

**An evaluation of the co-operative business model within  
the context of the Global Reporting Initiative**

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Mini-dissertation submitted in partial fulfilment of the requirements for the degree  
Masters in Financial Management at the Potchefstroom Campus of the North-West  
University

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**November 2012**

**Potchefstroom**

**“Wisdom is not a product of schooling but of the lifelong attempt to acquire it.”**

**(Albert Einstein)**

## ACKNOWLEDGEMENTS

I would like to express my deepest gratitude and appreciation to the following people who have supported me in the process of completing this mini-dissertation:

- My supervisor, Prof. P.W. Buys for his support, famous guidance and patience throughout this process.
- The management of Agri-Com, my father, Das du Toit and Mr. Kobie Odendaal, for allowing me to do this case study on their co-operative and for providing me with valuable answers and for their patience and time.
- My loving parents and family at home, who always support and encourage me with every new challenge I take on, one couldn't ask for a better family.
- My friends, especially those who I have lived with this year, for their understanding and support and Jaccie for all his encouragement and patience.
- Last but not least, I want to thank my Heavenly Father, for life, opportunities and blessings and all the special people in my life.

Thank You Father for doing exceedingly, abundantly above all that I ask and pray for.

**NOTE: I am very grateful to the National Research Foundation (NRF) of South Africa, who provided substantial financial support for this study**

## **REMARKS**

The reader is reminded of the following:

- This mini-dissertation is presented in the article format in accordance with the policies of the North-West University's faculty of Economic and Management Sciences' WorkWell Research Unit and consists of one research article.
- In the instance of an article format mini-dissertation, the faculty of Economic and Management Sciences' Regulation E.9.3 requires that the mini-dissertation consists of at least one (1) publishable article that has been submitted to a Department of Education approved peer-reviewed journal.

## **ABSTRACT**

Title: An evaluation of the co-operative business model within the context of the Global Reporting Initiative

Key words: Co-operative, Corporate Social Responsibility, Global Reporting Initiative, Integrated reporting, Sustainability.

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Milton Friedman's theory of free market corporate responsibility, which states that the maximizing of profits is the only social responsibility a law-abiding business has, is clearly a concept of the past. A concept that is very relevant today, is the concept of sustainable development, which may be defined as development that meets the needs of the present world without forfeiting the ability of future generations to meet their personal needs. This concept recognises that stakeholders and shareholders require forward-looking information to attend to the economic, environmental and social aspects of a business's activities. Previous research has indicted that the financial performance of a business alone isn't the sole reason for its success. This demonstrates the change from a single-bottom-line management and reporting approach to a triple-bottom-line management and reporting approach. The Global Reporting Initiative (GRI) developed a Sustainability Reporting Framework that is generally considered the most widely used framework in terms of social responsibility reporting.

In this research project, the unique set of business principles and values of co-operatives were analyzed and evaluated, and congruence were found between sustainable development and co-operative governance. Co-operatives in their diverse forms support the fullest participation in the economic and social development of people since they put people at the centre of their business and not capital. The primary objective of this study was to determine the extent to which the GRI guidelines, as a reporting framework, are feasible or applicable to co-operatives as a business model.

In this research project, the abovementioned GRI guidelines are applied on a selected co-operative's activities. The empirical case study, based on the agricultural co-operative Agri-Com, illustrated that the Level C Reporting Framework as per the GRI, can be used very successfully in the co-operative business model. In the case of Agri-Com, it was found that

even though it is a co-operative, its primary management and reporting focus remained primarily on the financial aspects. It can therefore be recommended that in this instance, the guidelines per the Level C Reporting Framework, be considered as a method to better embrace the principles of the co-operative business model.

# OPSOMMING

Titel: 'n Evaluering van die koöperatiewe besigheidsmodel binne die konteks van die 'Global Reporting Initiative'

Sleutelterme: Koöperasie, Korporatiewe Sosiale Verantwoordelikheid, Globale Verslagdoening Inisiatief, Geïntegreerde Verslagdoening, Volhoubaarheid.

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Milton Friedman se teorie van die vrye-mark korporatiewe-verantwoordelikheid, wat beweer dat wins maksimering die enigste sosiale verantwoordelikheid van 'n wetsgehoorsame besigheid is, is duidelik 'n konsep van die verlede. Die konsep van volhoubare ontwikkeling, wat gedefinieer word as ontwikkeling wat voldoen aan die behoeftes van die huidige geslag sonder om die vermoë van die toekomstige geslagte om in hul persoonlike behoeftes te voorsien te verbeur, is baie meer relevant in vandag se omgewing. Hierdie konsep erken dat belanghebbendes en aandeelhouers toekomsgerigte inligting wat aan die ekonomiese, omgewings-en sosiale aspekte voldoen, vereis. Vorige navorsing het aangetoon dat die finansiële prestasie van 'n besigheid nie die enigste rede vir sukses is nie. Dit toon verder ook die verandering van 'n *single-bottom-line* bestuur en verslagdoeningsbenadering na 'n *triple bottom-line* bestuur en verslagdoenings benadering. Die *Global Reporting Initiative* (GRI) het 'n Volhoubaarheids-verslagdoenings-raamwerk ontwikkel, wat in die algemeen beskou word as die mees gebruikte raamwerk in terme van maatskaplike-verantwoordelike-verslagdoening.

In hierdie navorsingsprojek is die unieke stel beginsels en waardes van koöperasies ontleed en geëvalueer, en kongruensie is gevind tussen volhoubare ontwikkeling en koöperatiewe bestuur. Koöperasies, in hul diverse vorme, ondersteun die volle deelname in die ekonomiese en maatskaplike ontwikkeling van mense, omdat sodanige mense as die kruks van hul besigheid beskou word, en nie noodwendig kapitaal nie. Die primêre doel van hierdie studie was om te bepaal tot watter mate die GRI-riglyne, as 'n verslagdoeningsraamwerk opgestel, haalbaar is of van toepassing is op koöperasies as 'n besigheidsmodel.

In hierdie navorsingsprojek, word die bogenoemde GRI riglyne toegepas op 'n geselekteerde koöperasie se aktiwiteite. Die empiriese gevallestudie, wat gebaseer is op die landbou-

koöperasie Agri-Com, geïllustreer dat die Vlak C Verslagdoeningsraamwerk soos per die GRI, kan baie suksesvol gebruik word in die koöperatiewe model. In die geval van Agri-Com, is daar bevind dat selfs al is dit 'n koöperasie, die primêre bestuur en verslagdoening fokus steeds hoofsaaklik op die finansiële aspekte. Dit kan dus aanbeveel word dat in hierdie geval, die riglyne per die Vlak C Verslagdoeningsraamwerk, oorweeg word as 'n metode om die beginsels van die koöperatiewe model beter te omhels.

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## **LIST OF ABBREVIATIONS**

<b>CERES</b>	Coalition for Environmentally Responsible Economies
<b>CIMA</b>	Chartered Institute of Management Accountants
<b>CSR</b>	Corporate Social Responsibility
<b>DoA</b>	Department of Agriculture
<b>DoED</b>	Department of Economic Development
<b>DTI</b>	Department of Trade and Industry
<b>EPS</b>	Earnings Per Share
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAAS</b>	Generally Accepted Auditing Standards
<b>GRI</b>	Global Reporting Initiative
<b>ICA</b>	International Co-operative Alliance
<b>IoD</b>	Institute of Directors
<b>IYC</b>	International Year of Co-operatives
<b>NGOs</b>	Non-Governmental Organisations
<b>NI</b>	Net Income
<b>S&amp;P</b>	Standard & Poor
<b>TBL</b>	Triple Bottom Line
<b>UK</b>	United Kingdom

# CHAPTER 1

# 1. INTRODUCTION

## 1.1 BACKGROUND

Maximising profits for its shareholders is the only social responsibility a law-abiding business has. In short, this is the economist Milton Friedman's theory of free market corporate responsibility (Blowfield & Murray, 2008:23). In line with this, the primary focus of many business owners, accountants and auditors has then also been on the bottom line (Jones III & Jonas, 2011:65), in other words focussing on Net Income (NI) and or Earnings Per Share (EPS).

According to Blowfield and Murray (2008:41), Lord Cadbury was in court in 1909 because the company bearing his name, Cadbury's, had been buying cocoa produced by slaves in Africa. In 2000 the company was again accused of a similar offence. From such events it becomes evident that, throughout history, society has often judged business from a moral perspective. The recent collapse of major companies around the world and the financial scandals that followed have been causing concern in a number of recent studies on accountability, governance and regulations (Jooste, 2010:98). Moreover the issue of sustainable development and corporate social accountability and responsibility among other, have been at the top of many governments' agendas in the past decade or more (Demirag, 2005:11).

In 1987 sustainable development was defined by the World Commission of Environment and Development's report entitled *Our Common Future*, as 'development that meets the needs of the present world without compromising the capability of future generations to meet their own needs' (GRI, 2011:2). The GRI (2011:2) states that there are many forces in society, and organisations of all kinds that play a significant role in achieving this goal. Demirag (2005:11) defined the concept of **corporate social responsibility** as corporate attitudes and responsibilities in terms of society for social, ethical and environmental issues, which includes sustainable development. The above concept is what **co-operatives**, as an organisational business model, stand for, not only in terms of its definition but also in its underlying principles and values.

Since the publication of the first King Code of Governance Principles in 1994, the King Committee has been setting benchmarks for the best practice in the area of corporate

governance (Du Plessis & Prinsloo, 2009:156). The King II Report, issued in 2002, was one of the first corporate governance codes to focus on the **triple bottom line** (TBL), recognising that stakeholders as well as shareholders require forward-looking information to address the economic, environmental and social aspects of a company's activities (Du Plessis & Prinsloo, 2009:156). Following on these, the King III Report was published in February 2009 in response to the Companies Act 71 of 2008 and developments in corporate governance internationally (IoD, 2009:6; Van Zyl, 2012:1). In the King III Report there is even more attention being focussed on sustainability and the reporting on the companies' sustainability perspectives (Du Plessis & Prinsloo, 2009:156).

There has been a growing awareness that the financial performance of a business alone does not make for a successful business. It has become more obvious that the sustainable success of a business also depends on its socio-ethical and environmental performances (Nikolaou, Evangelinos & Allan, 2012:5; White, Cleveland & White, 2008:31). This illustrates the shift from a single-bottom-line approach to a triple-bottom-line reporting approach that can be seen around the globe (Rossouw, 2009:166). This is supported by White *et al.* (2008:32) and Jones III and Jonas (2011:65) when they stated that in recent years business stakeholders have sharpened their focus and heightened their expectations with a new interest in voluntary reporting about an entity's TBL approach, which are then its economic, environmental and social accomplishments. It is no longer just Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS), there are now also Corporate Social Responsibility (CSR) and the Global Reporting Initiative (GRI), and with these reporting methods come both responsibility and opportunities for accountants and auditors (Jones III & Jonas, 2011:65). This is recognized as the evolution of sustainability reporting that will be discussed in the next chapter.

## 1.2 **AGRI-COM CO-OPERATIVE LTD – EMPIRICAL CASE STUDY**

Agri-Com Co-operative Ltd. (Agri-Com) is a business entity registered as an agricultural co-operative under South African Legislation on 1 February 2000 and is currently based in Bethlehem in the Eastern Free State. Agri-Com is a co-operative duly registered in terms of the Co-operatives Act 14 of 2005 and the statutes of the co-operative enable it to function and serve members in various capacities (e.g. as financier, for acquisition of inputs, for grain marketing and insurance etc.).

Agri-Com is a registered low-cost agricultural co-operative, providing selected services such as the finance of input cost, comprehensive insurance on crops, bulk purchasing of farming inputs at a discount and the marketing of members' production to prospective buyers. Most of the larger co-operatives changed from a strictly co-operative system to a corporate structure and as a result the producers' position was compromised by investors with the objective to maximize profits rather than to look after the interests of producers.

Agri-com is able to operate nationally; their current markets include mainly grain producers in the Free State and Mpumalanga Provinces. Agri-Com has the opportunity to provide a one-stop service in terms of the cultivation of maize, wheat, soy beans, sunflower, sugar beans and potatoes to selected farmers in these areas. The most important function that Agri-Com performs is to facilitate bulk purchase of production inputs for members. The main source of income is from trade rebate on the procurement of production inputs, commissions on crop insurance cover and commissions on grain sales.

### 1.3 **PROBLEM STATEMENT**

In the light of the above, sustainable development has become one of the major issues that many global organisations are facing. It changes the way businesses operate and strategize in order to gain its competitive advantage. At the heart of this change lies the reality that stakeholders, including shareholders, employees, government, customers, suppliers, trade unions, the environment and society as a whole, have evolved into more demanding role players. Stakeholders have changed their requirements, expecting companies to act as responsible corporate citizens.

Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards achieving the goal of sustainable development. As a broad-based concept it is often considered synonymous to TBL and CSR used to describe reporting on **economic**, **environmental** and **social** impacts. The Global Reporting Initiative that is considered the leading authority world-wide, has developed what is currently considered the "common framework for sustainable reporting".

As a business model, a co-operative is an autonomous association of persons united voluntarily to meet their common **economic**, **social**, and **cultural** needs and aspirations through a jointly-owned and democratically-controlled enterprise. Ranging from small-scale

to multi-million dollar businesses across the globe, co-operatives employ more than 100 million women and men and have more than 800 million individual members.

A distinctive character of co-operatives is that they **put people at the centre of their business and not capital**. Co-operatives are business enterprises and thus can be defined in terms of three basic interests: ownership, control, and beneficiary. Only in the co-operative enterprise are all three interests vested directly in the hands of the user. They follow a broader set of values than those typically associated with making a profit. Because co-operatives are owned and democratically-controlled by their members (individuals or groups and even capital enterprises) the decisions taken by co-operatives balance the need for profitability with the needs of their members and the wider interests of the community. Considering the above, the primary research question for this study can therefore be asked as follows:

- To what extent would the GRI guidelines, as a reporting framework, be feasible or applicable to co-operatives as a business model?

In answering the aforementioned question, the following detailed questions can be formulated:

- What are the key components of the GRI framework?
- What are the key principles of a co-operative business model/philosophy?
- To what extent does the GRI (G3.1) coincide with the objectives of the co-operative business model?

#### 1.4 **RESEARCH OBJECTIVES**

The main objective of this study is therefore to determine the extent to which the GRI guidelines would be feasible to use or applicable to co-operatives. In this case, it is an agricultural co-operative, namely Agri-Com situated in Bethlehem.

The main objective will be achieved by addressing the following secondary objectives:

- To analyse the GRI framework in order to identify the key components thereof.
- The evaluation of the co-operative's business model/philosophy and principles in the context of the above.

- The interpretation and evaluation of the GRI's report template in terms of the objectives of the co-operative business-model, by means of a case study.

## 1.5 RESEARCH METHODOLOGY

### 1.5.1 Introduction

In order to achieve the above objectives, the proposed researched method will be a case study and will be concluded by means of a literature as well as an empirical study. Consideration will also be given to the various levels of reporting within the GRI framework.

- Literature review: The literature study will consist of two focus areas. The first focus will be on corporate social responsibility, sustainability and integrated reporting, while the second focus will be on the philosophies of co-operatives. Published academic research conducted nationally and internationally will be included in the research, where the opinions of different theorists will be taken into consideration. Information will also be gathered by means of the relevant textbooks, subject-specific magazines and use will be made of the International Co-operatives Alliance website and the GRI website throughout the research study.
- Empirical research: The empirical study will be based on an agricultural co-operative, namely Agri-Com, which is based in Bethlehem in the Eastern Free State. Agri-Com delivers a wide range of specialized services to farmers and related industries, including medical funds and all insurance services. It is the intention that the GRI guidelines, Level C report template, will be applied to this co-operative's activities.

