CSR: the co-evolution of grocery multiples in the UK (2005-2010)

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Introduction

The heightened profile of Corporate Social Responsibility (CSR) initiatives by large corporations is evident in the maturing of FTSE4good (2001), Dow Jones Sustainability Index (1999) along with the increasing voluntary adoption of UN Global Compact¹ (Rasche and Gilbert, 2012) and Global Reporting Initiative (GRI) frameworks². However, concerns about the treatment of human capital and natural resources by competitive firms in the post financial crisis era persist (Knyght et al. 2011). Corporate scandals and distrust in the ability of firms to self-regulate (Edelman, 2009) are resulting in enhanced CSR national regulations (Iouanno and Serafeim, 2011) making it mandatory for corporations to report to a broader set of stakeholders (Freeman et al. 2010). As such, the vision statement of GRI³ is a clarion call for more responsible practices and enhanced transparent reporting of non-financial data including environmental, social and governance (E.S.G.) issues by the firm for sustainability.

In support of safeguarding sustainable development (European Commission, 2006; 2009) the World Economic Forum Global Risks Report (W.E.F., 2012) further calls for multi-stakeholder, collaborative and interconnected responses in mitigating the potential wide-scale impact of an emerging constellation of risks. In particular, the report calls for conceptual holistic models that may enhance firm resilience and societal well being. In consideration, the extant literature on CSR recognises that businesses are an integral part of society (Wood, 1991; Jones et al. 2005) where firm and society need to be understood together (McKelvey, 1997; Garriga and Mele, 2004; Pedersen, 2010).

Although CSR corporate research has contributed much to supply chains, buyer relationships, marketing, market differentiation (Spence and Boulakis, 2011; Jones et al. 2007; Musso and Risso, 2006; Park and Stoel, 2005; Nicholls, 2002; Piacentini et al. 2000) and customer or employee loyalty (Pepe, 2003) this has mainly viewed CSR from the firm perspective. Consequently, comparative studies of CSR are rare and have been hampered by inconsistencies in definition (Williams and Aguilera, 2006) where expectations and attitudes are contingent upon industry (Gao and Bansal, 2006) and societal culture (Waldman et al. 2006). A broader

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¹ UN Global Compact has grown to 8600 participants in 130 countries and is a corporate responsibility initiative based on 10 principles of human rights, labour standards, environment and anti-corruption.
² 44 companies in 2000 which has grown to 1973 companies by 2010 (Iouanno and Serafeim, 2011).
³ Mission Statement of GRI: “To make sustainability reporting standard practice for all organisations.”
understanding is needed which appreciates exogenous stakeholders (Berman et al. 1999), institutional factors (Prakash and Potoski, 2006; Bartley, 2007) and the impact of national and international context on CSR dynamics (Lim and Tsutsui, 2012). However, the lack of a universally agreed understanding of CSR (Frankental, 2001) and narrow managerial perceptions of business responsibility towards society persist (Pedersen, 2010). Further, the link to corporate financial performance which maybe positive (Orlitzky et al. 2003; Rowley and Berman, 2000; Waddock and Graves, 1997; Girffin and Mahon, 1997) remains controversial and difficult to measure (Tang et al. 2012; Margolis et al. 2007; Margolis and Griffin 2000).

In this regard, international comparative corporate governance research indicates that U.K. C.S.R. governance mechanisms are unique (Aguilera et al. 2006) and U.K. firms have higher rates of stakeholder engagement and social reporting (Williams and Aguilera, 2006). Within the U.K. the grocery multiples Tesco; Asda; Sainsbury’s; Morrisons; and Co-operative lead the dominant service sector (Jones et al. 2005). Whether a natural oligopoly (Ellickson, 2004) or collusive group (Lloyd et al. 2006) the five firm concentration ratio has been and remains a characteristic of this U.K. industry. In 2011 these five firms collectively had over 75% U.K. market share (Irish Food Board, 2011) and are major private sector employers.

