

“Accountability practice as a strategy for engaging stakeholders: the co-operative difference and organizational renewal”

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Abstract submitted April 28, 2008: (199 words)

In this paper we consider tools and processes designed for social accounting, auditing and reporting that can be used by Social Economy organizations to engage stakeholders, reduce mission drift, and accomplish organizational renewal. The social accounting literature provides the backdrop informing our work. Empirical examples are drawn from the co-operative sector, drawing out the lessons for social economy organizations more broadly. Given that the public is increasingly discerning about corporate social responsibility, co-operatives which attend to and report on the co-operative difference may be uniquely advantaged. Articulating and measuring success in implementing the co-operative difference helps co-operatives embody their principles, be accountable, and build an attractive “brand”. However, managers, directors, members, and employees often have difficulty describing, operationalizing and measuring their co-operative’s implementation of co-operative values and principles. We argue that a collaborative, grass roots approach to conceptualizing and accounting for the co-operative difference within particular organizations can be effective. While drawing on existing standards, indicators and measures is desirable, building at least some of these “in house” is an affirming process that builds cohesion, commitment, and capacity for innovation across stakeholder groups. The paper indicates some of the challenges as well as the strengths of the collaborative approach.

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One-Page Summary:

In this paper we consider tools and processes designed for social accounting, auditing and reporting (SEAR) that can be used by social economy organizations to engage stakeholders, reduce mission drift, and accomplish organizational renewal. The empirical examples discussed here are drawn from the co-operative sector, but lessons can be drawn for social economy organizations more broadly. The social accounting literature provides the backdrop informing our work (e.g. Mook et al, 2007; Brown, 2002, 2005; Gray et al. 1997; Svendsen, 1997; Whitehead and Avison, 1999; Seaman, 2004), as do examples of practice (e.g. Consumers' Community Co-operative, VanCity, Planned Lifetime Advocacy Network).

Traditional financial statements based on generally accepted accounting principles do not integrate social and financial performance measures (Hicks et al, 2007). This makes it difficult for managers (professional managers and Board Members) to plan effectively, to be accountable for the associative qualities of the organization and to show the interpenetration of social and economic dimensions. Lacking the full range of performance information, it is impossible for management to fully assess how a co-operative's resources are being used to accomplish its goals, and difficult to reward efforts to reach them (Hyndman et al, 2002). In part because of this many organizations now engage in some form of SEAR, challenging “the conceptual firewalls” dividing the world into social and economic realms (Bornstein, 2007: x). Co-operatives, which claim a “co-operative difference” associated with the values and principles codified by the International Co-operative Alliance, are apt subjects for such initiatives.

Finding ways to implement the co-operative difference and to measure success can help co-operatives embody their principles, be accountable, and position themselves advantageously in the marketplace. Since the public is increasingly discerning about corporate social responsibility, co-operatives which attend to, and report on, the co-operative difference may be uniquely advantaged. Pestoff's (199:208) research on Swedish consumer co-operatives is encouraging, indicating that “... the social dimension of co-operatives helps set them apart ... and gives them a competitive advantage”. However, managers, directors, members, and employees often have difficulty describing, operationalizing and measuring their co-operatives' implementation of co-operative values and principles (Spear, 2000), and these may not inform strategic planning. It is vital that we conceptualise and measure these associational qualities, shedding light on how they can inform the business practices of the co-operative. Note Fairbairn's (2002: 124) observation: “The apparatus of member education, participation, feedback, ... representation... is a source of loyalty and trust, a site for innovation, and a mechanism to enforce close business relations between the members and the co-operative.” The tools of social accounting, auditing and reporting can make a contribution.

A grass roots, collaborative approach requires clear headed thinking, facilitating and conflict management skills, a concrete sense of purpose, and time. While some standardization is desirable, building at least some indicators and measures “in house” is an affirming process that builds cohesion, commitment, and capacity for innovation across stakeholder groups.

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