### 1.5.2 Research design

The term *research* originated from the French word, *rechercher*, which implies to *search back*. It is set into motion when the researcher is confronted with a problem that is demanding a solution (Manoharan, 2010:1). Research is the methodical approach to gain and confirm new and dependable knowledge (Ethridge, 2004:16). According to Ethridge (2004:16) the aforementioned suggestion of the term research is an accurate and comprehensive definition because of its several characteristics that are indispensable for a comprehensive and an accurate definition. The reason for this that it isn't limited to certain types of activities, it illustrates that research follows a sequence of steps and the purpose is new and can be

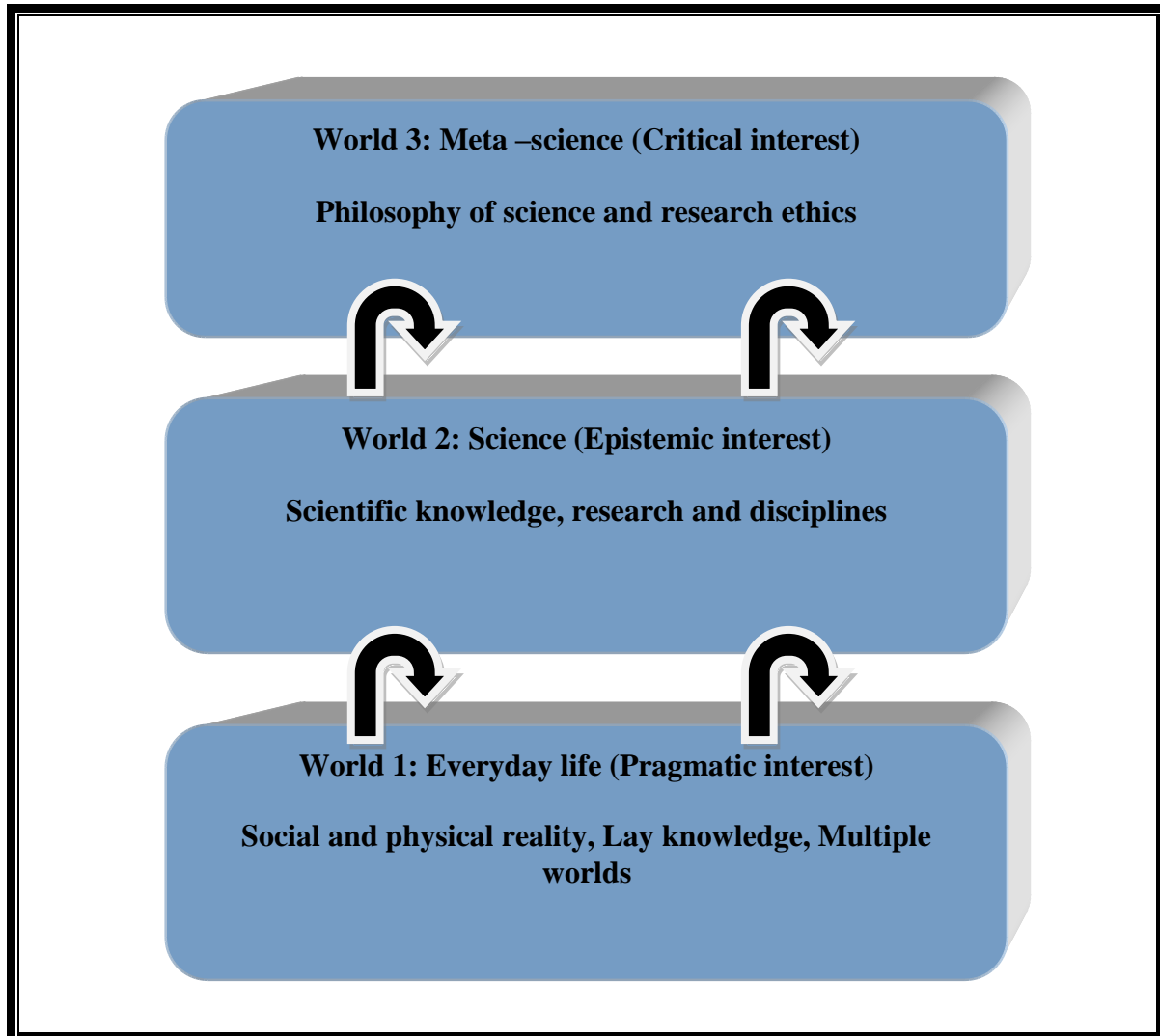
considered reliable as new knowledge is gained (Ethridge, 2004:16). Kumar (2005:6) argues that research is one of the ways to discover answers to your questions. The objective of this study is to determine whether co-operatives can be seen as a 'vehicle' towards sustainable development by applying the GRI's Sustainable Reporting Framework.

To qualify as research, the investigative process must contain certain characteristics, including being properly controlled, rigorous, valid and verifiable, systematic, critical and empirical (Kumar, 2005:7). Findings in research should provide at least some contribution to academic knowledge and organisational practices (Myers, 2009:12). The relevance, dependability and value of research results often depend on the methodological designs applied in order to carry out the study (Myers, 2009:35). The Oxford Dictionary of Philosophy (1994:242) defines methodology as the general study of method in particular fields of enquiry and maintains that any field can be approached with success and in an intelligent manner. It is further indicated that there is one right mode of enquiry logically guaranteed to find the truth if any method can. Methodology is a structured set of guidelines intended as assistance to people undertaking research, normally a methodological progress within a paradigm developed either implicitly or explicitly to represent the philosophical assumptions and principles of the paradigm (Mingers & Blocklesby, 1997:490), which will now be discussed in a sequential manner.

### **1.5.3 Research framework**

When undertaking a research study, it is implied that the process involves a framework built on a set of philosophies; that it makes use of methods, procedures and techniques that have been tested for their reliability and validity and that it is designed to be objective and impartial (Kumar, 2005:6). Research problems are generally created to deal with "real-life" problems, it is a process where a real-life problem has been identified and converted into a research problem. A simple structure is applied to explain and clarify this and other aspects of the logic of research by means of the Three Worlds framework. The framework's focal point is on the three worlds from a perspective of general knowledge production (Mouton, 2011:139).

**Figure 1.1: The Basic Framework: The Three Worlds**



(Adapted from: Mouton, 2011)

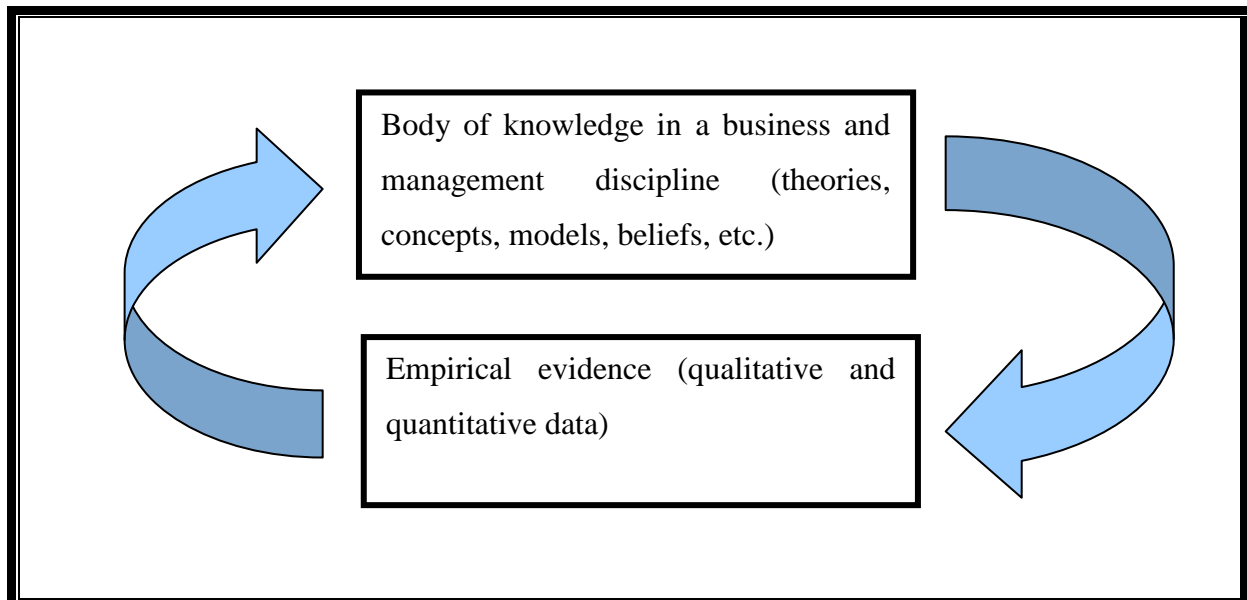
- **World 3: The World of meta-science:** The word *meta*, derived from the Greek meaning *over* or *beyond* is taken to represent a new paradigm, where information and knowledge are accessed at the deepest levels. There has been a development of various meta-disciplines over the years for example research ethics, sociology and history of science and the philosophy and methodology of science. These can all be found in this world because all of them imply reflection on the nature of science and scientific research (Mouton, 2011:139).
- **World 2: The World of science and scientific research:** *Epistemic*, derived from the Greek word *episteme* which means *truthful knowledge*. In the world of science the

overriding goal is to search for truthful knowledge, to generate reliable and valid descriptions, models and theories of the world (Mouton, 2011:138).

- **World 1: The World of everyday life and lay knowledge:** This is the world we exist in, the ordinary social and physical reality with our everyday tasks. In this everyday life we use and produce knowledge of different kinds, the knowledge which enables us to cope effectively with our daily tasks referred to as *lay knowledge* (Mouton, 2011:138).

The focus of this research study can be taken as centred in both World I (everyday life or pragmatic) and World II (science or epistemic). The co-operative business model lies in World 1 with its practical interest and social and physical reality, where the GRI framework is found in World 2 where we subject objects to systematic and rigorous enquiry with scientific research and disciplines. This study consists of an empirical investigation that relies on empirical data from the natural or social world which in this case is the **co-operative business model**. According to Myers an empirical investigation seeks to contribute to the body of knowledge in a particular field (Myers, 2009:12). The following model represents the process of empirical research in business and management.

**Figure 1.2: A model of research in business and management**



(Adapted from: Myers, 2009)

#### **1.5.4 Underlying philosophical assumptions in research**

A research philosophy is a belief about the manner in which data about a phenomenon should be gathered, analysed and applied (Davison, 1998:3-1). Epistemology, a term derived from the Greek word *episteme*, implies the theory of knowledge, and refers to the assumptions about knowledge and how it can be obtained and known to be true (Myers, 2009:35). The term *epistemology*, which is something that is known to be true, opposed to *doxology*, which is something believed to be true, includes the various philosophies of a research approach. The purpose of science is the process of transforming things that are believed into things that are known (Davison, 1998:3-1). Research is based on some underlying assumptions about what constitutes research, that is valid and which research methods are considered as appropriate (Myers, 2009:35). In the discipline of research methodology, two approaches can be followed namely quantitative and qualitative approaches (Nyame-Asiamah & Patel, 2009:2). These two broad approaches will be briefly considered next.

##### ***1.5.4.1 Quantitative research***

Quantitative research implies the analysis of data by means of numbers, where it measures how many people feel, think or act in a specific way (Manoharan, 2009:12). This approach employs strategies of inquiry such as experiments and surveys and collects data on predetermined instruments that produce statistics data (Creswell, 2003:21). This research study doesn't fall in this scope of research where numbers are emphasized, which is quantitative research, but rather in the field of qualitative research which will be considered next.

##### ***1.5.4.2 Qualitative research***

Qualitative research can be found in many disciplines and fields, by means of a variety of methods, techniques and approaches (Myers, 2009:6). This approach seeks to establish the meaning of a phenomenon from the point of view of participants (Creswell, 2003:21). Qualitative research can portray persons and events scientifically not including the use of numerical items (Manoharan, 2009:12). This research study is conducted as qualitative research where observing and interviewing will take place with the help of documents and texts.

## *Qualitative research methods*

A research method can be seen as a strategy of inquiry that moves from underlying philosophical assumptions to research design and data collection. The selection of research method influences the manner of data collection by the researcher. The following research methods are briefly high-lighted:

- **Action research:** This type of research concentrates on immediate application and not on the generalization of applications or on the development of theory (Manoharan, 2010:17).
- **Case study research:** It is an empirical enquiry that investigates a modern phenomenon within its real-life context particularly when the precincts between phenomenon and context are not apparent (Yin, 2003:1).
- **Ethnography:** Ethnographers immerse themselves so that they can become integrated into the lives of the people they are studying and this kind of research is always conducted in the natural setting (Richards & Morse, 2007:55).
- **The grounded theory:** A research study that seeks to develop theory that is grounded in data that is systematically gathered and analysed. High standards are set for the data not only in the coverage of the process but in depth of detail as well, because of the goal that is to discover theory from data (Richards & Morse, 2007:61)

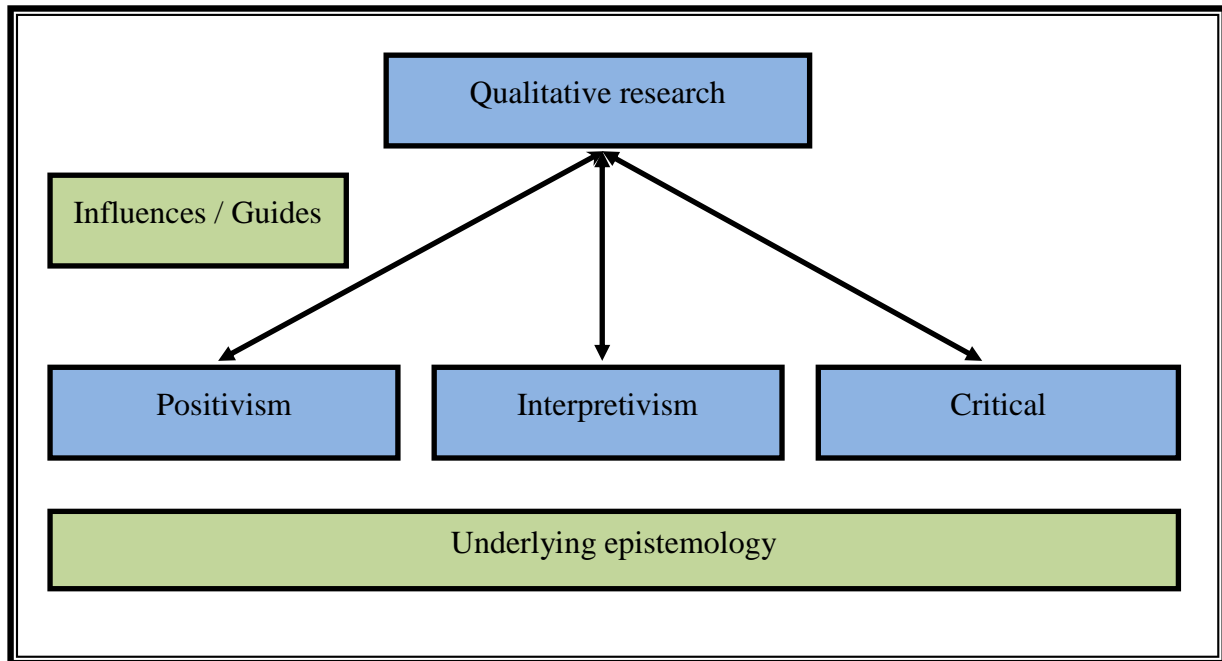
The research study qualifies as a case study, where a holistic view could be gained of a certain phenomenon, with its related strengths and weaknesses. The main specialty according to Myers (2009:80) is that a well-written case study supported by empirical research symbolizes a real story that most researchers can identify with and along with this it allows the researcher to investigate or test theories within the context of disorganized real-life situations. One of the major weaknesses is that it could be difficult to gain access to the specific company that is being studied and another is that the researcher doesn't have any control over the situation (Myers, 2009:81).

### *1.5.4.3 Philosophical assumptions*

An important attribute of a quantitative or qualitative study, is that it is an empirical investigation that relies on empirical data from the social or natural world. The relevant philosophical assumptions are those that relate to the underlying epistemology which guides

the research. Three categories, namely positivist, interpretive and critical, are recommended by Myers (2009:36) based on the underlying research epistemology.

**Figure 1.3: Underlying philosophical assumptions**



(Adapted from: Myers, 2009)

**Positivism:** Positivism is the most dominant form of research in most business and management disciplines (Myers, 2009:37). Positivists believe that reality is stable and that it can be observed and described from a viewpoint that is objective (Goduka, 2012:126). The outlook is that things that can be directly observed or measured are valid for scientific attention (Ethridge, 2004:61). This theory generally attempts to test theory, in an attempt to increase the predictive understanding of phenomena (Myers, 2009:37).