A pre financial crisis (2008) exploratory review of CSR issues and agendas within U.K.’s leading retailers’ by Jones et al. (2005) revealed that grocery multiple firms have been integrating CSR into core business activities in the belief that this is in the interest of all stakeholders and consistent with long term firm value. At the same time, firms have been pursuing their own understanding of CSR (Jones et al. 2005) while existing within society (Pedersen, 2010). Our paper seeks to build on the study by Jones et al. (2005) from a post financial crisis perspective, where there is a call for modelling of business within society (Pedersen, 2010). The U.K leading grocery multiple firms could be instructive to the ethics and firm behaviour gap between business and society. We further seek to contribute to the GRI, UN Global Compact, WEF and CSR dialogues by offering a holistic model for improved trust and understanding between business and society.

A qualitative interpretive approach to the CSR reports (2005-2010) of Tesco, Sainsbury’s, Morrisons, and Co-operative is engaged to ascertain whether business imperatives (firm value and interest) are balanced with wider stakeholder interests of society. Asda, which is part of Wal-Mart group, does not publically report in U.K. and the information within Wal-Mart group
reporting is limited. Therefore, we have excluded Asda from our study. The outcomes contribute to multi-layered CSR modelling (Aguilera et al. 2007; ISO 26,000\(^4\)) and the call for consistent holistic definitions (Kakabadse and Kakabadse, 2003). This paper concludes that currently CSR initiatives by the firm are more a response to societal concerns where an improved collaborative understanding may foster pro-active joint initiatives and behaviour that enhances trust between business and society.

**Business within Society: A historical overview of U.K grocery multiple sector**

When classical economists (Smith, 1991; Veblen, 1899) asserted the link between resource scarcities and societal needs, America was industrialising and the strands of capitalism were emerging from within mercantilism (Hall and Soskice, 2001). By the mid twentieth century, the creative destruction process (Schumpeter, 1934) had facilitated rapid change (Ansoff, 1965) which resulted in the rise of corporations (Chandler, 1969; Drucker, 1972) and mass consumerism (Toffler, 1980). Against this background, the origins of the supermarket can be traced back to the Atlantic and Pacific Tea company of 1859 which introduced scale and scope to retailing (Ellickson, 2007). The more radical innovation within the precursor of the supermarket sector emerged in Memphis in 1916, when Piggly Wiggly opened the first self-service store (Shaw et al., 2004) and then in 1930 when Michael Cullen opened the first supermarket in New York (Appel, 1972).

Since 1950 the world population has risen from 2.5 billion to more than 7 billion people by 2012 (UNFPA, 2012). At the same time, global production of goods and services has increased, supported by widespread and sophisticated communication and transportation. In a much more interrelated and interdependent world (Knyght et al. 2011) the pace of change has therefore quickened (Drucker, 2009). In particular, the Anglo-American form of capitalism has evolved to dominate global business practices (Schularick and Taylor, 2009). Its neo-liberal form emerging from the U.S. and U.K has been the focus of criticism pre (Lane 2003) and post (Clarke, 2009) global financial crisis (2008). This is in part attributable to the conduct of business by corporations based on a shareholder value perspective (Kakabadse and Kakabadse, 2001) and in part to the governance of the Anglo-American system itself (Toms and Wright, 2005; U.K. Cadbury Code, 2010), ultimately to the detriment of global society (Mostovitz et

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\(^4\) ISO 26000 – a guidance standard of Social Responsibility. Its objective is to organisations in understanding of Social Responsibility.
al., 2010) as exemplified by the austerity focused environments such as Greece or Ireland. The U.S itself, from where the financial crisis imploded, has run a federal budget deficit in 45 of its last 50 years (Congressional Budget Office, 2011). More interestingly corporate income tax revenue within U.S was just 1.2% of GDP in 2009 compared with the OECD average of 2.8% (OECD Tax Statistics, 2012). Regardless of the financial crisis, OECD countries including U.K. (3%, 2011) maintain lower corporation tax rates and higher corporation tax collection as a percentage of GDP in comparison with the U.S.

