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### Through the looking glass

*The emergence, evolution and embedding of sustainability accounting in a family business*

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# **Chapter 5: Case Context and Introduction to the Case Findings**

## **5.1 Introduction**

This chapter provides an overview of the research context in advance of the case narrative chapters (Seven to Nine). The chapter introduces the broader Irish corporate responsibility landscape and an overview of corporate engagement with sustainability-related activities and reporting. It then provides an overview of the business models within the CC Group's industry and a review of the Group's history, current operations and engagement with sustainability. The chapter closes with a preview of the case narrative chapters.

## **5.2 The Irish Corporate Responsibility Landscape**

Ireland was one of the first European Union (EU) countries to introduce a strategy on sustainable development (Davies, 2009). The adoption of such a strategy suggests a level of concern with issues of sustainability (Davies, 2009), but Ireland has also been described as a poster child for neo-liberal, laissez-faire economic policies with a forceful anti-regulatory rhetoric dominating political and popular discourse in recent years (Canning and O'Dwyer, 2013, p. 170). Thus, it is hardly surprising that this sustainable development strategy and subsequent revisions adopt a win-win, environmental efficiency approach to sustainability (Davies, 2009). Along with this strategy, a vastly increased body of environmental regulation is now in force in Ireland. These regulations, generally, have been introduced as a result of EU initiatives (Wynn, 2003). There are few other specific external regulatory or political demands for improved corporate sustainability and reporting in an Irish context. The mandatory disclosure requirements in relation to reporting social and environmental data are minimal for most businesses (O'Dwyer, 2002). Currently, company legislation in Ireland requires disclosure of the average number and type of staff employed by the company. All other mandatory disclosures relate to financial data. There does not seem to be any intention to introduce further mandatory disclosure requirements in relation to social or environmental information (Sweeney, 2008). The following sections provide an overview of Irish corporations' voluntary engagement with sustainability activities and reporting.

### **5.2.1 Voluntary Corporate Engagement**

Irish companies, in general, are not known for their leadership in corporate responsibility and sustainability. In the area of corporate philanthropy for example, Irish companies have been found to contribute considerably less than their British and American counterparts (Donohue, 2000; Donoghue et al., 2000). The interviews conducted with the BITCI consultants as part of this study (see Chapter Four, Section 4.5.4.2), suggested a range of motivations regarding, and levels of engagement with, social and environmental issues among Irish companies. The interviewees suggested that some companies were motivated by their corporate culture or values to embed socially and environmentally responsible activities and strategies in their organisation. They also suggested that other companies were motivated primarily by managerial concerns and CEO peer pressure to engage with charitable or social initiatives, with little change to their operations or strategy. This second view accords with the small body of academic research on CSR (corporate social responsibility) in Ireland.

Perhaps unsurprisingly given the debate over the meaning and nature of CSR, studies in Ireland have found that executives in both large and small companies have difficulty providing a precise definition of this concept (O'Dwyer, 2003a; Sweeney, 2007). O'Dwyer (2003a) found that senior managers in Irish publicly listed companies (plcs) had difficulty in articulating exactly what CSR might mean and tended to interpret the concept in a manner consistent with a managerial perspective, suggesting that corporate responsibility is primarily motivated by a company's economic self-interest. The effective management of social issues and stakeholders was seen as helping companies to fulfil their primary objective of maximising shareholder value. However, some managers maintained that their personal views were not consistent with this narrow corporate perspective and were based on a broader, more societally concerned perspective. In a study using a sample of both large and small companies, Sweeney (2007) found that interviewees in large companies defined CSR by reference to the company's stakeholders, including customers, employees, the environment and the community, and interviewees in small companies described it as conducting business in a responsible manner and perceived the wider community as their company's most important stakeholder.