**Interpretive:** Interpretivism argues that reality can only be fully understood through the subjective interpretation and intervention in reality (Davison, 1998:3-2). Interpretive researchers focus on meaning in context and aims to understand the context of the phenomenon for the reason that the context is what defines the situation and makes it what it is (Myers, 2009:38).

**Critical:** Both interpretive and positivist forms of research are quite well-known in most business and management disciplines while this is not as true of critical research. Critical

researchers believe that social reality is historically established and that it is produced and reproduced by people (Myers, 2009:41). The main task is seen as one of social critique, whereby the restrictive and alienating conditions of the status quo are brought to light (Myers, 2009:42).

This is conducted as a case study where the GRI-guidelines are applied to actual information of a selected co-operative in the agricultural sector. This study qualifies as interpretive research since my approach is subjective in nature and with the extensive mentioning of corporate social responsibility a critical research approach is also exercised.

### **1.5.5 Summary**

The aim of this section was to give a background perspective of the literature and to examine the basis framework of the three worlds and to identify the two worlds that agree with this study. This is followed by a study of the philosophical assumptions and it is concluded that the research study qualifies as qualitative research, rather than quantitative, and the best suitable method would be by means of a case study. Based under the underlying research epistemology, this study will be consistent with interpretive and critical research. The next chapter will revolve around the literature study of the GRI and the co-operative business model.

## **1.6 DEFINITIONS**

For purposes of this study, the following concepts and phrases are assumed to be the acceptable definitions:

**Accountability:** Liability to give account and the responsibility to fulfil obligations (Webster's Dictionary and Thesaurus, 2006:5), or the responsibility to explain actions involving financial matters to others (Dictionary of accounting & finance, 1993:3).

**Co-operative:** An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise (ICA, 2007; DTI, 2004:7; Co-operatives Act. 14, 2005:10).

**Corporate Social Responsibility:** Corporate attitudes and responsibilities in terms of society for social, ethical and environmental concerns, which includes sustainable development (Demirag, 2005:11), and the actions a company initiates to promote some social good other than merely its own interests, going beyond compliance and further than legal obligations (Jones III & Jonas, 2011:65).

**Environmental reporting:** Report or disclosure by an entity that discusses and/or quantifies the advantages and costs of the entity's interaction with its operating environment (CIMA official terminology, 2005:67), it provides information about a business' activities that affect the environment for both external and internal users (White, *et al.*, 2008:32).

**Financial reporting:** The process of reporting the financial position and growth of a business to persons outside the business. The publication of a company's annual profit and loss account and balance sheet is the main component of financial reporting (Dictionary of accounting & finance, 1993:67).

**Integrated reporting:** A holistic and integrated representation of a company's performance in terms of its finance and sustainability (IoD, 2009:54), a concept that is based on the underlying notion that strategy, risk, performance and sustainability have become indivisible (Roberts, 2012:11).

**Stakeholders:** Those persons and organizations that have an interest in the strategy of an organisation. Stakeholders normally include shareholders, customers, staff and the local community (CIMA official terminology, 2005:53), a person or group that has an investment, share, or interest in something, as a business or industry (Dictionary.com, 2012).

**Sustainability reporting:** The practice of measuring, disclosing and being accountable to internal as well as to external stakeholders for organizational performance towards achieving the goal of sustainable development (GRI, 2011:3); it is recognized as a means for companies to communicate how they operate more resourcefully and responsibly within the physical and social environments while still remaining profitable (White, *et al.*, 2008:31).

**Sustainable development:** Development that meets the needs of the present world without compromising the capability of future generations to meet their own needs (GRI, 2011:2; Jones III & Jonas, 2011:65).

## 1.7 OVERVIEW

The study is divided into four chapters as follows:

### **Chapter 1: Introduction**

The first chapter in the study serves as the introduction to the research study and to illustrate the actuality and relevance of the topic and will contain the following: The background of the topic, the problem statement, objectives of the research, the methodology and an overview of the study are provided. Explanations are given for the manner in which the data of the literature review was obtained; and where the data for the empirical study came from and the use of it in the research study. This chapter also revolves around the philosophies and theories of the chosen investigation, including the selected research method.

### **Chapter 2: Literature study**

This chapter supplies a detailed evaluation of sustainability, which includes CSR, GRI and integrated reporting; and some history of co-operatives and its identity, values, principles and types.

### **Chapter 3 (Research article): An evaluation of the co-operative business model within the context of the Global Reporting Initiative**

This chapter represents the case study that is based on actual information of a selected co-operative in the agricultural sector, namely Agri-Com Co-operative. The GRI-guidelines are applied to this co-operative's activities.

### **Chapter 4: Summary and conclusion**

In this chapter the study is summarised in light of the objectives outlined in the first chapter, conclusions are discussed and recommendations are made.

## **CHAPTER 2**

## **2. THEORETICAL FRAMEWORK OF CO-OPERATIVE'S SOCIAL RESPONSIBILITY**

### **2.1 THE EVOLUTION OF SUSTAINABILITY REPORTING**

#### **2.1.1 Background**

The aim of this chapter is to supply a detailed assessment of the evolution of sustainability reporting, the GRI and the co-operative business model.

Since 1989, with the introduction of Ceres Principles (the Coalition for Environmentally Responsible Economies), sustainability reporting has become a focal point for companies who adopt sustainability codes to illustrate accountability to the outside world (Brown, De Jong & Levy, 2009:573). The number of companies that publish information on its social, environmental and sustainability influences has increased considerably (Kolk, 2004:51). Sustainability has become a major concern, for the reason that companies should rethink what they produce and how they produce. Sustainability implies the ability to sustain a high quality life for current and future generations (Blowfield & Murray, 2008:27). The rethinking of the responsibility of business in the search of sustainable development objectives also meant that business had to respond to changing societal expectations by increasingly redefining and mitigating its contribution in developmental issues in terms of CSR (Idemudia, 2011:1).

Sustainability reporting has become an emerging tendency among companies, whereby it is recognised as an instrument for companies to communicate how they can function more efficiently and responsibly within the physical and social environment while at the same time remaining profitable (White, *et al.*, 2008:31). Sustainability, the new crucial framework, does not only measure CSR activities exclusively, but also social and industrial development in general (Matten, 2006:25). Sustainability reporting is defined by the GRI's Sustainability Reporting (G3) Guidelines as the practice of measuring, disclosing and being accountable to both internal and external stakeholders for organisational performance towards the objective of sustainable development (GRI, 2011:3). The CSR concept will be considered in the next section.

### **2.1.2 Corporate Social Responsibility**

The price of greatness is responsibility; these were the words of the well-known Winston Churchill. Sustainable development and CSR are two concepts with an important function for governments, society and business within the 21<sup>st</sup> century (Munkelien, Goyer & Fraczak, 2005:183). The connection between these two concepts is vital for the reason that governments are accountable for achieving the objectives of sustainable development by signing international agreements; however this is not possible to achieve without the input and effort of the industry (Munkelien *et al.*, 2005:183). CSR activities are the actions a company engages in to do some social good beyond its own interest; it's where companies go beyond their conformity and exceed their legal obligations (Jones III & Jonas, 2011:65). The surfacing of CSR as a main topic in the current discussions about the relationship between companies and society is to analyse the manner in which companies communicate such efforts (De Bakker, Ohlsson, Den Hond, Tengblad & Turcotte, 2007:53).

The development of the CSR reporting industry means relying on a scheme to expand several interconnected markets dedicated to the measurement, certification, communication and evaluation of CSR (Acquier & Aggeri, 2007:150). The GRI developed the Sustainability Reporting Framework, which is generally considered as the most widely used framework for reporting company performances on human rights, labour, environmental, anti-corruption and other corporate citizenship issues (Verschoor, 2011:14; Dilling, 2010:19), that will now be broadly discussed.

### **2.1.3 Global Reporting Initiative**

Bob Massie and Allen White, the founders of the GRI, were located in two small Boston-area non-governmental organisations (NGOs), without access to formal authority or substantial resources. They managed to create a framework for social and environmental reporting that has now been embraced by more than half of the S&P 100 companies and is recognized as the leading global framework for non-financial reporting (Levy & Brown, 2011:129). The GRI was officially launched in 1997 with the initial goal of addressing environmental performance, but later on it was expanded to include the social and economic dimensions (Jones III & Jonas, 2011:68). The GRI Reporting Framework is designed for use by organisations of any size, sector or location because it takes into account the practical considerations faced by a diverse range of organisations (GRI, 2011:3). Adherence to these

GRI guidelines is voluntary and provides flexibility to firms in deciding the extent to which information should be disclosed (Nikolaou *et al.*, 2012:5).

The GRI is based on the TBL approach and includes separate sections for performance indicators related to economic, social and environmental performances (Nikolaou, *et al.*, 2012:5). In 2000, the first Sustainability Reporting Guidelines (hereafter Guidelines) which are included in the framework were issued. The current version, G3, was published in 2006 and version G3.1 contains expanded guidance on local community impacts, human rights and gender (Verschoor, 2011:14; Dilling, 2010:19). Standard disclosures set forth in the Guidelines include three aspects, which are the profile, performance indicators and the management approach. The profile section includes organisational strategy and analysis, its structure, report parameters, governance commitments and engagement. Performance indicators include environment, human rights, labour practices and a decent work environment, society, product responsibility and economic indicators. The management approach section is designed to address how the organisation manages the sustainable topics associated with its risks and opportunities (Verschoor, 2011:14; GRI, 2011:24).

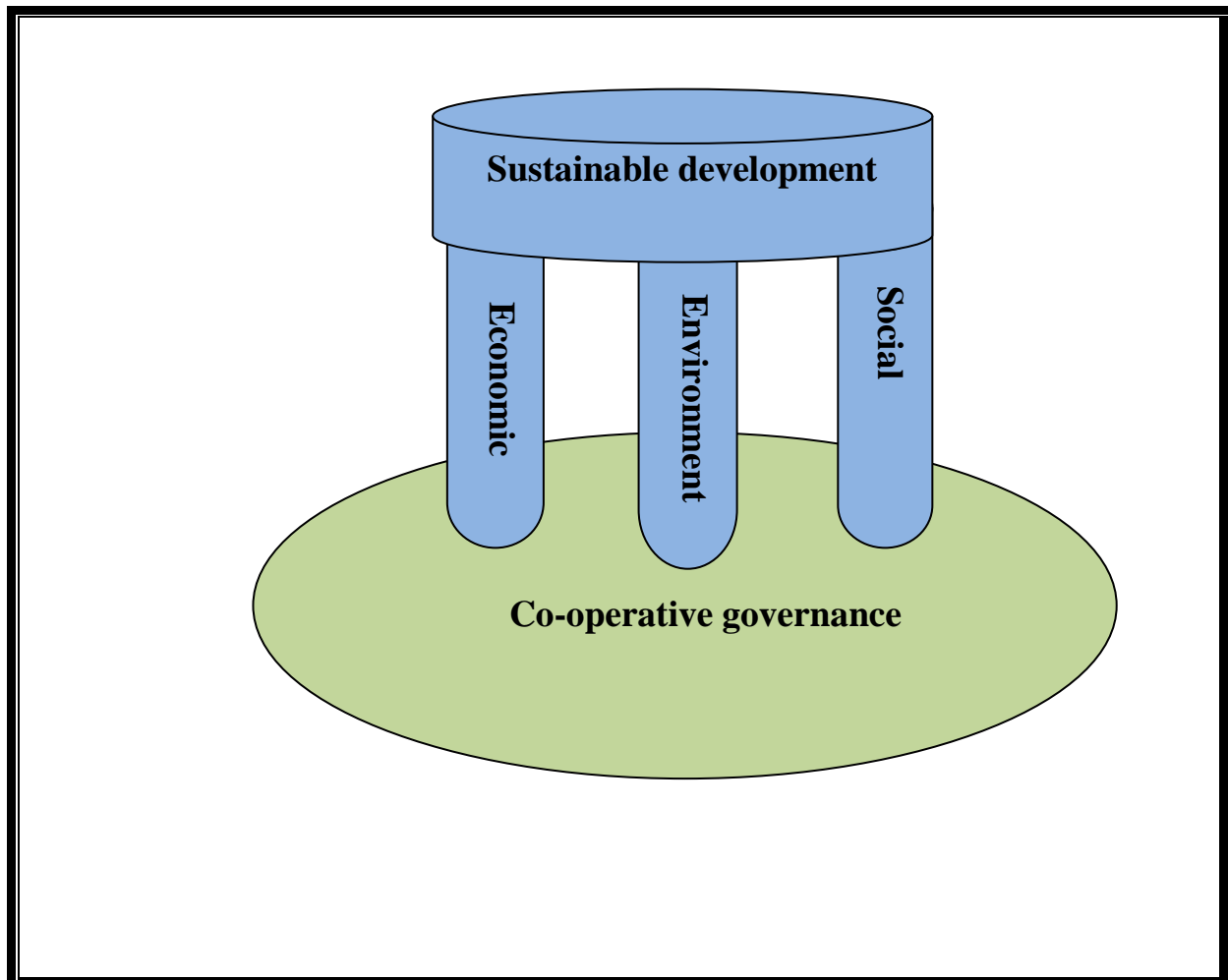
A key aim of the GRI is to make sustainability reporting as routine as financial reporting (Acquier & Aggeri, 2007:151). The Guidelines contain overarching principles to define the content of reports including the materiality, stakeholder inclusiveness, sustainability and completeness of reports and the quality of reports consisting of balanced reporting of positive and negative performance, comparability, accuracy, timeliness, clarity and reliability (GRI, 2011:4, Jones III & Jonas, 2011:69; Verschoor, 2011:14). Sustainability reports based on the GRI Reporting Framework reveal outcomes and results that occurred within the reporting period in the context of the organisation's commitments, strategy and management approach, as well as reports that can be used for the following purposes, among others (GRI, 2011:3): Benchmarking and assessing sustainability performance with respect to voluntary initiatives, performance standards, codes, norms and laws; demonstrating how the organisation influences the overall business environment, and is influenced by expectations about sustainable development and comparing performance within an organisation and between different organisations over time.

#### 2.1.4 Integrated reporting

Integrated reporting first came to the business fraternity's attention when it was extensively mentioned in the King III Report of 2009 and the accompanying report. The concept is based on the underlying notion that a company's strategy, risk, performance and sustainability are inseparable from one another, therefore the use of the term, **integrated reporting** (Roberts, 2012:11). Integrated reporting is defined by the King Code as a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability (IoD, 2009:54). In an integrated report, the financial information should communicate how the company has performed in the past, how it has satisfied its stewardship responsibilities and what its strategy for the future is. A statement of financial position and a statement of comprehensive income are projected to communicate the historical financial performance and the financial position of the entity and the inclusion of these in a summarised format can be appropriate in an integrated report (Watson, 2012:16).

Nealer and Naudé (2011:115) argue that the complex integrative nature of sustainable development makes it obvious that co-operative governance's effective communication and most advantageous collaboration between all actors that are involved, are indispensable tools for more effective sustainable development. In conclusion they have identified co-operative governance as a 'new vehicle' towards more successful sustainable development for the reason that it can assist and enhance better development (Nealer & Naudé, 2011:106). Figure 1 below illustrates a variety of economic, environmental and social dimensions that can't function separately and are dependent on each other through another dimension, which is the grounding and legislated governance framework (Nealer & Naudé, 2011:109).

**Figure 3.1: Links between Sustainable Development and Co-operative Governance**



(Adapted from: Nealer, 2011)

**Environmental** dimensions are, for instance, the surroundings within which humans exist and are made up of. **Social** dimensions, for instance, are intended to meet the diverse needs of all people in existence and future communities, encourage personal well-being, social unity and equal opportunity for all. **Economical** dimensions, for instance economic growth, exports, foreign direct investment, foreign exchange reserves, official exchange rate, and public sector shortfalls come to the fore. Governance is the facilitative foundation dimension of the previously mentioned concepts that delivers the essential integration needed for effective growth, that is determined by communication, cooperation, collaboration towards realising a synergised group pursuit of sustainable development through an ongoing process

(Nealer & Naudé, 2011:109). Co-operatives will now be discussed in detail as a business model.

