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The corporate responsibility report between private interest and collective welfare Social reporting for social enterprises – the experience of social co-operatives in Lombardy, Italy

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Contents –

Abstract

Social reporting is the principal instrument for no profit organizations to develop accountability towards stakeholders. Social reporting actually doesn't inform social responsibility orientation of this kind of organizations, that is at the base of their missions, but favors the growth of consensus and trust of stakeholders about their activity and management and it's fundamental to pursue efficiency and effectiveness. The role of social reporting is not the same for all kind of no profit organizations. Actually different organizations adopts social reporting for different aims and it's depends on management characteristics and field of work of the organizations. However there isn't, in business community and in the academy debate, a shared view about contents and aims of social reporting in no profit organizations.

It's growing the attention about social reporting in Italian no profit organizations but at present there isn't information about the extension of the phenomenon. In particular it's unknown the number of no profit organizations that have annual social reporting and there are few empirical research that describe how is the approach of no profit organizations on social reporting.

The paper presents the results of a research about social reporting in social cooperatives of Regione Lombardia. The aim of the research is to analyse the state of the art of social reporting in this kind of organizations. There are 1314 social cooperatives in Lombardia (dived in 856 social cooperatives "A" and 458 social cooperative "B").

The research has been conducted with a questionnaire sent to all the social cooperatives of regional register in Lombardia. The questionnaire has been sent to 1314 social cooperatives with a redemption of 10%. The principal issues of the research are: level of diffusion of social reporting, why cooperatives doesn't adopt this kinds of documents, principal aims of social reporting and prospective benefits, stakeholders engagement, structure and principal contents of social reporting.

1 – Introduction

The paper summarizes the results of an empirical research study in the social co-operatives of Lombardy, Italy, which was carried out with the aim of drawing some conclusions about the state of the art of social reporting in these organizations "representing the institutional face of social enterprise"1.

The subject of corporate social responsibility, as well as its measurement and stakeholder communication with social reporting being the most widely used tool in practice, has been largely debated over the last few years, and is still today at the center of both academic and non academic debate. Although the debate about social responsibility has traditionally been focused on the issue of profit-making businesses, the tool of social reporting has recently been paid increasing attention also by non-profit sector operators and scholars2-3.

Non-profit organizations are the paradigm of the high-trust organization within which social responsibility is the founding element[4].

The social report provides a complete picture of the conduct of a non-profit organization, as it provides the qualitative, quantitative, and monetary information to highlight its ability to be efficient when it comes to management and effective when it comes to the implementation of both short-term objectives as defined in the planning process and long-term goals as defined in the memorandum of association and in the organizational strategic plans.

The social report is a sophisticated management tool, the utilization and implementation of which requires an organization to achieve a certain maturity in terms of:

– Awareness of the potentialities and risks of the tool – only an appropriate approach to the issue of social reporting and the actual commitment on the part of internal stakeholders can bring actual benefits;

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[1] Mazzoleni G, Galardi G. (2004), *Essere responsabili: le cooperative lombarde raccontano*, Cooperazione Italiana, n. 6 Giugno. Law 381 of 1991 defines social co-operatives under article 1 as organizations having the object of pursuing the general benefit of the community, human promotion, and the social integration of citizens".

[2] Negri G., D*ibattito aperto sul bilancio sociale, terzo settore, n.9*. Molgora shares the same opinion: " (...) As opposed to what was going on in the recent past, when social reporting was mentioned almost exclusively in business studies only, this tool is currently entrusted with great expectations for the successful development of a mode of producing public-interest services which is different from the public and/or market-oriented modes, and which is implemented with the forms and modes of action of not-for-profit organizations." Molgora M., *Dai valori alla realizzazione del bilancio sociale*, Impresa Sociale, 62.

[3] The social nature of corporate reporting has been drawing more and more attention over the past few years from scholars, business analysts, and economists, thus arousing the interest of both the entrepreneurial world and the third sector. It can be easily found that both public and private organizations and companies, as well as non-profit organizations, show awareness of their social and environmental role by declaring their broadest willingness to take on the accountability for reporting the consequences of their conduct in the various relevant areas.

[4] "Social responsibility is not an optional element that can incidentally be applied to the concept of enterprise. On the contrary, it is a constituent element, as no enterprise exists unless it is a socially responsible organization. There are arguments to support that any enterprise can operate as if it were not doing so in a given community, within an environment, within a culture, as if it did not exchange financial, knowledge, and nominal resources. If this holds true for profit-making businesses, then it holds true even the more so for non-profit organizations – non-profit organizations were established as the result of the assumption of this responsibility. Taking on the role of a responsibly behaving social player comes from the concept of the culturally assimilated enterprise as a social and economic system." Taken from Maino G., 2001, *Bilancio e rapporto sociale*, in "Fuori Orario", n.18/19.

– Ability to sustain the reporting activity over time – an organization that undertakes the journey towards accountability and effective social reporting earnestly and knowledgeably, has embarked on a journey "without return";

– Availability of technical-managerial competences and tools that can assure the significance of information – in order to start an effective social reporting activity, adequate information systems must be available that can capture management specificity and provide relevant information.

Whilst studies in social reporting are now consolidating in Italy, the practice in most non-profit organizations is still in a pilot-testing phase.

The recent legislation about social enterprise, which provides for mandatory social reporting according to established guidelines, undoubtedly helps in supporting the dissemination of social accounting.

When the subject of social reporting is placed in the context of social co-operatives, a typology of the much wider non-profit sector, it should be noted first of all that it is the one and only true reporting system that can measure the performances of these organizations. If the focus of attention is shifted from purely income-based goals, i.e. from goals oriented towards the maximization of operating income, to goals aiming for the creation of social utility for the whole or parts of the community, it is necessary to find new tools for measuring these metaeconomic performances as well as the achievement of the organizational mission.

2 - Analysis sample and research methodology

The research study has involved the entire universe of social co-operatives in Lombardy, for a total of 1,314 organizations. This was made possible by the Region of Lombardy that provided access to its database containing the demographic information about all the social co-operatives enrolled on the regional register.[5] From the analysis of the reference population it can be noted how type A social co-operatives, that carry out socio-healthcare and educational activities,[6] prevail in terms of both overall numbers and size, as they account for 65.14% of the regional total with 38,837 employees. Type B social co-operatives, that are involved in job placement for disadvantaged people[7], account for the remaining 34.86% and employ 10,321 workers.[8] In terms of geographical distribution, a strong concentration can be noted in the provinces of Milan and Brescia, that absorb more than half of the social co-operatives in the entire Region, i.e. 34.09% and 17.28% respectively, whilst no other province reaches 10% of the reference population.

[5] Special thanks to Dott. Alessandro Ronchi for his collaboration.

[6] Besides socio-health services, the Region of Lombardy has also added welfare services which account for a considerable portion of human services.

[7] Type B co-operatives carry out a wide range of activities, including farming, manufacturing, handicrafts, commercial and service activities, except for the activities performed by type A co-operatives, through which they integrate disadvantaged people into the labour market.

[8] Our own data processing based on the data provided by the Region of Lombardy.

Chart 1 - Population composition by type of co-operative

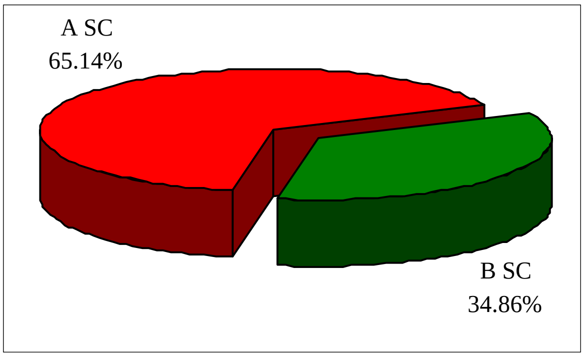


Chart 2 - Reference population: some data about human resources

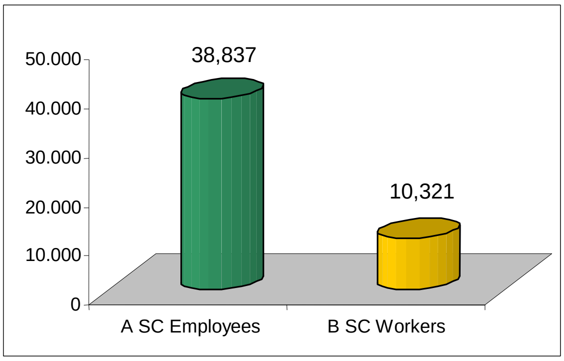


Chart 3 - Distribution of employees in type A social co-operatives of Lombardy

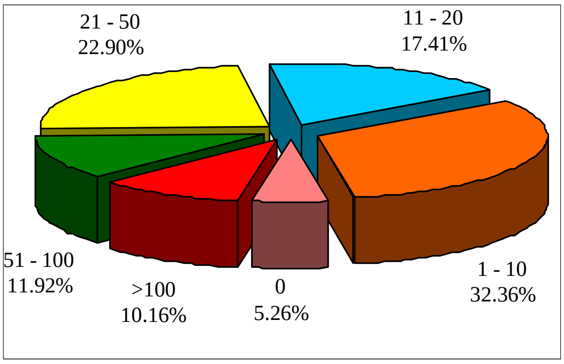


Chart 4 - Distribution of workers in type B social co-operatives of Lombardy

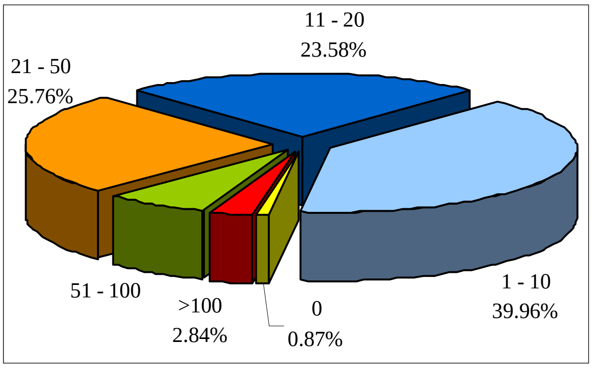
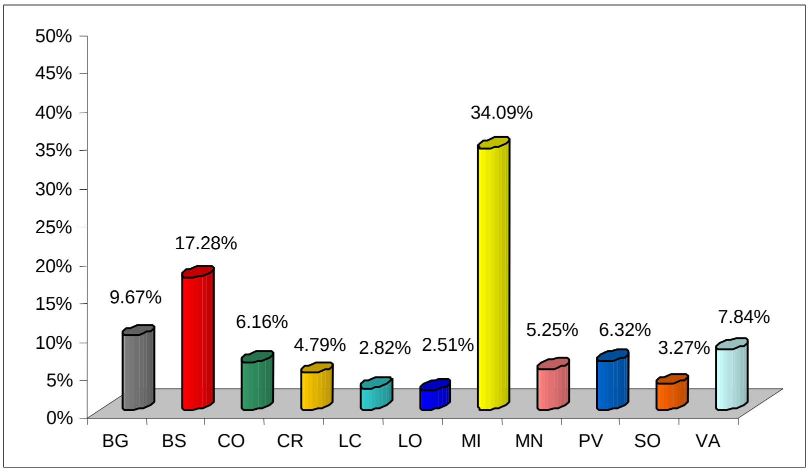


Chart 5 - Composition of the reference population by province of origin



In order to show how the social co-operatives of Lombardy approach the issue of social reporting, a questionnaire was developed with mostly closed questions with a view to:

– understanding the level of dissemination of the tool amongst social co-operatives in Lombardy;
– understanding the reasons for non reporting;
– understanding the purposes driving organizations to prepare a social report, and the key benefits attained by organizations;
– showing the development of the tool over time;
– defining the means for circulating the tool, and its recipients;
– understanding the engagement of stakeholders in its design and development;
– reviewing the existence of a minimum set of information and of some basic framework.

