability reports to “choose the meaning and implications of sustainable development, thereby mitigating its (i.e. sustainable development’s) power to change the status quo” (Azcarate et al. 215). Sustainability reporting initiatives however, can be used to promote the managerial capture of the concept of sustainable development because reporting companies can choose whichever initiative they prefer to use and to what extent. Sustainability reporting is, after all, voluntary (Azcarate et al. 215), in most instances. There are some commonly agreed upon definitions of sustainability, however. For example, the World Commission on the Environment and Development (WCED) gave the most frequently used definition of sustainable development in 1987: “development which meets the needs of the present without sacrificing the ability of future generations to meet their needs” (Bebbington et al. 3). The issue becomes what does this mean practically as this definition is quite vague and frequently contested (Mook and Sumner 157). For example, what is a “need” (Dresner 73-74)? Is it about human development or economic growth? Perhaps a more helpful definition of sustainability is based on a concept of civil commons. Civil commons is “any co-operative human construct that protects and/or enables the universal access to life goods” (Mook and Sumner 158). Life goods include such things as clean air, healthy food, education, human rights and so on. It would not include destructive goods such as junk food, violent entertainment and weapons (Mook and Sumner 158). In broad terms, “an organization would be considered more sustainable the more it addresses all three sets of life goods (environmental, social and economic) (Mook and Sumner 159). In the long term, if a community has a universal access to life goods, it is sustainable.

Considering the above sustainability definitions, Social/Sustainability Accounting

attempts to account for how well the present and future generations' needs are met or how well a universal access to life goods is ensured. SA is a broad term that brings together a variety of alternative accounting models such as expanded value added accounting, environmental accounting, and sustainability accounting (Mook 7; Mook and Sumner 159). More precisely, it is "a systematic analysis of the effects of an organization on its communities of interest or stakeholders, with stakeholder input as part of the data that are analyzed for the accounting statement" (Mook and Sumner 175). Sustainability reporting communication "might be in a stand-alone report or it might be part of an annual report, inside or outside of the audited financial statements and/or inside or outside of the management discussion and analysis," print advertisements, press releases, securities filings, employee newsletters, and corporate websites (Buhr et al. 53). This breadth of reporting methods is one of the strengths of SA, and allows stakeholders to participate in a number of ways. SA is a response to the perceived flaws of conventional accounting practices (Mook 6-7) and is a form of civil-private regulation. Civil-private regulation refers to the use of information that "empowers and mobilizes societal actors to demand accountability and certain performance from companies" (Brown et al. 572). Social Accounting is also a field of research concerned with accounting of the broader impacts of organizations on their stakeholders than just financial impacts on the organization's owners" (Mook and Sumner 175). In short, SA attempts to be more socially valuable by serving a wider range of organizational stakeholders.

We know what the purpose of SA is in abstract, but is that the primary motivation for adopting it? The short answer is that different stakeholders may be using SA for different purposes. Outside stakeholders of business (i.e. civil society) need SA because it can be a tool for encouraging more sustainable behaviour by rendering the costs of doing business (i.e.

externalities) more transparent (Mook and Sumner 173). In turn, access to this information makes it more likely that an organization will be held accountable for the costs it created for the stakeholders. The expectation then is that the negative externalities would be avoided in the future. But what do inside stakeholders - business owners and management, need SA for? Various authors have described businesses' motivations for reporting on their sustainability impacts as a "response to external demands for transparency and accountability," as a "recognition of a moral duty to assess and report on social and environmental impacts," and/or as "desirable for instrumental reasons summed up as 'business case'" (in Brown and Hicks 87). According to Buhr et al., organizations are "always driven, to one degree or another, by the immediate and strategic objectives of the corporation" (59). Reporting is done at least in part, in response to various pressures, expectations and social change. Reporting corporations respond and contribute to public opinion about the impacts of their operations. Buhr et al. provide a whole list of potential rationales for sustainability reporting:

1. Moral and ethical reasons, duty
2. Competitive advantage
3. Party to setting of voluntary standards GRI, IIRC
4. Party to setting of mandatory standards – government, accounting or securities based
5. Peer and industry pressure
6. Corporate performance
7. Image management, public relations, corporate reporting awards
8. Social pressures, social license to operate,
9. Financial benefits of from investor reactions
10. Existing regulation – government, accounting or securities based (61-62).

In a study of motivations for reporting using GRI, MNCs have responded that reputation and brand protection were key motivations (Brown et al. 573). This is certainly not the goal that civil society stakeholders have; they would rather SA serve the purpose of accountability to them. The differing objectives among the stakeholders for the business' use of SA poses dangers to the integrity of SA processes, which are discussed in more detail in Section 3.

### 3. Problems with Social Accounting

The theory of making change through Social Accounting goes like this: assuming the measured and reported sustainability impacts are accurate, then stakeholders, especially civil society, NGOs, organized labor, activists and so on, can use that information to press government to pass/change laws to address unsustainability (Buhr et al. 59). Civil society may also engage in consumer activism and refuse to buy goods/services from unsustainable businesses. Another possible way that change towards sustainability could happen is if businesses competed based on sustainability performance that's in the sustainability reports (Brown et al. 572). Good performers may get awards, which would supposedly boost their reputation versus their competitors (Brown et al. 578). The possibility of such competition happening will be discussed in Section 4. So this civil-private regulation tool is supposed to be more effective than "rigid and inefficient" command and control government approach of enforcing sustainable practices (Brown et al. 571-2). In this section, three main threats to the reliability of Social Accounting will be discussed: the possibility that SA systems are not measuring genuine sustainability, the integrity of external assurance, and the possibility that SA is just covering the inherent unsustainability of capitalism. In addition, the question of "who is SA (really) for and what purpose does it serve?" will be tackled.

First, let's consider the potential of SA to produce genuine sustainability data for stakeholders. One of the fundamental questions about SA as it is practiced today is whether the systems we use measure and report genuine sustainability (Buhr et al. 51). The following paragraphs will provide a description of what is meant by "genuine" sustainability. Azcarate et al. claim that the sustainability accounting systems that are currently used to demonstrate sustainability or lack thereof, are not adequate and do not constitute genuine sustainability

reporting (215; Buhr et al. 51). Azcarate et al. have investigated the sustainability indicators and how well do they fit the concept of sustainable development. In short, the social, environmental and economic indicators (also known as TBL – triple bottom line) that are provided in most sustainability reports may be necessary but are not sufficient to report on genuine (un)sustainability of an organization (Azcarate et al. 216). It would not be a sufficient amount of information because a reporting organization must link its impacts to the state of the environment (Azcarate et al. 216-17). That is because the concept of sustainable development implies a state of the environment that would satisfy all the life needs of the future generations. The current sustainability accounting initiatives do not require businesses to relate their individual performance to the macro level of the environment (Azcarate et al. 216). Yet, genuine sustainability accounting would require a broader ecosystems-based approach, that is, “an understanding of cumulative environmental change and assessments of the cumulative effects of economic activity” (Buhr et al. 51). Reporting simply on the triple bottom line (TBL) indicators grossly oversimplifies the concept of sustainable development and there is an inevitable gap between corporate performance and corporate impacts (Moneva et al. 122).

To illustrate Azcarate et al.’s and Buhr et al.’s point about the flawed perception of sustainability indicators that is prevalent, consider the following example. Reporting on how much water a business has used in a given reporting year does not tell us anything about the adequacy of the water resources for the future generations in that area, whether they are diminishing and whether it was the responsibility of a particular business for creating a less sustainable access to water for the future generations’ needs. Basically, it needs to also provide a context in terms of how much its water withdrawal took away from the sustainability of the natural environment. This step would be a shift to taking a more direct responsibility for the

environment's wellbeing and not just the immediate impacts of the business. As Buhr et al. explain it, (genuine) sustainability accounting requires "a detailed and complex analysis of the organization's interactions with ecological systems, resources, habitats, and societies, and interpret this in the light of all other organizations' past and present impacts on those same systems" (51). They rightfully admit that for any single organization, providing all this information would be "technically impossible." This view is summed up like this: it is impossible for organizations to "go beyond approximate accounts of unsustainability and to fully and fairly report on corporate activity as it relates to the pressures on, the state of, and the future capacity of life-sustaining ecological systems, and inter- and intra-generational access to them" (Buhr et al. 52). While it seems to be impossible for organizations to report on their genuine sustainability, it does not mean that triple-bottom line (TBL) reporting, which is what most sustainability reporting amounts to today, is useless. Nevertheless, it is important to know the limitations of TBL or *un-genuine* sustainability reporting.

Another side of the above issue is the inadequacy of the chosen indicators that are supposed to constitute social and/or environmental accountability (Buhr et al. 63). Despite the success of rapidly increasing rates of voluntary reporting, typically guided by the GRI, the sustainability reporting has been a "heroic" failure in a sense that it fails in its purpose of holding organizations accountable for their impacts on stakeholders, especially broadly defined ones (Buhr et al. 63-64). More specifically, they fail to give adequate insights into the TBL impacts to the stakeholders. GRI and GRI-inspired reporting guidelines' developers have not agreed on a full set of indicators that together might reasonably ensure a social and/or environmental accountability to the stakeholders (Buhr et al. 63). This is not even about accountability against sustainability objectives, but basic social, economic and environmental

reporting. Buhr et al. are especially critical of the social and environmental indicators, while calling environmental indicators “helpful” (i.e. better at demonstrating genuine performance). The bottom line is this: even if an organization’s TBL report is fully GRI-compliant, it does not mean that any substantial accountability is being discharged or that the audience of the report is able to accurately identify its triple bottom line (TBL) performance (Buhr et al. 64). The flexibility and voluntariness of GRI and GRI-inspired TBL guidelines cause this ineffectiveness (Buhr et al. 63). With voluntary reporting, organizations can choose what indicators to report on and ignore others, potentially hiding large impacts.