In this context, the supermarket arrived in London in 1951 at a time when co-operatives based on the Rochdale Principles of 1844 dominated the U.K. retail landscape (Jefferys, 1954). During the last fifty years, the private sector multiples such as Tesco, Sainsbury’s, Asda, Morrisons have grown faster and emerged to dominate U.K.’s largest retail sector (Burt and Sparks 1994; Burt et al., 2010; Godley, 2003) whilst the Co-operative has lost market position (Alexander, 2008). The Co-operative regained some market share when it took over Somerfield in 2008. The United Nations has also supported increased awareness of the co-operative model in 2012 (IYC, 2012). Recently, a government report suggests that Britain’s small independent shops will have ceased trading by 2015 (House of Commons, 2006). In response to consumer concern, regulation has evolved (Competition Commission, 2006; Guy, 2007; Burt et al., 2010) while the oligopolistic retail supermarkets (Akehurst, 1984; DEFRA, 2006) have voluntarily responded by actively reporting on their CSR activities (Drummond, 2011; Marlin and Marlin, 2003; Fox and Vorley, 2004). In this regard, Jones et al. (2005) conclude that grocery multiples’ believe that firm market position, financial viability and long term growth are CSR factors of interest to all stakeholders.

**Current CSR and Financial Trends**

In the post 2008 financial crisis era, strategic philanthropic funding (Porter and Kramer, 2002) by individuals and prosperous firms continues to contribute to the development of educational institutions (Stanford University, $709m; Harvard University, $639m: Kaplan, 2012) and major welfare programmes (Gates Foundation). The U.S. based Committee Encouraging Corporate Philanthropy (CECP) has published a report on 184 leading companies (Fortune, 500) who gave $15.5bn (Hill, 2011). Manufacturing companies have been most generous whereas service companies have contributed less than 10% to community projects (Hill, 2011). The U.S. has consistently been most philanthropic, whilst in U.K. the top 600 companies gave
£762m in 2009/10 (Lillya, 2012). After the financial crisis of 2008 there has been increasing diversity between industries. In 2010, 53% of U.K. companies have given less cash donations compared with 2007 where as others have increased contribution (Murphy, 2011). As such, the social expectations of the growing U.K. supermarkets have come under the spot light.

Within U.K., the PerCent Club\(^5\) reveals an investment of £371m in community projects (2000 annual report). These acts of corporate benevolence (Navarro, 1988) reflect higher order attributes of kindness and consideration of societal needs, beyond the desire for profit maximisation (Freidman, 1962). However, over the years, provision for the workforce in U.K. has become incorporated into firm regulation (contracts, pensions, healthcare) and social welfare has increasingly become a state concern (Health and Safety at Work Act, 1970). In addition, employees have become temporary and production is often contracted out (Ruyter and Burgess, 2003). Thus, the motivation for corporate charitable investments has shifted towards utility maximisation left to managerial discretion (Campbell et al., 2002). The Directory of Social Change (2011) is concerned that reporting of charitable contributions lacks transparency and diversity, where companies increasingly emphasise gifts in kind and publicity over actual value and cash contributions.

The economic impact of the 2008 global financial crisis (GFC) further continues to be long lasting and widespread. Within the developed nations such as U.S. and U.K. corporate malfeasance has gained regular publicity. Yet the dominant global corporations continue to grow (Forbes, 2012). In the U.S. Apple has over $100bn cash (The Economist, 2012) and Wal-Mart has greater revenue than the GDP of 174 countries (Global Trends, 2009). In the U.K. there is rising foreign direct investment by emerging market corporations (EMCs) such as Bright Foods investment in Weetabix, Tata’s acquisition of Jaguar, Huawei’s rise into the U.K. telecoms market and Qatar Holdings ownership of Harrods. However, within the £300bn U.K. retail sector (IGD, 2012) the leading British originating grocery multiples continue to overwhelmingly dominate their industry within austerity governed markets.