The questionnaire was sent by electronic mail to the entire universe of reference, with a response rate of 9.89% for a total of 130 questionnaires completed. The response rate was higher in type B social co-operatives, with 53 returned questionnaires, i.e. 11.57% of total type B co-operatives, whilst the questionnaires completed by type A co-operative were only 77, i.e. 9.00%.

Table 1 - The analysis sample – questionnaire response rate

	Reference population	*Analysis sample*	*Response rate %*
Type A social co-operatives	856	77	5.86%
Type B social co-operatives	458	53	4.03%
TOTAL	***1314***	***130***	***9.89%***

The following charts, drawn from the analysis of the data in the Lombardy database, show how the set of organizations responding to the questionnaire does not represent the starting population faithfully enough to be considered a sample from a strictly statistical (probabilistic) standpoint. Although this sample does not diverge much from the overall population in terms of distribution by type of legal entity, it however shows varying characteristics with regard to both geographical distribution across provinces and distribution by organizational size, i.e. employees for type A co-operatives and workers for type B co-operatives.

The next considerations were extrapolated from the information obtained in the answers to the questionnaire. They relate to the period of establishment and to the size of organizations by number of members, number of workers and by turnover.

The distribution by period of establishment shows how social co-operatives are a fairly recent experience, spanning over the last three decades only, which is in line with the evolution of the needs associated with human services, and with the consolidation of the principle of horizontal subsidization. The first social co-operatives were established in the late seventies and early eighties, when no specific legislation was in place. This type of legal entity was recognized by the legislation only in 1991 when law 381 was eventually passed.

Chart 6 - Composition of the analysis sample by type of co-operative

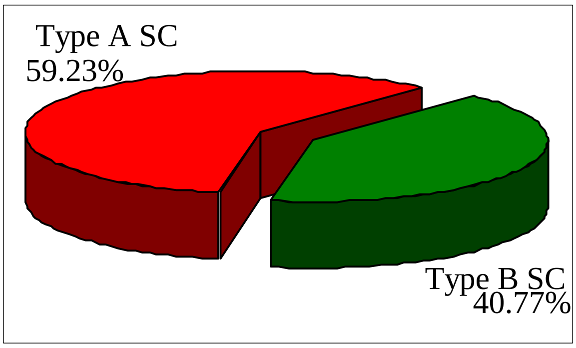


Chart 7 - The sample analyzed – some data about human resources

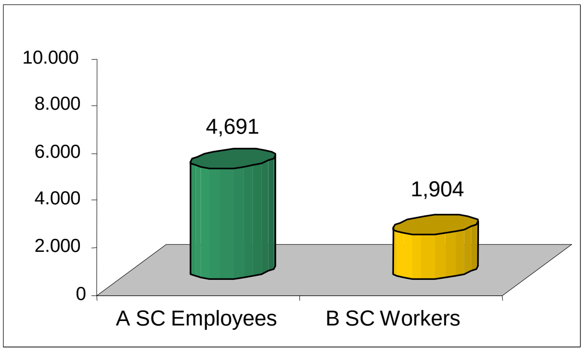


Chart 8 - Distribution of employees in type A social co-operatives

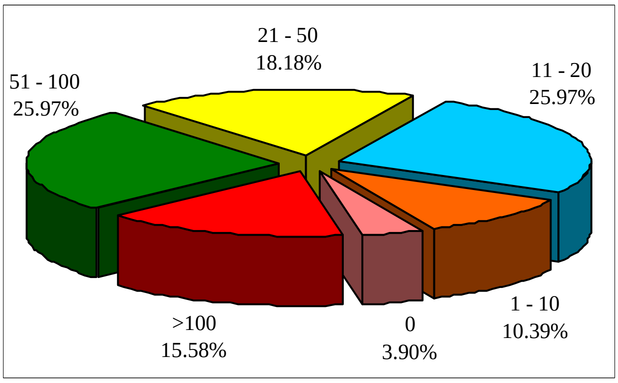


Chart 9 - Distribution of workers in type B social co-operatives

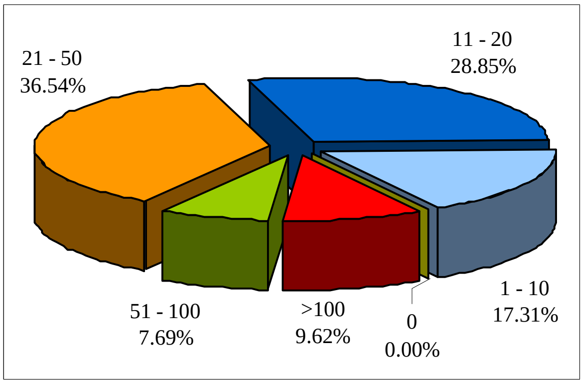


Chart 10 - Sample composition by province

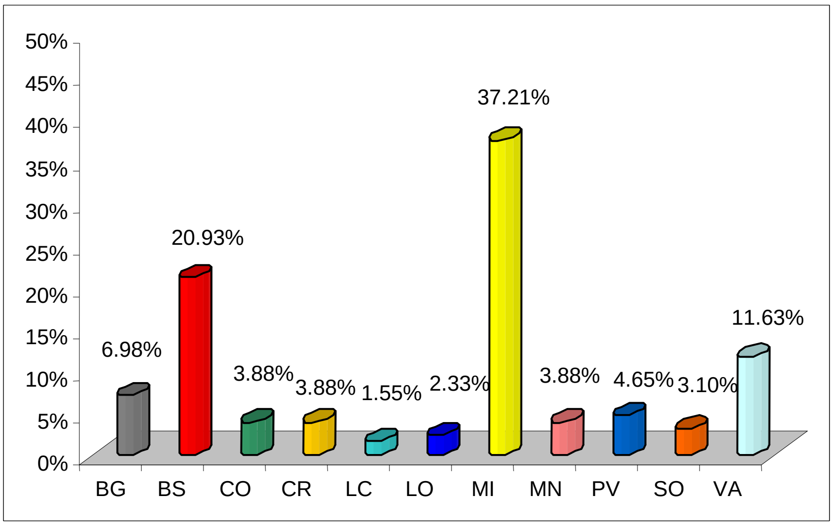
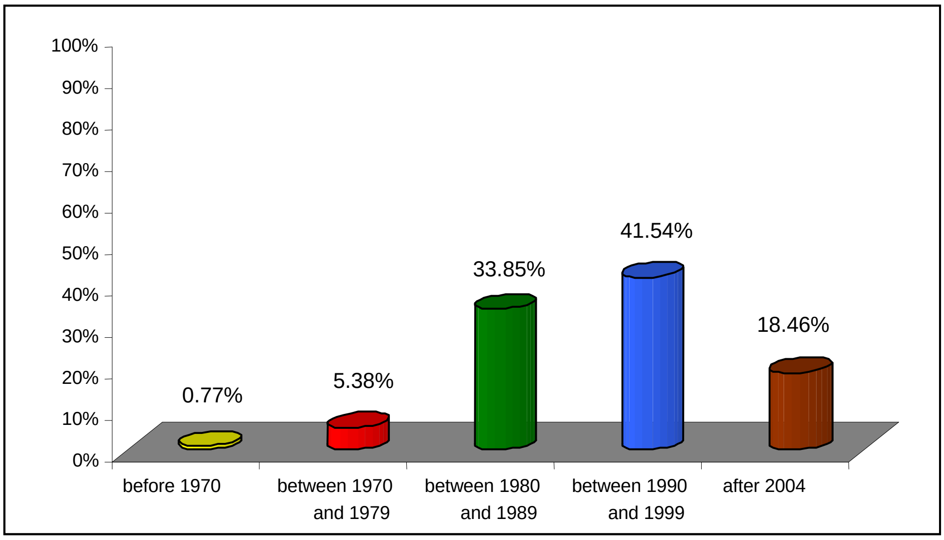


Chart 11 - Composition of the sample of social co-operatives by period of establishment



Whilst the chart on the distribution by number of members shows some concentration of social co-operatives belonging to the size group ranging from 10 to 30 members with a percentage above 40%, the chart about the distribution of workers shows instead some greater uniformity within the various size groups. With regard to both members and workers, it can be noted how more than 30% of the sample falls into the size group above 51 members and workers.

By disaggregating the data about workers and members by type of legal entity, it can be noted how type A social co-operatives have larger average sizes – they account for almost 80% of the co-operatives with more than 51 members and for 75% of the co-operatives with more than 51 workers.

Chart 12 - Composition of the sample of social co-operatives by number of members

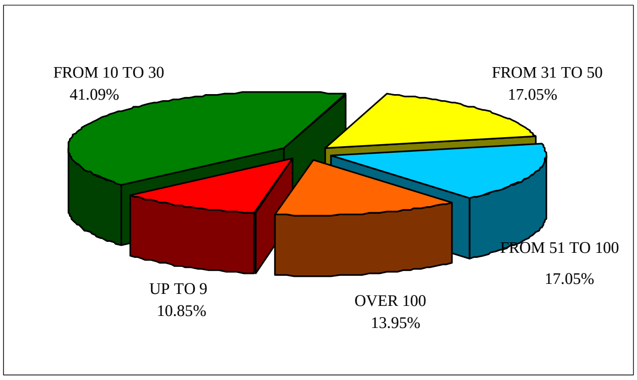
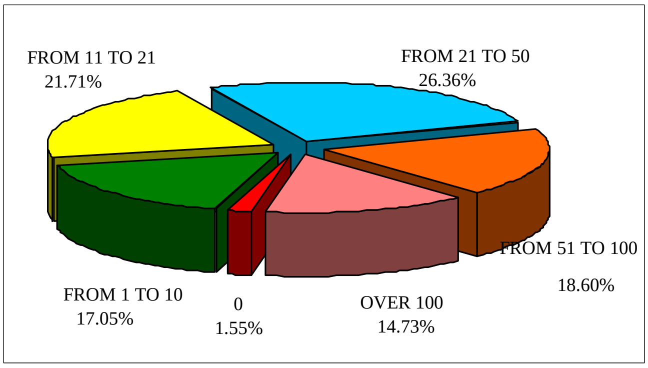


Chart 13 - Composition of the sample of social co-operatives by number of workers



The larger average size of type A co-operatives is also confirmed by the turnover variable. The organizations analyzed[9] yield an aggregate turnover of almost 180 million euro, with an average value of approximately 1.5 million euro. However, as shown in the table below, the gap between type A and B is huge, as type A co-operatives have an average turnover which is twice as big as the turnover of type B co-operatives. 18 out of 24 social co-operatives with over 2.5 million euro turnover are type A co-operatives.