The second danger to the reliability of SA process, reporting being an important component, is the issues with independent verification or assurance of sustainability reports (Buhr et al. 64). To start, independent assurance of sustainability reports is still rare (only about 25% are assured) and when it exists, it is hardly trustworthy (in Buhr et al. 64). If sustainability reports are to be trusted as authoritative sources of information that stakeholders can rely on, how is it acceptable to not have mandatory third-party assurance, like financial statements have to get? According to Laufer, it is next to impossible to judge how accurate businesses’ reports are without external, third party verification and monitoring (257). Besides, external assurance is relatively cheap: a study by Park and Brorson (2005) found that the costs are between 4% and 6% of those for the financial audit (Cooper and Owen 78-9). At this point, external assurance of sustainability reports is still mostly a large company phenomenon (Cooper and Owen 72). However, in a 2011 KPMG’s triennial International Survey of Corporate Responsibility Reporting by both the top 250 of the Fortune 500 companies (G250) and the top 100 companies from 34 countries, indicate that the practice continues to grow, but the rate of growth is slowing down significantly. What could be the obstacles towards a wider provision of

external assurance of sustainability reports? The first wave of assurance providers (1990s) faced an absence of any clear guidelines for the adopted approach of assurance. In recent years this issue has been alleviated by the issuance of sustainability assurance practice guidelines in two categories. The first one is “accountancy” based approach of the Federation des Experts Comptables Europeens and the International Auditing and Assurance Standards Board (IAASB), “which are largely concerned with attesting the accuracy of published data and minimizing the liability of the assessor” (Cooper and Owen 75). The most influential assurance standard in this category, IAASB’s International Standard on Assurance Engagements (ISAE) 3000, also does not put much emphasis on the “relevance of such data for external stakeholder groups (Cooper and Owen 77). The second category is the AccountAbility series of assurance standards, “where the issue of stakeholder engagement is absolutely central to the assurance process.” Despite the issuing of the above-mentioned assurance guidelines, studies have found a “great deal of ambiguity and variability inherent in practice, with particular reservations being expressed concerning its efficacy in enhancing corporate transparency and accountability to stakeholder groups” (Cooper and Owen 78). CPA Australia (2004) study’s authors conclude that the readers of the report would “often have great uncertainty in understanding how the assurance provider undertook the engagement, what they reviewed and what was the meaning of their conclusion” (Cooper and Owen 78). O’Dwyer and Owen, in their 2005 study of assurance statements, point out that a large degree of management control remains over the whole process. In addition, management appoints assurance providers and it can place any restrictions on the exercise (Cooper and Owen 78).

A temptation by assurance providers to also provide consulting services is another issue with external assurance. The assurance statements that have been provided by non-“big 4”

accounting firms (i.e. not Ernst & Young, PricewaterhouseCoopers, KPMG, and Deloitte) are much more likely to include recommendations for improvement than those provided by the big 4 accounting firms (Cooper and Owen 79). Where assurance statements include recommended areas of improvement, a danger arises in combining “what is essentially a consultancy function with a separate, ‘arm’s length’ assurance exercise”, because this may compromise the integrity of the latter (Cooper and Owen 79).

“Once social accounting and auditing moves away from the focus on ‘holding the organization to account’, a fundamental principle of the early pioneers of external social auditing practice (see, for example, Medawar, 1976), they run the risk of being confined largely as mere management tools rather than as mechanisms for promoting democratic accountability” (Cooper and Owen 79).

But even if that accounting firm only provided an assurance, there is a fundamental question about the extent to which assurance provider can hold organizations accountable when they are being paid by them to do the assurance. On the one hand, assurers would not want to provide undeservedly favorable assurance statements to not lose their reputation as having integrity; but on the other hand, they want to help the organizations look better, such as including praise for the organizations’ achievements within the assurance statements (Cooper and Owen 79). It probably pleases the organization hiring the assurer, but weakens the perception of independence of the assurance provider. Interviews with corporate managers have confirmed that they expect the assurance process to bring value for the company (Cooper and Owen 80). While the assurance practitioners admitted that given the voluntary nature of assurance, first they need to “demonstrate that their service will provide benefits to their clients through improved systems and increased credibility” (Cooper and Owen 81). So the real driving force behind seeking external assurance is internal. Therefore, the conflict of incentives/interest may cause assurance providers to harm the integrity of the assurance they are giving.

A crucial issue for external assurance and the whole purpose of SA is the level of engagement of stakeholders. This especially applies to outside stakeholders who are rarely interviewed (Cooper and Owen 78). Stakeholders are seen as a disengaged group in the sustainability report assurance process that does not read the assurance statements (Cooper and Owen 80, 82). Perhaps because of that, stakeholder inclusion is most often indirect in nature. Stakeholder panels were suggested as a good way to increase stakeholder engagement, but the challenge is in making them representative of a wide range of stakeholder views. A fair question may be asked: if stakeholders want reporting organizations to be accountable to them, why are they not more active by at least reading sustainability reports and their assurance statements? But a good follow-up question to that is: does stakeholder input mean anything in terms of its potential to make changes to the assurance process? There have been a few cases of stakeholder panels implemented, such as by National Grind and BT (Cooper and Owen 82). In those cases, corporate management appointed the external participants, instead of the stakeholder groups themselves. Thus, these external participants represented and were accountable only to themselves, which is not representative of the stakeholder body as a whole. But in cases where stakeholder groups do have direct representation, they are “confined to consultative committee-type structures, completely separated from key strategic decision-making areas” (Cooper and Owen 82). The issue of stakeholder involvement in assurance or even the TBL reporting is about power sharing. Unsurprisingly, neither management, nor assurers are contemplating any transfer of power to stakeholders in a way that would enable stakeholders to hold businesses accountable for their activities and demand any degree of responsiveness to their concerns (Cooper and Owen 82). One possible way to transfer some power over the assurance process is to enable stakeholders to appoint assurance providers and

to determine the scope of the exercise. This has not been applied in practice, but even if it had, there would still be no way in which stakeholders could influence organizational decision-making by using assurance findings (Cooper and Owen 82). Stakeholder power is nowhere near as broad as shareholder power. On the other hand, reconciling different points of view from a variety of stakeholders, such as investors, organized labor leaders, NGOs' representatives, may also be difficult in an assurance engagement exercise. For example, a labor leader who was interviewed had doubts about the legitimacy of the whole assurance industry, and the investor was not sure about the use of assurance for their decision-making (Cooper and Owen 80). NGO representatives, on the other hand, were willing to be part of the assurance process but were worried about the impact of their participation on their independence. Assurors had a significant concern: managerial control of the assurance process means that 'stakeholder inclusivity is inevitably driven by management, with benefits to stakeholders perhaps viewed as a useful by-product' (Cooper and Owen 81). This, again, shows how assurance process is controlled by those who do not intend it to be about accountability to stakeholders, although assurors have claimed that assurance provides benefits for both sides: company's management and its other stakeholders (Cooper and Owen 80-81).

To summarize the problems of assurance that I just discussed: the assurance providers' (most notably, professional accounting firms) unwillingness, or inability to provide higher levels of assurance; managerial control of the assurance process; and limited levels of stakeholder engagement. Part of the reason for the disinterest lies in the fact that SA is not a reliable enough source of information; otherwise NGOs would not expend their own resources trying to track down the negative impacts of big business, if they could find them in SA reports. Ultimately, both, the stakeholders and the assurors/management need to do more to make

stakeholder involvement in the assurance process meaningful. Stakeholders need to be more active and assurers/management need to allow input that makes a real difference in meeting stakeholder needs. But the main driver for this change has to be stakeholders themselves; it is very unlikely that business management, whose interest in assurance and stakeholder engagement is based on improving financial value (Cooper and Owen 82), will adjust assurance process to address stakeholders' interests better.

The third challenge to the reliability of SA as a tool to help business advance towards sustainability is more of a philosophical one. Members of an alternative school of accounting, critical accountants, have criticized SA as a tool that helps mislead people about the possibility that capitalist organizations can ever become sustainable (Mook 7). Social Accounting is sometimes accused by the proponents of critical accounting of legitimizing the (unsustainable) status quo, of not questioning the role that capitalism plays in exploitative social relations, and of creating an illusion that progress toward sustainability can be made by corporations. The problem with the social accounting approaches, according to critical accountants, is that they can "stall the construction of more critical and interpretive models" (Mook 7). Basically, the current form of capitalism is not, and will not, be sustainable and social accounting cannot change that. That is a reasonable point to make about the capitalist economic system, but SA's aim is to make those impacts visible, if it is true. Mook replies that critical accounting is not offering real alternatives and that social accountants have the ability to create more democratic, transparent and participatory accounting practices aimed at creating social change. I would argue that if SA produces reliable and relevant information and democratizes the accounting process, it would be a serious challenge to the capitalist way of operating business. If shareholders are suddenly not the only interest group entitled to information and a power to act

on that information, then capital owners' power (and indeed capitalism itself) is being challenged. After the accusation of critical accountants that SA is a tool that maintains an unsustainable status quo of the capitalist system, Mook responded that SA can be applied to any social system, "it is not strictly a capitalist project" (7). In other words, Social Accounting would be valuable for progressive change and the empowerment of stakeholders in any socio-economic system; it is not just a tool of reformist change that helps maintain capitalism.

Perhaps because of the above issues, there is little outside stakeholder interest in SA as a tool for civil regulation or accountability (Cooper and Owen 81). Civil society organizations, including social activists, NGOs, media, consumer organizations, organized labor and so on, do not rely on the GRI reports in their tactics (Brown et al. 575). If stakeholders, to whom the accountability is supposed to be discharged and who are expected to use the information to advocate for greater sustainability do not pay attention to the reports; who is SA for and what purpose does it serve? Given that SA is not used as a tool of accountability by the civil society, and the words of multi-national corporations (MNCs) that use GRI themselves (Brown et al 573), SA is primarily a tool for improving business reputation and brand protection (i.e. "business case"). The main users of SA today by far are large businesses (Brown et al. 574, 577), although in theory Social Accounting should be useful for a wide variety of organizations and stakeholders (Mook 5,7-9). But it is clear that various stakeholders see the utility of SA very differently (Brown et al. 575-6).

While SA may have a vision to democratize accounting, critical accountants' skepticism may still be proven correct if SA does not give a broader range of stakeholders the power to challenge the supremacy of profit over sustainability objectives. Even if SA provided reliable and relevant information to account for the sustainability impacts, there is still no practical way

in which stakeholders could democratically defend their interests within private businesses at this point. Information is in itself a certain degree of power (to the extent that it is reliable and relevant according to stakeholders), but real democracy also requires that eligible “voters” (i.e. stakeholders) can use it to control activities that affect them in a way that gives every stakeholder a say. Is SA up for the task of giving stakeholders of business activity a bigger voice in an economy where capital owners’ profit priorities rule?

