# THE IMPACT OF THE BUSINESS AND ORGANIZATIONAL SIZE OF A COMPANY ALONG WITH GRI AND CSR ADOPTION ON INTEGRATING SUSTAINABILITY REPORTING PRACTICES

**Dragu Ioana-Maria**
***Babes- Bolyai University, Faculty of Economic Sciences and Business Administration***

**Tiron-Tudor Adriana**
***Babes- Bolyai University, Faculty of Economic Sciences and Business Administration***

*This paper intends to investigate the correlation between the business and organizational size of companies as well as GRI and CSR practices adoption, and the level of sustainability disclosure. The correlation is highlighted through SPSS statistic analysis and determination of an econometric model between a dependent variable - sustainability information disclosure - and five independent ones- sales, number of employees, GRI and CSR policies and ultimately reporting period/year -. We use the Deloitte Sustainability Scorecard for measuring the sustainability reporting practices. Our sample comprises companies that adopted integrated reporting for the period 2009-2010. Sample selection was made on the basis that sustainability reports are incorporated within the integrated reports. We assume to obtain a high correlation between the business and organizational size of companies, GRI and/or CSR polities and the level of sustainability information disclosed in our integrated reports.*
*Key-words: integrated report, reporting scorecard, sustainability, disclosure, correlation.*
*M41, C58*

## I. Introduction

In a world dominated by global challenges, in the form of globalization, population growth, climate change, resource scarcity, recognition and response to sustainability issues is trivial for the corporate environment. Stakeholders influence on sustainability reporting is understated by organizations, which focus their disclosure on customers, employees, suppliers, activists, governments, community. The engagement with stakeholders is indeed increasing in importance as companies choose to disclose information on the matter. The level of sustainability information presented within the integrated reports issued by the firms that have adopted this system can be measured using the Sustainability Reporting Scorecard developed by Deloitte, and further on communicated to the users of the annual reports. The efforts made by companies to incorporate sustainability reporting practices would lead to enhancement of corporate performance, by increasing the business and organizational size of the firm. Ultimately, companies are expected to improve their relationship with stakeholders- investors, regulators, customers, business partners and employees- by adopting sustainability disclosure.

## II. Review of Literature

Katelijne Van Wensen et al. (Katelijne Van Wensen et al. 2011:115) argue that integrated reporting means nothing but a sustainability report adapted to the various needs of the stakeholders. They add that innovation in sustainable reporting leads in fact to integrating the sustainability information into one single integrated report. The Global Reporting Initiative has established guidelines for sustainability reporting frameworks. However, the corporate environment is merging towards integrated reporting, a new trend that in fact promotes the presentation of information related to finance and sustainability issues (Benoit and Niederman 2010:9).

Research on corporate responsibility and sustainability reporting (Michael 2009:3-8) in the area of real estate reveal that corporate reports have changed over time, making improvements on sustainability and CSR disclosure. Michael (Michael 2009:11) studies eight corporations from UK and Australian, by creating a matrix with the purpose of evaluation and comparison of the corporate responsibility and sustainability reports. The methodology involved characterizing each criterion from the matrix as being or not being disclosed within the analyzed reports. These criteria were chosen by the author in accordance with the GRI Sustainability Reporting Guidelines and GRI Standard Disclosure and generally refer to: headquarter location, strategy and analysis, organizational profile, report parameters, governance, economic, environmental social and governance performance metrics. The findings of the study demonstrate the initial objective, that CSR and sustainability reporting has improved over time, the researcher underlining in the end of its paper certain limitations in the form of input data, subjectivity, human error or misinterpretation.
Empirical studies were elaborated concerning the benefits of implementing corporate social responsibility (Selvi, Wagner, and Türel 2010:281-290). Starting from a sample of the most profitable companies from a certain country and the ones that are socially responsible, the author uses Spearmen coefficient to determine the relationship between company reputation and corporate social responsibility. The conclusions were that the relationship between the variables is a positive one.
Discussions on trends towards non-financial information show that sustainability reporting registers positive evolutions, more and more companies applying for it. According to data from Fortune Global 250 during the period 1998-2001, there is a considerable increase regarding sustainability reporting (Kolk 2003:279–291).

## III. Research methodology

The methodology of research involves SPSS data processing, by establishment of the correlation level between the dependent variable- sustainability information measured by the DSRS (Deloitte Sustainability Reporting Scorecard) - and the independent ones- sales, number of employees, GRI and CSR policies and reporting year-. The econometric function can be described as follows:

$DSRS_{SI} = \lambda_1$ x Sales + $\lambda_2$ x No. of employees + $\lambda_3$ x GRI adoption + $\lambda_4$ x CSR adoption + $\lambda_5$ x Year

The coefficients $\lambda_1, \lambda_2, \lambda_3, \lambda_4$ and $\lambda_5$ will be generated through SPSS regression analysis.