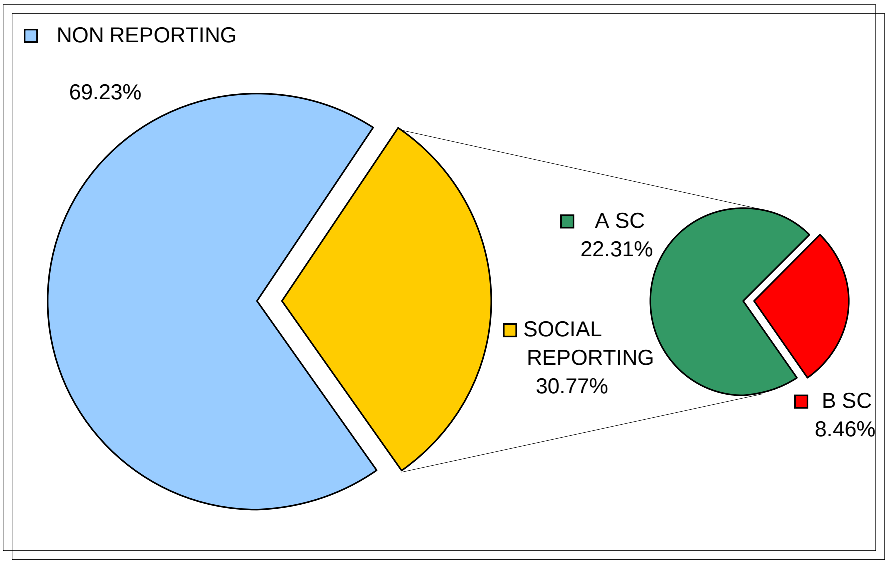
Table 2 - Analysis sample – average turnover by type of co-operative

	aggregated turnover sample	No.	average turnover
Type A	€ 130,331,351.70	70	€ 1,861,876.45
Type B	€ 47,752,806.97	49	€ 974,547.08
TOTAL	€ 178,084,158.67	119	€ 1,496,505.54

3 - Social reporting within the sample

Out of the 130 social co-operatives that responded to the questionnaire, 40 stated that they do prepare a social report, that is 30.77% of the sample. This finding shows how the social co-operatives of Lombardy have a good understanding of the tool, as almost one out of three organizations actually uses the tool.

Chart 14 - Social reporting within the sample, exploded by type of social co-operative



[9] Type B co-operatives carry out a wide range of activities, including farming, manufacturing, handicrafts, commercial and service activities, except for the activities performed by type A co-operatives, through which they integrate disadvantaged people into the labour market.

The distribution by type of legal entity shows a marked prevalence of type A social co-operatives with 29 reports, i.e. 72.50%, while the remaining 11 co-operatives, i.e. 27.50% of the total, are type B.

Chart 15 - Sample distribution by type and preparation of the social report

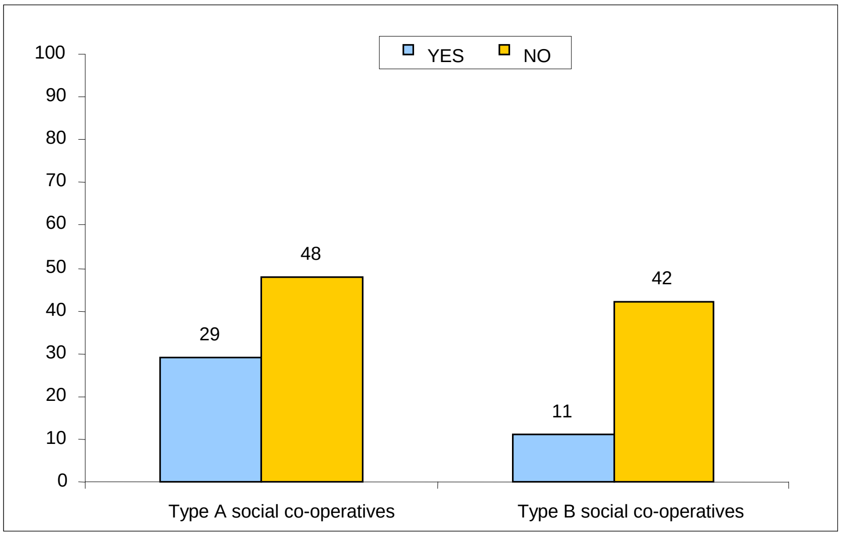
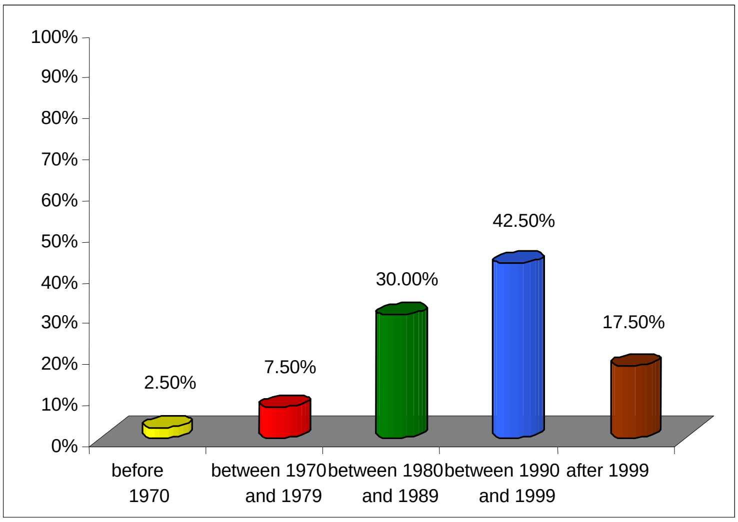


Chart 16 - Distribution of the social co-operatives preparing the social report by year of establishment



The distribution by year of establishment of the organizations preparing the social report is similar to the entire set of organizations under study.

Chart 17 - Composition of the sample of social co-operatives by number of members

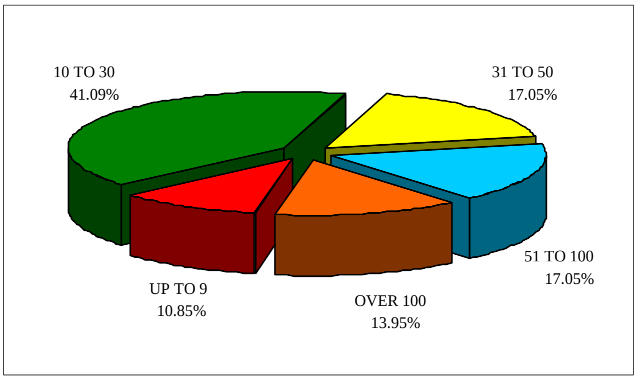


Chart 18 - Composition of the sample of social co-operatives by number of workers

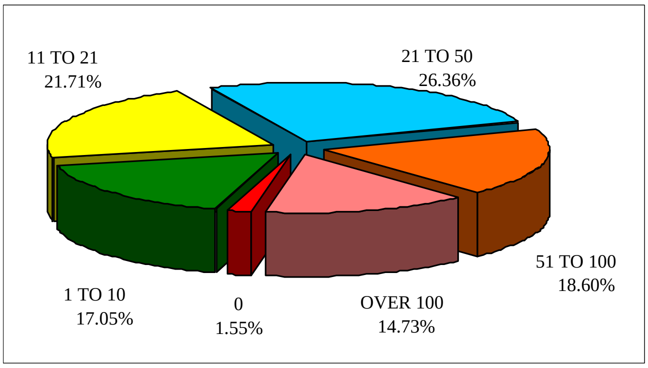


Chart 19 - Composition of the social co-operatives preparing the social report by number of members

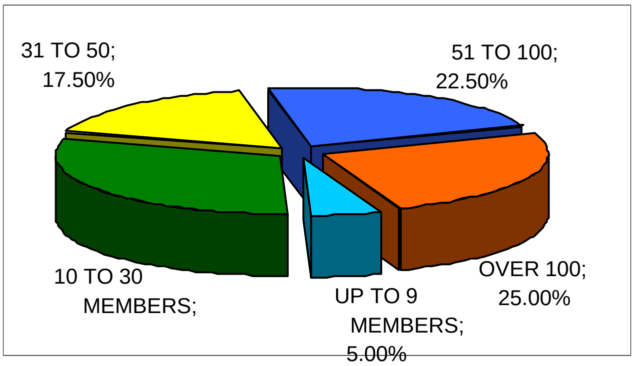
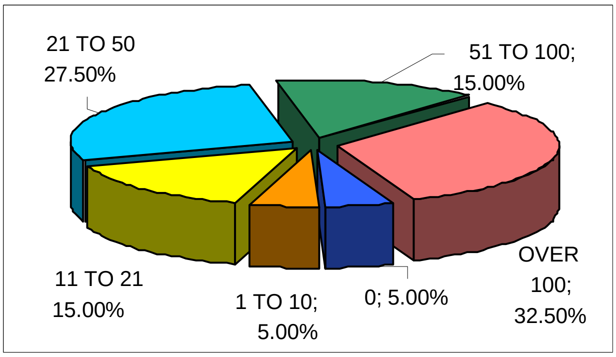


Chart 20. Composition of the social co-operatives preparing the social report by number of workers



With regard to size, the organizations preparing the social report are on average larger than the total:

1. The average turnover is more than twice as that of non-reporting organizations (€ 2,552,332.43 vs. € 1,020,095.84) and, although there is only 40 of them, yet they yield 53% of turnover,
2. in the social co-operatives preparing the social report there is a greater concentration of organizations with more than 51 workers
3. the same as above applies to members.

In summary, it is clear that the average turnover of the social co-operatives preparing the social report is much higher than the average turnover of non-reporting co-operatives, more than twice as much in both type A and type B co-operatives. There is a correlation between the size of social co-operatives and the adoption of the social reporting tool, as evidenced in the charts showing the percentages about workers and members. The organizations preparing the social report are actually more concentrated in the size groups 51 to 100 and over 100 versus total distribution.