### **5.2.2 Voluntary Reporting**

Corporate social and environmental reporting has been slow to develop in Ireland (O'Dwyer and Gray, 1998; O'Dwyer, 2001, 2003b). This could be due to the fact that a lot of social and environmental activity is not reported. Small and medium-sized enterprises (SMEs) in particular can be involved in socially responsible activities but do not categorise these activities as CSR or report on them (Sweeney, 2007). There has been a gradual increase in the number of publicly quoted companies publishing sustainability-related information in either their annual reports or standalone reports (Maughan, 2006, 2007; Sweeney, 2008). Irish plcs generally use their websites or annual reports to disclose sustainability-related information, and only a small number of these companies produce standalone sustainability, CSR or environmental reports (Maughan, 2006, 2007; Sweeney, 2008). The most common type of disclosures relate to employees, health and safety, community involvement, the environment, customers and corporate governance. The majority of companies that disclose sustainability-related information tend to disclose positive information of a qualitative nature, and many companies simply report their policies in this area (Maughan, 2006, 2007; Sweeney, 2008).

The CC Group has been recognised, internationally, as one of 15 companies with industry-leading environmental activities in the retail sector and has received multiple ACCA awards for its voluntary sustainability reports. Thus, the Group's engagement with sustainability and external reporting are notable in both an Irish and an international context. The Group also has an atypical franchised model in its fast moving consumer goods (FMCG) sector. It claims that this is a community-based model that "helps build and sustain vibrant local economies" (CC Group, 2012, p.9). In contrast, its direct competitors known as multiples, own all of their stores. The following sections discuss some of the literature on the community-based model of retailing and the multiple model of retailing.

### **5.2.3 Community-Based and Multiple Models of Retailing**

Community-based retailing is retailing that is in close proximity to the community it serves, usually within a town or village centre rather than in out-of-town locations. It is suggested that this type of retailing can play an important role in the economic and social sustainability of urban and local communities (Smith and Sparks, 2000) as it helps to create a busy retail environment in a town or village centre, generates and maintains local employment, supports the local economy and provides important daily services to the local community (Monbiot,

2000; Smith and Sparks, 2000; Rex and Blair, 2003; Rubin et al., 2006). That is not to say that the small local independent store is a panacea to all of the issues facing modern communities. Small stores have tended to survive in areas where, due to lack of public transport, people have little choice but to use the local store (Rex and Blair, 2003) and this lack of competition can lead to a poor retail offering in terms of both choice and value (Wrigley et al., 2004). Equally, having access to only one large store can lead to consumer dissatisfaction in terms of choice (Kirkup et al., 2004).

The decline in community-based retailing in the UK has been well documented (Guy and Duckett, 2003; Oram et al., 2003; Rex and Blair, 2003; Crosby et al., 2005). Since the 1970s, supermarkets and other large retail chains have sought to expand their market share by opening large stores, initially in out-of-town locations, then as planning regulations changed, in large in-town developments and, more recently, by opening smaller stores in town centres (Crosby et al., 2005). The evidence on the impact of the growth of multiple retailers on local communities is mixed. Multiples tended to have an uneven distribution and, although they may improve convenience and choice for consumers with access to private transport, they can contribute to a lack of access to retailing for those with mobility issues or low incomes (Mitchell and Kirkup, 2003; Kirkup et al., 2004). From an economic perspective, it is claimed that the large supermarket multiples can weaken local economies as their products are sourced primarily from national or international supply chains (Killeen, 2000). However, there have been some instances of multiples being involved in successful urban regeneration projects that can help to tackle food poverty and provide jobs and services to deprived communities (Kirkup et al., 2004). The decline in local retailing and services in the UK has prompted many communities to become active in campaigns to support and save their local businesses and services. New multiple retail developments are often the subject of sustained community objections (Cranbrook, 2006; Rubin et al., 2006) and in some areas vehement protest (Bowcott, 2011).

The impact of out-of-town developments by multiples in Ireland has not been as extensively studied as in the UK. There is some evidence to suggest that the development of suburban shopping centres in Dublin since the 1970s has drawn significant custom away from the city centre and there was a notable decline in traditional retail offerings such as butchers, bakers and grocers at that time (O'Callaghan and O'Riordan, 2003). However, despite the construction boom of the 2000s in Ireland, planning bodies and local authorities are said to

have somewhat balanced the growth of larger retailer and out-of-town development with the preservation of town centres (O'Connor, 2011).