#### **4. Conventional Social Accounting System: Global Reporting Initiative**

I refer to “conventional SA systems” as Social Accounting systems/guidelines that are intended primarily for conventional businesses. Global Reporting Initiative (GRI) has been no doubt the most influential set of guidelines globally (Buhr et al. 62). GRI is “the best known framework for voluntary reporting of environmental and social performance by business worldwide (Brown et al. 571). It was founded in 1997 in Boston by two US non-profit organizations: the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute (GRI, “GRI’s History”). G4 is the fourth generation of sustainability reporting guidelines that are composed of general standard disclosures and specific standard disclosures (GRI, “G4 Sustainability Reporting Guidelines,” 20). As part of the latter, there are three categories of indicators: social (48 indicators), environmental (34) and economic (9) (GRI, “G4 Sustainability Reporting Guidelines,” 22-23).

In Canada, large co-operatives, such as Desjardins, VanCity, The Co-operators, also report using GRI Guidelines (Leclerc et al. 141). According to Brown et al., the majority of large multinational companies in Europe and the US produce sustainability reports as of 2005, GRI or otherwise (577). 95% of the world’s 250 largest companies produced sustainability reports in 2011 (Buhr et al. 56). Smaller companies have lower reporting rates, but they still

grew over the last years. Most reporters are big corporations in the sectors of: utilities, oil and gas, banking, automotive industry, mining, chemicals and synthetics, forestry and paper (Brown et al. 574). Barely any SMEs (small and medium enterprises) reported by 2006. This section will include an overview of GRI's founding vision and evolving purpose, principles, structure, and its potential of acting as a tool of accountability for business stakeholders.

GRI's funders and developers have influenced its development in their own interests. GRI's most dominant constituencies have led the evolution of GRI guidelines towards their interests and ways of thinking (Brown et al. 579). The most active and influential actors in the GRI's organizational field are multi-national corporations (MNCs), leading accountancies and international consultancies, followed by UNEP (United Nations Environment Programme) and idea entrepreneurs (Brown et al. 577). GRI Secretariat, its governing organization, was initially funded by charitable foundations but now relies mostly on private sources (Brown et al. 576). Its initial vision of providing a public good without relying on public, but only private funds, put the Secretariat in a tense situation. Now it is increasingly dependent on money from big companies and banks, which undermines the perception of impartiality (Brown et al. 576). Large corporations are key players among GRI reporters and verifiers, and have played an active role in developing and promoting GRI. The participation of civil society organizations such as NGOs and organized labor has been low and declining (Brown et al. 573). The reasons Brown et al. mention being partly resource constraints (NGOs) and limited interest. SMEs have been even less visible in the GRI field. GRI Secretariat, its governing body, describes the guidelines' function in this way:

[it]...provides tools for: management, increased comparability and reduced costs of sustainability, brand and reputation enhancement, differentiation in the marketplace, protection from brand erosion resulting from the actions of suppliers or competitors, networking and communications...provides the private sector with

a vehicle to better inform capital market decision makers and analysts to ensure stakeholder value (Brown et al. 578).

Interestingly, in the end of the quote the Secretariat says that, in essence, it would be the capital market decision-makers who would ensure there is “stakeholder value” using GRI reports. So this is not about empowering stakeholders themselves to ensure that value. We will doubtfully move ahead in sustainability if our fate is only in the hands of investors. This quote gives more credence to the idea that GRI guidelines are a mere “administrative reform that is insufficient to enable new accountability relationships” (Moneva et al. 122). Perhaps because of the latter, one explanation for the wide proliferation of GRI standards is that it did not threaten to upset the power balance between shareholders, corporate management and the broader stakeholders (Levy et al. 111).

GRI would never have made any progress had it directly challenged the primacy of profit maximization, the legal rights of shareholders, the autonomy of corporate management, or the conventional US corporate board structure that excludes representatives of the community, the environment, or labor (Ibid.).

GRI’s instrumental value as a tool for civil-private regulation through market mechanisms has been modest (Brown et al. 579). Although GRI is an emerging institution, it has not resulted in the generation of data that is of high and consistent quality that is easily comparable across companies (Brown et al. 578). One of the assumptions that shaped GRI was the idea that standardized information that could be used for benchmarking and comparability would be a powerful tool for action for political actors and market-based mechanisms for change (Brown et al. 572). The information-based approach to regulation was seen as an alternative to command and control approach through governments (Brown et al. 572). But GRI has not stimulated the emergence of a community of financial, labor, civil rights, environmental or consumer activists for whom using the GRI reports to achieve change would be a standard

practice (Brown et al. 578). The target audiences of GRI, which include investors and employees, showed little interest in the reports, and civil society organizations showed even less interest (Brown et al. 574). GRI has always been concerned by low use of sustainability reports by civil society organizations such as media and activists (Brown et al. 575). Who is responsible for this disengagement by the civil society? Part of the blame may be assigned to both, GRI developers and civil society stakeholders themselves.

Part of the blame goes to the initial strategy of GRI's founders who wanted to build a new institution without posing a direct challenge to existing institutions of corporate governance, including managerial boards and financial market structures (Brown et al. 579). Why would civil society stakeholders be interested in an institution that does not give them any power? In turn, low readership and feedback from stakeholders is the primary reason companies do not compete based on sustainability reports (Brown et al. 574). They do not even read each other's reports. The competitive pressure to issue the reports and be accountable for their content is absent (Brown et al. 578). Some companies are even considering shifting to bi-annual reports or writing shorter ones because of the lack of interest (Brown et al. 574). GRI expected that the institutional logic of "civil regulation" could be complimentary with another logic of "corporate social performance," which emphasizes GRI's instrumental value to corporate management, investor community, and auditing and consulting firms (Brown et al. 579). Following the latter logic, GRI could also serve the interests of progressive companies that would gain competitive advantage over companies that are not as socially/environmentally responsible (Brown et al. 572). The progressive companies would ideally pre-empt government regulation and force other companies to follow suit, resulting in a positive overall impact on sustainability. It seems that GRI has not achieved much through either institutional logic, primarily because there is not

enough interest from the civil society stakeholders. In addition, preempting government regulation carries its own risks. A fair criticism could be made that if you try to pre-empt government regulation by replacing it with a voluntary tool, it better be at least as effective in achieving sustainability objectives. Otherwise, we as a society may be worse off because of an even lower organizational accountability.

GRI popularized a multi-stakeholder process as part of sustainability reporting (Brown et al. 573). It is an inclusive process, unlimited in size and composition that allows participants to contribute their opinions about sustainability performance. GRI as an organization itself emphasizes this approach: its organizational structure includes 60-member Stakeholder Council, which is its parliamentary body; plus, it has an unlimited number of Organizational Stakeholders. In essence, it allows different actors to shape the GRI guidelines and sector supplements. GRI also put the language associated with SA, such as materiality and stakeholder engagement, into the vocabulary of big corporations (Brown et al. 579). GRI's multi-stakeholder process is a "working model of networked knowledge management (Brown et al. 578).

Looking at the GRI guidelines more closely, Moneva et al. overviewed the three categories of GRI indicators: social, environmental and economic (132). The economic and social indicators were referred to as being of "weak sustainability" type. GRI has not included full-cost accounting models among its economic indicators, which could be more useful from the sustainability point of view. Environmental indicators are based on consumption efficiency, influence on biodiversity and impact minimization (Moneva et al. 132). They also exclude strong sustainability information, like full-cost accounting. There is also no core indicator for suppliers, ruling out the possibility of Life Cycle Analysis (Moneva et al. 132). GRI offers

criteria for verification of GRI reports: accuracy, completeness, reliability, balance and fairness (Brown et al. 574). Although it has been its stated aim, GRI has not succeeded in unifying the social reporting field around a single set of standards (Brown et al. 578). The opposite actually happened: there is now more competition among the frameworks for acceptance and legitimacy. As a result of GRI's and other systems' failure, reports are not easily cross-comparable (Brown et al. 578). GRI Guidelines have three principles: transparency, inclusiveness and auditability. Inclusiveness requires organizations to have stakeholder engagement as a key ingredient for a high quality sustainability report (Moneva et al. 129). Auditability is based on a conventional accounting principle of verifiability. The most accepted assurance standard for sustainability reports is the AA1000 (AccountAbility), which focuses on data quality, not the sustainability of a company (Moneva et al. 129). Finally, transparency is the necessary component of accountability, which helps to gain stakeholder trust and improve the organization (Moneva et al. 128).

To conclude, the particular form taken by GRI reflects the power relations of the members of its organizational field, their ability to mobilize alliances and resources (Brown et al. 579). GRI's case shows that TBL information must also have a usable format and content to be usable for information-based civil regulation. It also suggests that standardized, commodified information *in itself* cannot be a strong instrument for empowering social action or for partnerships among traditional adversaries (Brown et al. 579). It just does not have the visionary power to mobilize civil society for social action. Finally, there is a risk that a voluntary tool like GRI, which works to pre-empt government regulation, may leave society as a whole even further away from sustainability.

## **5. Co-operative-Focused SA System: The Consumer Co-operative Sustainability and Planning Scorecard (“the Scorecard”)**

The Consumer Co-operative Sustainability and Planning Scorecard (“Scorecard” hereafter) project was piloted within a large second-tier co-operative called Co-op Atlantic. Co-op Atlantic is based in Moncton, New Brunswick and it operates in five provinces of Eastern Canada (Leclerc et al. 142-143). The Scorecard has been a result of a partnership between four types of stakeholders: three university-based researchers, three Co-op Atlantic federation personnel, and forty employees and members of its local co-operatives (Leclerc et al. 145; Brown, Hicks and Leclerc 10, 2011). Siri Jackson-Wood is an employee at the Morell Co-op, which is a member of the Co-op Atlantic Federation. She will be quoted hereon as a practitioner of the Scorecard. In this section I will overview the Scorecard’s goals, basic features and the main issues associated with it. Issues include the effectiveness of it as a tool of accountability, selection of material issues to report, honesty in reporting, and the potential obstacles to implementation by co-operatives.

The consumer co-operatives composing the Co-op Atlantic Federation wanted to develop a tool that would serve their needs in terms of helping them assess their performance in relation to co-operative principles and values (Leclerc et al. 144). They wanted a tool to measure their performance that reflects their co-operative identity, to balance different types of stakeholder priorities (transparency and accountability), and to engage in strategic planning (Leclerc et al. 145). Thus, the Scorecard is aimed mostly at consumer co-operatives, but can be used by other types as well (Jackson-Wood, E-mail). Other Scorecard’s goals include supporting operations, and governance; reporting on the co-operatives’ impact on the community and the environment; and fostering greater innovation, resiliency and sustainability (Brown, Hicks, and Leclerc 4). According to one Scorecard practitioner, the Scorecard can help Board of Directors

better understand their purpose as Directors and open new lines of communication between staff and management (Jackson-Wood 38:45s). Practitioner partners of the project from Co-op Atlantic claimed there have been managerial benefits from using the tool. There have also been social benefits because the process led to new community initiatives and increased membership, which is good for the co-operative's economic competitiveness (Brown, Hicks, and Leclerc 20).