Table 3 - Correlation with average turnover between social reporting and non-reporting organizations

	REPORTING ORGANIZATIONS			NON REPORTING ORGANIZATIONS		
	NUMBER	OVERALL TURNOVER	AVERAGE TURNOVER	NUMBER	OVERALL TURN-OVER	AVERAGE TURNOVER
A	26	€ 77,104,428.08	€ 2,965,554.93	44	€ 53,226,923.62	€ 1,209,702.81
B	11	€ 17,331,872.00	€ 1,575,624.73	38	€ 30,420,934.97	€ 800,550.92
TOTAL	37	€ 94,436,300.08	€ 2,552,332.43	82	€ 83,647,858.59	€ 1,020,095.84

	SUM		
	NUMBER	OVERALL TURN-OVER	AVERAGE TURNOVER
A	70	€ 130,331,351.70	€ 1,861,876.45
B	49	€ 47,752,806.97	€ 974,547.08
TOTAL	119	€ 178,084,158.67	€ 1,496,505.54

These percentages cannot, however, lead to concluding that some minimum size can be pinpointed as *conditio sine qua non* for preparing the social report, as also confirmed by the reasons advanced by co-operatives for not preparing the social report.

The reasons put forward chiefly vary from factors related to some scarce knowledge of the subject matter to management issues inside organizations, including the blunt acknowledgement of having never even thought about it and the strong belief that the tool does not bring in any higher benefits than the costs incurred.

It is important to emphasize that 9% of the co-operatives started the process only to drop it chiefly because of lack of financial and human resources to dedicate specifically to the project.

Moreover, almost 8% revealed that they had started the process for developing the social report, some of them even specifying that they intended to conclude the first edition in 2008.

Chart 21 - The reasons why the social report is not prepared

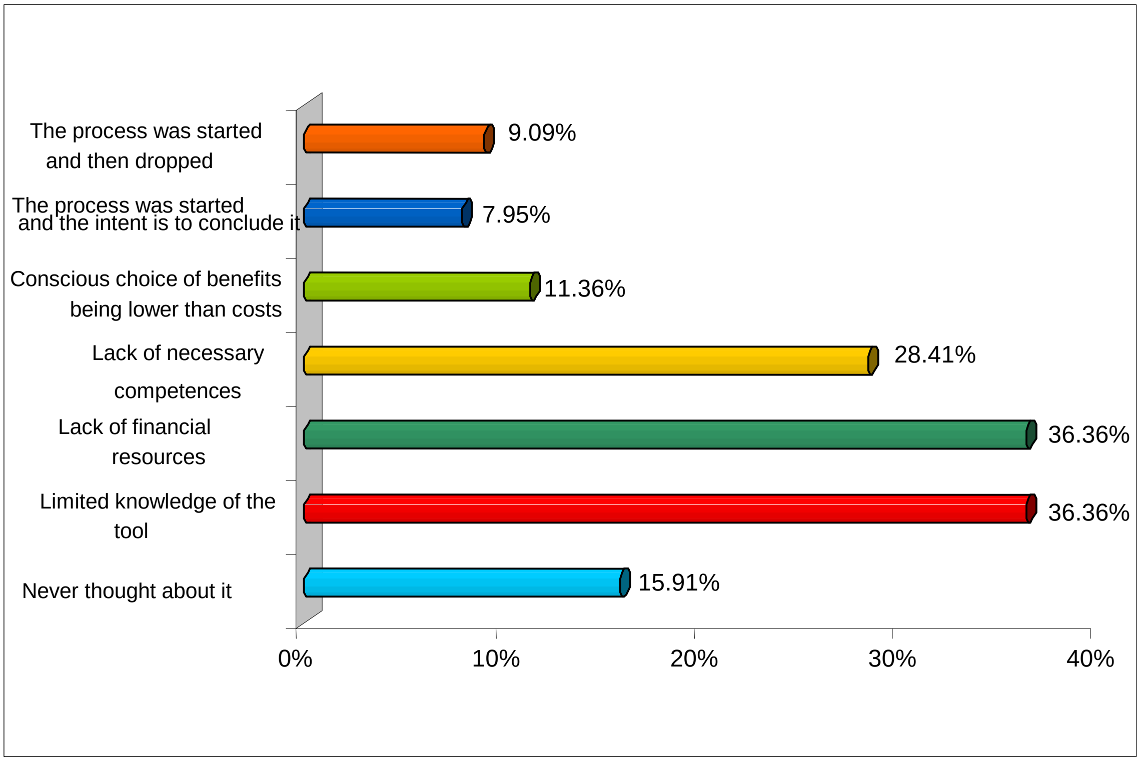
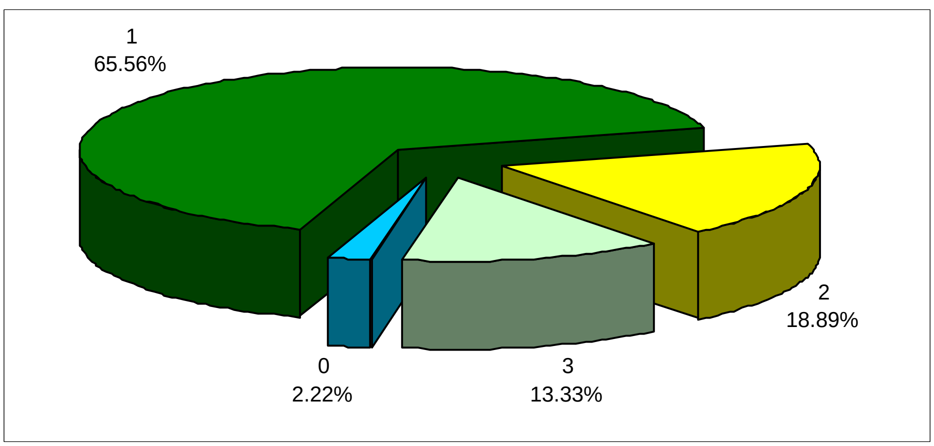


Chart 22 - No. of reasons for non reporting



This 8% is significant because it somehow confirms that the consideration for social reporting has been increasing in the recent period, as shown in the next chart illustrating that 74.36% prepared their first edition only after 2002.

Chart 23 - Year of first edition of the social report

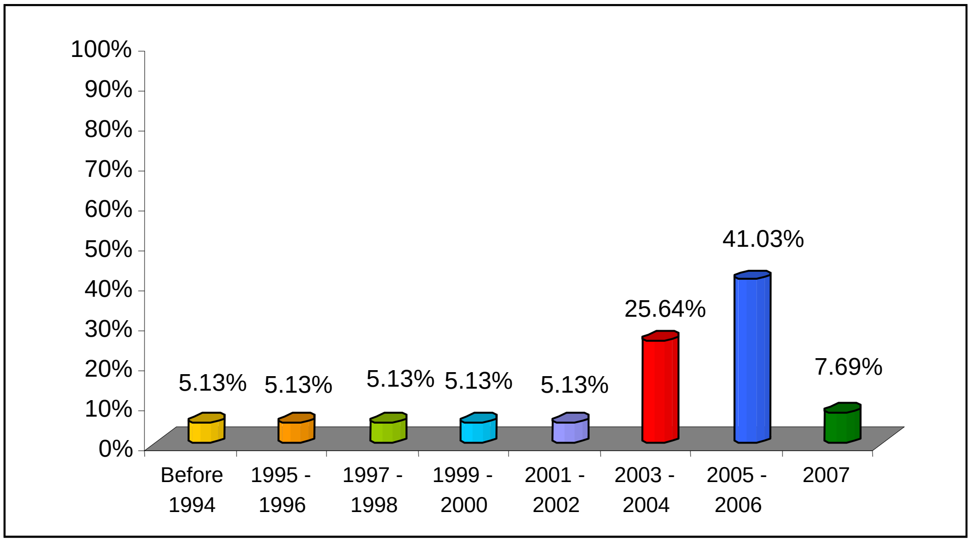
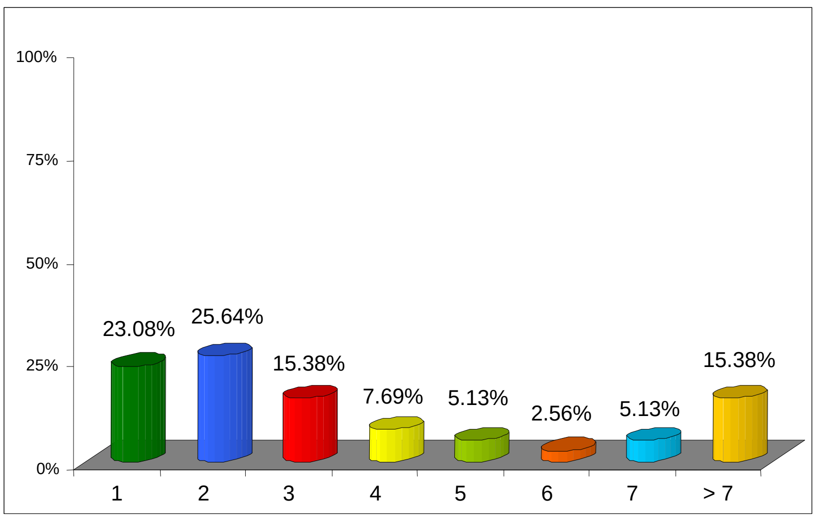


Chart 24 - Number of social report editions in the cases under study



The data reported in this chart are not wholly consistent with the data in the previous chart because not all organizations prepare their social report on an annual basis as it is still a voluntary tool and, above all, some of them haven't yet published the 2007 edition as there are no deadlines for publication.

4 - The purposes of social reporting

The subject of purposes is related to the reasons behind a non-profit organization's choice to initiate the social accounting process, to the expected benefits of such activity, and, finally, to the recipients of the document. Although the main function of social accounting is to inform stakeholders, the studies reveal that social accounting pursues diverse aims and takes on diverse values for individual organizations.

Aims and values may concern the inner dimension of management or the relationship of a non-profit organization with the outer environment[10].

With regard to the inner dimension, social accounting may foster:

– *A reflection upon the organizational mission and identity*. It is important to periodically reflect over one's own identity in order to adjust the mission to the ongoing changes and to the new challenges that the community and the society pose to a non-profit organization. Within a national context where the third sector is asked to produce more and more adequate social value, in terms of interventions and services, to meet the ever-evolving social needs, the issue of periodically revising the mission becomes highly critical.

– *The development of and progressive integration with other management tools*. A collaborative climate favors the exchange of competences and the positive discussion about the management practices of individual operating units and about the tools used.

– *The focus on strategic goals*. Social accounting allows staff to have a unitary vision of the organization, and to recognize the impact of the individual operating unit's activity on the overall efficiency and efficacy of the organization as a whole. This is fundamental to the growth of an inner commitment to the strategic goals, as well as to staff motivation, and to the growth of a common sense of belonging and loyalty to the organization.

– *The review of the results achieved*. Good social accounting "forces" an organization to measure its efficiency and to review the consistency between the results achieved and the goals defined in the planning process, i.e. efficacy.

With regard to the outer dimension, social accounting may foster:

– *An improvement in the relationships with "stakeholders"*. Accounting for one's own actions and conduct to stakeholders, and engaging them in the social accounting process are fundamental to attaining greater consensus and the outer environment's confidence in the organization's activities.