The CC Group characterises itself as a community-based retailer and operates an in-town store development policy. The stores are independently owned by entrepreneurs, retail partners, who live and work in the communities in which their businesses operate (Sparks, 2009). As part of their franchise agreements, the stores have a 95% loyalty target for purchases from the CC Group. The Group is in effect a wholesaler to the stores. It also provides sales, marketing, IT, finance and logistical support to the stores (Sparks, 2009). Its competitors are, in the main, multiple retailers. The following section provides an overview of the Group's history, current ownership, governance structures, operations and engagement with sustainability.

### **5.3 Case Site Review**

The CC business was founded in an Irish provincial city in 1876 by two young brothers (White, 2001). For most of its history it has been a family-owned and run business. In keeping with most Irish family businesses, up until the 1970s it operated a variety of businesses including a hotel, a sweet factory and a tea business, as well as a retail and wholesale business (White, 2001). The company pioneered the self-service retail model in Ireland in the 1960s and since then has focused on its wholesale business and franchised retail model. Since the company's foundation, a controlling shareholding has been held by several branches of the founding family. Currently, approximately 75% of the shares are held by family shareholders, with the remainder being held primarily by the company management and staff, and the remaining small percentage being held by a large commercial bank. There are now in excess of 50 family shareholders, and the fifth and youngest generation of the family has approximately 150 members.

#### **5.3.1 Company and Family Governance**

Family members are not currently involved in the day-to-day running of the company. The family mission in relation to the company is "to own a business which is family governed and professionally managed" (I7, R2). Over an extended period of time, management and governance structures have been put in place that separated the family from the day-to-day operations and management of the Group, while retaining a significant governance role. Three family members currently sit on the group board. The CC family have also put in place

various formal mechanisms and documents in relation to what might be termed family governance, i.e. how the family shareholders manage the interaction between themselves and the company's management. The family non-executive directors act as liaisons between the company and the rest of the family. A shareholder communications and liaison officer manages ongoing communications with the family shareholders. There is also a family council of 12 to 14 members (including the family directors) who form a link between the company and the wider family. The family council meet on a frequent basis, but the family as a whole meet only every three to four years in a family assembly.

### **5.3.2 Current Operations and Business Model**

The CC Group has operations in the Republic of Ireland, Northern Ireland, Britain and Spain. The Group's head office is located in Cork, Ireland. In 2012 the Group's turnover was €4.9 billion, with profit before tax of €72 million (CC Group, 2012). Including the franchised stores, the Group is Ireland's second largest employer with more than 30,000 employees. The company is organised along divisional lines with a board for each division. There is also an overall group board. This board played a key role in the decision making around the emergence of environmental management activities and reporting and later the sustainability programme. Several members of the group board were interviewed as part of the study.

The company operates seven franchised brands which they divide into retail (larger stores) and symbol brands (smaller stores). The two Irish-based divisions, CC Retail Partners Ireland (the franchise division) and CC Wholesale Services (the wholesale division), account for the majority of the company's operations. The franchise division has a turnover of approximately €4.3 billion and a network of 683 Irish stores. As the environmental management system first emerged in the franchise division and was then adopted by the wholesale division, these divisions along with the group board are the focus of the study. An overview of the company's engagement with sustainability is provided in the next section.

### **5.3.3 Overview of the Group's Engagement with Sustainability**

The Group's engagement with sustainability dates back to the 1990s and started in the franchise division. In late 1998, the group board engaged an environmental consultancy firm to quantify their environmental impacts and identify their environmental issues. The lead consultant managed specific environmental projects and developed an environmental policy and an environmental management accounting system. The first environmental action team

was established in the franchise division in 1998 and focused on environmental impact management – particularly waste and energy management. There was also some activity in the other main Irish division, the wholesale division, which was coordinated through the franchise division’s environmental action team. In 1999, the company published its first Environmental Charter and transport and energy management systems were developed. In 2001, the Group’s first external environmental report was published.

The Group also started to engage with its suppliers and franchisees in a variety of ways: by establishing a common waste contract for franchises; including environmental measures in the operational audits of franchisees; including energy and waste management training in the franchisee training programme; and holding a conference with suppliers entitled “Greening the Supply Chain” in 2002. The environmental executive was appointed in 2003. Shortly after their appointment, the environmental executive established environmental action teams in three of the other four divisions. Their role included supervising these teams, co-ordinating work between the company’s divisions, developing policy, publishing the environmental reports, and reporting to the group board. At the same time the reporting and responsibility for the process moved up from the original divisional board to the group board.