## 2.2 PRINCIPLES OF THE CO-OPERATIVE BUSINESS MODEL

### 2.2.1 Background

The United Nations General Assembly Resolution 64/136 on co-operatives in social development proclaimed 2012 as the International Year of Co-operatives (IYC). The theme is “Co-operative Enterprises Build a Better World” and the resolution realizes that co-operatives in their various forms support the fullest possible participation in the economic and social development of people. It includes women, youth, and older persons, persons with disabilities and indigenous peoples who are becoming a major factor of economic and social development and contribute to the obliteration of poverty. The Resolution encourages relevant stakeholders to take advantage of the IYC to promote co-operatives, to elevate public awareness of the contribution of co-operatives to social and economic development and to promote the structure and growth of co-operatives (ICA, 2012).

The primary objective of the co-operative business model is to provide goods and/or services to its members for their mutual benefit and it has a long history of providing people with a business structure so that they can obtain the benefits needed to improve their lives. Co-operatives can work, and still do, if started for the right reasons and if managed properly (Thompson, 2007:14). Ivano Barberini, ICA President, stated in the 2007 Review of International Co-operation that co-operatives have great opportunities to grow everywhere, because modern society needs their role and initiatives. A vital co-operative enterprise, strengthened by being part of a co-operative network at local, regional and global levels, is an indispensable resource for the community it belongs to. In many sectors, co-operatives are able to do what multinationals don't, or cannot, do or they do it better than multinationals (ICA, 2007).

The term **co-operation** is derived from the Latin word *co-operari*, which means to work together (Kanyane, 2009:1125). The idea of mutual cooperation between people to better one's life is a principle that is as old as human beings themselves, with the co-operative concept dating back as far as human beings have been organising for mutual benefit (Kanyane, 2009:1128; Thompson, 2007:13). This period started at the beginning of Industrial

Revolution in 1844 in the United Kingdom (UK), when thousands of people were put out of their jobs with the introduction of machines in factories (Kanyane, 2009:1128). This movement challenged people to form co-operatives as a method to ensure their survival, and led to the **Rochdale Equitable Pioneers Society** in Rochdale, England 1844, which is recognized as the first established co-operative (Kanyane, 2009:1128; Wieting, 1952:4; Fairbairn 1994:1). Co-operatives were seen as economic and social alternatives to the impacts of emergent industrial capitalism (Philip, 2003:3). Will Watkins, who was known as the best informed about the co-operative situation out of all the men and woman of his generation, believed that despite World Wars and economic depressions, the downfall of empires and the redrawing of national boundaries, political suppression and persecution, the co-operative idea, has survived to become more relevant than ever (ICA, 1986). The reason for this would become more apparent in the section that follows.

### **2.2.2 The Co-operative Identity**

At the 1995 Congress and General Assembly of the International Co-operative Alliance (ICA) held in Manchester UK, the **Statement on Co-operative Identity** was recommended to the Congress by the ICA Board. The Statement was the product of a lengthy process of consultation involving thousands of co-operators from around the world (Philip, 2003:7,8; Kanyane, 2009:1126,1127), and resulted in the following related definitions and concepts: A **co-operative** is **defined** by the ICA as an autonomous association of persons united voluntarily to meet their common **economic, social** and **cultural** needs and aspirations through jointly owned and democratically-controlled enterprises organised and operated on co-operative principles (ICA, 2007). They proclaimed that co-operatives are based on the **values** of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operatives' members believe in the ethical values of honesty openness, social responsibility, and caring for others (ICA, 2007). The founding principles of the Rochdale Pioneers remain the basis of the modern co-operative movement with some modification to adapt with the 21<sup>st</sup> century (Thompson, 2007:13; Wieting, 1952:4). The co-operative principles are guidelines by which co-operatives put their values into practise (ICA, 2007). A co-operative is built on several key **principles** including; voluntary and open membership; democratic member control, member economic participation; autonomy and Independence; education, training and information; co-operation among co-operatives and concern for community.

In the South African context, following a **Presidential Growth and Development Summit** in 2003, the responsibility of co-operatives was transferred from the Department of Agriculture (DoA) to the Department of Trade and Industry (DTI), to ensure that co-operatives are promoted as a business model in all sectors of the economy (Nganwa, Lyne & Ferrer, 2010:40). The Co-operatives Act 14 of 2005 was promulgated in August 2005 to promote the development of sustainable co-operatives in South Africa and their use as a vehicle to develop small enterprises (Nganwa, *et al.*, 2010:39). Under this legislation, a co-operative is a **legal entity** that is controlled and owned equally by its members. The fact that members have a close association with the organisation as consumers or producers of its products and services, or as its employees, is the defining point of a co-operative. Legal entities like these have a range of distinctive social characteristics. Anyone who satisfies certain non-discriminatory conditions may join because of its open membership policy. Economic benefits are distributed proportionally according to each member's level of participation in the co-operative for example by a dividend on sales or purchases, rather than according to capital invested (Department of Economic Development, 2012:1). In line with the above, the Co-operative National Policy is aiming towards a growing self-sustainable and co-operative sector that is supported by all stakeholders. This leads to the contribution to economic growth, the decrease in poverty, employment creation and assisting in the result of economic transformation and an equitable society (DTI, 2004:5) and would take place in the forms that will be examined below.

### **2.2.3 Types and advantages of co-operatives**

A **primary** co-operative is an autonomous association of persons united voluntarily to meet their common social, economic and cultural needs and aspirations through a mutually owned and democratically controlled enterprise. A co-operative formed by two or more primary co-operatives, is a **secondary** co-operative and the reason for this is to help primary co-operatives serve their members more broadly and effectively. Finally a primary and/or secondary co-operative can form a **tertiary** co-operative of a regional area or a particular sector (DTI, 2004:7).

There is a range of types of co-operatives and Birchall simplified the manner of classifying them (Birchall & Simmons, 2009:15). There are three main stakeholders in a business, apart from the capital investors which are the consumers, the producers and the employees. One of these stakeholders are generally placed at the centre of the business. This results in three

classes: the consumer co-ops, the producer co-ops and the worker co-ops. A further addition is the financial co-ops, for example co-operative banks, insurance societies and credit unions which often have in their membership people who are consumers of their products and in their own right, producers (Birchall & Simmons, 2009:15).

The importance of the co-operative sector can be confirmed and demonstrated through the contribution that it has made in past economic developments. Co-operatives have developed along several lines, for example **agricultural co-operatives** which can be considered the most successful type, **consumer co-operatives** that trace their origins back to the 18<sup>th</sup> century, credit co-operatives which were invented in Germany, **housing co-operatives** that can take one of three forms, **worker co-operatives** that at first sight quite different from the other types and **health and social care co-operative** where health insurance mutuals provide by far the largest contribution (Birchall, 2004:6-13). In South Africa, without limiting the number and variety of different kinds of co-operatives, a co-operative can be registered in terms of the Co-operatives Act (14 of 2005), but is not limited to the following: a) housing co-operative; b) worker co-operative; c) social co-operative; d) agricultural co-operative; e) co-operative burial society; f) financial services co-operative; g) consumer co-operative; h) marketing and supply co-operative; and i) service co-operative.

Co-operatives are not only beneficial to the members but a long-term co-operative policy should be judged based on the contribution it can make to the following (International Labour Office, 1964:57):

- the enhancement of the economic and social position of people of limited opportunities and resources;
- the enlargement of export revenues and national income by a fuller exploitation of natural resources and opportunities, particularly in agriculture, fisheries and forestry;
- the implementation of systems of land reform and of land settlement aimed at bringing fresh areas into productive use;
- the increase of employment and the withholding of secondary sources of revenue in producing areas by the establishment of isolated but fully modernized industries processing local raw materials;
- the increase of personal and national capital resources by the encouragement of saving and the use of controlled credit; and

- the improvement of social conditions and the supplementing of national social services in the fields of communications, housing and health.

The Co-operative Movement brings together over one billion people around the world. The United Nations estimated in 1994 that the livelihoods of nearly three billion people were made more secure by co-operative enterprise which continues to play a significant economic and social role in their communities (ICA, 2012). There is now a large body of international support for co-operatives and this is reflected in the embracing by the United Nations of 2012 as the international year of the co-operative.

Co-operatives are a highly successful business model in the global business environment and are very relevant for South Africa. The Government of South Africa acknowledges that a legitimate, autonomous and economically feasible co-operative movement and its members have immense development potential to (DTI, 2004:10):

- generate and increase income-generating activities and sustainable honest employment;
- enlarge human resources capacities and knowledge of the values, advantages and benefits of the co-operative movement through education and training;
- expand their business potential, together with managerial and entrepreneurial capacities;
- improve their competitiveness and gain access to markets and to institutional finance;
- boost savings and investment;
- enhance social and economic well-being, taking into account the need to eliminate all forms of discrimination;
- contribute to sustainable human development;
- determine and expand a feasible and dynamic distinguishing character of the economy which responds to the economic and social needs of the community; and
- improve broad-based economic empowerment, thus assisting the Government in achieving the objectives of its micro-economic reform strategy.

## 2.3 SUMMARY

This chapter set the foundation for the empirical study by considering the key aspects of the two broader areas of research in the project, namely i) that of the co-operative business model and ii) sustainability reporting.

The aim of this study is to highlight the significance of the co-operative business model in the modern, socially responsible, business environment as well as the contribution it can make to the community at large. Furthermore it is clear from the above evaluation, that the GRI's sustainability reporting framework would be the best guidelines to apply on the chosen co-operative's activities. The next chapter consists of the key empirical investigation, where it considers the extent to which the GRI guidelines, as a reporting framework, will be feasible or applicable to co-operatives as a business model, in the form of an article format.

## CHAPTER 3 (RESEARCH ARTICLE)

Title: An evaluation of the co-operative business model within the context of the Global Reporting Initiative

The reader is requested to take note of the following:

- The article has been accepted for publication in the following IBSS indexed, peer-reviewed academic journal as follows:
  - Du Toit, M. & Buys, P.W. 2013. An evaluation of the co-operative business model within the context of the Global Reporting Initiative. *International Business and Economics Research Journal*, (ISSN: 0892-7626)
- The article (as accepted and including the acceptance email from the publisher) is included in “Annexure B: Article as published” on page - 84 -. The article was written in line with the journal’s submission guidelines, which are included in “Annexure C: Journal submission guidelines” on page - 99 -.
- The article was researched and written by the first author as the candidate and primary author, while the second author fulfilled a reviewer function thereto as the research project’s study leader.

**Title**

An evaluation of the co-operative business model within the context of the Global Reporting Initiative

**Abstract**

Sustainability reporting, renowned as an instrument for businesses to communicate how they function more efficiently and responsibly within the social and physical environment, while simultaneously remaining profitable, has evolved in an upward trend by businesses. In addition, this has led to integrated reporting, which implies that a business' strategy, performance, risk and sustainability are inseparable from one another. The International Year of Co-operatives (2012), with the theme "Co-operative Enterprises Build a Better World", recognises that co-operatives in their range of forms support the fullest participation in the social and economic development of people. Co-operatives also have the remarkable opportunity to grow everywhere for the reason that modern society needs their role and initiatives.

This article considers to what extent the GRI guidelines, as a reporting framework, are feasible or applicable to co-operatives as a business model. The selected agricultural co-operative (Agri-Com) is used in the form of a case study, where the GRI's Sustainability Reporting Guidelines are applied to its activities. This study found that the co-operative business model performed admirably well under these guidelines and suggests that the co-operative business model is very relevant in the modern business environment.

**Keywords**

Co-operative, Corporate Social Responsibility, Global Reporting Initiative, Integrated reporting, Sustainability

### 3. AN EVALUATION OF THE CO-OPERATIVE BUSINESS MODEL WITHIN THE CONTEXT OF THE GRI

#### 3.1 BACKGROUND

With the recent collapse of many major businesses around the globe, accompanied by the financial scandals, the issues of sustainable development and corporate social accountability and responsibility came to light and have been on the top of many governments' agendas (Jooste, 2010:98; Demiraq, 2005:11). Traditionally, the primary focus of many business owners, accountants and auditors has been on a financially focused bottom line, concentrating typically on Net Income (NI) and/or Earnings Per Share (EPS) (Jones III & Jonas, 2011:65). In recent times, however, there has been an emerging understanding and recognition that the reason why a business is successful is not solely because of its financial performance.

The sustainable success of a business entity is increasingly seen as depending on its socio-ethical and environmental performances (Nikolaou, Evangelinos & Allan, 2012:5; White, Cleveland & White, 2008:31). It is clear that this demonstrates a shift from a **single-bottom-line** approach to a **triple-bottom-line** (TBL) approach in respect of stakeholder reporting. This approach to reporting focuses on the business entity's economic, environmental and social accomplishments (Rossouw, 2009:166; White *et al.*, 2008:32; Jones III & Jonas, 2011:65). Corporate social responsibility (CSR) represents the actions a business initiates to promote some social good other than its own interests, going beyond compliance and legal obligations, and developing corporate attitudes and responsibilities in terms of society for social, environmental and ethical matters (Demiraq, 2005:11; Jones III & Jonas, 2011:65). The GRI is recognised as the top global framework for non-financial reporting and, moreover, these guidelines are voluntary and provide flexibility to businesses in determining the extent of the information that should be disclosed (Levy & Brown, 2011:129; Nikolaou *et al.*, 2012:5).

The concepts TBL and CSR are what **co-operatives** typify as an organisational model, not only in terms of its definition, but also in its underlying principles and values, because a distinctive character of co-operatives is that they put *people* at the centre of their business and not *capital*. It is no longer just Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS), there are now also Corporate Social

Responsibility (CSR) and Global Reporting Initiative (GRI) and with these methods comes great responsibility as well as opportunities for accountants and auditors (Jones III & Jonas, 2011:65).

The United Nations declared 2012 the **International Year of Co-operatives** and it proposed to elevate the public's understanding of the valuable contributions of co-operative enterprises to social integration, poverty reduction and employment creation (ICA 2012). Furthermore, a key aim of the year is to emphasise the strengths of the co-operative business model as an *alternative* means of doing business and furthering socio-economic development (ICA, 2012).

### 3.2 **RESEARCH OBJECTIVE AND METHODOLOGY**

Considering the above, it is considered that the co-operative business model promotes social responsibility and other key aspects of a TBL managed approach. The primary research question under consideration for this article can therefore be formulated as follows:

- **P1:** To what extent could the GRI guidelines, as a social responsibility reporting framework, be feasible or applicable to co-operatives as a business model?

In answering this question, three further crucial issues need to be considered, namely the consideration of i) the key components of the GRI framework, ii) the key principles of a co-operative business model/philosophy, and iii) the extent to which the GRI framework (current version G3.1) coincides with the objectives of the co-operative business model. The key objective of this study is therefore to determine the extent to which the GRI guidelines would be supportive of the co-operative business model. To address this objective, the article is set out as follows: Firstly, the article starts off by highlighting the evolution of sustainable development and analysing the GRI framework with the intention of discovering the key components thereof. Secondly, an evaluation of the co-operative business model and its principles is provided and, thirdly, an outline of the GRI's G3.1 Sustainability Reporting Guidelines is provided and the Indicator Protocols are assessed in terms of the objectives of the co-operative business model. In completion, the conclusions and recommendations are made together with the relevant limitations and possible future research opportunities.

In order to achieve the stated objectives, a qualitative research approach was applied along with the case study method. On the basis of underlying research epistemology, the research will also be consistent with an interpretive and critical research paradigm. The case study is based on Agri-Com Co-operative Ltd (Agri-Com), which is registered as an agricultural co-operative under South African Legislation and is currently based in the town of Bethlehem in the eastern Free State Province. The GRI guidelines are applied to the actual information and activities of this selected co-operative. Guided interviews were held with the relevant personnel of Agri-Com to obtain the necessary information in order to demonstrate in what manner a co-operative is able to perform under the GRI guidelines.

### **3.3 SUSTAINABLE DEVELOPMENT AND THE GRI**

#### **3.3.1 Introduction**

Sustainability has become an important issue because businesses should contemplate not only their profits, but also what they produce and how they produce it. The concept of sustainability involves the capability to sustain a high quality of life for present and future generations (Blowfield & Murray, 2008:27). Building on sustainability, the concept of Sustainability Reporting is described by the GRI's Sustainability Reporting Guidelines (G3) as the practice of measuring, disclosing and being accountable to both internal and external stakeholders for organisational performance towards the goal of sustainable development (GRI, 2011a:3).

