



Development of sustainability reports for farming operations in the Basque Country using the Delphi method

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ARTICLE INFO

Article history:

Received 25 September 2013

Accepted 10 March 2014

Available online 12 July 2014

JEL classification:

M14

M41

Q56

Keywords:

Sustainability reports

Sustainability development

Stakeholder theory

Global reporting initiative

Farming operations

Delphi method

Basque country

Spain

ABSTRACT

In recent decades, publications of sustainability reports from a variety of organisations all over the world have significantly increased. Most of these companies are large and belong to the secondary and tertiary sector. This paper uses stakeholder theory to attempt to contribute to the development of sustainability reports specifically related to farming operations. This paper also uses the Delphi methodology to collect information from different stakeholders that, in turn, represent different groups of agents within the organisations involved. The conclusions indicate a difference in the assessments from the three subgroups of experts that comprise the panel.

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Desarrollo de informes de sostenibilidad para explotaciones agropecuarias del País Vasco a través del método Delphi

RESUMEN

En las últimas décadas, la divulgación de informes de sostenibilidad ha aumentado significativamente en todo el mundo. La mayoría de organizaciones que publican estas memorias son grandes empresas y pertenecen al sector secundario y terciario. Este trabajo, basándose en la teoría de los stakeholders, intenta contribuir a la elaboración de informes de sostenibilidad específicamente diseñados para explotaciones agropecuarias. Utiliza la metodología de Delphi para recabar información de los diferentes actores que representan a su vez diversos grupos de agentes en el seno de las organizaciones involucradas. Las conclusiones indican una diferencia en las evaluaciones de los 3 subgrupos de expertos que conforman el panel.

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Códigos JEL:

M14

M41

Q56

Palabras clave:

Memorias de sostenibilidad

Desarrollo sostenible

Teoría de los partícipes

Global Reporting Initiative

Explotaciones agropecuarias

Método Delphi

País Vasco

España

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Introduction

In recent years, the number of companies that issued reports on social and environmental performance has significantly increased (Boiral, 2013; Deegan, Ranking, & Tobin, 2002; Gray, Kouhy, & Lavers, 1995; KPMG, 2008). Such social and environmental information is sometimes mandatorily included in annual reports (Blacconiere & Patten, 1994; Criado, Fernández, Husillos, & Larrinaga, 2008; Freedman & Patten, 2004; Larrinaga, Moneva, Llena, Carrasco, & Correa, 2002; Llena, Moneva, & Hernández, 2007; Shameek & Cohen, 1997) or may be voluntarily provided as a standalone social and environmental report (Alvarez, 2010; Gray et al., 1995; Patten and Crampton, 2004; Unerman, 2000). Perhaps one of the main initiatives in this field is the report by GRI on sustainability guidelines (KPMG, 2008). Although organisations in the secondary and tertiary sectors of the economy have experienced significant progress, the primary sector (except for quarrying) has developed to a lesser extent. In a similar context, Correa and Moneva (2011) considered that all types of organisations and institutions should also be explored, in order to develop more sustainable and responsible patterns of behaviour.

This paper seeks to contribute to the possibility of improving sustainability reports for farming operations based on the GRI model, specifically in Guipúzcoa (one of the three provinces in the Basque Country in Spain), by considering the issues that constitute material for the stakeholders involved in the performance of this type of business.

The paper is structured in five sections. The second section provides the theoretical framework for, and applies the theory used in, this study, the third section describes the methodology and the fourth section sets out the results of the study. Finally, the fifth section contains the conclusions and implications of the study.

Theoretical framework

Stakeholder theory may be viewed from three dimensions (Donaldson & Preston, 1995; Swanson, 1999): empirical or descriptive (Jones, 1995), instrumental (Altman, 1997; Svendsen & Wheeler, 2003) and regulatory. Jones (1995) listed the three dimensions by formulating three questions that summarised their characteristics: “What happens?”, “What would happen if?” and “What should happen?” This study considers the third dimension of the theory, on what should be, which considers the opinions of different stakeholders involved in the performance of these companies.