With the appointment of the environmental executive, the company’s reports and policies expanded beyond primarily environmental issues to include more socially focused material. The external GRI-based reports became progressively more sophisticated and extensive until their peak in 2003 and 2006. Figure 5.1 (p.75) presents a visual overview of the growth and decline in the Group’s external reports between 2001 and 2012. The 2008 report was the last to be independently assured and published, in full, in hardcopy and since then the extent of the Group’s external reporting has declined. In 2010, the company published its last GRI compliant report and introduced a brief Sustainability Key Facts report. In 2011, the company started producing an annual UN Global Compact Communication on Progress report, which contains some of the information that previously would have been published in the sustainability reports, but with less detail.

In contrast, the Group’s environmental activities and performance continued to develop and improve. Figure 5.2 (p.76) provides a summary of the Group’s reported environmental performance on waste and energy between 2006 and 2011. Over time, a sustainability programme incorporating the environmental management and accounting systems and the Group’s CSR activities began to emerge. Figure 5.3 (p.77) provides a timeline of notable

events in the development of the sustainability programme between 1998 and 2013 (based on the Sustainability reports from 2001 to 2102). This programme is focused on a Group-level five-year plan with annual divisional targets. Each year the sustainability targets are reviewed and set for the following 12 months. Detailed targets in the form of key performance indicators (KPIs) and actions are then delegated to the relevant teams and staff members. A sustainability champion on each of the divisional boards monitors the progress on the KPIs and quarterly performance reports are presented to the divisional boards. Summarised versions of these reports are also presented at group board meetings and the divisional sustainability board champion usually provides an annual standalone report on the sustainability activities within the division. The case study narrative in Chapters Seven, Eight and Nine trace the emergence and evolution of the environmental activities, the sustainability programme and the external reporting, respectively.

Figure 5.1 Visual Overview of the CC Group's External Sustainability Reports, 2001–2012