The Scorecard is composed of four sections/themes, including: 7 co-operative principles; environmental measures; economic measures; and social measures (Brown, Hicks and Leclerc 6). In turn, each section/theme is composed of multiple Basic and Associated measures. In total, the tool has 143 practices and 393 indicators, grouped as such: co-operative principles (69 practices, 183 indicators), economic measures (19 practices, 40 indicators), social measures (35 practices, 111 indicators), and environmental measures (20 practices, 59 indicators) (Leclerc, Brown, and Novkovic 149). Indicators are measures of the degree to which a co-operative achieves a given practice (Leclerc, Brown, and Novkovic 150). This SA system allocates scores by sub-theme, theme and for the co-operative as a whole (Brown, Hicks and Leclerc 7). It also identifies "areas to celebrate" and "areas to improve."

The Scorecard is substantially different from the GRI G4 guidelines in the way reporters using it can define material aspects, which in turn affects how they report on them. In other words, the two systems differ in the way their users can choose what impacts to report on and what to exclude. Material aspects "reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders" (Global Reporting Initiative 3-4). Participating co-operatives of the Scorecard are asked to choose how high of a priority each aspect is, while some of them are set as "high" by

default, because they are considered as essential for any co-operative's success (Jackson-Wood 26:15s). The concept of materiality is central to GRI G4 guidelines' reporting, where reporting organizations are expected to report on all material aspects. In addition, organizations are required to explain how they have defined their material aspects, including how stakeholder expectations were taken into account in the materiality assessment (Global Reporting Initiative 7). While the Scorecard suggests organizations to consult with relevant stakeholders, it does not require any explanation of why a reporting organization thinks (or does not) that certain impacts are of high priority and worth reporting on. Following the principle of materiality when selecting impacts to report on seems like a more reasonable approach than the rather arbitrary setting of "priority" areas.

Just like the setting of priorities, the Scorecard allows reporting on indicators to be very arbitrary in the name of flexibility. It is emphasized that the Scorecard is flexible in that users can pick how many themes they want to report on or whether they want to use Basic practices, Associated practices or both, etc. (Jackson-Wood 26:49s). In order to report "in accordance" to GRI guidelines, organizations must choose one of two options: a) the core option requires that an organization reports on at least one indicator for all identified material aspects, and b) comprehensive option requires organizations to report on all indicators for all identified material aspects (Global Reporting Initiative 6). So GRI gives some leeway for reporters through the "core option," but the Scorecard is infinitely flexible in this regard. It also allows co-operatives to choose particular theme/section of practices in cases when they are just starting out or do not have much time to participate (Leclerc, Brown, and Novkovic 153-154). The flexibility is great for co-operatives to pick areas in which they feel they need more development/improvement (Jackson-Wood 33:30s). But what is there to prevent co-operatives

from abusing the flexibility and skipping sections/aspects/indicators because they may expose information they would rather keep secret? In addition, picking different sections of indicators to report on would no longer be triple-bottom line (TBL) reporting, and be even further away from sustainability reporting, for reasons discussed in Section 3. Flexibility is useful for encouraging beginner-users; but if it is not temporary, it comes at a cost to integrity, transparency and accountability of reporting. Recognizing that first-time reporters may need a transition period, GRI also allows omitting certain disclosures, but it does not then allow these organizations to self-declare as reporting “in accordance” with GRI guidelines (Global Reporting Initiative 6). To sum up, if the tool is at least in part about accountability to stakeholders, whole sections of measures should not be ignored by a co-operative without a satisfactory explanation to the stakeholders.

The adoption of the Scorecard is also affected by whether it is seen as ensuring business’ accountability. How much is the Scorecard a tool of accountability? It is important to distinguish here between two matters in regards to accountability: what the authors of the tool suggest/intend for it to be and how it is used in practice. To start, the Scorecard’s initiators were three Co-op Atlantic employees (Jackson-Wood E-mail; Brown et al. 9): Cormier, LeBlanc, Bourque; and three academics, not the co-operative’s membership, which got involved in the tool’s development later on. So this managerial/accountability tool of the co-operative came from the upper layer of the organization or outside of the it, not from the co-operative’s membership. This, in turn, has implications for who, and for what purpose(s), are driving the process of SA. To be fair, the Scorecard’s developers wanted to assess and improve co-operatives’ performance not in a top-down fashion, but while “engaging member-owners, employees and other stakeholders” (Brown, Hicks, and Leclerc 4). Some of the information

gathered by this tool comes from surveys or other means of obtaining input from stakeholders, such as member/owners and employees (Brown, Hicks, and Leclerc 5). The Scorecard is another source of diverse information that is made available to Morell co-operative's membership before each Annual General Meeting (AGM) (Jackson-Wood E-mail). Membership is thereby empowered to ask questions, suggest improvements and hold the co-operative accountable based on the Scorecard's information. It is "important to measure performance in areas that the co-operative and its stakeholders value" (Leclerc, Brown, and Hicks 153). Even in times of crisis and extreme market competition, implementing SA should not be seen as a distraction from "core business" matters, but as an invaluable aid to strategic planning and in engaging stakeholders to move the co-operative forward. According to Jackson-Wood, the Scorecard is a wonderful way to bring in the membership into the discussions and generate new suggestions for the co-operative's improvement (Jackson-Wood 38:43s). Asking for stakeholder input is crucial in making this a tool of accountability, but the purpose that this input serves is also relevant. Is this input just for management improvement purposes or potentially for implementing changes that stakeholders desire, which may not align with what the Board/management desires? When Brown (one of the tool's developers) and Novkovic gave some advice on how to convince co-operative leaders to use the Scorecard, they suggested to basically appeal to co-operative's self-interest (Leclerc, Brown, and Novkovic 153), implying that stakeholder engagement is just a means to achieve that. This is similar to the way that big conventional businesses are motivated to implement SA tools; since SA is not something that is imposed from outside of them, such as through pressure from the civil society stakeholders, it is mostly an internal strategic decision, motivated by their own interests first (Cooper and Owen 80-81). While Brown and Novkovic foresee a role for the stakeholders, the

way that Co-op Atlantic has implemented it excludes all outside stakeholders from the process. According to Jackson-Wood, the results from Scorecard would be up for each co-operative store's management or Board to distribute to the membership (E-mail). It would then be up to each store to also take any action based on the results. No outside stakeholders would see the results; they would not be posted publicly online (Jackson-Wood E-mail). This is a narrow definition of stakeholders that limits the level of accountability that Co-op Atlantic chose to be subject to. The co-operative's impacts on non-member stakeholders or the natural environment would be a legitimate concern and interest for outside stakeholders to know about. To be fair, this is not necessarily an issue with the Scorecard itself, but its application. This exclusion of relevant outside stakeholders makes it seem as if the accountability component of the Scorecard is secondary, which is worrisome. Cooper and Owen argue that "producing reports does not necessarily enhance accountability" (in Brown and Hicks 88). While accountability to stakeholders is a goal of the Scorecard "on paper," there needs to be safeguards to ensure all relevant stakeholders indeed receive accountability from the co-operatives' Boards and management. Lacking such safeguards, the Scorecard can be easily used as a mere management tool, rather than an accountability tool to a full extent.

Ensuring data integrity of any SA tool, including that of the Scorecard, is of crucial importance. Unfortunately, a concern about honesty in reporting was expressed by Siri Jackson-Wood. When managers or the Board are filling it out (Jackson-Wood E-mail), they sometimes feel like they are being tested or that they are competing against other co-operatives in the Federation, and in turn they may respond to questions based on how they would like their co-operative to perform rather than how it is actually performing (Jackson-Wood 36:18s). Some co-operative managers were also apparently concerned that Scorecard measurements

might end up reflecting poorly on them and become part of their performance evaluation (Brown, Hicks, and Leclerc 11). Thus, they have an incentive to be not fully honest in their answers. Surely the Scorecard can reveal aspects of the business that inevitably shed more light on the managers' or Board members' performance as well. As a side note, this was not mentioned once as an obstacle to SA system implementation in my survey of Ontario's co-operatives. But since the Scorecard results are for internal use only (no outside stakeholders are given access) (Jackson-Wood E-mail), it defeats its purpose to be dishonest, because the co-operative as a whole would not be able to learn about areas that need improvement. The principles of transparency and accountability would also be violated.

Despite the issue of limited disclosure of Scorecard by Co-op Atlantic, any efforts by co-operative SMEs to engage with SA and the Scorecard is a laudatory step, assuming there is a commitment to continuous improvement and intent to be accountable to stakeholders. In other words, as long as shortcomings in data integrity or disclosure are based on a lack of experience and/or resource shortages, efforts to continuously improve its SA performance is a welcome movement in the positive direction. Otherwise, the Scorecard may cause more harm than good because stakeholders' actions and trust are based on that performance data. Overall, the Scorecard has a mixed record in terms of ensuring it is a tool of accountability, but part of it is about how a reporting co-operative chooses to apply it.

## **Part II: Co-operatives and The Obstacles to Implementing SA Systems**

### **6. Social Accounting and Co-operatives: A Better Fit?**

The question is, are co-operatives and SA a better fit than conventional businesses and SA? More precisely, which pairing has a better match of objectives and practices? This section

will discuss this question, in addition to its implications: does the better fit (if it exists) lead to a broader acceptance of SA among the practitioners of that business model as a valuable practice?

Corporate Social Responsibility (CSR) is now part of the public discourse on the impacts of business on the environment and society (Brown and Hicks 87). In this context, co-operative enterprises, which are “democratic, member-owned and –operated organizations whose primary goal is to meet the memberships’ economic and social needs” (MacPherson 51), seem to be positioned to respond to the CSR expectations well. They have a complex purpose, both economic and social, which is enshrined into the “Statement of Co-operative Identity,” co-operative values, principles (Brown and Hicks 87), that in theory put them in a position to be more socially and environmentally responsible than for-profit, investor-owned businesses. Thus, profit is not the main reason of existence for most co-operatives. Co-operatives should be better at sharing power with the stakeholders than conventional businesses are, because they have more diverse objectives. However, democratic governance within co-operatives does not extend beyond the membership. Aside from multi-stakeholder co-operatives, other types of co-operatives do not necessarily consider non-member interests in their decisions. SA can help co-operatives to assess and report on how well they live up to their principles and purpose. Because of this wider range of commitments that they have, “the fit between SA and an organization’s core goals and structures is arguably closer for co-operatives than for investor-owned corporations” (Brown and Hicks 88).