Thus, in the contemporary context, the prescient analysis of capitalism and society (Veblen, 1899; Weber, 2001; Campbell, 2005) is concerned with rebalancing the notion of self-interest

\(^5\) The PerCent Club founded in 1986 is a group of leading companies that pledge to contribute no less than 1% of pre-tax profit to Community.
and shareholder value maximisation (Friedman, 1962; 2007) against the long term sustainability and well being of the wider society (Berenbeim, 2000; Solomon, 1992). In recent decades the accusations directed on the firm by government and civil society has included environmental pollution, animal welfare and human rights abuses. As such, the firm has recognised the strategic value of voluntarily implementing and reporting socially responsible processes to demonstrate commitment to public standards, community investment and wider stakeholder engagement (Jones et al. 2007). While globalisation and de-regulation has allowed the firm to increase size and influence in response to more intense competition, there has also been the emergence of global voluntary frameworks incorporating CSR factors in the form of GRI and ISO 26000. Table 1 below identifies the current trends of influence on the U.K. grocery multiples:

Table 1: Trends of influences on U.K. grocery multiples

<table>
<thead>
<tr>
<th>Level</th>
<th>Firm influence</th>
<th>CSR</th>
<th>Environment influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>liberalised finance; fast communication</td>
<td>balanced?</td>
<td>finite resources; global population</td>
</tr>
<tr>
<td>National</td>
<td>Anglo-American capitalism (shareholder view); global supply chains and competitiveness</td>
<td>balanced?</td>
<td>governance codes and mechanisms; social awareness and concern; EU regulation</td>
</tr>
<tr>
<td>Industry</td>
<td>oligopolistic behaviour; rise and dominance of corporations</td>
<td>balanced?</td>
<td>regulatory reports – Competition Commission; NGOs; foreign competition</td>
</tr>
<tr>
<td>Firm</td>
<td>established commercially orientated private firms flourish; managerial interpretation of social responsibility</td>
<td>balanced?</td>
<td>ethically guided firms lag behind; social demonstrations and unrest; demand for improved reporting</td>
</tr>
<tr>
<td>Change</td>
<td>Fast</td>
<td>balanced?</td>
<td>slow</td>
</tr>
</tbody>
</table>

In table 1 above, the question is whether CSR actions are balanced between firm and society?

The widely faceted scholarly interpretation (Carroll, 1999; 2008) and corporate practice (Jones et al., 2005; 2007) of this phenomenon is commonly referred to as Corporate Social Responsibility (CSR) which is receiving growing attention in the board rooms of corporations (Bahattacharya and Sen, 2004), NGOs and governments, and is increasingly being reported in one form or another (Marlin and Marlin, 2003). However, although receiving considerable attention in both the academic and popular press, CSR does not clarify what the social responsibility of business actually is (Friedman, 2007; Dahlsrud, 2008) and the societal benefits remain largely unmonitored (Kakabadse and Kakabadse, 2007). Most recently, research presented to the World Economic Forum in Davos indicates that businesses are less trusted than before, while faith in governments has fallen sharply (Financial Times, 2012). Thus it seems that the link between firm (corporation/business) and environment (markets/society)
lacks accountability, transparency and responsibility (Cochran, 2007) to each other and a gap remains between expectations, performance and evaluation (Svensson and Wood, 2008).

**Towards a holistic understanding of CSR**

The popularly cited scholarly definition of CSR (Carroll, 1991; 2008; Carroll and Shabana, 2010) refers to economic, legal, ethical and philanthropic domains or pyramid where: “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organisations at a given point in time.” (Carroll, 1979; 2008, 500). However, the firm’s voluntary adoption of CSR may strategically focus on narrower functions of profit, taxation or employment (Moir, 2001; Freidman, 1962) where the specifics of morality (Smith, 1759) and society expectations (Davis, 1973) are left to the discretionary interpretation by firm employees. In this respect, the U.K. Cadbury Code (1992) know extends to sixty countries in promoting firm best practices.