Sustainable development and CSR are two concepts with a significant purpose for governments, society and business within the 21<sup>st</sup> century business environment (Munkelien, Goyer & Fraczak, 2005:183). The evolving concept that is CSR continues to be a key topic in discussions about the relationship between businesses and society and to analyse the manner in which businesses communicate such efforts (De Bakker, Ohlsson, Den Hond, Tengblad & Turcotte, 2007:53). The correlation between the previously mentioned concepts is essential, since governments are accountable for the achievement of the goals of sustainable development by signing international agreements. However, this is not possible to attain without the input and effort of the industry (Munkelien *et al.*, 2005:183). The GRI developed the Sustainability Reporting Framework, which is generally considered as the most widely used framework for reporting business performances on human rights, labour,

environmental, anti-corruption and other corporate citizenship issues (Verschoor, 2011:14; Dilling, 2010:19).

The GRI was launched in 1997 with the preliminary goal of addressing environmental performances, and was later broadened to include the social and economic dimensions (Jones III & Jonas, 2011:68). The GRI Reporting Framework is intended for use by businesses of any sector, size or location, since it takes into account the sensible considerations faced by a diverse range of businesses (GRI, 2011a:3). The present version, G3, was issued in 2006 and version G3.1 contains extended guidance on local community impacts, human rights and gender (Verschoor, 2011:14; Dilling, 2010:19). Standard disclosures set forth in the Guidelines include three aspects, namely the profile, performance indicators and the management approach (Verschoor, 2011:14; GRI, 2011a:24). Firstly, the *profile* section consists of organisational strategy and analysis, its structure, reporting parameters, governance commitments and engagement. Secondly, *performance indicators* consider the environment, human rights, labour practices and decent work environments, society, product responsibility and economic indicators. Thirdly, the *management approach section* is intended to address how the organisation manages the sustainable topics associated with its risks and opportunities.

Integrated reporting is described by the King Code as a holistic and integrated representation of the business' performance in terms of both its finance and its sustainability (IoD, 2009). The main goal of the GRI is to make sustainability reporting as routine as financial reporting (Acquier & Aggeri, 2007:151). It is clear that a business' strategy, risk, performance and sustainability are indivisible from one another.

### **3.3.2 The GRI's Sustainability Reporting Guidelines**

#### ***3.3.2.1 Elements of the Guidelines***

It is the GRI's mission to communicate honestly and openly about sustainability, since a globally shared framework of concepts, reliable language and metrics is becoming a necessity. Furthermore, it provides a trusted and credible framework for sustainability reporting that can be used by enterprises of any sector, size or location (GRI, 2011a:2). The Guidelines are made up of i) Reporting Principles and Guidance and ii) Standard Disclosures, which are regarded as equal in weight and significance (GRI, 2011a:3). Application of the

Principles together with the Standard Disclosure establishes the topics and Indicators to be reported on (GRI, 2011a:4). The Reporting Principles of materiality, sustainability, stakeholder inclusiveness, completeness, together with a set of tests for each principle, assist with the decision as to what to report on. The Standard Disclosures contain the strategy and profile section, the management approach of the organisation and in conclusion the performance indicators, which entail the information on the economic, environmental and social performances of the organisation (GRI, 2011a:5).

The end result that transpires within the context of the organisation's commitments, strategy, and management approach, would be the sustainability reports based on the GRI Reporting Framework.

### ***3.3.2.2 Application level criteria***

Businesses that prepare and submit GRI-based reports should state the level at which they have applied the GRI Reporting Framework via the "Application Levels" system. In order to meet the requirements of beginners, those in between as well as advanced reporters, there are three levels available in the system, labelled C, B, and A. Each level suggests a degree of the extent of application of the GRI Reporting Framework. A plus sign at each level (e.g. C+, B+, A+) indicates whether assurance was utilised externally for the report (GRI, 2011b:1).

The purpose of the levels is to supply the stakeholders of the business with a degree of understanding of the extent to which the GRI Guidelines have been applied in the groundwork of the report, as well as delivering to preparers of the report a clear route or vision for gradually expanding the application of the GRI Framework over time. When declaring an application level, it also clearly communicates which rudiments of the GRI Reporting Framework have been applied in the groundwork of a report (GRI, 2011b:1).

**Table 3.1: The levels of the GRI Sustainability Reporting Guidelines**

	C	C+	B	B+	A	A+
Profile disclosures	Report on indicators: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4 , 4.14-4.15	Externally Assured	In addition to ‘C’, also report on indicators: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Externally Assured	Same as for ‘B’	Externally Assured
Disclosures on management approach	Not required		Management approach i.r.o. each indicator category		Management approach i.r.o. each indicator category	
Performance indicators & Sector Supplement Performance Indicators	Report on at least 10 performance indicators (at least one from each of: social, economic and environment).		Report on at least 20 performance indicators (at least one from each of: social, economic and environment).		Report on each core and sector supplement indicator or explain the reason for its omission.	

(Adapted from GRI, 2011b)

The above table has also been used as the guideline in evaluating the sustainability performances of Agri-Com in terms of the GRI framework

### ***3.3.2.3 Categories of the performance indicators***

There are six key performance indicator areas for consideration in the GRI’s framework namely economic, environmental, social (labour practices), social (human rights), social (society) and social (product responsibility). These are briefly highlighted below.

### *Economic (EC) performance indicators*

In respect of the economic indicators, it contains areas that include economic performance, market presence and indirect economic impacts. Detailed indicators under these areas are as follows in Table 3.2 below:

**Table 3.2: Economic indicators**

<b>Economic performance</b>	<b>Description</b>
EC1	Direct economic value generated and distributed
EC2	Financial implication, risks and opportunities
EC3	Coverage of the organisation's defined benefit plan obligation
EC4	Significant financial assistance received from government
<b>Market presence</b>	
EC5	Range of ratios of standard entry-level wage
EC6	Policy, practices and proportion of spending
EC7	Procedures for local hiring
<b>Indirect economic impacts</b>	
EC8	Development and impact of infrastructure investments
EC9	Describing direct economic impacts

(Adapted from GRI, 2011d)

### *Environmental (EN) performance indicators*

With regard to the environmental indicators, they contain areas that include materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and finally an overall area. Detailed indicators under these areas are as follows in Table 3.3 below:

**Table 3.3: Environmental indicators**

<b>Materials</b>	<b>Description</b>
EN1	Materials used by weight or volume
EN2	Percentage of materials used that are recycled input materials
<b>Energy</b>	
EN3	Direct energy consumption by primary energy source
EN4	Indirect energy consumption by primary energy source
EN5	Energy saved
EN6	Initiatives to provide energy-efficient products
EN7	Initiatives to reduce indirect energy consumption
<b>Water</b>	
EN8	Total water withdrawal by source
EN9	Water source considerably affected by withdrawal of water
EN10	Percentage and total volume of water recycled a
<b>Biodiversity</b>	
EN11	Location and size of land
EN12	Description of considerable impacts of activities
EN13	Habitats protected or restored
EN14	Strategies, current actions and future plans
EN15	Number of IUCN Red List species
<b>Emission, Effluent &amp; Waste</b>	
EN16	Total direct and indirect greenhouse gas emissions
EN17	Other relevant indirect greenhouse gas emissions
EN18	Initiatives to lesson greenhouse gas emissions
EN19	Emissions of ozone-depleting substances

EN20	NO,SO and other significant air emissions
EN21	Total water discharge by quality and destination
EN22	Total waste by type and disposal method
EN23	Number and volume of significant spills
EN24	Weight of transported, imported, or treated waste
EN25	Identity, protected status, and biodiversity value of water bodies
<b>Products &amp; Services</b>	
EN26	Initiatives to mitigate environmental impacts
EN27	Percentage of products sold
<b>Compliance</b>	
EN28	Monetary value of significant fines
<b>Transport</b>	
EN29	Significant environmental impacts of transporting products
<b>Overall</b>	
EN30	Environmental protection expenditures and investments

(Adapted from GRI, 2011d)

***Social: Labour practices and decent work (LA) performance indicators***

With regard to labour practices and decent work indicators these are areas that include employment, management relations, occupational health and safety, training and education, diversity and equal opportunity and lastly equal remuneration for men and woman. Detailed indicators under these areas are as follows in Table 3.4 below:

**Table 3.4: Labour practices and decent work indicators**

<b>Employment</b>	<b>Description</b>
LA1	Total workforce
LA2	Number and rate of new employee hires
LA3	Benefits provided to full-time employees
LA15	Return to work and retention rates
<b>Labour / Management</b>	
LA4	Percentage of employees covered by collective bargaining agreements
LA5	Minimum notice periods
<b>Occupational Health &amp; Safety</b>	
LA6	Percentage of workforce represented
LA7	Rates of injury, occupational diseases
LA8	Education, training, counselling and prevention
LA9	Health and safety topics covered
<b>Training and Education</b>	
LA10	Average hours of training per year
LA11	Programs for skills management
LA12	Percentage of employees receiving reviews
<b>Diversity &amp; Equal Opportunity</b>	
LA13	Composition of governance bodies
<b>Equal remuneration for woman and men</b>	
LA14	Ratio of basic salary of men to woman

(Adapted from GRI, 2011e)

***Social: Human rights (HR) performance indicators***

With regard to the human right indicators, they contain areas that include investment and procurement practices, non-discrimination, freedom of association, child labour, and

prevention of forced and compulsory labour, security practices, indigenous rights, assessment and finally remediation. Detailed indicators under these areas are as follows in Table 3.5 below:

**Table 3.5: Human rights indicators**

<b>Investment &amp; Procurement Practices</b>	<b>Description</b>
HR1	Number of significant investment agreements
HR2	Significant suppliers, contractors and business partners
HR3	Total hours of employee training
<b>Non-discrimination</b>	
HR4	Number of incidents of discrimination
<b>Freedom of association and collective bargaining</b>	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association may be at risk
<b>Child labour</b>	
HR6	Operations and significant suppliers identified as having risk for incidents of child labour
<b>Prevention of forced &amp; compulsory labour</b>	
HR7	Operations and significant suppliers identified as having risk for incidents of forced or compulsory labour
<b>Security practices</b>	
HR8	Percentage of security personnel trained

(Adapted from GRI, 2011f)

### ***Social: Society (SO) performance indicators***

With regard to the society indicators, they contain areas that include local communities, corruption, public policy, anti-competitive behaviour and compliance. Detailed indicators under these areas are as follows in Table 3.6 below:

**Table 3.6: Society indicators**

<b>Local communities</b>	<b>Description</b>
SO1	Percentage of operations with implemented local community engagement
SO9	Operations with considerable potential or negative impacts
SO10	Prevention and mitigation measures
<b>Corruption</b>	
SO2	Percentage and total number of business units analysed
SO3	Percentage of employees trained in these policies
SO4	Actions taken in response
<b>Public policy</b>	
SO5	Public policy positions
SO6	Value of financial and in-kind contributions to political parties
<b>Anti-competitive behaviour</b>	
SO7	Number of legal actions
<b>Compliance</b>	
SO8	Monetary value of significant fines

(Adapted from GRI, 2011g)

### ***Social: Product responsibility (PR) performance indicators***

With regard to the product responsibility indicators, they contain areas that include customer health and safety, product and service labelling, marketing communications, customer privacy and lastly compliance. Detailed indicators under these areas are as follows in Table 3.7 below:

**Table 3.7: Product responsibility indicators**

<b>Customer health &amp; safety</b>	<b>Description</b>
PR1	Life cycle stages in which relevant impacts of products and services are assessed
PR2	Number of incidents of non-compliance concerning health and safety impacts of products and services
<b>Product &amp; service labelling</b>	
PR3	Type of product and service information required by procedures
PR4	Number of incidents of non-compliance concerning product and service information and labelling
PR5	Practices related to customer satisfaction
<b>Marketing communications</b>	
PR6	Programmes for adherence to laws, standards and voluntary codes
PR7	Number of incidents of non-compliance concerning marketing communications
<b>Customer privacy</b>	
PR8	Number of substantiated complaints
<b>Compliance</b>	
PR9	Monetary value of significant fines

(Adapted from GRI, 2011h)

### 3.4 FUNDAMENTALS OF THE CO-OPERATIVE BUSINESS MODEL

A co-operative is characterised as an autonomous voluntarily association of persons aimed at meeting common economic, social and cultural needs and aspirations through jointly-owned and democratically-controlled enterprise organised and operated on co-operative principles (ICA, 2007, Department of Economic Development, 2012). The principles of co-operatives involve voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives and concern for community (ICA, 2007; Kanyane, 2009:1126;

Department of Economic Development, 2012). The co-operative business model is built on key values, such as self-help, self-responsibility, democracy, equality, equity and solidarity. Furthermore, co-operatives' members believe in the ethical values of honesty, openness, social responsibility and caring for others (ICA, 2007; Kanyane, 2009:1126; Department of Economic Development, 2012). The importance of the co-operative sector can be confirmed and demonstrated through the contribution that it has made in past economic developments. Co-operatives have developed along several lines, for example agricultural co-operatives, consumer co-operatives, credit co-operatives, housing co-operatives, worker co-operatives and health and social care co-operatives (Birchall, 2004:6-13).

Within the South African context, national government's responsibility for co-operatives falls with the Department of Trade and Industry (DTI) (Nganwa, Lyne & Ferrer, 2010:40). The Co-operatives Act 14 of 2005 aims to promote the development of sustainable co-operatives in South Africa and their use as a vehicle to develop small enterprises (Nganwa *et al.*, 2010:39). Therefore, this leads to the contribution of economic growth, reduced poverty, employment creation and assisting in the result of economic transformation and an equitable society (DTI, 2004:5). Nealer and Naudé (2011:115) believe that the multifaceted integrative nature of sustainable development makes it clear that co-operative governance's effective communication and most beneficial collaboration between all actors that are involved are crucial tools for more effective sustainable development (Nealer & Naudé, 2011:115).

This study is based on a co-operative (Agri-Com), which is a registered low-cost agricultural co-operative, providing selected services such as the finance of input cost, comprehensive insurance on crops, bulk purchase of farming inputs at a discount and the marketing of members' production to prospective buyers. Although Agri-Com is able to operate nationally, their current markets include primarily grain producers in the Free State and Mpumalanga Provinces. Agri-Com has the opportunity to provide a one-stop service in terms of the cultivation of maize, wheat, soy beans, sunflower, sugar beans and potatoes to selected farmers in these areas. The most important component of the service offering is finance on grain production agreements with approved producers, backed by multi-peril and hail insurance, to cover exposure to insurable natural risks. The service offering is distributed to their own members, but also to the clients of merchant banks and other agri-businesses that have made use of their services in the past 10 years. The fact that approximately 80% of production inputs are distributed directly from the supplier to the farmer also provides Agri-

Com with a competitive advantage, as it will carry no inventory on input commodities. Agri-Com's target market is the top 40 of their existing low-risk grain-producing members who all have a sound financial standing and credit rating. The mission statement testifies to the fact that Agri-Com, in co-operation with its stakeholders, will strive towards the financial independence of the farmer.

### **3.5 RESEARCH RESULTS**

The research question enquired as to the extent of the GRI guidelines as a reporting responsibility framework and its feasibility for use by co-operatives as a business model. In order to report on the following performance indicators, data was used from several meetings held with, and documents and financial statements gathered from Agri-Com management and personnel. From this data it was evident that Agri-Com would easily have been able to comply with the Level 'C' GRI report. Based on the data, the performance indicators indicated below were reported on as part of Agri-Com's regular operations.