Despite the better fit, some people assume that co-operative principles and structure are enough to ensure that they are sustainable enterprises, essentially by default. By extension, the logic goes, co-operatives don’t need SA to demonstrate their sustainability performance. This

sentiment that co-operatives are socially and environmentally responsible no matter if they demonstrate it through SA, was expressed by 21% of my survey respondents (see Fig. 2). I am not claiming that everyone who takes this position base their opinion on the existence of co-operative principles alone. Indeed, the International Co-operative Alliance for example, in its Blueprint for a Co-operative Decade (2013) document, has given some examples to back up the idea that co-operatives indeed are more sustainable forms of business than conventional firms. Examples include: co-operatives provide social services that conventional businesses do not, and they also boost social capital that leads to economic benefits (Mills and Davies 16, 18). The authors of the Blueprint claim that they are more efficient than investor-owned businesses if we consider a wider range of costs and benefits (present and future). It even referred to co-operatives as “collective pursuits of sustainability” (Mills and Davies 17). Despite some evidence of their advantages in sustainability, it is not a given based on just the co-operative structure. In fact, many co-operative leaders and members are concerned that co-operatives can drift away from their principles without even being aware that they are not as democratic or concerned with the community as they would like to believe (Brown and Hicks 87). Co-operatives can’t claim automatic superiority in sustainability performance, because the seven principles do not take all of the stakeholders into account, such as non-member individuals outside of the organization and the natural environment (Brown et al. 7; Brown, Hicks and Leclerc 7, 2011). Novkovic and Brown also think that co-operatives cannot simply assert that they are different (i.e. better) and expect support; in this era of growing sustainability reporting by businesses, it is no longer enough (Leclerc, Brown, and Novkovic 154).

How does the good theoretical fit between SA and co-operatives translate into the adoption of SA in the co-operative sector? Despite the need for evidence of the co-operative

sustainability advantage, and that SA is more apt for co-operatives than it is for conventional business, very few of them are actually reporting, as demonstrated by my survey results (refer to Fig. 1). The exceptions are some big co-operatives, such as The Co-operators. In addition, co-operatives are not part of the main drivers of developing SA initiatives, which include the big accounting firms, some corporations and NGOs (Herbert 24). While only a small minority of all businesses has adopted SA as a practice (Buhr et al. 56; Brown et al. 574), what obstacles are there for the rest of businesses, and in particular co-ops, in implementing it? What are the reasons for this lack of co-operative engagement with SA? Possible obstacles to implementation include high costs (Leclerc, Brown, and Novkovic 154; Brown, Hicks and Leclerc 6, 2011). Stakeholder engagement on its own, which is a core element of SA (Brown and Hicks 90), can be expensive, requiring time, money and other resources (Brown and Hicks 93). This may be particularly problematic for SMEs, such as many co-operatives and NGOs. Companies that decide to do the reporting themselves find the first experience to be resource intensive (Brown et al. 574). Drawing on the experience of Co-op Atlantic specifically, the difficulty of convincing its member co-operatives of the usefulness of the tool was another issue that appeared, which was also present among the responses to my survey (see Fig. 2). Evidently, far from everyone bought into it. To further illustrate, only about 8 stores out of 80 within the Co-op Atlantic Federation have agreed to participate in the pilot project of the Scorecard (Jackson-Wood E-mail; Leclerc, Brown, and Novkovic 153). A related issue identified by Jackson-Wood is the difficulty to convince members, staff, management and Directors to find time to help gather data for the Scorecard (37:06s).

During the development of the Scorecard at Co-op Atlantic, members of PPCs (Pilot Project Committees, composed of employees and members of local co-operatives of the

Federation (Brown, Hicks and Leclerc 10, 2011)) expressed a few concerns that could limit the tool's uptake by co-operatives within the Federation (Leclerc, Brown, and Novkovic 152-153), or other co-operatives using similar tools. First, some perceived this tool to be too lengthy and burdensome, especially for co-operatives that have never used it before. Second, the tool was seen as "challenging to work with," especially in sections where calculations were needed to summarize the performance. Third, PPCs suggested that in order to introduce and encourage new co-operatives to use the Scorecard, a workshop approach would be most appropriate. This highlights the need for close guidance in helping co-operatives implement the tool (Leclerc, Brown, and Novkovic 153). Fourth, the possibility that any SA system, including the Scorecard, is not seen by the stakeholders as ensuring data integrity can have negative implications for its broader take-up by other co-operatives. Ultimately, its legitimacy is based on the perceptions of the stakeholders who are potential users of it. Fifth, the internal buy-in of the Board, management, and staff into the tool plays a huge role as well. For example, the issue of manager dishonesty in reporting (see Section 5) demonstrates that managers are facing internal conflicts when going through the SA process. When they perceive that there are professional risks associated with SA reporting, it reduces their buy-in into the tool, which is potentially a powerful force against the proliferation of it across other co-operatives.

## **7. Online Survey Results**

The research question of my study was: Why (or why not) do co-operatives in Ontario implement Social Accounting? The main goal was to figure out the rates of implementation and obstacles to a broader implementation. There were 54 co-operative respondents of various sizes (see Fig. 6) and types to the online survey out of a total of more than 1,300 co-operatives that are incorporated in Ontario (The Ontario Co-operative Association). In theory, my survey

should have reached almost all of them, because the Ontario Co-operative Association has sent out a Newsletter with a notice about the survey to its membership and beyond. In addition, a notice was disseminated by the Co-operative Housing Federation of Canada (Ontario Region), Central 1 (an organization representing Ontario's credit unions), Ontario's Local Organic Food Co-operative Network (LOFC) and Ontario Sustainable Energy Association (OSEA).

Furthermore, I contacted about 250 co-operatives directly through e-mail. Given the level of survey outreach that was done, the response rate is somewhat disappointing. Although it was not my goal to make any assessments based on different co-operative types, I made sure the survey included representation from all types: housing, financial, worker, consumer, farmer (producer), multi-stakeholder, daycare, renewable energy. Some of the survey questions were not answered by every single respondent. In those cases, I excluded "non-answers" from the results. The discussion will be incorporated among the questions and survey/interview results.

Here is a complete list of the survey's objectives:

1. To find out why many co-operatives of Ontario do not implement Social Accounting systems to demonstrate their sustainability impacts.
2. To find out how justified is a popular perception that co-operatives are more sustainable than capitalist corporations because of their structural differences.
3. To see how Social Accounting systems could be adapted to better fit the nature and needs of co-ops, and thereby encourage more co-operatives to implement them.
4. To understand the characteristics of the main Social Accounting systems.
5. To determine the role that democratic participation plays in the pre-, during, and post-Social Accounting process in Ontario's co-operatives.

To elaborate on the second objective; it aims to determine how many co-operatives report on

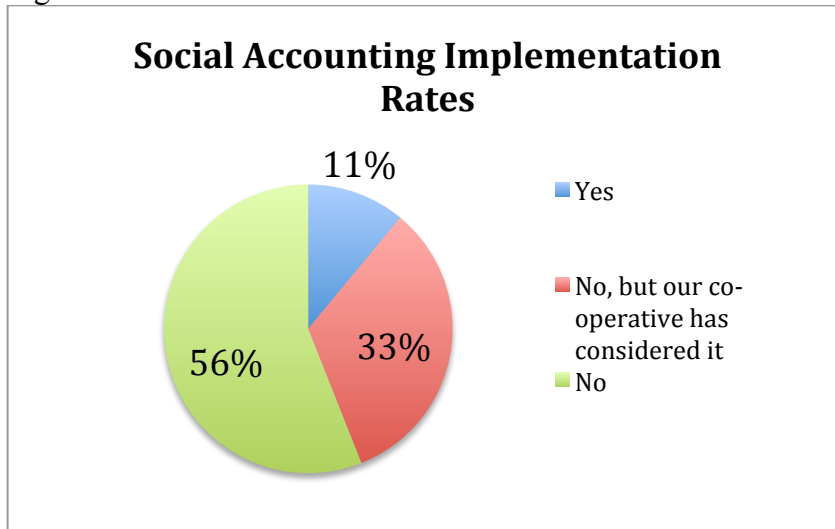
sustainability indicators and then theorize about the amount of evidence there is for the claim about co-operatives' sustainability advantage. The third objective is there to identify what are co-operatives' needs from the SA systems, what would a SA system look like that fits the co-operatives' purpose and structure? Fourth goal is there to possibly identify some obstacles to SA implementation that arise out of the nature of the existing SA systems themselves. Also, this objective is there to help me learn more about SA systems in general, as part of my professional development. Finally, the fifth objective is there to see the extent to which the co-operatives are democratic in their SA processes. If I find that democratic participation is there, it would indicate that those co-operatives are committed to one of the key objectives of SA – to discharge accountability to the organization's stakeholders for the impacts that affect them.

*Question #2:*

*Have you implemented a Social Accounting system (or at least measured some sustainability metrics) in your co-operative? Refer to Fig. 1 for a visual representation of the results.*

To sum up the results to this question, the implementation rate is quite low, but the positive side of it is the fact that a third of respondents have considered adopting SA in their co-operatives. This shows that many of them have heard about SA, which will encourage them to possibly implement it in the near future. This result does not give support to the idea that co-operatives are inherently more sustainable enterprises than conventional businesses because there is little measuring being done at the moment.

Fig. 1.

*Question #3:*

*If you implemented it, can you provide a link to the report or the contact information of a person who could give access to the report?*

Out of the five respondents who indicated that they implemented SA, I received one direct link to the sustainability report of the organization and one e-mail address of a person who could share SA information with me. Another response included an explanation how some sustainability data is measured internally and not shared publicly, while the greenhouse gas emissions data “is available on its website.” Another response indicated that the co-operative is conducting a “community enhancement survey,” with results not yet processed and the respondent is uncertain if they can be shared.

*Question #4:*

*“If you implemented it, did you hire any kind of outside assistance to help with the process of Social Accounting?”*

This question aimed to see if co-operatives lack expertise to implement SA and thus have to hire outside assistance. It was also aimed to reveal how much of an obstacle to SA system

implementation lack of in-house expertise is.

This question applied to only five respondents who said that they implemented Social Accounting. Out of those five, none hired outside assistance. Because of the small number of respondents who implemented SA, it is difficult to conclude anything about the expertise as a problem to implementation.

