Chapter 7

The Potential Role of Social Reporting in the Decision-Making Process of Cooperatives

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ABSTRACT

Accountability in the social economy sector is very important because it is inherent in the nature of the organizations of this sector. The literature on the topic of social accounting and accountability is abundant and highlights the benefits and the criticisms of social reporting. The objective of the chapter arises from the literature review that highlights how more in-depth studies are needed on the characters and role of social accountability in decision-making processes. In order to answer the research question (How is social reporting performed and how does social information influence the decision making of the management in a cooperative?), the single case study methodology has been adopted, considering embedded units of analysis and focusing on the social report of an Italian retail cooperative (COOP Lombardia). Thanks to the analyzed case study, it is possible to conclude that the social report can represent a tool of accountability that also informs future decisions, realizing a circular relationship between results achieved and decisions to be taken.

INTRODUCTION

Over the years, accountability has begun to increase its importance in many kinds of organizations. Particular attention received social accounting and reporting.

Different motivations can lead an organisation to undertake a report supporting accountability. The approval acquisition/maintenance of the most powerful stakeholders (Islam & Deegan, 2010); the desire to be responsible and accountable towards all that are affected by the organizations’ activity (Salani, 2004); the necessity to respond to a variety of institutional pressures (Bebbington et al. 2009); and the importance of protecting and enhancing the value deriving from organizational reputation (Spence, 2009).
Accountability in the Social Economy Sector is very important because it is inherent in the nature of the organizations of this sector: in fact, for the non-profit managers the necessity to give an account has always been important, both within organizations and towards their donors (Candler & Dumont, 2010). The authors think that the importance of accountability is particularly relevant for the cooperatives (specific object of this chapter), where their mutualistic purpose should stress the internal accountability (towards cooperative’s members, employees, management). In other words, for a cooperative, accountability should be considered as a duty deriving from its institutional purpose (mutualistic).

Moreover, recently, in Italy social reporting has assumed a special relevance in the Social Economy Sector because, in 2017, the obligation to draft the Social Report was introduced for all Third Sector organizations (starting for the fiscal year 2018, when the guidelines for the drawing up of the Social Report have been approved).

In this chapter, the authors consider a specific Social Economy Sector organization represented by the cooperatives that are going through a very critical period (Battaglia et al., 2015) dictated by the need to pursue the competitiveness of other cooperatives and other non-cooperative companies operating in the same sector, without betraying their traditional reference values (first of all that of mutuality).

The main purpose of the chapter is to highlight the potential role of the Social Report in supporting internal decision making, while much of the literature considers the Social Report as an external accountability document. Therefore, the contribution of the chapter is to propose a different point of view on this document: from basically external purpose tool, to both internal and external purpose document.

To this end, section 2 proposes some literature contributions on accountability and social report, highlighting the need to fill a gap in analyzing the role of social reporting in the decision making of cooperatives. In section 3, the authors define the research question and describe the research methodology. Section 4 contains the case study analysis, while section 5 is focused on some discussion deriving from the previous analysis. Finally, section 6 summarize some conclusive reflections.

ACCOUNTABILITY AND SOCIAL REPORT: SOME LITERATURE CONTRIBUTION

Literature provides numerous contributions aimed at outlining the concept of accountability, its articulation in different components and the evolution that accountability has highlighted over time.

In extreme synthesis, the concept of accountability (Steccolini, 2004) requires the presence of an activity of transferring information from the accountor (social economy sector organization) to the accountee (stakeholder) to whom the possibility of evaluation is recognized on the basis of the information obtained.

In particular, in order to apply the accountability concept, the availability of information is necessary, but not sufficient. In effect, the information must also have the character of reliability, comprehensibility, accessibility, distribution and dissemination (Herzlinger, 1996).

The theoretical and empirical analyses contained in the international literature on accountability, are distinguished by their initial and overwhelming focus on the social reporting aspects related to the for-profit sector (Linowes, 1972; Estes, 1976; Gray et al., 1987).

This kind of scientific contribution can be considered natural since the tools of social reporting were born and spread in companies and, only in more recent times, has there been an adaptation of the same to the context of public administration and the non-profit sector.

This aspect is considered particularly relevant and distinctive of social reporting: in fact, it arises for companies, responding, therefore, to certain purposes and logics.
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