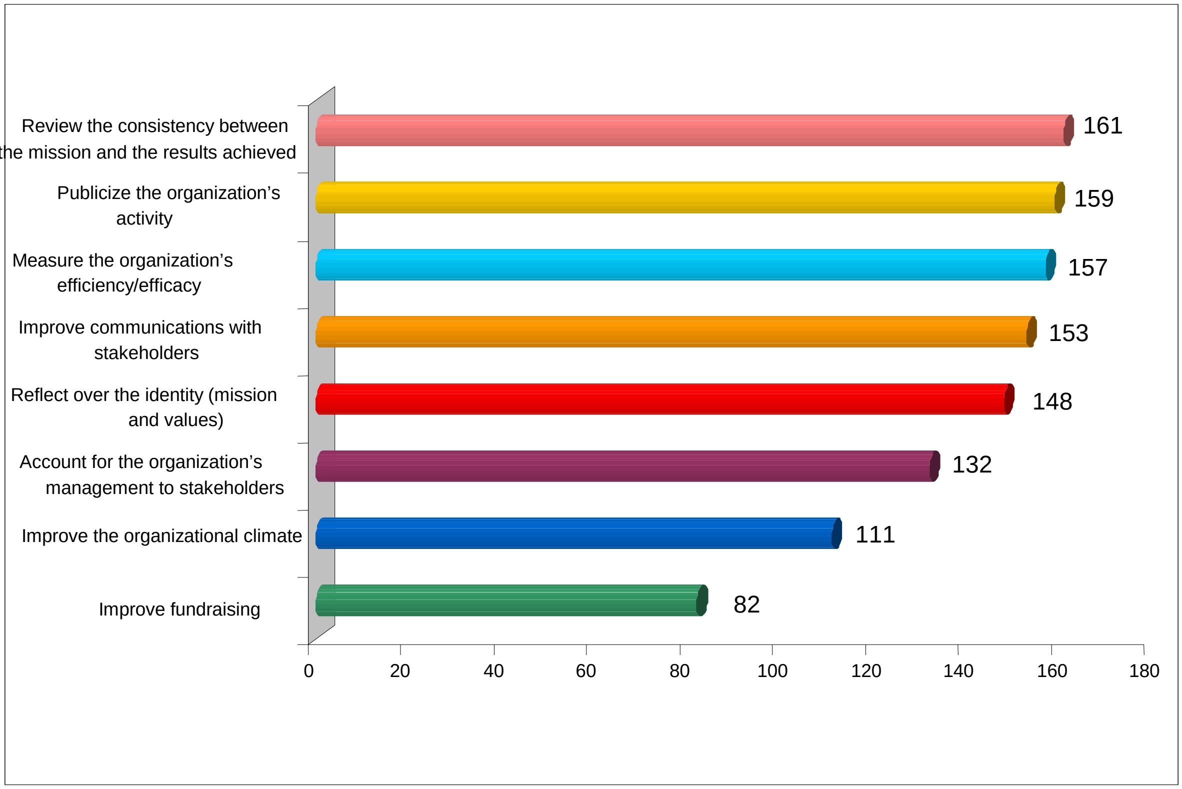
– *Better knowledge of the organization from the outside*. The social report is inappropriately considered by many non-profit organizations as a mere communication tool (these realities are deficient in data and in information significance).

– *A growth in reputation and an improvement in the fundraising activity.* In this case, the social report is a real marketing tool.

The experiences highlight the general trend of smaller organizations to attach internal purposes and values to social accounting at least in the process start-up and pilot-testing phase, whereas larger organizations – which address the donation market in an organized manner – are fully aware of potential internal benefits, and yet attach greater external value to the social report.

Social co-operatives were asked what the reasons were that led them to preparing the social report, and who its main recipients would be, thereby asking them to give a score of 1 to 5 to a number of items based on their relative weight. The final results were obtained by adding up the scores given to the various items.

Chart 25 - Purposes of social accounting



The results show the prevalence of the internal value that social co-operatives seem to chiefly attach to the tool. The key recipients are actually internal stakeholders, who can review the organization's achievement of organizational goals through the social report.

[10] Giordano F. (2007) *L'approccio dell'impresa sociale al bilancio sociale: un modello interpretativo*, Paper presented in Naples during the 1st conference on social enterprise held by Irisnetwork.

Chart 26 - The key recipients of the social report

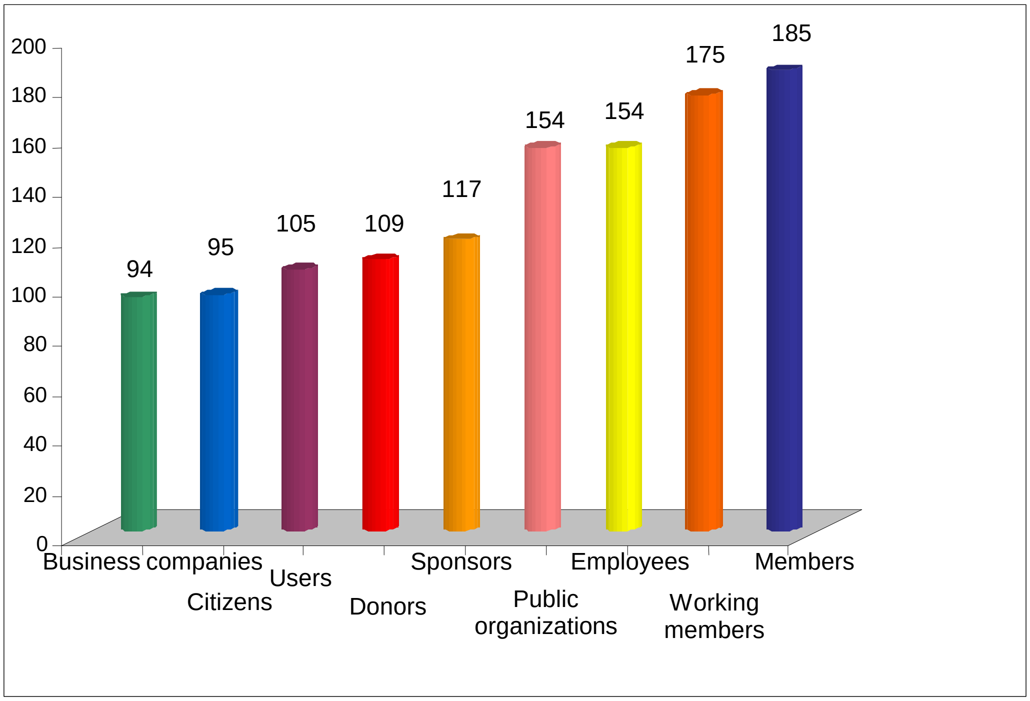
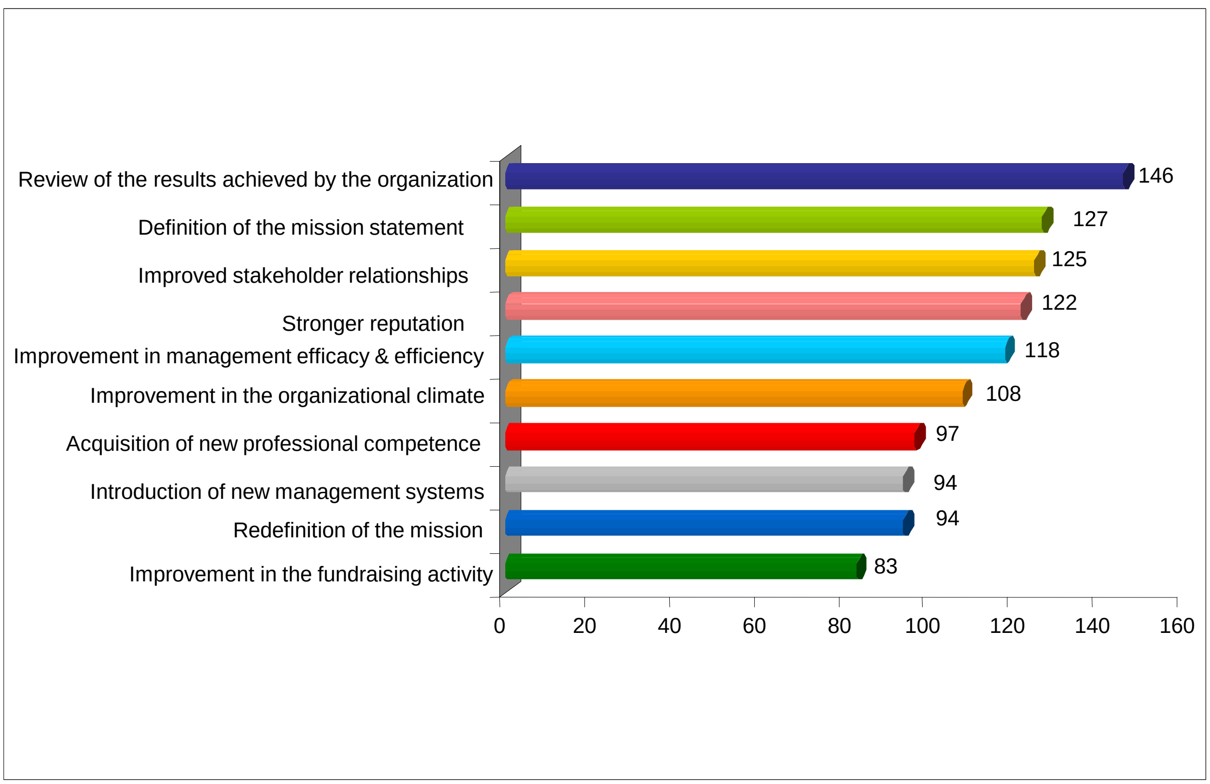


Chart 27 - The key benefits obtained through the adoption of the tool



With regard to the external value, the prevailing trend is to consider the social report as a mere communication tool, rather than as a reporting tool to stakeholders. Moreover, it is interesting to note how the key impact factors of the adoption of the tool concern the reflection over the organization's identity and over the results achieved by the organization.

5 - The process for preparing the Social Report

The process is the dynamic side of the "social reporting" system, in that it defines how social accounting activities are developed within an organization.

The qualifying elements of the social accounting process are related to the issue of "stakeholder engagement" and can be chiefly traced back to:

– the number and type of stakeholders that are engaged in preparing the social report
– how stakeholders are engaged
– the steps in the social accounting activity in which they are engaged.

Table 4 - Types of stakeholder engagement

	Workshops	*Focus groups*	*Internet forums*	*One-on-one interviews*	*Group interviews*	*Testimonials in the social report*	*Satisfaction surveys*	*total*
Users	0	1	0	3	3	1	18	26
Members	8	11	0	10	7	4	13	53
Staff	4	10	1	8	7	2	18	50
Citizens	0	0	0	0	0	0	1	1
Public organizations	1	1	0	5	0	0	8	15
Donors	0	0	0	0	0	0	0	0
Sponsors	0	0	0	0	0	0	1	1
	13	23	1	26	17	7	59	146

The data are a confirmation of the propensity of social co-operatives to engage stakeholders even in their social accounting activity. In only 7% of co-operatives is one type of stakeholder only engaged in preparing the social report. As shown in the table, a number of different ways of engaging stakeholders have been adopted, even though the use of customer satisfaction surveys is predominant.