In that context, we seek to respond to Gray's (2002) call for normative research in social and environmental accounting and to the process of making accounting a useful tool for disclosing this type of company information (Parker, 2005). Sustainability accounting is simultaneously a process through which information flows are organised and provided for management decision making and a product obtained by internal and external parties with an interest in corporate sustainability information (Burrit & Schaltegger, 2010). Therefore, sustainability accounting consists of elements of an ‘outside-in’ and an ‘inside-out’ approach (Schaltegger & Wagner, 2006).

This paper is based on an ‘outside-in’ approach, which includes stakeholder dialogues, screens publicly discussed issues and reports, and informs on the corporate contribution to these issues. Involving stakeholders in the reporting process is often considered another means by which to improve the quality and transparency of the disclosed information (Boiral, 2013; Unerman, Bebbington, & O'Dwyer, 2007). Thus, this paper defines measurement and management activities based on these issues for consumption by external parties, such as rating agencies, media groups and other

stakeholders (Schaltegger & Wagner, 2006). The focus of this paper is on fulfilling stakeholder expectations and meeting the information requirements of external parties (Burrit & Schaltegger, 2010).

Taking in to account this ‘outside-in’ approach, the aim of this paper, based on the normative dimension on the Stakeholder theory, is to determine what kind of sustainable information should be disclosed by the sustainable reporting of farming operations in Guipuzcoa.

In order to develop this, our principal objective, reporting-driven sustainability accounting development process can be started on the basis of a stakeholder- or shareholder-orientated view or a multiple stakeholder engagement process, or by referring to cultural expectations (Burrit & Schaltegger, 2010). Similarly, stakeholder theory states that for social and environmental information to be of material value to users, it should consider the interests of stakeholders that affect or are affected by a company's performance (Freeman, 1984). By doing so, the relevant stakeholders are identified and their prerequisite for the development of an appropriate and mindful set of sustainability indicators are understood (Azapagic, 2004).

The literature on the subject classifies these groups or individuals into external and internal (Verdeyen, Put, & Buggenhout, 2004), contractual or public (Charkham, 1994), voluntary or involuntary (Clarkson, 1995), primary and secondary (Clarkson, 1995; Freeman, 1984) and social primaries, non-social primaries, social secondaries, and non-social secondaries (Wheeler and Sillanpaa, 1998). This research uses the classification of primary and secondary stakeholders (Clarkson, 1995; Freeman, 1984).

Based on this classification, our next step is to choose those stakeholders who represent the different agents who on the one hand could be affected by the hypothetical sustainability report and on the other hand agents who although not directly affected by such a report, are interested in this kind of sustainable information.

One consideration we should pay close attention to involves the characteristics of these kinds of businesses. In Guipuzcoa the typical farm is run by the owner and her/his family. Only in very unusual cases do they have non-family workers.¹ To help those farms be more competitive, the Basque Government (with the collaboration of local governments, in this case Guipuzcoa' local government) have developed several organisations with the aim of helping farmers manage their farms. These institutional agents are referred to in this paper as management companies and consultants and in many cases are involved and help to manage environmental policies that The Basque County wants to develop in the farming sector (Basque Government, 2002).

The first Stakeholder group is primary (or key) agents. Key agents have interests that are directly related to the actions that the company carries out. These individuals and groups are considered primary agents because of their direct effect on the organisation of the farms. Examples of this kind of agent group include (Clarkson, 1995; Freeman, 1984):

1. Shareholders, employees: in our study, based on the characteristic of farms in Gipuzkoa we chose two people who represent the producer collective, who are commensurately both owners and workers
2. Customers and Suppliers, in our study we chose two agents, concretely a cooperative that used to buy the farms' produce.
3. And residents of the communities in which the company operates. In this case based on the interest of local government in our work and taking into consideration that this kind of dialogue necessitates a person previously trained in sustainability to be

¹ The primary sector supposes less than 1% of the Basque GDP, EUSTAT (2013).

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