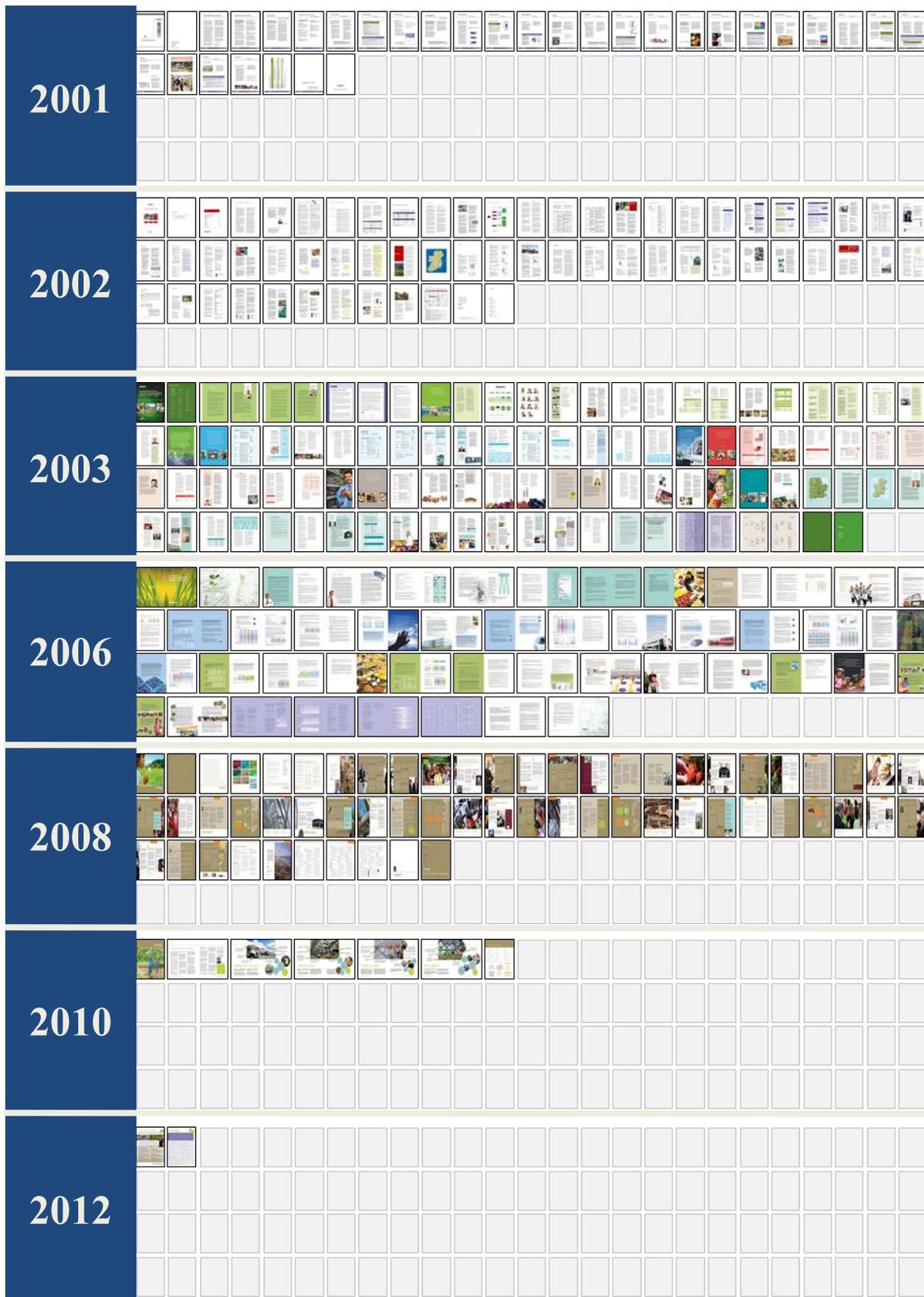
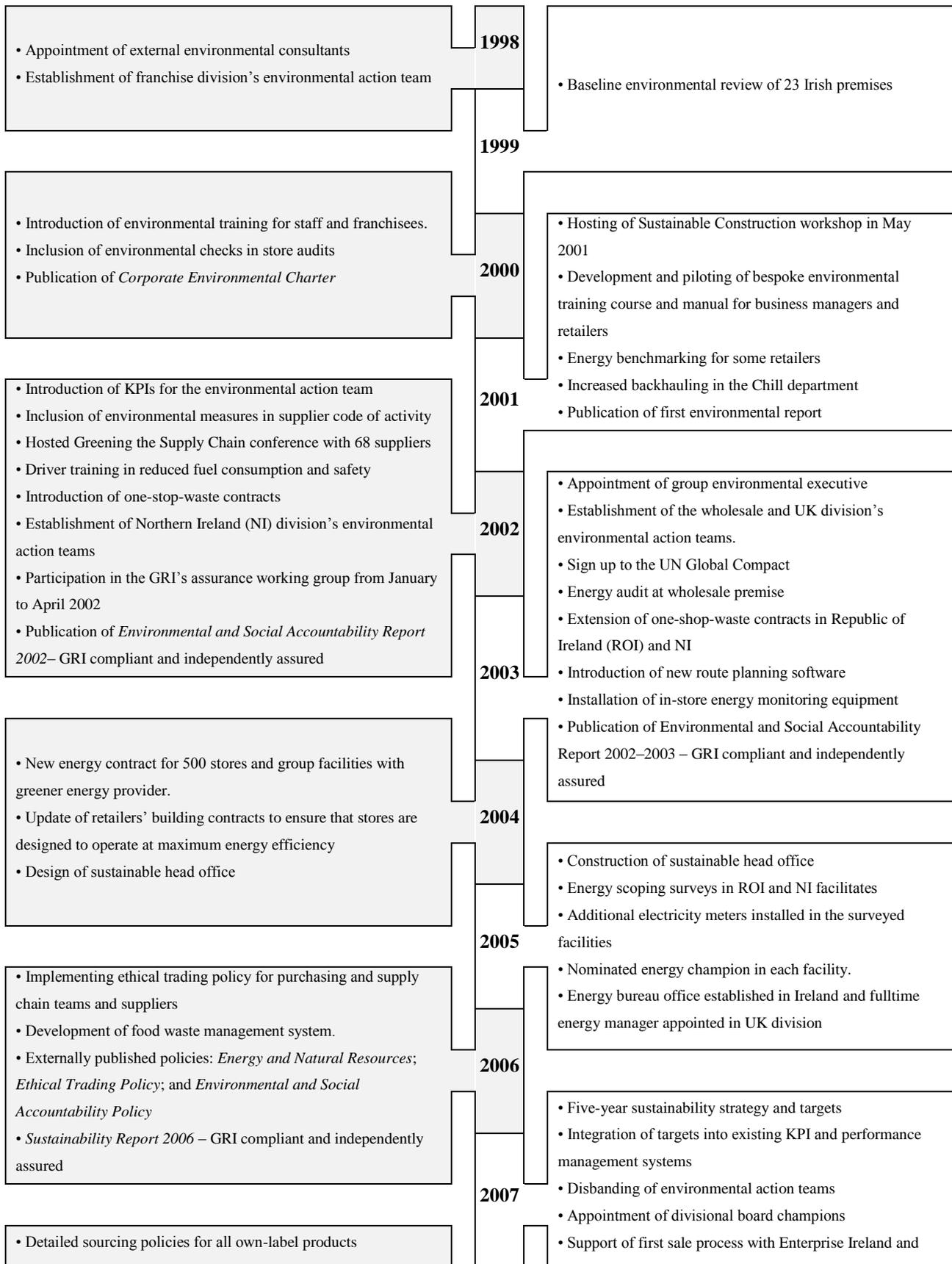