This section is arranged according to economic, environmental and social categories, where social indicators are further classified by means of Labour, Human Rights, Society and Product responsibility. Agri-Com performed satisfactorily under the Indicator Protocols reported below in the following manner:

#### **3.5.1 Economic performance indicators**

With reference to Table 3.2 indicated above where there were nine performance indicators identified within the GRI framework, Agri-Com actively managed and reported on 5 criteria as illustrated below in table 3.8 below:

**Table 3.8: Agri-Com: Economic performances**

<b>Economic performance</b>	
EC1	<p>Agri-Com Co-operative has a management agreement with Agri-Com Holdings (Pty) Ltd to manage the co-operative on behalf of members. A portion of the gross profit of the co-operative reverts back to Agri-Com Holdings as a management fee and the remainder after allowing for expenses remains in Agri-Com Co-operative to build reserves or to be distributed to members as a bonus on turnover. Bonuses will, in line with the co-operative's statute, be credited to members' loan accounts on a 15-year rotation basis.</p>
EC2	<p>The area in which Agri-Com operates is not a high risk area and risks are furthermore reduced by cultivating summer and winter crops as well as an animal farming element. The development in comprehensive crop insurance has the effect that producers are able to pay their input accounts even in years where adverse weather conditions have an effect on crop yields.</p>
EC4	<p>Agri-Com's current service offering focuses on securing finance to prospective producers through a credit facility from The Land and Agricultural Development Bank of Southern Africa (Land Bank) only.</p>
<b>Market presence</b>	
EC8	<p>The main service area of Agri-Com is the Eastern Free State. There are a number of poor areas in the service area of which the most densely populated area is the Phuthaditjhaba area. The Seothlong School and Maluti FET College are both situated in the town of Phuthaditjhaba. Our compatriots in the New Generation Farmers programme indicate that our involvement with the programme is creating opportunities for people to work, thereby alleviating poverty in the region.</p>

EC9	<p>Development of emerging entrepreneurs – The basis for this plan is to identify and develop emerging entrepreneurs in the agricultural sector. Seothlong, which educates learners in an agricultural curriculum (Grades 8-12), is ideally situated to identify prospects for further development at an early stage. Agri-Com, with assistance from our suppliers, will support the theoretical training with hands-on practical training. Together with Maluti FET Department Agriculture, the intention is to identify young entrepreneurs in the different fields available in agriculture and send them for the relevant training to establish entrepreneurs with expertise in Agriculture.</p>
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In terms of economic performances, Agri-Com is tracking and reporting on five possible indicators namely i) EC1 (Direct economic value generated and distributed), EC2 (Financial implication, risks and opportunities) EC4 (Significant financial assistance received from government), EC8 (Development and impact of infrastructure investments) and finally EC9 (Describing direct economic impacts).

### 3.5.2 Environmental performance indicators

In terms of environmental performances, Agri-Com measured and reported on two indicators as indicated in table 3.9 below:

**Table 3.9: Agri-Com: Environmental performances**

Biodiversity	
EN14	<p>Agricultural biodiversity, known as agri-biodiversity or the genetic resources for food and agriculture and a vital sub-set of biodiversity. It is a creation of humankind whose food and livelihood security depends on the sustained management of those biological resources that are important for food and agriculture. The most important reason for the existence of Agri-Com is to contribute to Food Safety and Security in South Africa. Everything that Agri-Com stands for and does is aimed at making a positive contribution to Food Safety and Security for all the people of our land. (Contribution to Food Security at National level).</p>

Products & services	
EN26	The introduction of innovative ideas in agriculture, with the establishment of a sugar bean trading market for their members. The sugar bean programme consists of the full spectrum of activities from financing the cultivation of beans through cleaning and packaging to marketing of the beans. As far as we know Agri-Com is the only Co-operative participating in the full spectrum of the sugar bean trade. The sugar and soy beans that they finance put nitrogen back into the ground and are used to fertilise the soil for the planting of future crops.

In terms of environmental performances, Agri-Com is tracking and reporting on only two possible indicators namely i) EN14 (Strategies, current actions and future plans) and EN26 (Initiatives to mitigate environmental impacts).

### 3.5.3 Social (Labour practices) performance indicators

In terms of labour practice performances, Agri-Com measured and reported on only a single indicator as indicated in table 3.10 below:

**Table 3.10: Agri-Com: Social (labour practices) performances**

Training & Education	
LA11	Agri-Com's personnel policy indicates that opportunities as far as training is concerned are made available to all permanently appointed personnel. Their training policy stipulates that personnel are trained firstly through in-house practical training, and financial assistance is also available to personnel for appropriate specialised training.

In terms of social (labour practices) performances, Agri-Com is tracking and reporting on only the LA11 (Programmes for Skills Management) indicator.

### 3.5.4 Social (Human rights) performance indicators

In terms of human rights performances, Agri-Com also measured and reported on only a single indicator as indicated in table 3.11 below:

**Table 3.11: Agri-Com: Social (human rights) performances**

Non-discrimination	
HR4	The Co-operative business form lends itself to participation on a broad basis by all races, without the potential interference by outside political groupings. Agri-Com Co-operative Ltd is an agricultural co-operative and its membership is open to all bona fide farmers, irrespective of race, colour or creed. In fact, Agri-Com has black female members, which makes it a non-racist, non-sexist organisation. All members have equal voting powers.

In terms of social (labour practices) performances, Agri-Com is tracking and reporting on only the HR4 (Number of incidents of discrimination) indicator.

### 3.5.5 Social (Society) performance indicators

In terms of societal performances, Agri-Com measured and reported on a single indicator as indicated in table 3.12 below:

**Table 3.12: Agri-Com: Social (society) performances**

Local Communities	
SO9	Agri-Com recognises its social responsibility as a whole and regularly contributes to deserving projects. The Co-operative's involvement with the Seothlong Agricultural School project in Qwa Qwa and the Qwa Qwa emerging farmers illustrates the social involvement.

In terms of social (labour practices) performances, Agri-Com is tracking and reporting on only the SO9 (Operations with considerable potential or negative impacts) indicator.

When considering that there are in excess of 80 possible performance indicators, Agri-Com currently tracked and reported on 10 of such indicators. Furthermore, considering that of five of these indicators fall within the economic category, it is obvious that in this instance the more conventional social aspects of social responsibility reporting as per the GRI framework receive less attention that it could.

## 3.6 CONCLUSIONS

### 3.6.1 Concluding discussions

The purpose of this study was to emphasise the importance of the co-operative business model in the modern, socially responsible, business environment and the contribution it can make to the community at large. The GRI's Sustainability Reporting Framework, which is the most widely used framework, was analysed, evaluated and applied to a chosen co-operative's operational activities and reports. The primary research question was the extent to which the GRI guidelines would be feasible or applicable to co-operatives. The previously mentioned objective could only be answered by the following secondary objectives, which were to analyse the GRI framework in order to identify key components thereof, the evaluation of the co-operative business model and principles within the context of the above, and finally, the interpretation and evaluation of the GRI's report template in terms of the objectives of the co-operative business model, by means of a case study.

The research indicated that the co-operative performed particularly well in terms of the **economic performance** indicators, where the direct economic value generated and distributed, the financial implications due to climate change, significant financial assistance received from government, development and impact of infrastructure investments and finally indirect economic impacts were reported on. Under the **environmental performance** indicators, it was ironically more difficult to report on, but plans for managing impacts on biodiversity and initiatives to mitigate environmental impacts of products and services were reported on. The **social performance** indicators displayed good performance under the training and education aspect, where programmes for skills management were reported on. Non-discrimination under human rights performance indicators reported on the total number of incidents and finally under the society performance indicators, local community's aspect was the most prominent, because of the co-operative's contribution to the community.

The GRI's document on Sustainability Reporting Guidelines represents the accountability to both internal and external stakeholders for organisational performance towards the aim of sustainable development. From the evaluation of the co-operative business model, it is clear that it has the same goal in mind, which is sustainable development.

Finally, the chosen agricultural co-operative performed remarkably well in terms of these guidelines, even though it is not a requirement for them to do so. From now on forward, the co-operative can apply itself to improving to a more supplementary application level. It is therefore recommended that further environmental performance indicators should be investigated and more attention must be paid to this matter.

### **3.6.2 Limitations and shortcomings**

The result of this study is limited by the fact that only one co-operative in the Free State Province was used; therefore, it cannot simply be assumed that all co-operatives within a global context will perform in the same manner. Furthermore, the study is also restricted by the fact that this chosen study is based on an **agricultural** co-operative, thereby limiting the application of the results of this study to this kind of co-operative and excluding from consideration co-operatives in other forms.

The contribution of the study is the fact that important potential shortcomings in the reporting model of the co-operative have been identified. As a co-operative, it should focus more on the environmental performance indicators for the reason that even though it is an agricultural co-operative, according to the GRI's framework, the chosen co-operative can work on additional performance indicators in this area. Simultaneously, the application levels will follow an incremental approach to reporting and will expand over time.

### **3.6.3 Future research**

As far as future research opportunities in an evaluation of the co-operative business model within the context of the GRI are concerned, different types of co-operative models can also be targeted for research. This, in turn, may also give rise to sector supplements that can be tailored for the co-operative sector with its unique characteristics. The reason for this is that co-operatives confront rare issues that may not typically be covered in the original Guidelines.

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## CHAPTER 4

## **4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **4.1 INTRODUCTION**

In this chapter the results of the research study are summarized and grounded on the data gained from the GRI's Sustainability Reporting Guidelines that were applied on the chosen co-operatives activities. The specific objectives that were highlighted in Chapter 1 are addressed, while limitations, contributions and future research opportunities are discussed and assessed.

The evolution of sustainability reporting was assessed, which includes CSR, GRI and integrated reporting. Sustainability reporting was found to be on the road to becoming an emerging tendency in businesses, and it is recognised as a tool to communicate how they function more responsibly and resourcefully within the social and physical environments while simultaneously remaining profitable. Links were found between sustainable development and co-operative governance, which includes the environmental, social and economic dimensions. After a detailed study of co-operatives, the result was a substantial one containing advantages and contributions to the community at large, which in turn affect the other dimensions mentioned. The definition of co-operatives speaks for itself; co-operatives are an autonomous association of people joined voluntarily to meet their common economic, social and cultural needs and desires through jointly owning and democratically-controlled business organised and operating on co-operative principles.

As stated in section 1.3 on page - 4 - the primary research of this study was to determine the extent to which the GRI guidelines, as a reporting framework, would be feasible or even applicable to co-operatives as a business model. In order to address the defined research problem, three detailed research elements were defined namely i) to identify the key components of the GRI framework, ii) to evaluate the key principles of the co-operative business model, and iii) to evaluate the extent to the GRI framework, might be applicable to the co-operative business model.

In order to address the above, the objectives of this study were to:

- Analyse the GRI framework in order to identify the key components thereof;

- Evaluate the co-operative's business model/philosophy and principles in the context of the above; and
- Interpret and evaluate the GRI's report template in terms of the objectives of the co-operative business model, by means of a case study.

## 4.2 SUMMARY OF RESEARCH

In respect of the first objective as stated above, which was to identify the key components of the GRI framework, the Sustainability Reporting Guidelines were analysed and it was found that they cover a very broad scope of any given company, starting off with Strategy and Analysis followed by a detailed Organizational Profile, Report Parameters are discussed and Governance Commitments and Engagements are brought to light. And finally the Performance Indicators are addressed, which include numerous economic, environmental and social indicators. Economic (EC) indicators include aspects of economic performance, market presence and indirect economic impacts. Environmental (EN) indicators consist of the following aspects; materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and finally an overall aspect. Social performance indicators are composed of labour practices and decent work (LA), human rights (HR), society (SO) and to finish, product responsibility (PR) and each of them includes their own separate aspects.

In respect of the second objective, the purpose of this study was to emphasize the importance of the co-operative business model and the contribution it can make to a community. The GRI's Sustainability Reporting Framework, which is the most widely used framework, was evaluated and applied on a chosen co-operative's activities. The chosen co-operative performed particularly well under the economic performance indicators where there was reporting on the direct economic value generated and distributed, the financial implications due to climate change, significant financial assistance received from government, development and impact of infrastructure investments and finally indirect economic impacts. Under the environmental performance indicators it was ironically more difficult to report on but there was reporting on plans for managing impacts on biodiversity and initiatives to mitigate environmental impacts of products and services. The social performance indicators displayed good performance under the training and education aspect where there was reporting on programmes for skills management. Non-discrimination under human rights

performance indicators reported on the total number of incidents and finally, under the society performance indicators, the local community aspect was considered the most prominent because of the co-operative's contribution to the community.

The third objective was to evaluate the GRI's report template in terms of the objectives of the co-operative business model and it was found that the GRI's Sustainability Reporting Guidelines represent the accountability to both internal and external stakeholders for organizational performance towards achieving the aims of sustainable development. From the evaluation of the co-operative business model, it is clear that it has the same goal in mind, which is sustainable development. In conclusion, the chosen agricultural co-operative performed remarkably well under these guidelines even though it isn't a requirement for them to do so, thus from now on forward, the co-operative can apply themselves to improving towards a more supplementary application level. However, further environmental performance indicators should be investigated and more attention must be paid to this matter.

The primary research question was to determine the extent to which the GRI guidelines, as a reporting framework, would be feasible or applicable to co-operatives as a business model. It is apparent from the above that the GRI framework and the co-operative business model have similar objectives, for example corporate social responsibility, economic performance etc., all focused on achieving the aim of sustainable development. Therefore it was found that the GRI guidelines are applicable to and feasible for co-operatives as a business model. Even though Agri-Com performed very well under the Template C guidelines, the recommendation would be that Agri-Com's focus shouldn't all be on the economic and social aspects but reflection and care should be directed to their environmental aspects.

### **4.3 RESEARCH CONTRIBUTION**

The primary research contribution of this study is that the GRI framework has been found applicable and relevant to the co-operative business model. In order to support this claim, the framework template has been completed using the actual case study of Agri-Com (refer to Annexure A: Agri-Com Level C Sustainability Report on page - 66 -) for the completed Level C sustainability report as applicable to the case study. As such, this study may be used as a starting point in developing a GRI Sector Supplement focussing on the co-operative business model.

Further contributions have been made in the context of the actual case study, where potential weaknesses have been identified on the part of Agri-Com. Based on the shortcomings highlighted above, the co-operative should focus more on the environmental performance indicators for the reason that even though it is an agricultural co-operative, according to the GRI's framework, the chosen co-operative can work on additional performance indicators in this field. At the same time application levels will follow an incremental approach to reporting and will develop over time.

#### **4.4 LIMITATIONS AND SHORTCOMINGS**

The result of this study is limited by the fact that only one co-operative in the Free State Province was studied - consequently it can't simply be assumed that the co-operatives in the rest of the world will perform in the same manner. In addition, the study is also restricted by the fact that this study is based on an agricultural co-operative, thus limiting the application of the results of this study in terms of co-operatives in other forms.

#### **4.5 FUTURE RESEARCH**

As far as future research opportunities in an evaluation of the co-operative business model within the context of the GRI are concerned, different types of co-operatives may be researched. This should be done in order to promote Sector Supplements that can be tailored to this particular co-operative sector with its unique characteristics. The reason for this is that co-operatives confront rare issues which may not be covered in the original Guidelines of the GRI.

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**6. ANNEXURE A: AGRI-COM LEVEL C SUSTAINABILITY  
REPORT**

**7. ANNEXURE B: ARTICLE AS PUBLISHED**

# An Evaluation Of The Co-Operative Business Model Within The Context Of The Global Reporting Initiative

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## ABSTRACT

*Sustainability reporting, renowned as an instrument for businesses to communicate how they function more efficiently and responsibly within the social and physical environment, while simultaneously remaining profitable, has evolved in an up-and-coming trend by businesses. In addition, this leads to integrated reporting, which implies that a business' strategy, performance, risk and sustainability are inseparable from one another. The International Year of Co-operatives (2012), with the theme "Co-operative Enterprises Build a Better World", recognises that co-operatives, in their range of forms, support the fullest participation in the social and economic development of people. Co-operatives also have the remarkable opportunity to grow everywhere for the reason that modern society needs their role and initiatives.*

*This article considers to what extent the GRI guidelines, as a reporting framework, are feasible or applicable to co-operatives as a business model. The selected agricultural co-operative (Agri-Com) is used in the form of a case study, where the GRI's Sustainability Reporting Guidelines are applied to its activities. This study found that the co-operative business model performed admirably well under these guidelines and suggests that the co-operative business model is very relevant in the modern business environment.*

**Keywords:** Co-operative; Corporate Social Responsibility; Global Reporting Initiative; Integrated Reporting; Sustainability

## 1. BACKGROUND

With the recent collapse of several major businesses around the globe, accompanied by the financial scandals, the issues of sustainable development and corporate social accountability and responsibility came to light and have been on the top of many governments agendas (Jooste, 2010:98; Demiraq, 2005:11). Traditionally, the primary focus of many business owners, accountants and auditors has been on a financially focussed bottom line, concentrating typically on Net Income (NI) and/or Earnings Per Share (EPS) (Jones III & Jonas, 2011:65). In recent times, however, there is an emerging understanding and recognition that the reason why a business is successful is not solely because of its financial performance.