Contrastingly the institutional definition of CSR may consider people, profit, planet and posterity (Kakabadse and Kakabadse, 2003) from a wider societal stakeholder perspective. But in definition, institutions further distinguish between “social” and “environmental” responsibility (Solomon and Lewis, 2002; Commission of the European Communities, 2001). Importantly the Aristotelian approach puts people (Solomon, 1992) before profit (Friedman, 1962). In this regard, governments are often criticised as societal or ethical benefits may compromise short term firm financial profitability (Lim and Tsutsui, 2012). Thus the World Business Council for Sustainable Development’s (WBCSD) definition of CSR: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" prioritises economic contribution.

Even though academics have investigated the impact of CSR on firm performance (Tang, 2012; Alves and Santos-Pinto, 2008; Kurucz et al., 2008), strategic planning (Galbreath, 2010), employee attitudes (Vitaliano, 2010) and introduced the notion of multi-layered Corporate Social Performance (Wood, 1991; Moore, 2001), it seems CSR means different things to different people (Whitehouse, 2003; Frankenthal, 2001; Votaw, 1973) and the debate on whether CSR should remain voluntary (Phillips et al., 2003) or become regulated (De Schutter, 2008)
Corporations maybe accused of empty promises or strategic use of regulations (Gereffi et al. 2001). At the same time, government good intentions in promoting CSR is questioned as to why the institution fails to enforce stronger regulation on the firm (Lim and Tsutsui, 2012).

Most recently the European Commission has simplified its definition of CSR to being “the responsibility of enterprises for their impacts on society”. This underpins the Europe 2020 vision. The more in depth GRI understanding of CSR acknowledges that enterprises and society have varieties of stakeholders: “a firm’s accountability to internal and external stakeholders for organisational performance towards the goal of sustainable development”. In these definitions the alignment of stakeholders in creating shared value and mitigating adverse effects of business requires collaboration. In this regard, the empirical research of Lindgreen et al. (2009) and Maon et al (2009) conclude that diversity in definition is beneficial where CSR is a continuum of practices that benefit both firm and society at different stages of development.

Therefore the multi-level strategic contributions to CSR (Porter and Kramer, 2006; Yuan et al. 2011) should be integrated into multi-level continuums of standardised definitions that support holistic understanding. Further, the diversity in age and size of the firm (Evans, 1987) and industry (Porter, 1980) should be recognised. As a result, the strategic lens (Mintzberg, et al. 2009) appreciates the dynamics of the environment and influence of wider stakeholders (Aguliera et al. 2007). In consequence, each tier of continuum focuses on achieving outcomes within the level that can be linked to the other levels. If the ultimate emphasis is on Society rather than corporation, then CSR is better defined as Social Responsibility of the Corporation (SRC). Thereby the firm within society has an integral responsibility in the conduct of its business. The continuums of SRC and their respective outcomes can be seen in table 2 below, where the aim is to balance the firm with society (Schwartz and Carroll 2008):

| Table 2: Continuums of Social Responsibility of the Corporation and SRC Outcomes |
Guiding theory, methodology and data collection

In the second decade of the twenty first century, while neo-classical scholars continue to pursue specialisation, the co-evolutionary theory (Volberda and Lewin, 2003; 1999) offers an integrative framework in the understanding of business and society or firm and marketplace (Nelson and Winter, 1982; Cyert and March, 1963). This theoretical framework integrates single silo theories in explaining adaptive and selective (competitive/institutional) factors of the firm, where historical patterns of behaviour can be observed as strategic outcomes. Most importantly, this lens offers an outside-in window of investigation. It engages strategic partnerships and alliance networks (Contractor and Lorange, 1988; DiMaggio and Powell, 1983; Parkhe, 1991) to explain how the firm exploits and explores (March, 1991) independently and interactively (Das and Teng, 2002). Thus, it seems that this is a timely and exciting opportunity to respond to the call for holistic multi-layered longitudinal investigation of the strategic behaviour of the firm (Volberda and Lewin, 2003; Koza et al., 2011).

A qualitative methodology and inductive reasoning approach (Blaike, 2000) is adopted for this study to inform the interpretive philosophical position (Kakabadse and Steane, 2010). New knowledge is derived from the wider understanding of hermeneutics (Dilthey, 1986; Heidegger, 1927). The phenomenon under investigation is historical, where events have taken place and can be observed as realised strategic outcomes (Moustakas, 1994; Mintzberg et al., 2009). Therefore the methodology is focused on understanding the historical thematic patterns of the firm’s CSR behaviour.