Chart 28 - Stakeholders engaged in designing the social report

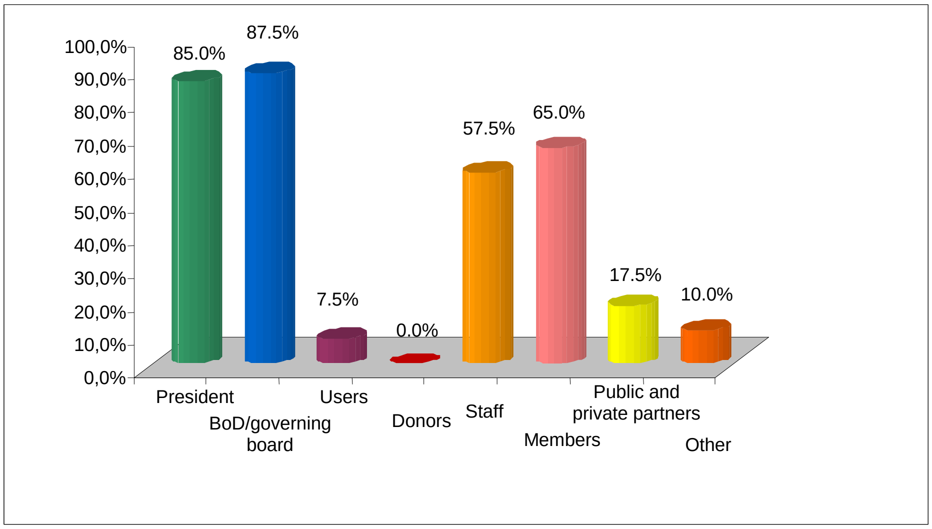
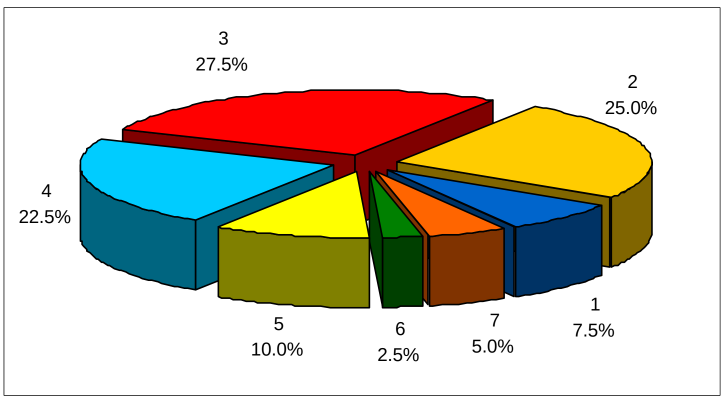


Chart 29 - No. of stakeholders engaged in designing the social report



Direct listening and discussion tools like focus groups and interviews are widely used for members and staff. The type of stakeholders engaged in the reporting process confirms the greater internal value attached to the social report by co-operatives.

6 - The content of the social report

6.1 - *The reporting frameworks for social accounting*

The first issue that a non-profit organization must address once it has taken the decision to prepare the social report, is the choice of the social accounting framework it wishes to adopt. The reporting frameworks define the content of the social report and how it should be prepared. They are developed by study groups and by international organizations. The majority of reporting frameworks were developed for business companies, the area where the issue of social responsibility first evolved. It has been only in the past few years that the debate about the need of developing specific reporting frameworks for the non-profit sector has been launched in Italy, and has yielded some major contributions.

The long-standing lack of sound and shared theoretical frameworks has led to the proliferation of documents with sometimes similar content, but with many different names; or documents with the same name but with totally different content. The need to develop uniform reporting frameworks for social accounting, that can allow comparisons to be made over time and across organizations, has led to the definition of reference standards for the preparation of the social report. The path followed over the last few years reflects the positioning of the business community around two possible alternatives:[11]

– *process standard* having the goal of standardizing the management path or cycle seen as "a coordinated, cross-sectional, and multidisciplinary set of activities aimed at promoting an intra-organizational change, i.e. an improvement process towards socially and financially responsible management. The path is periodically monitored and reported through the social reporting tool/document;

– *content standard* identifying and standardizing the actual contents of the social report directly, whilst not refuting that it is the outcome of a process based on the dialogue with stakeholders.

Even if many reporting frameworks provide information about both the content and the process, it is possible to talk about: [12]

– *process standards*, for the guidelines in the Copenhagen Charter[13], for the AA1000 and Q-RES frameworks;

– *content standards*, for the frameworks developed by GBS (Gruppo di studio sul Bilancio Sociale, Italian Social Reporting Study Group), by GRI (Global Reporting Initiative), the guidelines of CSR Europe[14] and the recommendations of the Italian Council of Chartered Accountants (CNDC).

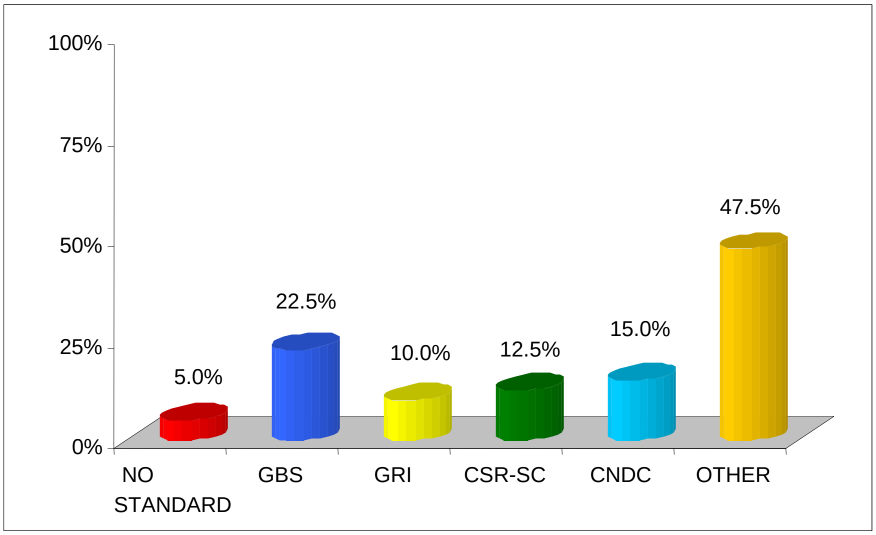
[11] Francesconi A. (2007), *Op. Cit.*.

[12] Rusconi G.F., Dorigatti M. (2004), *Teoria del bilancio sociale e applicazioni pratiche*; Franco Angeli, Milano, page 29.

[13] The Copenhagen Charter is not addressed here as it can actually be traced back to AA1000, see Rusconi G.F., Dorigatti M. (2004), *Op.Cit*. page 35.

[14] For more information about the various forms of social accounting, see: Chiesi A., Martinelli A., Pelegatta M. (2000), *Il Bilancio sociale. Stakeholder e responsabilità sociale d'impresa*, Il Sole 24 Ore, Milano.

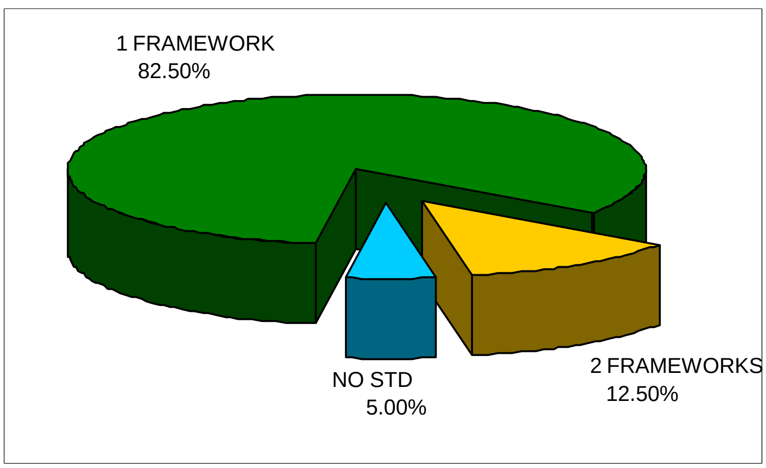
Chart 30 - The reporting frameworks adopted by social Co-operatives



The results show how there currently is no reference framework for co-operatives that thus approach the issue in a highly inconsistent manner.

Most of the main reporting frameworks available in the literature do not meet the need for social accounting of the co-operatives that have been engaged for years in studying and analyzing the various alternatives in order to finalize a reporting framework that would match their management peculiarities.

Chart 31 No. of reporting frameworks adopted by social Co-operatives



Under the item “other”, it is actually possible to see how a great deal of co-operatives adopt “home made” frameworks, developed by consortia or by (Legacoop confo) study groups of staff and consultants from the world of social cooperation.

6.2 - *The document sections*

The various reporting frameworks comprise the guidelines for developing the final document, however the literature is agreed upon the fact that the social report, consistently with its main purposes, should include some essential elements. The essential information to be disclosed in order for an accounting document to be called social report is divided into three sections:

1. corporate identity;
2. presentation of the financial dimension of management;
3. presentation of the qualitative and quantitative dimension of management.

6.2.1 - Corporate identity

The first section in the document, called identity, must provide the elements allowing stakeholders to get as close an idea as possible of the organization, of the goals it pursues, and of its conduct, with a view to allowing them to form an opinion about the consistency of strategic and value drivers with the results attained.

The identity of a non-profit organization is chiefly defined by:

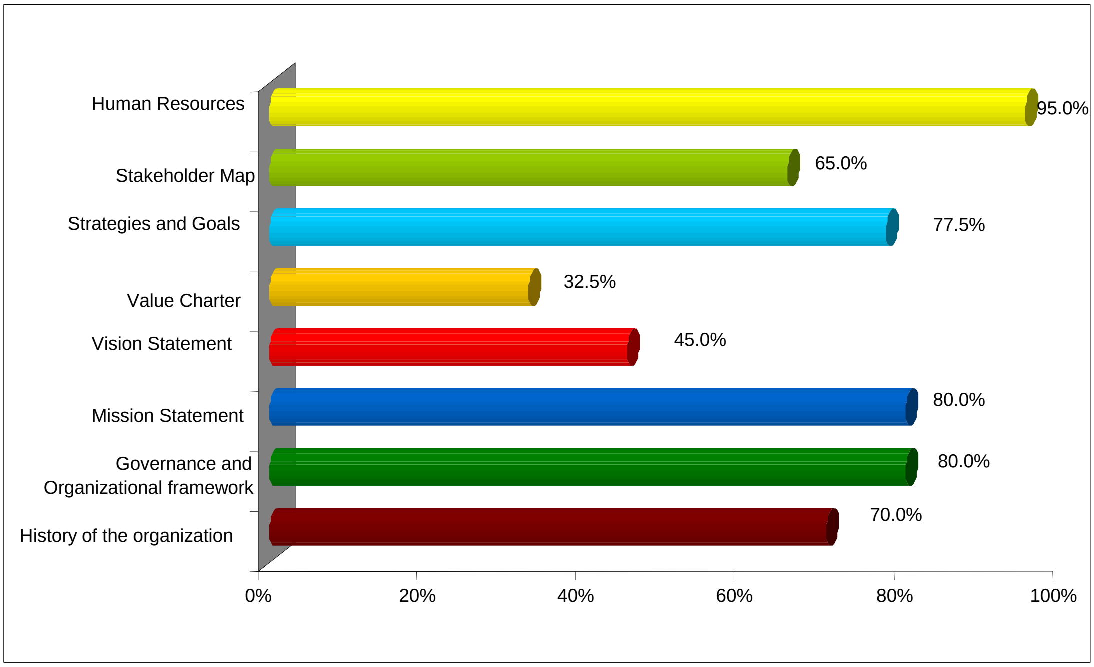
1. Mission statement and value system,
2. Governance and organizational framework,
3. Stakeholder analysis.