We intend to measure sustainability using the *Deloitte Sustainability Reporting Scorecard* which involves 30 criteria each scored between 0 and 4 points. These points are distributed according to the degree of fulfillment with the conditions of presenting the elements contained in a sustainability report. The four possible levels of sustainability correspond to four cases that can be met for a certain company, namely:
- it does not mention the requested information or the disclosed information is insufficient (0);
- some relevant aspects are presented (1);
- coverage of most important information (2);
- better sustainability practices (3);
- outstanding reporting (4).

According to this method, the maximum score that can be allocated to a certain company is 120 points. Therefore, the total score of 120 is considered to represent 100%. The final percentage level generated by each company can be analyzed by allocating the respective firm to one of the following groups or categories:
- no information or insufficient- 0%
- few information- 25%

- average information coverage- 50%
- better than average- 75%
- outstanding- 100%

***Data description***

This section provides empirical evidence on integrating sustainability reporting practices. The case study involves a sample of 35 integrated reports, from 24 companies that operate in 10 different countries. Therefore, our initial database comprises large corporations, namely: AEP, Altron, Amplin plc., Anglo Platinum, BASF, Capita Group, Eskom, Gold Fields, Great Portland Estate, Implats, Logica plc., Massmart, Metso Corporation, National Grid, Natura, Novo Nordisk, Philips, Potash Group, RB Platinum, Standard Bank, UTC, Vodacom, Wolesely, Xstrata plc.. The firms from ours sample have also been classified by industry type: aerospace and industrial, agriculture, banking and insurance, chemicals, communication, construction, cosmetics, electricity, electronics, information technology, medicine, mining, real estate, retail. Our database contains reports for financial years 2009 and 2010.

## IV. Results

This section presents the output results obtained through SPSS regression analysis. Table 3 presents the descriptive statistics of our data, and therefore contains the minimum, maximum, mean and standard deviation indicators of our sample of 35 integrated reports. These indicators are determined for each of the variable included in the model. The mean level of GRI adoption registers 0.45429, while for CSR policies we obtain a value of 0.4571. Both variables are equal in standard deviation (0.5054). The maximum value for the business size represents in total sales 273,683.03 mil. Euro, and the minimum number of employees (organization size) represents 17. The scores generated by the Deloitte Sustainability Scorecard fluctuate between the interval of 77.92 and 109.97 (out of a total of 120 points), with mean value of 101.1754 and standard deviation of 7.0439.

**Table 3. Descriptive statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Year | 35 | 2009 | 2010 | - | - |
| GRI | 35 | .00 | 1.00 | .5429 | .5054 |
| CSR | 35 | .00 | 1.00 | .4571 | .5054 |
| Sales | 35 | 0.01 | 273683.03 | 31010.58 | 64306.8312 |
| Employee | 35 | 17.00 | 208200.00 | 35846.00 | 42518.1717 |
| DI | 35 | 77.92 | 109.97 | 101.1754 | 7.0439 |
| Valid N | 35 | | | | |

*(Source: SPSS data processing)*

Table 4 shows the Pearson Correlation Coefficients determined for our sample of 35 integrated reports. We notice that the dependent variable of reporting period (year) has a negative influence upon the disclosed information on sustainability issues. In addition, the coefficient of -0.186 demonstrates that our analyzed period (2009-2010) is characterized by a decrease in the supply of sustainability information- this fact is also highlighted in the section dedicated to the Deloitte Sustainability Scorecard, where the analysis from time period perspective indicates the same results. The Pearson Coefficient for GRI adoption indicates a medium level, positive correlation with sustainability information disclosed within integrated reports (0.447). The significance test shows a value close to 0.01, that is the statistical threshold for significant values. The results for GRI factor are not surprising, as GRI guidelines cover most of sustainability reporting issues, and it would have been expected to be correlated to the high levels of disclosure on sustainability. CSR policies tend to have a negative influence on the score generated by Deloitte Sustainability Scorecard, which could be obvious as generally companies adopting GRI practices, do not follow CSR policies, and the other way around. However, CSR has a significance level of 0.001, which

means that these findings are very conclusive. The business and organization seem to have a small influence on sustainability reporting, with coefficients of 0.125 and 0.1.