The sustainable success of a business entity rather depends on its socio-ethical and environmental performances (Nikolaou, Evangelinos & Allan, 2012:5; White, Cleveland & White, 2008:31). It is clear that this demonstrates the shift from a single-bottom-line approach to a triple-bottom-line (TBL) approach in respect of stakeholder reporting. This approach to reporting focuses on the business entity's economic, environmental and social accomplishments (Rossouw, 2009:166; White, *et al.*, 2008:32; Jones III & Jonas, 2011:65). Corporate social responsibility (CSR) represents the actions a business initiates to promote some social good other than its own interests, going beyond compliance and legal obligations, and developing corporate attitudes and responsibilities in terms of society for social, environmental and ethical matters (Demiraq, 2005:11; Jones III & Jonas, 2011:65). The GRI is recognised as the top global framework for non-financial reporting and, moreover, these guidelines are

voluntary and provide flexibility to businesses in determining the extent of the information that should be disclosed (Levy & Brown, 2011:129; Nikolaou *et al.*, 2012:5).

The concepts of TBL and CSR are what co-operatives typify as an organisational model, not only in terms of its definition, but also in its underlying principles and values because a distinctive characteristic of co-operatives is that they put *people* at the centre of their business and not *capital*. It is no longer just Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS); there are now also Corporate Social Responsibility (CSR) and Global Reporting Initiative (GRI), and with these methods come great responsibility as well as opportunities for accountants and auditors (Jones III & Jonas, 2011:65).

The United Nations declared 2012 the International Year of Co-operatives and it proposed to elevate the public's understanding of the valuable contributions of co-operative enterprises to social integration, poverty reduction and employment creation (ICA, 2012). Furthermore, a key aim of the year is to emphasise the strengths of the co-operative business model as an *alternative* means of doing business and furthering socio-economic development (ICA, 2012).

## **2. RESEARCH OBJECTIVE AND METHODOLOGY**

Considering the above, it is seen that the co-operative business model promotes social responsibility and other key aspects of a TBL-managed approach. The primary research question under consideration for this article can therefore be formulated as follows:

**P1:** To what extent could the GRI guidelines, as a social responsibility reporting framework, be feasible or applicable to co-operatives as a business model?

In answering this question, three further crucial issues need to be considered; namely, the consideration of the key components of the GRI framework, the key principles of a co-operative business model/philosophy, and the extent to which the GRI framework (current version G3.1) coincides with the objectives of the co-operative business model. The key objective of this study is therefore to determine the extent to which the GRI guidelines would be supportive of the co-operative business model. To address this objective, the article is set out as follows: Firstly, the article starts off by highlighting the evolution of sustainable development and analysing the GRI framework with the intention of discovering the key components thereof. Secondly, an evaluation of the co-operative business model and its principles is provided and, thirdly, an outline of the GRI's G3.1 Sustainability Reporting Guidelines is provided and the Indicator Protocols are assessed in terms of the objectives of the co-operative business model. In completion, the conclusions and recommendations are made together with the relevant limitations and possible future research opportunities.

In order to achieve the stated objectives, a qualitative research approach was applied along with the case study method. On the basis of underlying research epistemology, the research will also be consistent with an interpretive and critical research paradigm. The case study is based on Agri-Com Co-operative Ltd (Agri-Com), which is registered as an agricultural co-operative under South African Legislation and is currently based in the town of Bethlehem in the eastern Free State Province. The GRI guidelines are applied to the actual information and activities of this selected co-operative. Guided interviews were held with the relevant personnel of Agri-Com to obtain the necessary information in order to demonstrate in what manner a co-operative is able to perform under the GRI guidelines.

## **3. SUSTAINABLE DEVELOPMENT AND THE GRI**

### **3.1. Introduction**

Sustainability has become an important issue because businesses should contemplate not only on their profits, but also what they produce and how they produce it. The concept of sustainability involves the capability to sustain a high quality of life for present and future generations (Blowfield & Murray, 2008:27). Building on sustainability, the concept of Sustainability Reporting is described by the GRI's Sustainability Reporting Guidelines

(G3) as the practice of measuring, disclosing and being accountable to both internal and external stakeholders for organisational performance toward the goal of sustainable development (GRI, 2011a:3).

Sustainable development and CSR are two concepts with a significant purpose for governments, society and businesses within the 21<sup>st</sup> century business environment (Munkelien, Goyer & Fratzak, 2005:183). The evolving concept - that is CSR - continues to be a key topic in the discussions about the relationship between businesses and society and to analyse the manner in which businesses communicate such efforts (De Bakker, Ohlsson, Den Hond, Tengblad & Turcotte, 2007:53). The correlation between the previously mentioned concepts is essential since governments are accountable for the achievement of the goals of sustainable development by signing international agreements. However, this is not possible to attain without the input and effort of the industry (Munkelien *et al.*, 2005:183). The GRI developed the Sustainability Reporting Framework, which is generally considered as the most widely used framework for reporting business performances on human rights, labour, environmental, anti-corruption and other corporate citizenship issues (Verschoor, 2011:14; Dilling, 2010:19).

The GRI was launched in 1997 with the preliminary goal to address environmental performances, which was later broadened to include the social and economic dimensions (Jones III & Jonas, 2011:68). The GRI Reporting Framework is intended for use by businesses of any sector, size or location since it takes into account the sensible considerations faced by a diverse range of businesses (GRI, 2011a:3). The present version, G3, was issued in 2006 and version G3.1 contains prolonged guidance on local community impacts, human rights and gender (Verschoor, 2011:14; Dilling, 2010:19). Standard disclosures set forth in the Guidelines include three aspects, which include the profile, performance indicators, and the management approach (Verschoor, 2011:14; GRI, 2011a:24). Firstly, the *profile* section consists of organisational strategy and analysis, its structure, report parameters, governance commitments, and engagement. Secondly, *performance indicators* consider the environment, human rights, labour practices and decent work environments, society, product responsibility, and economic indicators. Thirdly, the *management approach section* is intended to address how the organisation manages the sustainable topics associated with its risks and opportunities.

Integrated reporting is described by the King Code as a holistic and integrated representation of the business' performance in terms of both its finance and its sustainability (IoD, 2009). The main goal of the GRI is to make sustainability reporting as routine as financial reporting (Acquier & Aggeri, 2007:151). It is clear that a business' strategy, risk, performance, and sustainability are indivisible from one another.

### **3.2. The GRI's Sustainability Reporting Guidelines**

#### *3.2.1. Elements of the Guidelines*

It is the GRI's mission to communicate honestly and openly about sustainability since a globally shared framework of concepts, reliable language, and metrics is becoming a necessity. Furthermore, it provides a trusted and credible framework for sustainability reporting that can be used by enterprises of any sector, size or location (GRI, 2011a:2). The Guidelines are made up of Reporting Principles and Guidance and Standard Disclosures and are regarded as equal in weight and significance (GRI, 2011a:3). Application of the Principles, together with the Standard Disclosure, establishes the topics and Indicators to be reported on (GRI, 2011a:4). The Reporting Principles of materiality, sustainability, stakeholder inclusiveness, completeness, together with a set of tests for each principle, assist with the decision as to what to report on. The Standard Disclosures contain the strategy and profile section, the management approach of the organisation, and, in conclusion, the performance indicators which entail the information on the economic, environmental, and social performances of the organisation (GRI, 2011a:5).

The end result that transpires within the context of the organisation's commitments, strategy, and management approach are sustainability reports based on the GRI Reporting Framework.

#### *3.2.2. Application Level Criteria*

Businesses that prepare and submit GRI-based reports should state the level at which they have applied the GRI Reporting Framework via the "Application Levels" system. To meet the requirements of beginners, those in between and as well as advanced reporters, there are three levels available in the system - labelled C, B, and A. Each

level suggests a degree of the extent of application of the GRI Reporting Framework. A plus sign at each level (e.g. C+, B+, A+) indicates whether assurance was utilised externally for the report (GRI, 2011b:1).

The purpose of the levels is to supply the stakeholders of the business with a degree of the extent to which the GRI Guidelines have been applied in the groundwork of the report, as well as delivering preparers of the report with a clear route or vision for gradually expanding the application of the GRI Framework over time. When declaring an application level, it also clearly communicates which rudiments of the GRI Reporting Framework have been applied in the groundwork of a report (GRI, 2011b:1).

Table 1 has then also been used as the guide in evaluating the sustainability performances of Agri-Com in terms of the GRI framework

**Table 1: The Levels of the GRI Sustainability Reporting Guidelines**  
(Adapted from GRI, 2011b)

Standard Disclosures	Report Application Level	C	C+	B	B+	A	A+
	<b>Profile Disclosures</b> <b>Disclosures On Management Approach</b> <b>Performance Indicators &amp; Sector Supplement Performance</b>	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12, 4.1-4.4 , 4.14-4.15	Not required	<b>Report Externally Assured</b>	Report the same as Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	<b>Report Externally Assured</b>	Report the same as Level B
	Report on a minimum of 10 performance indicators (at least one from each of: social, economic and environment).	Management approach disclosures for each indicator category	Report on each core and sector supplement indicator or explain the reason for its omission.				

3.2.3. Categories of the Performance Indicators

There are six key performance indicator areas of consideration in the GRI’s framework; namely, economic, environmental, social (labour practices), social (human rights), social (society) and social (product responsibility).

3.2.3.1. Economic (EC) Performance Indicators

In respect of the economic indicators, it contains areas that include economic performance, market presence and indirect economic impacts. Detailed indicators in these areas are shown in Table 2.

**Table 2: Economic Indicators**

Economic Performance	Description
EC1	Direct economic value generated and distributed
EC2	Financial implication, risks and opportunities
EC3	Coverage of the organisation’s defined benefit plan obligation
EC4	Significant financial assistance received from government
<b>Market Presence</b>	
EC5	Range of ratios of standard entry level wage
EC6	Policy, practices and proportion of spending
EC7	Procedures for local hiring
<b>Indirect Economic Impacts</b>	
EC8	Development and impact of infrastructure investments
EC9	Describing direct economic impacts

(Adapted from GRI, 2011c)

3.2.3.2. Environmental (EN) Performance Indicators

With regard to the environmental indicators, they contain areas that include materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and, finally, an overall area. Detailed indicators in these areas are shown in Table 3.

**Table 3: Environmental Indicators**

<b>Materials</b>	<b>Description</b>
EN1	Materials used by weight or volume
EN2	Percentage of materials used that are recycled input materials
<b>Energy</b>	
EN3	Direct energy consumption by primary energy source
EN4	Indirect energy consumption by primary energy source
EN5	Energy saved
EN6	Initiatives to provide energy-efficient products
EN7	Initiatives to reduce indirect energy consumption
<b>Water</b>	
EN8	Total water withdrawal by source
EN9	Water source considerably affected by withdrawal of water
EN10	Percentage and total volume of water recycled a
<b>Biodiversity</b>	
EN11	Location and size of land
EN12	Description of considerable impacts of activities
EN13	Habitats protected or restored
EN14	Strategies, current actions and future plans
EN15	Number of IUCN Red List species
<b>Emissions, Effluents &amp; Waste</b>	
EN16	Total direct and indirect greenhouse gas emissions
EN17	Other relevant indirect greenhouse gas emissions
EN18	Initiatives to lesson greenhouse gas emissions
EN19	Emissions of ozone-depleting substances
EN20	NO <sub>2</sub> ,SO <sub>2</sub> and other significant air emissions
EN21	Total water discharge by quality and destination
EN22	Total waste by type and disposal method
EN23	Number and volume of significant spills
EN24	Weight of transported, imported, or treated waste
EN25	Identity, size, protected status, and biodiversity value of water bodies
<b>Products &amp; Services</b>	
EN26	Initiatives to mitigate environmental impacts
EN27	Percentage of products sold
<b>Compliance</b>	
EN28	Monetary value of significant fines
<b>Transport</b>	
EN29	Significant environmental impacts of transporting products
<b>Overall</b>	
EN30	Environmental protection expenditures and investments

(Adapted from GRI, 2011d)

3.2.3.3. Social: Labour Practices and Decent Work (LA) Performance Indicators

With regard to labour practices and decent work indicators, they contain areas that include employment, management relations, occupational health and safety, training and education, diversity and equal opportunity and, lastly, equal remuneration for men and woman. Detailed indicators in these areas are shown in Table 4.

**Table 4: Labour Practices and Decent Work Indicators**

<b>Employment</b>	<b>Description</b>
LA1	Total workforce
LA2	Number and rate of new employee hires
LA3	Benefits provided to full-time employees
LA15	Return to work and retention rates
<b>Labour/Management Relations</b>	
LA4	Percentage of employees covered by collective bargaining agreements
LA5	Minimum notice periods
<b>Occupational Health and Safety</b>	
LA6	Percentage of workforce represented
LA7	Rates of injury, occupational diseases
LA8	Education, training, counselling and prevention
LA9	Health and safety topics covered
<b>Training and Education</b>	
LA10	Average hours of training per year
LA11	Programs for skills management
LA12	Percentage of employees receiving reviews
<b>Diversity and Equal Opportunity</b>	
LA13	Composition of governance bodies
<b>Equal Remuneration for Woman and Men</b>	
LA14	Ratio of basic salary of men to woman

(Adapted from GRI, 2011e)

#### 3.2.3.4. Social: Human Rights (HR) Performance Indicators

With regard to the human right indicators, they contain areas that include investment and procurement practices, non-discrimination, freedom of association, child labour, and prevention of forced and compulsory labour, security practices, indigenous rights, assessment and, finally, remediation. Detailed indicators in these areas are shown in Table 5.

**Table 5: Human Rights Indicators**

<b>Investment and Procurement Practices</b>	<b>Description</b>
HR1	Number of significant investment agreements
HR2	Significant suppliers, contractors and business partners
HR3	Total hours of employee training
<b>Non-discrimination</b>	
<b>HR4</b>	Number of incidents of discrimination
Freedom of association and collective bargaining	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association may be at risk
<b>Child Labour</b>	
HR6	Operations and significant suppliers identified as having risk for incidents of child labour
<b>Prevention of Forced and Compulsory Labour</b>	
HR7	Operations and significant suppliers identified as having risk for incidents of forced or compulsory labour
<b>Security Practices</b>	
HR8	Percentage of security personnel trained

(Adapted from GRI, 2011f)

3.2.3.5. Social: Society (SO) Performance Indicators

With regard to society indicators, they contain areas that include local communities, corruption, public policy, anti-competitive behaviour, and compliance. Detailed indicators in these areas are shown in Table 6.

**Table 6: Society Indicators**

<b>Local communities</b>	Description
SO1	Percentage of operations with implemented local community engagement
SO9	Operations with considerable potential or negative impacts
SO10	Prevention and mitigation measures
<b>Corruption</b>	
SO2	Percentage and total number of business units analysed
SO3	Percentage of employees trained in these policies
SO4	Actions taken in response
<b>Public Policy</b>	
SO5	Public policy positions
SO6	Value of financial and in-kind contributions to political parties
<b>Anti-competitive Behaviour</b>	
SO7	Number of legal actions
<b>Compliance</b>	
SO8	Monetary value of significant fines

(Adapted from GRI, 2011g)

3.2.3.6. Social: Product Responsibility (PR) Performance Indicators

With regard to product responsibility indicators, they contain areas that include customer health and safety, product and service labelling, marketing communications, customer privacy and, lastly, compliance. Detailed indicators in these areas are shown in Table 7.