*Question #5:*

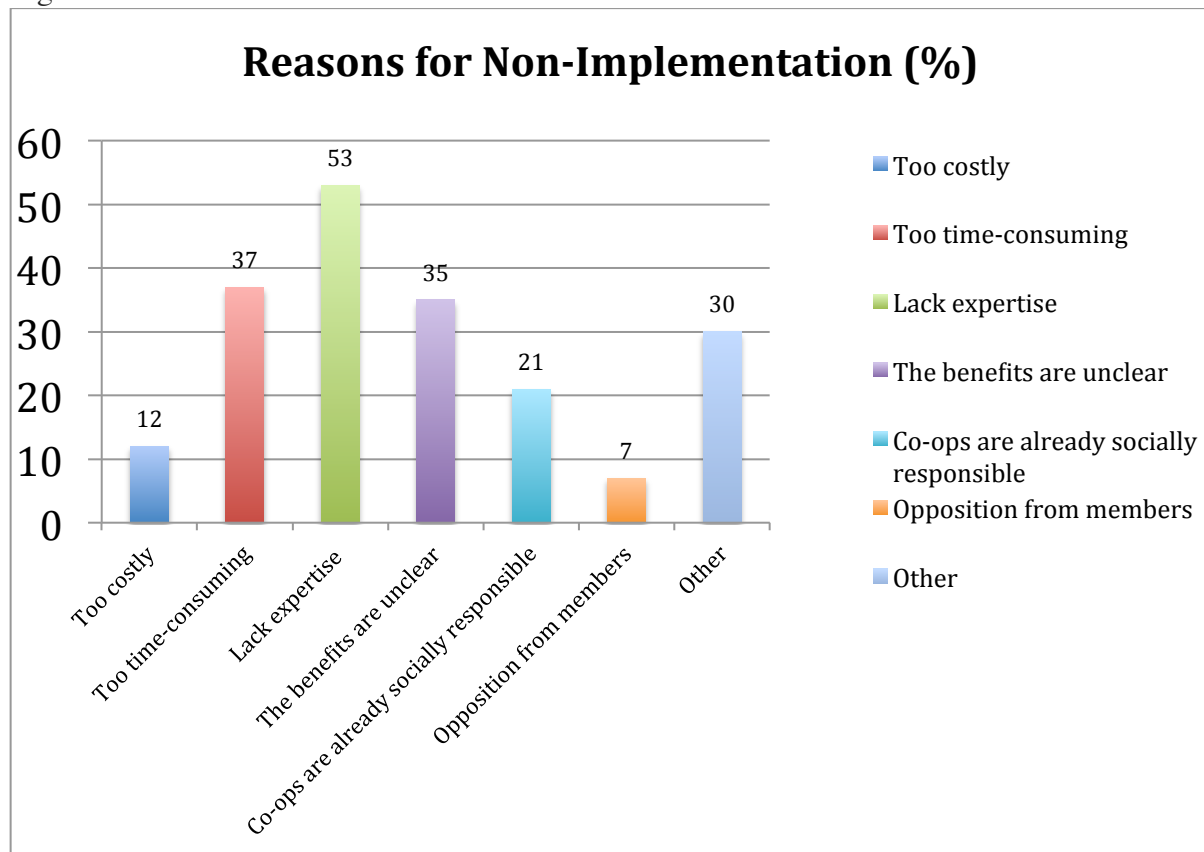
*“If you did not implement it, what were the reasons for it? (Check all that apply).”*

Refer to Fig. 2 for a visual representation of responses. Among the chosen reasons, “lack of expertise” tops the list with 53% of non-implementing respondents. It is followed by “too time-consuming,” with 37%. The third most popular choice was “benefits are unclear” with 35% of votes. Among the “Other” options that respondents wrote, majority said that SA concept was new to them. Other respondents mentioned that SA is not a high enough of a priority to do it. These results are not surprising, as time and expertise shortages were mentioned as obstacles previously.

A significant lack of understanding of SA’s benefits or the concept as a whole is somewhat surprising to come from so many co-operative respondents. Lack of awareness is also clear from the answers to Question 11. After all, co-operatives have presented themselves as a more sustainable form of enterprise than conventional business (Mills, Davies 14). “Blueprint for a Co-operative Decade” (2013), ICA’s landmark document, has argued that co-operatives need to further demonstrate their sustainability advantages in the face of the crises of unsustainability of investor-owned business models. What better way to demonstrate those advantages than through measuring and reporting their sustainability impacts using SA systems? Social Accounting would also help co-operatives to show their commitment to a

wider range of stakeholders and non-financial objectives, such as the one enshrined in the seventh co-operative principle: “Concern for community” (MacPherson 47). Whether sustainability is co-operatives’ actual or merely desired advantage over conventional firms, SA should not be such a marginal practice in the co-operative sector.

Fig. 2.

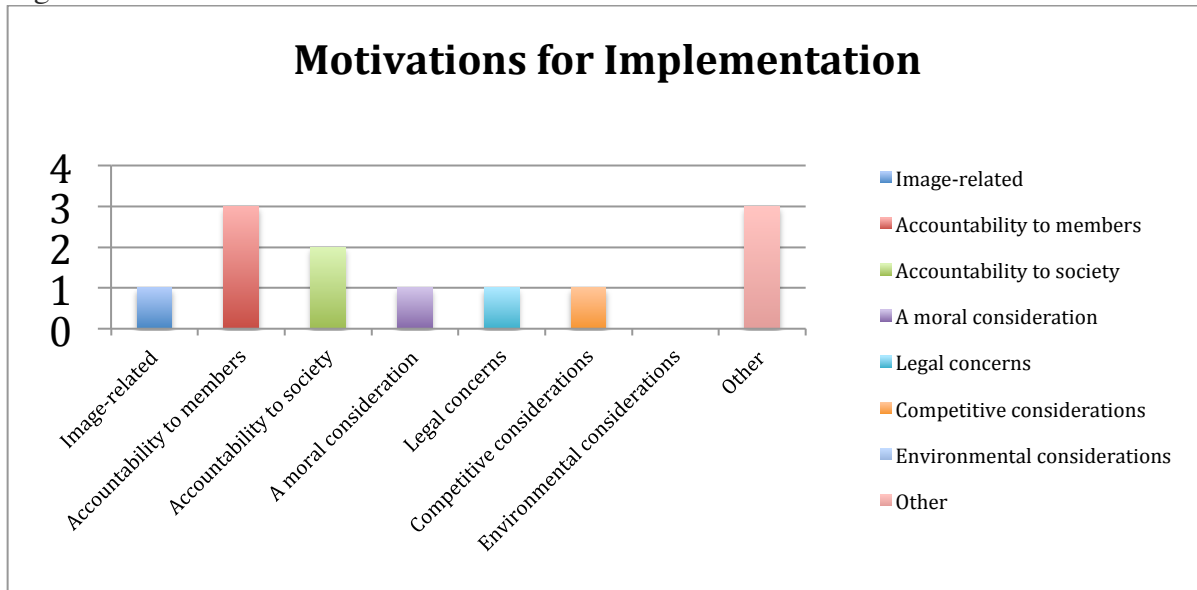


*Question #6:*

*“If you implemented it, what were your motivations for doing so? (Check all that apply).”*

Refer to Fig. 3 for the visual representation of the results. Out of the five respondents who implemented SA, “accountability to members” was the motivation for three of them, the largest number of votes. It was followed by “accountability to society,” which was chosen by two respondents. Amongst the two “Other” responses, there were: “To improve management and governance” and “staff engagement.”

Fig. 3.



*Question #7:*

*“If you implemented it, explain how did you engage your members in the Social Accounting process? Please provide an example(s).”*

Of those who said they implemented SA, only two respondents answered the question. One respondent’s example of such engagement was a regular updating of members of the Sustainability Committee (composed of co-operative’s members) about the sustainability initiatives of the co-operative. Another respondent indicated that their members will be presented with SA data later on and be given an opportunity to suggest solutions to various problems identified in the data.

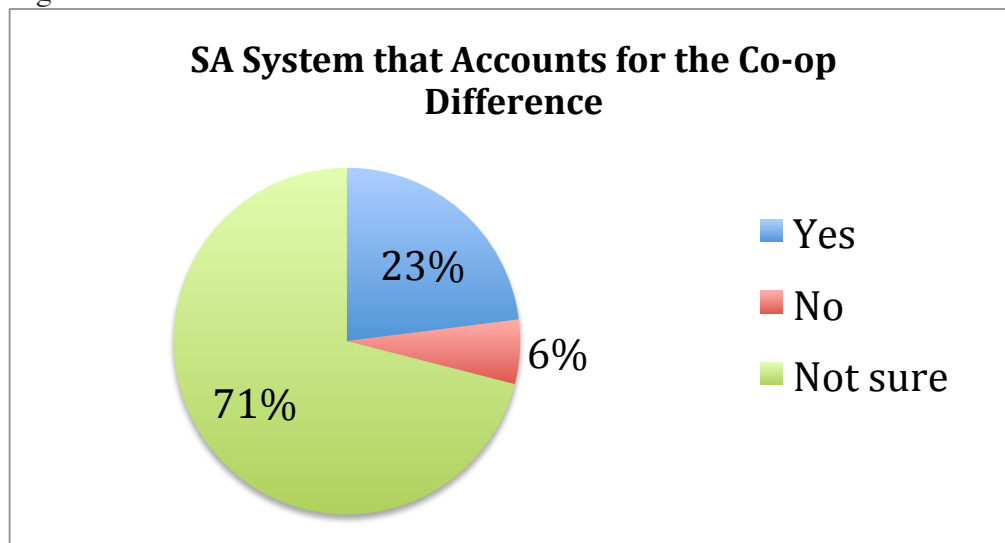
*Question #8:*

*“Do you think there are social accounting methods/systems that can adequately account for the co-operative difference/advantage?”*

The response to this question demonstrates that majority of respondents do not know enough about SA or SA systems to be able to tell whether there is an SA system that can

adequately account for the “co-operative difference”. To clarify, the “co-operative difference/advantage” refers to a difference of co-operatives versus conventional businesses, i.e. capitalist businesses. The responses and percentages are as follows (see Fig. 4): 71% of respondents are “not sure” if such a system exists. 23% said it exists, while 6% said it does not exist.

Fig. 4.