Data collection is from secondary sources (table 3) where exegesis of the written word leads to explanation (Lamond, 2006). The categorisation of strategic actions emerges based on common themes and patterns from within the sources, which is iteratively fine tuned. The U.K. grocery retailers (Tesco; Sainsbury’s; Morrisons; Co-op) are investigated for the period 2005-2010. This timeframe represents a period when CSR became integrated within reporting for the selected firms. Table 3 categorises the main sources of information in multi-layered format:
Table 3: Secondary Sources of Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Firm</th>
<th>Industry</th>
<th>National</th>
<th>Global</th>
<th>Comparative Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>Annual company reports 2005-2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Annual CSR reports 2005-2010.</td>
<td>• KeyNote (db)</td>
<td>• Office of National</td>
<td>• Global Business</td>
<td>• Comp. Commission reports (2003; 2006; 2008)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mintel (db)</td>
<td>Statistics</td>
<td>Business Browser (db)</td>
<td>• Directorate of Social Change.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mori Ipsos (db)</td>
<td></td>
<td>• WTO/UN (db)</td>
<td>• Scholarly &amp; Independent Studies.</td>
</tr>
</tbody>
</table>

In table 1 we give meaning to the term balanced as an ideal state of equilibrium (50:50) between firm and society. Applying our methodology to the sources (table 3) we interpret the strategic outcomes of CSR as to whether they give benefit to both firm and society, or more benefit to one over the other. We further consider detrimental outcomes as negative and qualitatively judge the level of influence where the pendulum/continuum may in extreme cases, favour the firm fully (100:0) or society fully (0:100).

This enables analysis at Global; National; Industry and Firm levels using a grounded approach. The level of research is at industry level and the unit of analysis is the firm. The key themes and patterns that emerge are discussed.

Analysis: U.K. grocery multiples CSR reports 2005-2010

Consistent themes and patterns of behaviour have emerged in the oligopolistic\(^6\) reporting of CSR by the leading grocery multiples (CSR reports: 2005-2010). The corporate responsibility committees of Tesco and Sainsbury’s meet twice a year and steering group meet quarterly and have been reporting CSR since early 2000s. Morrisons and Co-op’s committees meet six times a year and have incorporated CSR more recently. The committees are made up of cross-functional teams which report to the board and not to any dedicated strategy department. Over the years, there has been a gradual integration of CSR into financial reports and online websites. However, there are no full time employees dedicated to just CSR within the firm and independent monitoring is either peer assessed or offers partial insight (multiples CSR reports, 2005-10).

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\(^6\) Our study looked for the common themes and patterns that emerged across the four sellers. Individual differences between the sellers are also discussed. We identified 8 major common themes between the firms.
The grocery multiples are listed on the Dow Jones Sustainability index, FTSE4good index and are members of Business in the Community (BiTC). The Dow Jones Sustainability and FTSE4good indices are designed for investors, who are CSR inclined but financially driven. BiTC is a business led charity that emerged out of a government conference on regeneration of deprived areas (Waterman, 2007; Kinderman, 2012). BiTC has grown and employs over 350 staff and the board of trustee directors is an array of CEOs and senior executives, including the MD of Waitrose, Mark Price (BiTC, 2011). Further, each of the private multiple firms has established a charitable trust which is the preferred mechanism for investment decisions and is often supported by match funding from public bodies or government initiatives (CSR Reports 2005-2010). Within the reports, partial insight is offered where NGOs such as Greenpeace or Red Cross contribute to a particular objective of CSR and comment on the donation by the multiple. The reports include findings from academic institutions such as Manchester University (Tesco Report, 2009) which received £25m from the company to establish a Sustainable Consumption Institute (SCI). Alternatively independent consultants are paid (Ipsos Mori) to conduct surveys on product labelling and supplier feedback (Sainsbury’s Report 2010). Interestingly, Tesco is a founder member of the Ethical Trade Initiative (ETI). Within the annual calendars of Tesco and Sainsbury’s there are dinners organised relating to CSR objectives, where each dinner brings together the stakeholders related to that particular objective. These factors call into question the impartiality and independence of the aligned stakeholders.