**Table 7: Product Responsibility Indicators**

<b>Customer Health and Safety</b>	Description
PR1	Life cycle stages in which relevant impacts of products and services are assessed
PR2	Number of incidents of non-compliance concerning health and safety impacts of products and services
<b>Product and Service Labelling</b>	
PR3	Type of product and service information required by procedures
PR4	Number of incidents of non-compliance concerning product and service information and labelling
PR5	Practices related to customer satisfaction
<b>Marketing Communications</b>	
PR6	Programs for adherence to laws, standards and voluntary codes
PR7	Number of incidents of non-compliance concerning marketing communications
<b>Customer Privacy</b>	
PR8	Number of substantiated complaints
<b>Compliance</b>	
PR9	Monetary value of significant fines

(Adapted from GRI, 2011h)

**4. FUNDAMENTALS OF THE CO-OPERATIVE BUSINESS MODEL**

A co-operative is characterised as an autonomous voluntarily association of persons to meet common economic, social and cultural needs and aspirations through jointly-owned and democratically-controlled enterprises organised and operated on co-operative principles (ICA, 2007, DoED, 2012). The principles of co-operatives involve voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives, and concern for community (ICA, 2007; Kanyane, 2009:1126; DoED, 2012). The co-operative business model is built on key

values, such as self-help, self-responsibility, democracy, equality, equity, and solidarity. Furthermore, co-operatives' members believe in the ethical values of honesty, openness, social responsibility, and the caring for others (ICA, 2007; Kanyane, 2009:1126; DoED, 2012). The importance of the co-operative sector can be confirmed and demonstrated through the contribution that it has made in past economic developments. Co-operatives have developed along several lines; for example, agricultural co-operatives, consumer co-operatives, credit co-operatives, housing co-operatives, worker co-operatives, and health and social care co-operatives (Birchall, 2004:6-13).

Within the South African context, national government's responsibility for co-operatives falls with the Department of Trade and Industry (DTI) (Nganwa, Lyne & Ferrer, 2010:40). The Co-operatives Act 14 of 2005 aims to promote the development of sustainable co-operatives in South Africa and their use as a vehicle to develop small enterprises (Nganwa *et al.*, 2010:39). Therefore, this leads to the contribution of economic growth, reduced poverty, employment creation, and assisting in the result of economic transformation and an equitable society (DTI, 2004:5). Nealer and Naudé (2011:115) believe that the multifaceted integrative nature of sustainable development makes it clear that co-operative governance's effective communication and most beneficial collaboration between all actors that are involved are crucial tools for more effective sustainable development (Nealer & Naudé, 2011:115).

This study is based on a co-operative (Agri-Com), which is a registered low-cost agricultural co-operative, providing selected services such as the finance of input cost, comprehensive insurance on crops, bulk purchase of farming inputs at a discount, and the marketing of members' production to prospective buyers. Although Agri-Com is able to operate nationally, their current markets primarily include grain producers in the Free State and Mpumalanga provinces. Agri-Com has the opportunity to provide a one-stop service in terms of the cultivation of maize, wheat, soy beans, sunflower, sugar beans, and potatoes to selected farmers in these areas. The most important component of the service offering is finance on grain production agreements with approved producers, backed by multi-peril and hail insurance, to cover exposure to insurable natural risks. The service offering is distributed to their own members, but also to the clients of merchant banks and other agri-businesses that have made use of their services in the past 10 years. The fact that approximately 80% of production inputs are distributed directly from the supplier to the farmer also provides Agri-Com with a competitive advantage, as it will carry no inventory on input commodities. Agri-Com's target market is the top 40 of their existing low-risk grain-producing members who all have a sound financial standing and credit rating. The mission statement testifies that Agri-Com, in co-operation with its stakeholders, will strive toward the financial independence of the farmer.

## **5. RESEARCH RESULTS**

The research question enquired as to the extent of the GRI guidelines as a reporting responsibility framework and its feasibility to co-operatives as a business model. In order to report on the following performance indicators, data were used from several meetings held with, and documents and financial statements gathered from, Agri-Com management and personnel. From this data, it was evident that Agri-Com would easily have been able to comply with the Level 'C' GRI report. Based on the data, the performance indicators mentioned below were reported on as part of Agri-Com's regular operations.

This section is arranged according to economic, environmental, and social categories where social indicators are further classified by means of Labour, Human rights, Society, and Product responsibility. Agri-Com performed satisfactorily under the Indicator Protocols reported below in the following manner:

### **5.1. Economic Performance Indicators**

In reference to Table 2 where there were nine performance indicators identified within the GRI framework, Agri-Com performed as shown in Table 8.

**Table 8: Agri-Com - Economic Performances**

<b>Economic Performance</b>	
EC1	Agri-Com Co-operative has a management agreement with Agri-Com Holdings (Pty) Ltd. to manage the co-operative on behalf of members. A portion of the gross profit of the co-operative reverts back to Agri-Com Holdings as a management fee and the remainder, after allowing for expenses, remains in Agri-Com Co-operative to build reserves or to be distributed to members as a bonus on turnover. Bonuses will, in line with the co-operatives statute, be credited to members' loan accounts on a 15-year rotation basis.
EC2	The area in which Agri-Com operates is not a high risk area and risks are furthermore reduced by cultivating summer and winter crops as well as an animal farming element. The development in comprehensive crop insurance has the effect that producers are able to pay their input accounts even in years where adverse weather conditions have an effect on crop yields.
EC4	Agri-Com's current service offering focuses on securing finance to prospective producers through a credit facility from The Land and Agri-cultural Development Bank of Southern Africa (Land Bank) only.
<b>Market Presence</b>	
EC8	The main service area of Agri-Com is the Eastern Free State. There are a number of poor areas in the service area of which the most densely populated area is the Phuthaditjhaba area. The Seothlong School and Maluti FET College are both situated in the town of Phuthaditjhaba. Our compatriots in the NGF programme indicate that our involvement with the programme is creating opportunities for people to work, thereby alleviating poverty in the region.
EC9	Development of emerging entrepreneurs – The basis for this plan is to identify and develop emerging entrepreneurs in the agricultural sector. Seothlong, which educates learners in an Agricultural curriculum (Grade 8-12), is ideally situated to identify prospects for further development at an early stage. Agri-Com, with assistance from our suppliers, will support the theoretical training with hands-on practical training. Together with Maluti FET Department Agriculture, the intention is to identify young entrepreneurs in the different fields available in Agriculture and send them for the relevant training to establish entrepreneurs with expertise in Agriculture.

In terms of economic performances, Agri-Com is tracking and reporting on five possible indicators; namely, EC1 (Direct economic value generated and distributed), EC2 (Financial implication, risks and opportunities) EC4 (Significant financial assistance received from government), EC8 (Development and impact of infrastructure investments) and, finally, EC9 (Describing direct economic impacts).

## 5.2. Environmental Performance Indicators

In reference to Table 3, the chosen co-operative performed as illustrated in Table 9.

**Table 9: Agri-Com - Environmental Performances**

<b>Biodiversity</b>	
EN14	Agricultural biodiversity, known as agri-biodiversity or the genetic resources for food and agriculture and a vital sub-set of biodiversity. It is a creation of humankind whose food and livelihood security depend on the sustained management of those biological resources that are important for food and agriculture. The most important reason for the existence of Agri-Com is to contribute to Food Safety and Security in South Africa. Everything that Agri-Com stands for and does is aimed at making a positive contribution to Food Safety and Security for all the people of our land. (Contribution to Food Security at National level).
<b>Products and Services</b>	
EN26	The introduction of innovative ideas in Agriculture, with the establishment of a sugar bean trading market for their members. The sugar bean programme consists of the full spectrum of activities from financing the cultivation of beans through cleaning and packaging to marketing of the beans. As far as we know, Agri-Com is the only Co-operative participating in the full spectrum of the sugar bean trade. The sugar and soy beans that they finance put nitrogen back into the ground and are used to fertilise the ground for the planting of future crops.

In terms of environmental performances, Agri-Com is tracking and reporting on only two possible indicators; namely, EN14 (Strategies, current actions, and future plans) and EN26 (Initiatives to mitigate environmental impacts).

**5.3. Social (Labour Practices) Performance Indicators**

In reference to Table 4, the chosen co-operative performed as shown in Table 10.

**Table 10: Agri-Com - Social (Labour Practices) Performances**

Training and Education	
LA11	Agri-Com’s personnel policy indicates that opportunities as far as training is concerned are made available to all permanently appointed personnel. Their training policy stipulates that personnel are trained firstly through in-house practical training and financial assistance is also available to personnel for appropriate specialised training.

In terms of social (labour practices) performances, Agri-Com is tracking and reporting on only the LA11 (Programs for skills management) indicator.

**5.4. Social (Human Rights) Performance Indicators**

In reference to Table 5, the chosen co-operative performed as shown in Table 11.

**Table 11: Agri-Com - Social (Human Rights) Performances**

Non-discrimination	
HR4	The Co-operative business form lends itself for participation on a broad basis to all races, without the potential interference by outside political groupings. Agri-Com Co-operative Ltd. is an agricultural co-operative and its membership is open to all bona fide farmers, irrespective of race, colour or creed. In fact, Agri-Com has black female members, which makes it a non-racist and non-sexist organisation. All members have equal voting powers.

In terms of social (labour practices) performances, Agri-Com is tracking and reporting on only the HR4 (Number of incidents of discrimination) indicator.

**5.5. Social (Society) Performance Indicators**

In reference to Table 6, Agri-Com performed as shown in Table 12.

**Table 12: Agri-Com - Social (Society) Performances**

Local Communities	
SO9	Agri-Com recognises its social responsibility as a whole and regularly contributes to deserving projects. The Co-operative’s involvement with the Seothlong Agricultural School project in Qwa Qwa and the Qwa Qwa emerging farmers illustrates the social involvement.

In terms of social (labour practices) performances, Agri-Com is tracking and reporting on only the SO9 (Operations with considerable potential or negative impacts) indicator.

When considering that there are in excess of 80 possible performance indicators, Agri-Com currently tracked and reported on 10 of such indicators. Furthermore, considering that of five of these indicators fall within the economic category, it is obvious that, in this instance, the more conventional social aspects of social responsibility reporting, as per the GRI framework, receives less attention that it could.

## **6. CONCLUSIONS**

### **6.1 Concluding Discussions**

The purpose of this study was to emphasise the importance of the co-operative business model in the modern, socially responsible, business environment and the contribution it can make to the community at large. The GRI's Sustainability Reporting Framework, which is the most widely used framework, was analysed, evaluated and applied to a chosen co-operative's operational activities and reports. The primary research question was the extent to which the GRI guidelines would be feasible or applicable to co-operatives. The previously mentioned objective could only be answered by the following secondary objectives, which were to analyse the GRI framework in order to identify key components thereof, the evaluation of the co-operative business model and principles within the context of the above, and, finally, the interpretation and evaluation of the GRI's report template in terms of the objectives of the co-operative business model by means of a case study.

The research indicated that the co-operative performed particularly well under the economic performance indicators, where the direct economic value generated and distributed, the financial implications due to climate change, significant financial assistance received from government, development and impact of infrastructure investments and finally indirect economic impacts were reported on. Under the environmental performance indicators, it was ironically more difficult to report on, but plans for managing impacts on biodiversity and initiatives to mitigate environmental impacts of products and services were reported on. The social performance indicators displayed good performance under the training and education aspect, where programmes for skills management were reported on. Non-discrimination under human rights performance indicators reported on the total number of incidents and, finally, under the society performance indicators, local community's aspect was the most prominent because of the co-operative's contribution to the community.

The GRI's Sustainability Reporting Guidelines represent the accountability to both internal and external stakeholders for organisational performance toward the aim of sustainable development. From the evaluation of the co-operative business model, it is clear that it has the same goal in mind, which is sustainable development.

Finally, the chosen agricultural co-operative performed considerably well under these guidelines, even though it is not a requirement for them to do so. From now on forward, the co-operative can apply itself to improve to a more supplementary application level. It is therefore recommended that further environmental performance indicators should be investigated and more attention must be paid to this matter.

### **6.2. Limitations and Shortcomings**

The result of this study is limited by the fact that only one co-operative in the Free State Province was used; therefore, it cannot just be assumed that all co-operatives within a global context will perform in the same manner. Furthermore, the study is also restricted by the fact that this chosen study is based on an agricultural co-operative, thereby limiting the application of the results of this study to co-operatives in other forms.

The contribution of the study is the fact that important potential shortcomings in the reporting model of the co-operative have been identified. As a co-operative, it should focus more on the environmental performance indicators for the reason that even though it is an agricultural co-operative, according to the GRI's framework, the chosen co-operative can work on additional performance indicators in this area. Simultaneously, the application levels will follow an incremental approach to reporting and will expand over time.

### **6.3 Future Research**

As far as future research opportunities in an evaluation of the co-operative business model within the context of the GRI are concerned, different types of co-operative models can also be targeted for research. This, in turn, may also give rise to sector supplements that can be tailored for the co-operative sector with its unique characteristics. The reason for this is that co-operatives confront rare issues that may not typically be covered in the original Guidelines.

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**NOTES**

**8. ANNEXURE C: JOURNAL SUBMISSION GUIDELINES**

# The Clute Institute

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## Manuscript Guidelines

Please submit your paper in Microsoft Word or compatible format. Text should be formatted for letter size paper (8.5 x 11 inches) single-spaced at 10 points, Times New Roman, with one inch margins, left justified, and single-column. We generally follow American Psychological Association (APA) guidelines.

### Structure of the Paper

Title page  
Title  
Abstract  
Keywords  
Introduction  
Body of paper  
Tables, figures, etc. placed where they belong  
Conclusion  
Acknowledgments (if applicable)  
References (American Psychological Association style)  
Appendices (if applicable)

### Cover Page

The cover page should contain the paper title and each author name, affiliation, mailing address, and email address with the contact author indicated. The cover page should also contain a short auto-biography of no more than 100 words for each author.

### Title

The title should be concise, descriptive, and contain the keywords or key phrases. Search engines assume that the title contains all of the important words that describe the topic of the paper.

### Acronyms

The use of acronyms should be avoided in the title and keywords unless widely recognized and understood.

### Abstract

Abstracts should not exceed 250 words. The abstract should contain all the keywords and key phrases at least once and more than once if necessary. Search engines rank articles higher if the keyword or key phrase being searched appears more often in the abstract. However, pointless repetition may result in the page being rejected by a search engine. Since most researchers read an abstract before reading the paper, abstracts must be written very well.

### Keywords

Select 3 or 4 keywords or key phrases that you would give a search engine if you were searching for your article. Avoid the use of general and plural terms, abbreviations, and non-descript words such as *and*, *of*, *or*, *the*, and so on.

When selecting keywords, please keep in mind how search engines operate. A search on the key phrase “*women’s health*” does not yield the same result as separate searches on the words “*women’s*” and “*health*”. The ordering of keywords within a key phrase is also important if quotation marks are used because you are searching for words in a particular order. For example, a search for “*women’s health*” is not the same as “*health women’s*”.

Clute Institute journal articles are downloaded an average of 120,000 times a month. Approximately 70% of these downloads come from Google searches, so the proper use of keywords and key phrases is important. Many universities use journal article citation analysis to evaluate the importance of faculty research. Hence, being quoted by other authors is important.

## Headings

Four levels of headings are allowed. The first level should be **BOLD ALL CAPS**, second level **Bold**, third level *Italics*, and fourth Underlined.

## Tables & Figures

Use the Microsoft Word table function to create tables, not spreadsheets. Tables and figures should be located in the text and numbered sequentially using Arabic numerals, i.e., Table 1 and Figure 1. We print our journals in black and white; please take this into consideration when using color.

## Abbreviations

Abbreviations should be defined at first mention and used consistently thereafter.

## Footnotes

Bottom of the page footnotes are preferred to end of the article endnotes.

## References

References should be arranged alphabetically and follow American Psychological Association (APA) style. References should not be inserted as footnotes. References in the text should include name and year. For example: "According to Bangs (2012)..."

In print journal article citation:

Bangs, J. (2012). Transforming A Business Statistics Course With Just-in-Time Teaching. *American Journal of Business Education*, 5(1) 87-94.

Online journal article citation:

Kondonassis, Alex J. (2012). Some Key Evolutionary Changes In Global Economic Development: A Historical Perspective. *Journal of Applied Business Research*. The Clute Institute. Retrieved from: <http://journals.cluteonline.com/index.php/JABR/article/view/905/889>

Book citation:

Calfee, R.C. & Valencia, R.R. (1991). *APA guide to preparing manuscripts for journal publication*. Washington, DC: American Psychological Association.

## English Language Support

If your native language is not English, you may want to make use of an English language editing service to increase the quality of your paper. The use of these services is not required and does not guarantee acceptance for publication. The Clute Institute has worked with and recommends "Editage.com", although there are many other companies providing this service.