The *mission statement* is the element that mostly characterizes the identity of non-profit organizations, it represents an organization's strategic document, it defines an organization's guide lines and action lines in relation to the needs it intends to meet and to the local context in which it operates[15]. It is both the starting and reference point for the entire reporting activity. On the other hand, the presentation of the *governance* and *organizational framework* is aimed at illustrating the decision-making and management model of a non-profit organization. Within organizations that are inspired by values such as participation, subsidization, and mutual aid, these issues take on special significance. A management and governance model which is consistent with one's own mission favors the efficacy of organizational action.

Corporate identity should also include by full right an accurate *analysis and charting of stakeholders*, to be understood as all those individuals and private and public organizations that impact on an organization and that are impacted upon by an organization's activities. This consideration is corroborated by the fact that an analysis of the quality of the relationships going on between an organization and its stakeholders is the basis for the strategic rethinking of any non-profit organization, as stakeholder consensus and confidence in the organizational action and conduct are the necessary precondition for the enduring pursuit of organizational purposes.

[15] For more information, see Francesconi A. 2007, *Op. Cit.*

Chart 32 - The sub-sections found under corporate identity



The most interesting data lies in the fact that 35% of social co-operatives does not present its stakeholders. However, it should be underscored how well 95% of organizations dedicate a specific section to human resources, which can be interpreted as an in-depth analysis of the stakeholder section, and yet it well reflects the nature of the co-operative world about the quality of work for its members and workers.

6.2.2 - *The presentation of the financial dimension of management*

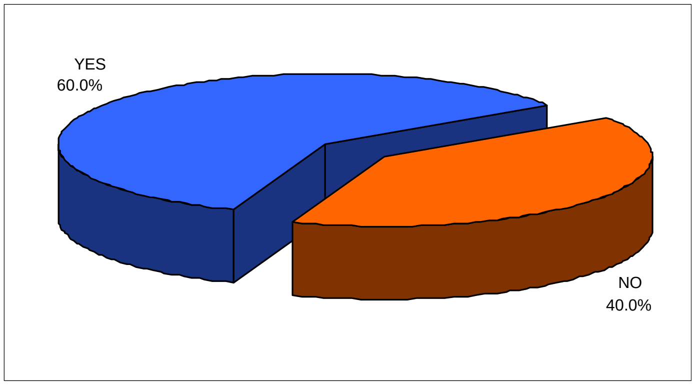
The second section that the social report is comprised of, is dedicated to the presentation of the financial results of an organization. Efficient management and effective resource allocation are the essential prerequisites for the economic viability of every organization.

The traditional financial disclosure in the form of the financial statement which non-profit organizations must however prepare annually, has two major drawbacks. The first drawback is related to the nature of organizations, as the main aggregate data provided by the statement, i.e. the operating income, has little information value with regard to the measurement of organizational performance. In other words, the operating income does not measure at all the achievement of organizational goals, nor the consistency of organizational actions with the mission.

The second drawback is inherent in the tool as the reading of financial statements requires specialist competences that the layman does not have.

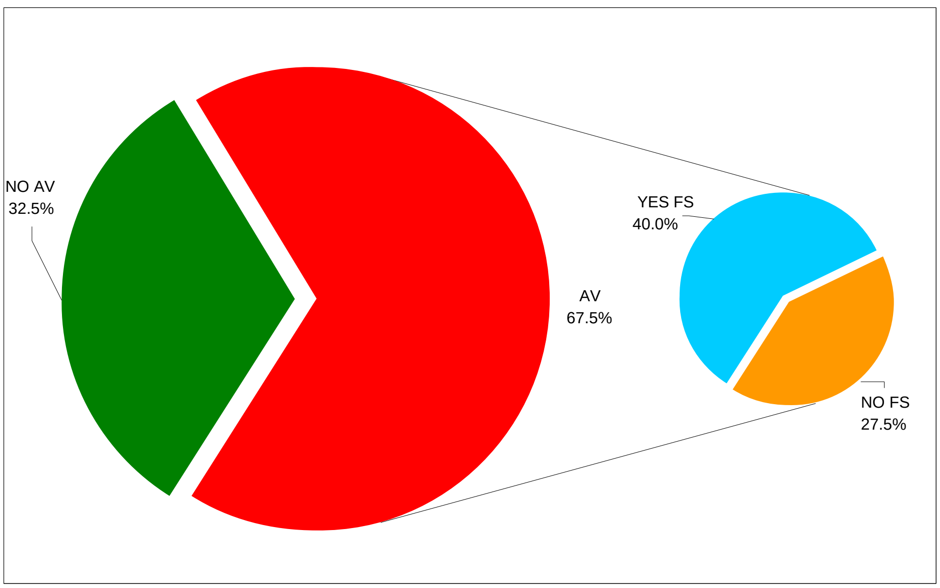
This second section of the social report must be aimed at providing stakeholders with the necessary data to make an assessment of the economic and financial management of an organization and a final analysis of organizational efficiency. The significance and relevance of financial information can be related to the issue of the reclassification of financial items and to their presentation.

Chart 33 - Inclusion of financial statements in the social reports of social co-operatives



The answers provided by social co-operatives highlighted how 90% of their social reports include a section dedicated to the disclosure of financial information. However, there is some significant inconsistency in the presentation of financial disclosures in the social reports under study.

Chart 34 - Inclusion of added value production and apportionment schedules in the social reports of social co-operatives



The co-operatives were asked to specify how the section is subdivided, in particular with reference to the inclusion of the following:

1. Financial statement;

2. Auditor's report;
3. Schedule for the determination and apportionment of Added Value;
4. Source and application of funds statement.

Chart 35 - Inclusion of notes (charts or other) to operating income and charges in the social report

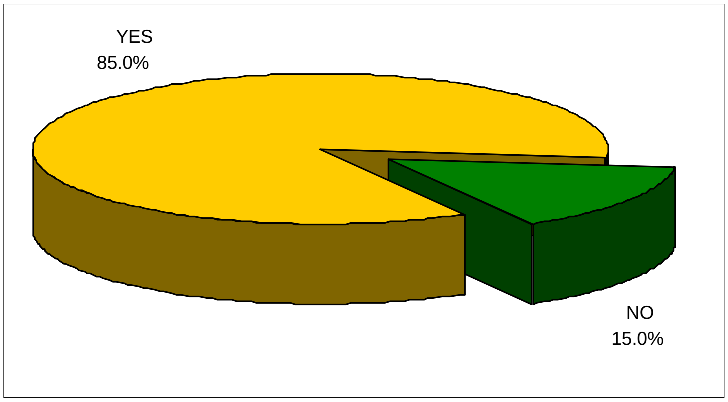


Chart 36 - Presentation of income

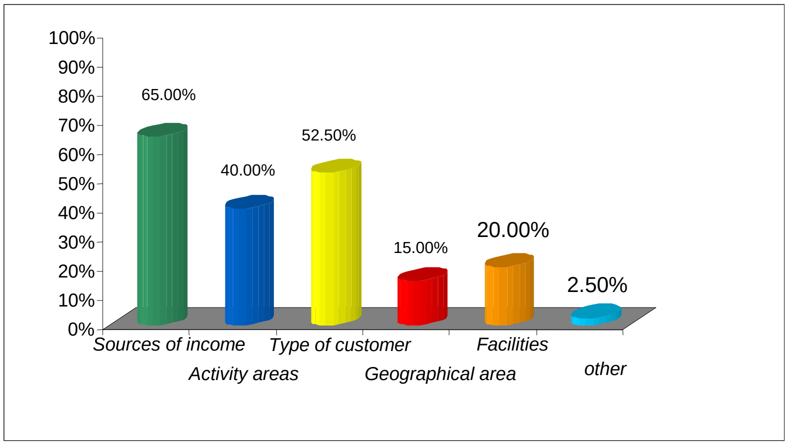


Chart 37 - No. of different types of presentation of income

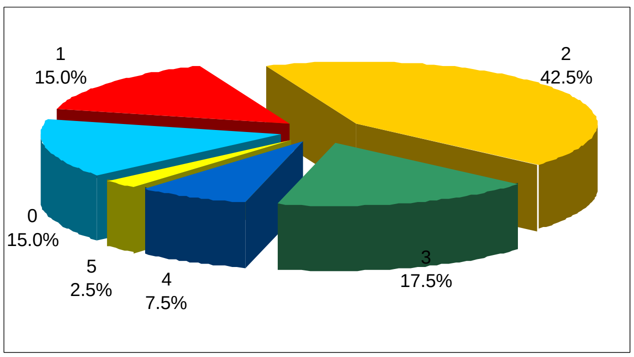


Chart 38 - Presentation of operating charges

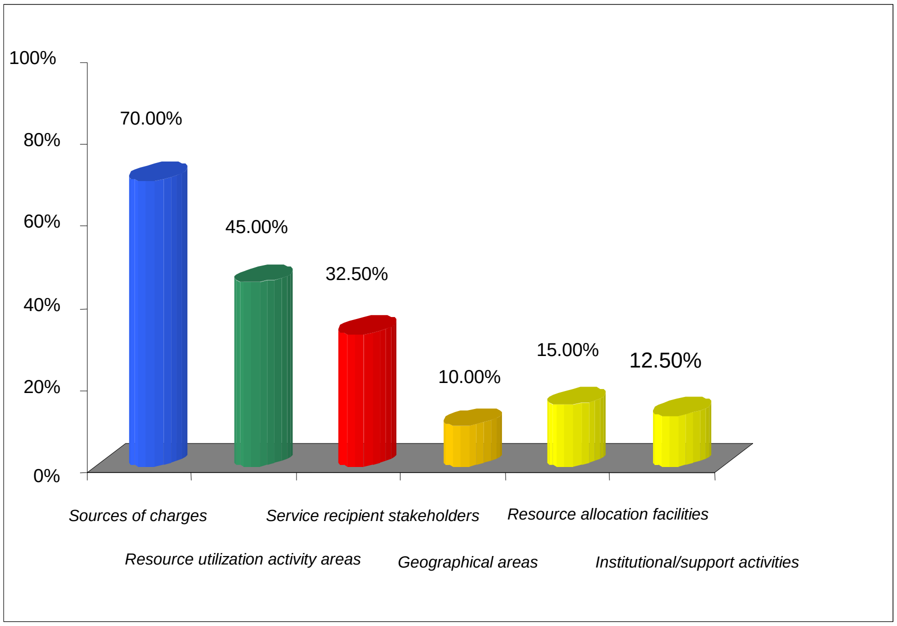
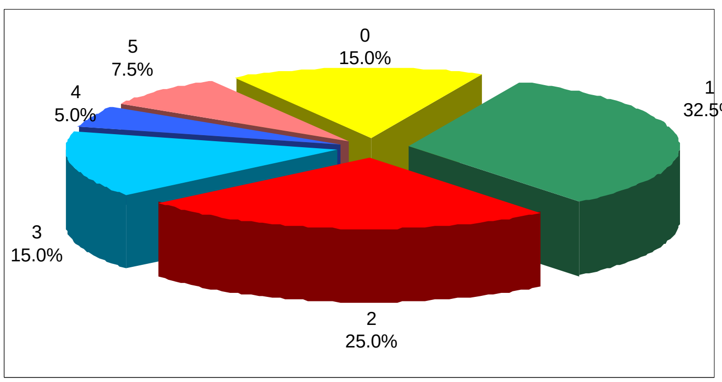