**Table 4. Pearson Correlation Coefficients**

| | | Year | GRI | CSR | Sales | Employee | DI |
|---|---|---|---|---|---|---|---|
| Year | Pearson Correlation | 1.000 | .125 | -.125 | .074 | .055 | -.186 |
| | Sig. (2-tailed) | . | .473 | .473 | .674 | .754 | .286 |
| | N | 35 | 35 | 35 | 35 | 35 | 35 |
| GRI | Pearson Correlation | .125 | 1.000 | -.885 | .068 | .175 | .447** |
| | Sig. (2-tailed) | .473 | . | .000 | .700 | .315 | .007 |
| | N | 35 | 35 | 35 | 35 | 35 | 35 |
| CSR | Pearson Correlation | -.125 | -.885** | 1.000 | -.071 | -.1.63 | -.531** |
| | Sig. (2-tailed) | .473 | .000 | . | .683 | .350 | .001 |
| | N | 35 | 35 | 35 | 35 | 35 | 35 |
| Sales | Pearson Correlation | .074 | .068 | -.071 | 1.000 | .737** | .125 |
| | Sig. (2-tailed) | .674 | .700 | .683 | . | .000 | .473 |
| | N | 35 | 35 | 35 | 35 | 35 | 35 |
| Employee | Pearson Correlation | .055 | .175 | -.163 | .737** | 1.000 | .100 |
| | Sig. (2-tailed) | .754 | .315 | .350 | .000 | . | .567 |
| | N | 35 | 35 | 35 | 35 | 35 | 35 |
| DI | Pearson Correlation | -.186 | .447** | -.531** | .125 | .100 | 1.000 |
| | Sig. (2-tailed) | .286 | .007 | .001 | .473 | .567 | . |
| | N | 35 | 35 | 35 | 35 | 35 | 35 |

*** Correlation is significant at the 0.01 level- Sig. (2-tailed)*
*(Source: SPSS data processing)*

The estimated econometric model can be described as follows (Table 5):

$DSRS_{SI} = 2.081^{-5}$ x Sales – $1.92^{-5}$ x No. of Employees – 1.058 x GRI adoption – 8.874 x CSR adoption – 3.786 x Year + 7,713.937

**Table 5. Beta Un-standardized Coefficients**

| *Model* | *Un-standardized Beta coefficient* |
|---|---|
| Constant | 7,713.937 |
| Year | 3.786 |
| GRI | 1.058 |
| CSR | 8.874 |
| Sales | 2.081E-05 |
| Employee | 1.058E-05 |

## V. Final Remarks

The main purpose of this paper has been to investigate the correlation between the business and organizational size of companies as well as GRI and CSR practices adoption, and the level of sustainability disclosure. The methodology involves SPSS statistic analysis and model determination between a dependent variable - sustainability information disclosure - and five independent ones- sales, number of employees, GRI and CSR policies and ultimately reporting period/year -. The sustainability reporting practices are measured using Deloitte Sustainability Scorecard. Our sample comprises companies that adopted integrated reporting for the period 2009-2010. Sample selection was made on the basis that sustainability reports are incorporated within the integrated reports. We assume to obtain a high correlation between the business and organizational size of companies, GRI and/or CSR polities, reporting year and the level of sustainability information disclosed in our integrated reports.

The Deloitte Sustainability Scorecard is meant to provide guidelines on the content of reports regarding the sustainability information disclosure. Thus, in the absence of a general current framework, the scorecard can be used for developing best sustainability practices and to create sustainability reports that should integrate within annual reports.

**VI. References**

1. Benoît, Catherine and Vickery-Niederman, Gina, *Social Sustainability Assessment Literature Review*, Measurement Science, White Paper, 2010.
2. Deloitte, *Integrated Reporting, A better view?,* 2011.
3. Discussion Paper, *Towards Integrated Reporting- Communicating Value in the 21st Century*, September 2011.
http://www.deloitte.com/assets/DcomGlobal/Local%20Assets/Documents/DTT_ERS_FullScorecard_032106.pdf
4. Katelijne Van Vense, Wijnand Broer, Johanna Klein, Jutta Knopf, *The State of Play in Sustainability Reporting in the European Union*, 2011.
5. Kolk, A., "Trends in sustainability reporting by the Fortune Global 250", *Business Strategy and the Environment 12*, 5 (2003): 279–291.
6. Michael, Julia, *Best Practice CS&R Reporting in the Real Estate Industry*, Global MBA Graduate, Ryerson University Toronto, 2009.
7. News Release, *The word has changed- reporting must too*, September 2011.
*Press Release- Formation of the International Integrated Reporting Committee (IIRC)*, March 2010, The Prince's Accounting for Sustainability Project, Globgal Reporting Initiatice.
8. Price Water House Coopers, *Guide to forward-looking information,* 2011.
9. Selvi, Y., Wagner, E., Türel A., (2010), *Corporate Social Responsibility in the time of financial crisis: Evidence from Turkey*, Annales Universitatis Apulensis Series Oeconomica,Volume 12, Issue 1, pages: 281-290.
www.iirc.com