*Question #9:*

*“If you answered "Yes" to the previous question (i.e. Question 8), please specify; if you answered "No", please explain in the space provided below.”*

As reflected in the responses to Question 8, most people were not sure if there is a SA system that adequately accounts for the “co-operative difference,” so they could not answer this question one way or the other. Overall, there was not a single SA system identified by respondents that would fit the aforementioned standard. One respondent in the “No” category said that co-operatives operate in the capitalist system and don’t really have a quantifiable difference. There was also a sentiment expressed that co-operative advantage is too integrated into the personal values and choices to be easily measured. Another respondent thought that

standardized metrics to measure the co-operative difference have not been established yet.

Many other answers were also not to the question.

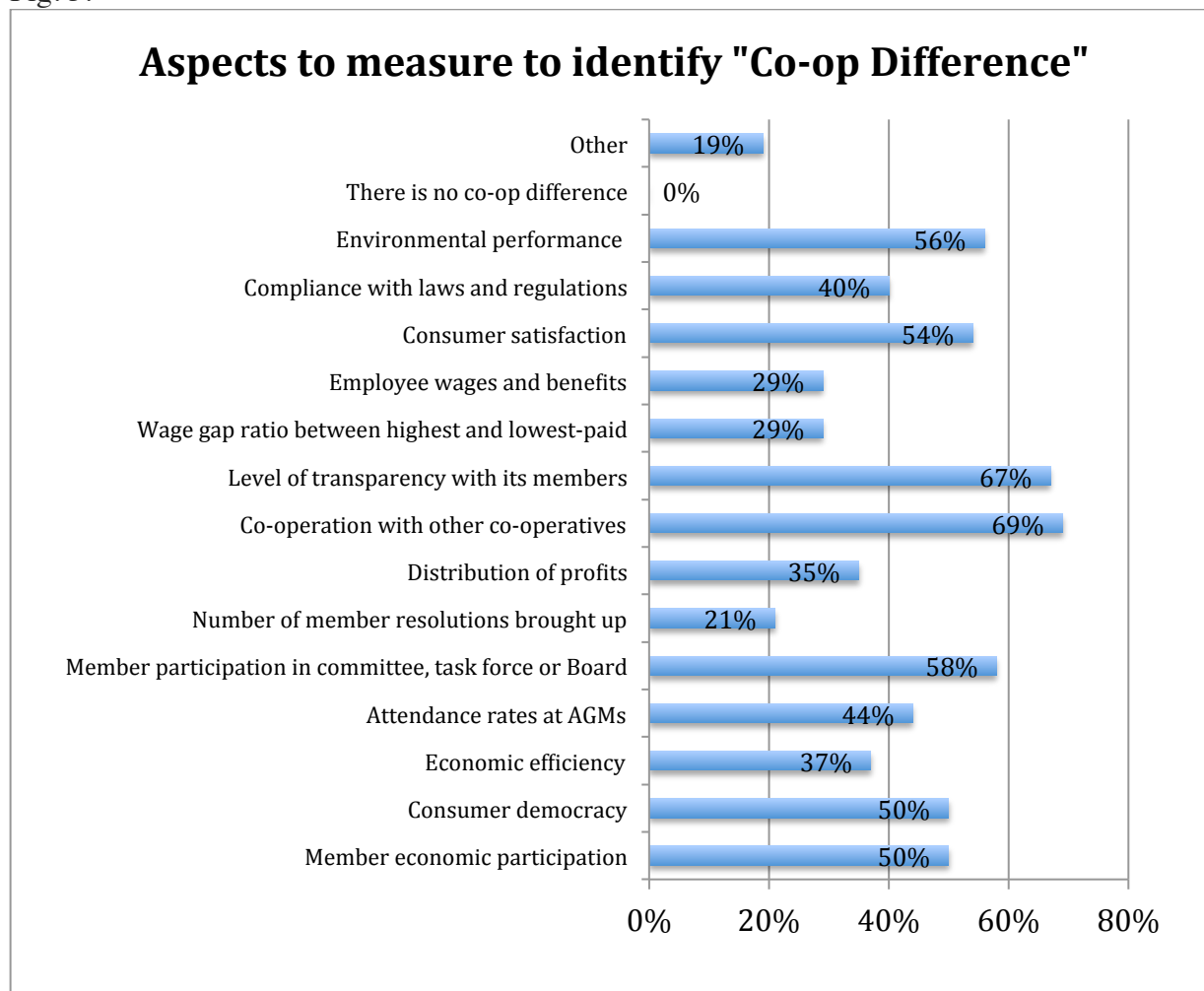
*Question #10:*

*What aspects would you measure to determine the co-operative difference? (Check all that apply).*

See Fig. 5 for the visual representation of results. This question was intended to get some hints of what should a co-operative-focused SA system measure or how the existing systems should be adapted to better fit the nature of co-operatives. I wanted to see if respondents think that co-operatives are different enough from conventional business that there would be specific aspects that should be measured in order to identify and account for the “co-operative difference.” Of all the options provided, “co-operation with other co-operatives” received the most votes – 69% (see Fig. 5). Second most popular choice was “level of transparency with its members,” which received 67% of votes. Of course, conventional businesses do not have members, who are also owners in the co-operatives’ case. Notably, no one picked “there is no co-operative difference,” which demonstrates a firm belief that co-operatives do something differently as compared to conventional business. A third most popular aspect was “Member participation in committee, task force or Board work”, as something worth measuring to identify the co-operative difference. There is no such volunteer-based committee work of members within corporations, so this is an obvious choice. It also illustrates that there is a broader stakeholder involvement in co-operatives’ governance and operations than within conventional business. Among the “other” answers there were: “employee volunteerism,” “community engagement,” “community support,” “leadership experience,” “member volunteer labor that helps the community,” “employee satisfaction,” “community investment and

sponsorship,” and “employee engagement – money or energy devoted to a social cause, quality of life” (when living in housing co-op).

Fig. 5.



Question #11:

“What would make Social Accounting systems more attractive? (Please rank options according to importance).”

Rank	Response	Score
1.	If the benefits of SA were clear	183
2.	If the systems included guidance on how to measure things	162
3.	If it took less time	149
4.	Lower cost	118
5.	If the systems’ metrics allowed for an easier performance comparison with other organizations	108

This question was another way to get at the obstacles to SA systems implementation. The way that this ranking question (above) worked was by allocating a different number of points for each option chosen, according to how high it was placed. Highest response would get 5 points, and lowest-ranked response would get 1 point, on a sliding scale. As we can see from the highest-scoring response, many respondents do not yet understand the benefits of SA. The second-highest response also reflects a lack of knowledge about SA systems and how to use them. Time and cost (third and fourth most popular choices) constitute the practical obstacles to implementation.

This result reinforces what we found in Question 5: a lack of understanding of the benefits of SA, which puts into question co-operatives' commitment to sustainability and their value of openness (International Co-operative Alliance). Implementing SA would be a great way to demonstrate both; thus, not even knowing about SA may be perceived as a sign that SA, and perhaps sustainability as a whole, are very low priorities for a significant number of co-operatives in Ontario.

*Question #12:*

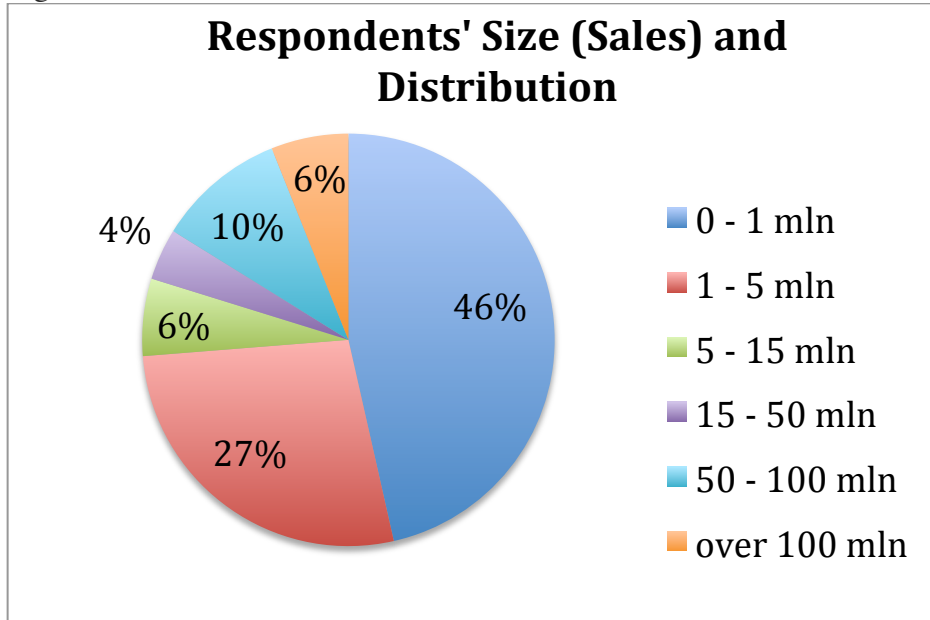
*“If your co-operative implemented Social Accounting, how satisfied are you with the outcome?”*

Of the 5 respondents to this question, 3 were “Satisfied” and 2 were “So so”. This question had a 5-point scale with options from “very unsatisfied” to “very satisfied.” The sample of respondents here was too low to conclude anything.

Question #14:

“What is the size of your co-operative in terms of sales?”

Fig. 6.



With Question 14, I was aiming to identify any correlations between respondents' size (in sales) and SA implementation rates. Even though very few co-operatives have adopted SA, they also tend to be larger ones, most likely because cost and time are not as high burdens to them as they are to smaller co-operatives.

Overall, it may be the case that the survey results show a picture that is too optimistic in terms of the whole Ontario co-operative population's knowledge and implementation rates of SA. It is reasonable to expect that those co-operatives that did not know what SA is, or considered it unimportant to their business, chose to not respond to the survey request at all. Any self-selection on that basis would indicate that co-operatives in Ontario are even less aware of SA, and even less of them implement SA, than my results show.

## 8. Interview Results

I conducted six in-depth interviews in total with co-operatives of small and large sizes to go deeper into the obstacles of their (non)implementation of SA. The following is a list of seven questions that I asked each interviewee, with summarized discussion below each.

*Question #1:*

*“Do you get information requests from your members about your co-operative's sustainability performance (in a broad sense, applies to every day operations)?”*

A majority of interviewees said that they do not get sustainability information requests from members primarily because if they have concerns about sustainability questions, they find their answers through informal ways, such as casual conversations with co-operative's staff. Another reason for that is that members who really tend to care about sustainability questions are usually involved in some capacity in operations or governance of the co-operative themselves so they have access to any information as part of the decision-making. Overall, the membership of these co-operatives is not asking for formal and public reporting of sustainability performance data. Stakeholder disinterest in SA data is in line what I found to be the case among conventional businesses who conduct SA, which is much more surprising, because large conventional businesses generally attract the most civil society criticism of their impacts on society/environment.