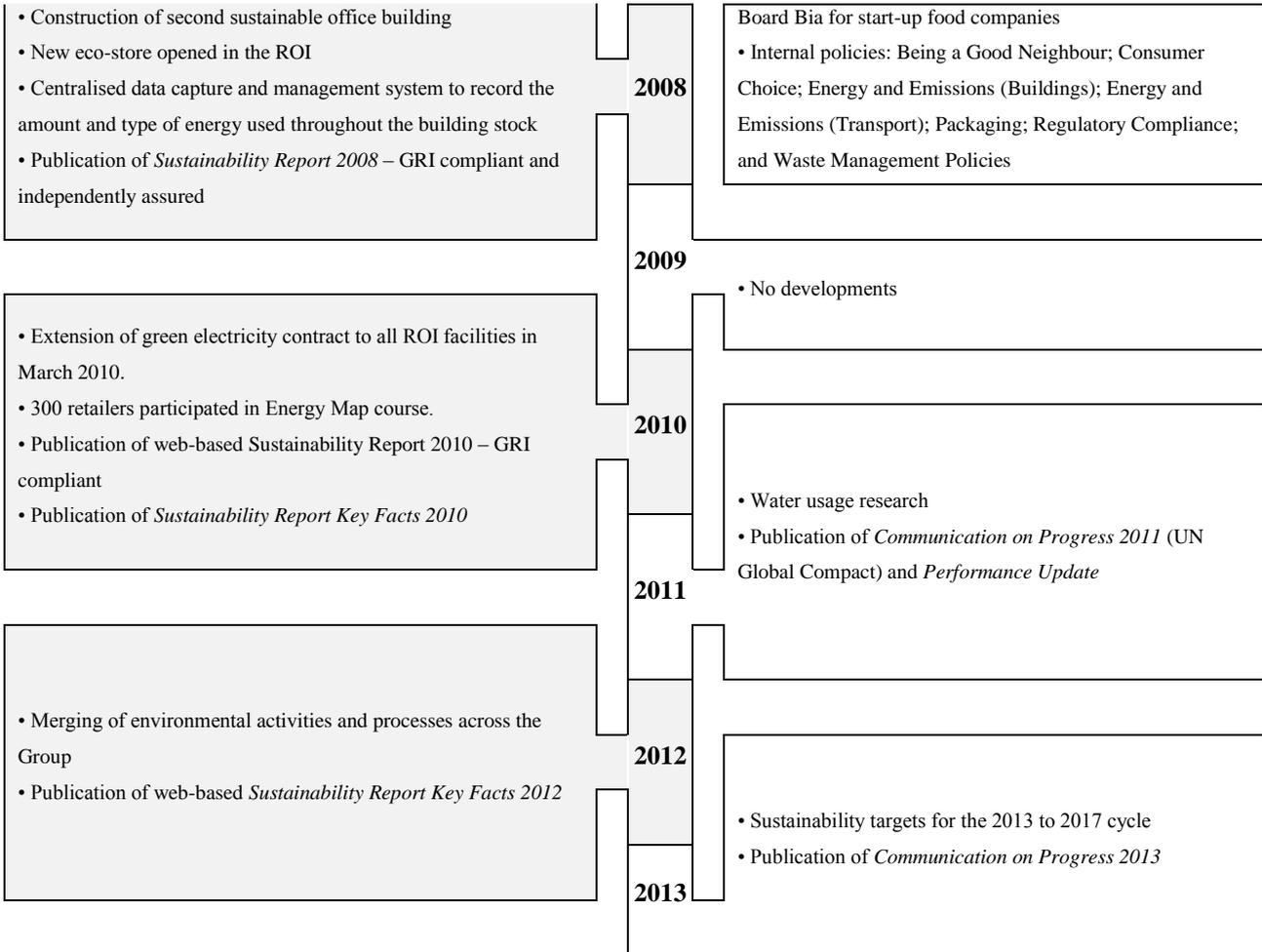