Chart 39 - No. of different types of presentation of charges



6.2.3 - *The presentation of the qualitative and quantitative dimension of management*

The presentation of the qualitative and quantitative dimension of management is the most critical issue organizations have to address when preparing their social report. The reasons for this issue to be critical may be traced back to the following:

1. The reporting frameworks available in the literature do not provide any operating instructions for identifying measures, thus leaving it up entirely to the discretion of organizations. The only exception is represented by the reporting framework proposed by chartered accountants, that sets

forth an organized system of measures including examples and accurate guidelines for their development.

2. The performance measurement activity has some structural drawbacks for all types of organizations, and particularly for non-profit organizations due to:

   a. The difficulty in measuring the results and impacts of activities of a social kind,
   b. The need to have specific competences due to the technicality of the subject matter,
   c. The need to have adequate information systems.

In the end, the measurement activity involves considerable organizational and financial investments.

In order to develop this section of the social report/mission, there are two issues to address:

– How results should be presented;
– What measures should be used.

The way in which results are presented must be consistent with the identity and with the management model of an organization. If the main purpose of social accounting is to inform stakeholders about the consistency of the mission with the results achieved, the key to reading the data provided in the document must be consistent with such purpose. Therefore, depending on organizational specificity, results can be presented by:

– Activity areas and scopes of action (in this regard, the CNDC reporting framework draws a distinction between institutional activities and support activities);
– Specific groups of stakeholders;
– Mission items and values;
– Projects or programs;
– Geographical and community action areas.

The choice of measures must ensure that document recipients receive adequate information about an organization's efficacy. Consequently, the measures chosen must have the following characteristics with a view to good social accounting:

– *Relevant and significant* – measures must be consistent with the learning purposes that they have been developed for.
– *Clear* – measures must be clearly defined in order to avoid misinterpretations.
– *Comprehensible* – the definition of a measure must be easy to understand to information recipients. Sometimes it may be necessary to add a description of the purposes and characteristics of a measure to its definition in order to facilitate utilization.
– *Balanced and exhaustive* – it is necessary to develop a set of indicators that can measure each and every dimension of organizational performance, and can provide a complete overview of all useful information to evaluate the results attained.
– *Comparable* – measures provide more significant information only when they can be compared over time and/or across organizations.

Chart 40 - Presentation of results

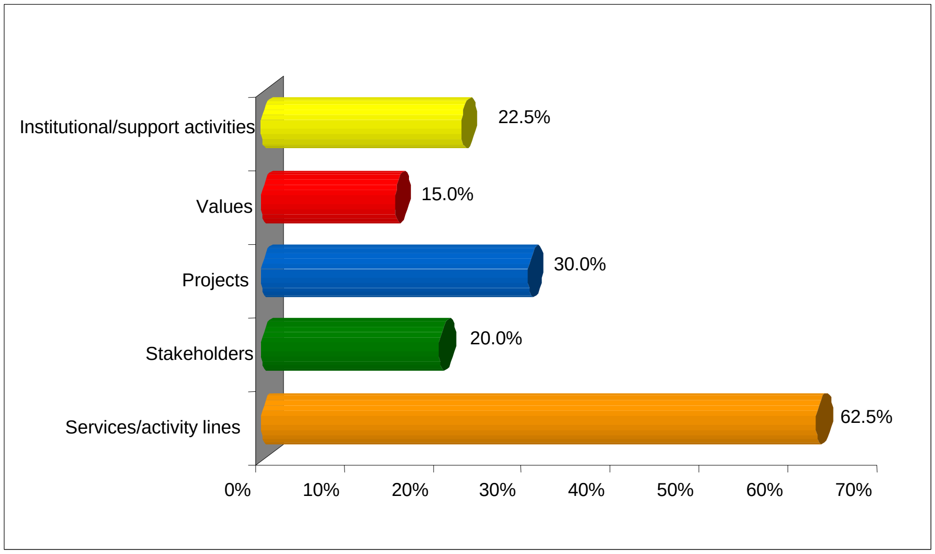
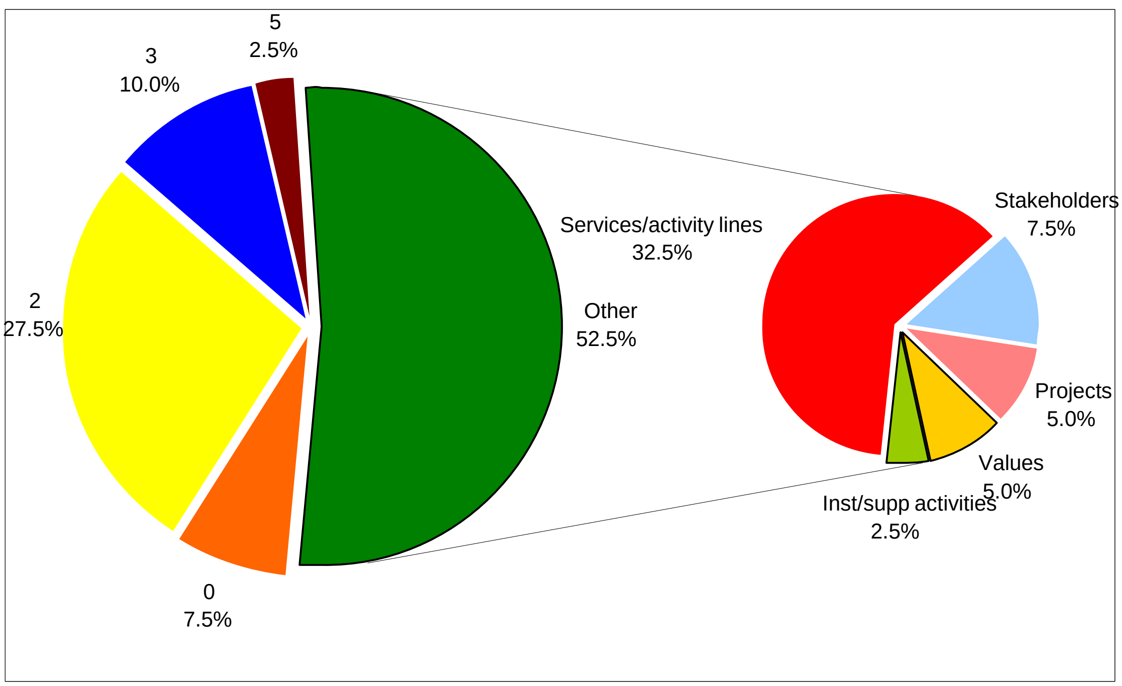


Chart 41 - No. of different types of presentation used with a focus on the co-operatives using only one type



It goes without saying that the quality of the social report and its information value largely rely on this section.

This study only explores the issue of how data are presented. An analysis of the quality of the measures presented in social reports would require an ad hoc in-depth study due to the complexity of the subject.

The analysis shows how the majority of social reports presents the results by activity and action areas, in line with the management model of social co-operatives.

7 - Conclusions

The study provides us with some interesting considerations:

– the social co-operation sector shows a significant and satisfactory level of dissemination of social accounting (40 social co-operatives out of 130 co-operatives that responded to the questionnaire, stated that they do prepare a social report, which accounts for 30.77% of the sample);

– there is a positive balance between organizational size and propensity to social reporting;

– the reasons for not preparing the social report are chiefly related to a lack of financial resources and of in-house competences, as well as to an as yet poor understanding of the tool;

– co-operatives significantly attach greater internal value to the social accounting activity, as corroborated by the fact that the main recipients of the social report are an organization's members and staff;

– it is possible to detect a significant orientation towards stakeholder engagement in the social accounting activity. The stakeholders engaged in the reporting process are chiefly internal ones, and this is a confirmation of the greater internal value attached to the social report by co-operatives;

– the main reporting frameworks available in the literature fail to meet the need for social accounting of social co-operatives, that largely prefer to independently develop their own frameworks or follow the frameworks developed by consortia, co-operative syndicates or study groups of consultants and staff;

– there is convergence in including in the social report a section dedicated to corporate identity, a section dedicated to the reporting of resource utilization, and a section dedicated to the presentation of the results of activities. In addition, even though not all the social reports include a detailed section about stakeholders, 95% of organizations however dedicates a specific section to human resources.

As at today it is still hard in most cases to pass sound judgement of value on the actions and conduct of individual organizations by reading the social accounting documents, and it is even harder to carry out any benchmarking activity. There is great variety of behavior with regard to the quantity and quality/significance of the information included in the documents (there are documents with just a few pages and too long-winded documents). The co-operatives that have gained some experience in social accounting issues over time, have refined the document over the years thereby succeeding in improving the quality and informative value of the latest editions of their social reports.

The recent legislation on social enterprises, that provides for mandatory social reporting according to established guidelines, undoubtedly goes in the direction of supporting the dissemination of social accounting and of coming to the preparation of uniform and, therefore, comparable documents. The Region of Lombardy is also evaluating the opportunity of introducing the mandatory preparation of the social report for the social co-operatives enrolled on the regional register.

Nonetheless, the development of a real culture of transparency is not only related to legislative changes, that always carry with them the pitfall of red-tape constraints, or to the sensitivity of individual organizations, but also to the solicitations that must come to social enterprises from their key stakeholders (donors, business companies, public and private organizations) who, as they make financial resources available and delegate services, have to make sure that organizations act as efficiently and effectively as possible.

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