*Question #2:*

*“If not, why do you think sustainability and Social Accounting are not pressing issues for your members?”*

The most common answer among the interviewees was that members care about

sustainability issues but they find answers to any questions they have through other means than seeking that certain data is published publicly. They do that by being involved in governance themselves, such as in member meetings and committee work or by asking staff/Board members informally. Lack of member awareness about SA and sustainability issues was identified as one issue why there are no information requests. Another respondent mentioned that sustainability is an inherent part of the business, so there is little interest to have precise metrics about the sustainability performance. In short, members are aware of the positive sustainability impact and they don't seek to quantify it in a detailed manner. Other obstacles mentioned were focus on the products and the financial situation of the co-operative as top priorities. Also, one co-operative reports on some indicators through its annual report, but in order to expand its reporting, it wants to make sure that the chosen measures are meaningful and meet the minimal standards of the members, which are high. Another respondent mentioned that its members are definitely interested in sustainability metrics, but they do not ask the co-operative for Social Accounting data. Rather, they ask for product certifications, such as organic and Fair Trade, which address many sustainability issues.

To summarize the responses, compared to conventional enterprises, the co-operative model seems to present additional opportunities for stakeholders to learn about the sustainability impacts of their co-operatives, without having formal and public reporting of metrics. An open and democratic governance model is responsible for that. However, the issue of transparency and accountability may arise in cases where a co-operative is larger and thus, the capacity of any single stakeholder to learn about the impacts of its operations is reduced. Also, informal learning opportunities are limited for stakeholders that are outside of the co-operative, so it would still have to make sustainability data available for civil society

stakeholders in a formal and public way.

*Question #3:*

*“How do you think your co-operative is different from conventional businesses (e.g. think of your non-co-operative competitors) in terms of its “social” value, which includes promoting social good and environmental practices?”*

This question was aimed at grasping if co-operatives think there is any difference in social and environmental performance between them and their conventional business competitors. If they don't see any difference, then the need for SA would be no bigger than conventional companies would perceive it. But if (positive) differences exist, would co-operatives not see the benefit of using SA to demonstrate their social and environmental advantages? In turn, would this not provide a significant market advantage for co-operatives? This question feeds into Question 4. Admittedly, it should not be the only motivation to use SA, but given the existence of advantages, it would make sense for co-operatives to seek to demonstrate them, take advantage of the business benefits, but also use that evidence to advocate for a greater societal and governmental support for their sector.

There are two main differences in social value that were identified by most of the co-operative respondents: democratic governance and educational opportunities. The most prominent difference/advantage versus traditional businesses that came to mind for most co-operatives was the democratic governance rights of their members. An alternative governance model definitely adds to the “social value” that co-operatives are producing because a member's right to be heard and control an organization's effects on him/her inevitably improves how his/her needs are met. Co-operatives seek to involve their members in activities that go beyond just using a good or service. For example, the respondents from housing co-

operatives mentioned how they encourage tenants-members to become involved in making life in the co-operative as fulfilling as possible through participation in governance and community events.

Educational opportunities given to members by co-operatives also seem to be an advantage over equivalent conventional businesses. Some co-operatives provide workshops, even send members to conferences and bring them along for political advocacy events. Co-operatives also allow members to learn about their operations, which is an experience that can lead to those members' own initiatives. These opportunities teach members not only about co-operatives but also grow their capacities as individuals, citizens and workers.

In terms of promoting environmental practices, most co-operatives had some initiatives, such as a focus on local and organic ingredients for the products they sell, community gardens, and car sharing; but all of these are frequently done by conventional businesses as well. Finally, one of the six participants maintained that it is erroneous to assume that co-operatives are necessarily more sustainable than conventional businesses, especially on the environmental side of performance. Basically, there is nothing in the co-operative law that enforces a higher level of environmental stewardship. In addition, the seventh co-operative principle is not a binding rule, and it is also usually not interpreted as requiring extra environmental care by co-operatives, one respondent maintained.

*Question #4:*

*“Do you see a need to demonstrate this difference, and if so, how might you do it?”*

The objective of this question is to explore what are the different ways in which co-operatives seek to provide evidence for their perceived differences/advantages over conventional businesses to their stakeholders. In addition, it is aimed to see whether SA is on

their radar as a potential strategy to do that.

All co-operatives saw the need to demonstrate their advantage in the social value they provide. But one representative said that their co-operative can demonstrate it just by being authentic to what it is and staying true to its values. The representative implied that their work itself illustrates those advantages, which become obvious. But this may not be sufficient for stakeholders who may be looking for quantified evidence or even third party assurance. Admittedly, part of that evidence, supported by third party verification, is provided by organic or Fair-trade certifications, which are used by half of the co-operatives I interviewed.

Social Accounting did not come up as a tool from any respondents as a means to quantify and demonstrate the co-operative difference/advantage. What they mentioned as a means by which they demonstrate their difference is through Board communications to the membership (e.g. newsletter), their co-operative Federation's marketing, organizational websites, ongoing member education, information/orientation sessions, trainings, co-operatives' marketing of themselves and their goods/services. However, these are mostly diverse modes of communication and there was not much elaboration on whether they provide any evidence of the co-operative difference/advantage to stakeholders. But considering how few co-operatives in my survey have reported doing any SA, my suspicion is that a lot of the aforementioned modes of communication with stakeholders are used to describe the co-operative difference in abstract sense, without specific sustainability metrics.

*Question #5:*

*“Do you believe your members have enough information to meaningfully participate in the co-operative's democratic governance? Could you give some examples?”*

Here I was trying to get at the extent of the need for SA to help inform the memberships

of co-operatives. Admittedly, this question would be best addressed to the recipients of the information – co-operative members, rather than information providers – co-operatives' staff and Board of Directors. Still, the answers to this question could clarify whether members could benefit from additional information typically provided by SA processes.

The vast majority (except one) of co-operatives claimed that their members have as much information as they want to participate in the democratic governance. A couple of co-operatives mentioned using member surveys to identify their needs and then sharing the results with the membership. One worker co-operative mentioned that because of their small size, all of the present members are still the original founders, who have participated in every aspect of its operations. This gave them direct access to all the information they could ever need to participate in governance. Other ways in which respondent co-operatives share relevant information with their members: special day-long conference (video-recorded for those unable to attend) to discuss the state of the co-operative; explaining the budget (with a financial auditor present) with a question/answer session; town-hall info session; information about financial statements given in advance of the AGM so members can become familiar with it and prepare questions; board meetings completely open for members to attend; flyers and memos sent out to members in a timely manner explaining important matters (e.g. board elections, budget); and General Members' Meetings.

In general, the answers provided suggest that members have enough information to meaningfully participate in their co-operatives' governance. In short, there are no limits on the type of information they could obtain from the leadership of the co-operative. Although, whether the co-operative even measures certain data that could be of interest to members, is a separate question.

*Question #6:*

*“What kind of impact does democratic control of your co-operative make on its behavior in terms of social, environmental responsibility, and the consideration of your stakeholders?”*

This question was designed to determine whether there is interest among co-operatives' members to move it in a certain direction vis-à-vis sustainability using the democratic processes. If the question is able to identify members' desire for more sustainable operations, then it can be argued that there is a need for an increased adoption of Social Accounting within a co-operative.

Only two of the respondents said that because of the democratic control and members' initiative, their co-operatives have gotten involved in certain social and environmental initiatives. Two worker co-operatives replied that it is more about the personal convictions of the worker-owners that have led it towards adopting sustainability initiatives. This also attempts to answer the question of whether the democratic nature of co-operatives is really what allegedly makes them more sustainable than conventional businesses. Basically, the idea is that if members have the power to shape the business, being members of the grassroots make them more sensitive to social and environmental issues, which in turn would lead them to encourage the co-operative to move towards sustainability.

*Question #7:*

*“Could you expand on your reasons for implementing/not implementing Social Accounting?”*

With this question I wanted to get additional insight on the obstacles that prevented (some of) the co-operatives in Ontario from implementing SA. With one exception, none of them have SA processes in place. The one that does also publishes most of its data internally through its annual reports. In short, the main reasons the interviewed co-operatives do not adopt SA are:

resource and time shortages; lack of awareness about sustainability issues and interest from members; lack of expertise by management in doing it and because there is no need (the co-operative is small and very inclusive). Despite the lack of implementation, the answers also indicated that there is an expectation to implement it in the future by most co-operatives interviewed.

## **Conclusion**

We have seen that conventional accounting is insufficient to provide a complete picture of an organization's performance to all its stakeholders and that Social Accounting offers a good conceptual solution to the former's shortages. Conventional accounting, like GDP as a measure of national economic prosperity, excludes important inputs into production. As Philipsen would say, we also become what we measure, which highlights the importance of having good measures and appropriate standards that reflect our values. SA systems such as GRI and the Scorecard suffer from a variety of issues that reduce their effectiveness as instruments of accountability against sustainability objectives. Some of these issues are about the systems themselves and others about the way they are implemented. For example, not disclosing SA data to outside stakeholders limits the amount of accountability a co-operative is willing to subject itself to, which does not align with the key goal of SA. In addition, if we are to believe scholars like Azcarate et al., systems like GRI are very poor measures of sustainability and play more of a role of protecting corporate image than anything else. Perhaps for that reason, SA reports are not used much by businesses' outside stakeholders for accountability purposes. Corporate image protection is definitely not the original aim of SA and the creeping corporate co-option of the tool is truly unfortunate. We have also seen that conceptually co-operatives tend to fit the objectives of Social Accounting better than

conventional businesses do. However, the rates of SA system implementation among co-operatives in Ontario are quite low, primarily because of time, resources, awareness, and expertise shortages (See Fig. 2). The interviews have revealed that co-operatives, especially small ones, are very transparent and open to stakeholder input, which may lead some to believe that co-operatives do not need SA at all. However, co-operatives do not necessarily consider outside stakeholders or the natural environment in their operations, meaning that they can benefit from SA as well. Given the low SA implementation rates and a lack of awareness about its benefits, Ontario's co-operatives have a long way to go in order to demonstrate sustainability advantages over their conventional business counterparts. As for SA itself, its various systems are still a work in progress with questionable reliability of the sustainability information they provide and a general stakeholder disempowerment in using that information to push for change towards sustainability.

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