Figure 5.2 CC Group Environmental Performance Graphs, 2006 – 2011



Figure 5.3 Timeline of Sustainability Developments and Projects 1998 to 2013





## 5.4 Introduction to the Case Findings

The case study narrative is presented in the next three chapters as follows.

Chapter Six is focused on analysing the CC Group's OI (organisational identity). The first section considers the interviewees' identity work, in particular their explicit and implicit identity talk. The second section focuses on the interviewees' statements about the Group's central, distinctive and enduring characteristics which form the Group's set of identity claims. The final section looks at the Group's enacted identity and considers how the Group's members employed these claims to varying degrees in their interactions with retailers, suppliers and the family owners.

Chapter Seven discusses how and why environmental management and accounting emerged and evolved between 1998 and 2007. It firstly identifies the external prompt, in the form of environmental legislation that caused the Group's board of directors to consider introducing a new environmental management system. It then provides insight into how the directors constructed plausible explanations for the proposed environmental management system. It also highlights the initial lack of active support for the new activities and the legitimisation strategies employed by key participants to gain wider internal support for the activities leading to the partial embedding of the environmental management and accounting systems.

Chapter Eight traces the emergence and evolution of the sustainability programme between 2003 and 2012. It starts with a discussion of the alignment of the environmental management activities with the existing CSR activities and the emergence of a concept of sustainability amongst group members that incorporates some of the Group's OI claims. The ongoing evolution of the structures and policies within the programme is then discussed and, building on this, the continual internal legitimisation of the programme is analysed. Finally, the nature and extent of the embedding of the sustainability programme is discussed.

Chapter Nine discusses the emergence and evolution of the Group's external sustainability reporting. It starts with an overview of the Group's engagement with reporting in terms of both extent and nature between 2001 and 2012 and demonstrates that there was a sharp decline in the Group's GRI-based reporting from 2008 onwards. The chapter then provides an analysis of the emergence of external reporting and insight into the group members'

motivation for this reporting. In doing so it highlights that reporting was seen as a natural progression in the process of engaging with environmental management and was viewed as a secondary rather than the primary output (improving environmental performance) of this process. The narrative also examines the internal support for, and legitimation of, the GRI-based reports during the growth period in reporting from 2001 to 2006. The chapter closes with a discussion of the (re)evaluation of the legitimacy of external reporting and the decline in internal support for GRI-based reporting between 2007 and 2012.

## **5.5 Chapter Summary**

This chapter is divided into three sections, the first of which provides an overview of the external environment and industry in which the CC Group operates. The second section provides a case site review that discusses the Group's history, governance, ownership and current operations and provides an overview of the Group's engagement with sustainability since 1998. The final section provides a brief introduction to the case narrative in Chapters Six to Nine.