The reports themselves are also remarkably similar in content. They have all gradually increased in size Tesco, (84 pages: 2007), Sainsbury’s (93 pages: 2010), Co-op (140 pages: 2009) while Morrisons being the last to start fully reporting in 2007, remains comparatively smaller (24 pages: 2010). We identified 8 oligopolistic common themes between the firms: recycling, waste reduction and energy efficiency; transportation; regeneration; supply chain improvements; packaging and labelling; animal/nutritional welfare; charitable donations or schemes and marine / water footprint. The reporting is often championed by exemplar case studies such as fair trade bananas (Sainsbury’s 2006), supply chain of palm oil (Morrisons, 2006), carrier bag recycling (Tesco, 2008) while at the same time similar language or headings within the reports include animal welfare, ethical trade and local sourcing.

The outcomes of CSR are conveniently aligned to meet government targets related to the Food Standards Agency, carbon emission targets, nutritional labelling, pesticides, DEFRA, Soil
Association or even E.U. regulations. Further, the reports are highly target driven where each multiple is successfully meeting its own targets. But in the majority of cases, the realised value seems to be geared towards efficiency gains for the business (reduced transport cost, energy efficient stores) rather than societal needs. It is further interesting to note, that the language used within reports, is very much inward looking i.e: *Our business, our customers, enhance our operations, manage our risk, impact of legislation on our business*. It may be argued that CSR seems to be more of a collaborative and convenient format for improving competitive efficiency or meeting government targets. Comparing Morrisons first full CSR report (Morrisons 2007) with Sainsbury’s more established offering (Sainsbury’s 2007) suggests that the early lifecycle of reporting featured risk management and business operations which has subsequently been toned down in favour of softer language, in the more mature publications.

Where the mainstream oligopolistic attributes appeal to firm efficiencies, charitable donations / schemes should appeal more directly to society. On paper the reports suggest that major contributions and acts of philanthropy are being made (Tesco 2005: £20M – Tesco 2010: £60M). While the intensions of firms maybe honourable, the critical lens seeks a deeper understanding and questions this practice. The private multiples (Tesco/ Sainsbury’s) have on-going national projects such as “Active Kids” and “Computers for Schools”. However, in real terms, each school only benefits by a small amount and the actual benefit remains unclear (Sainsbury’s CSR Report 2009 pg. 28). Additionally, these schemes are directly linked to vouchers which are actually obtained by consumers following purchases in store. Thus, revenue generated by consumers is prioritised over firm contribution to societal value. In contrast, the smaller companies, Morrisons and Co-op, adopt a more direct approach to making financial contributions to NGOs or Charities. As an overall percentage of revenue, Co-op is most philanthropic at 2.8% and Morrisons consistently donate £1M to different charities each year. Although, Tesco and Sainsbury’s claim larger amounts, their contributions are actually a smaller percentage of firm revenue (Annual accounts, 2010).

Finally, it is important to consider the unique differences for each firm. Tesco is very much internationally focused and has engaged a Community Plan within its Steering Wheel, which functions as the CSR focus. A similar idea has been adopted by Co-op following its amalgamation in 2007 with United Co-operative. Sainsbury’s report highlights the traffic light initiative for nutritional labelling which is filtering across to other companies. Morrisons report seems to be more tailored towards a CSR definition as it engages the terms environment,
society and business, but the focus is on risk management or operational impact. The unique feature of the Co-operative report is that it has a Values and Principles Committee and Social Goals steering group (2005 Report). The reports are very detailed. Most recently the Co-operative sustainable report has been recognised in U.K. (Corporate Reporting Award runner Up 2009) and globally (Corporate Register Reporting Awards, 2011).

**U.K Grocery Multiples 2005-2010: The practice of CSR**

**Global Trends**

In 2005 global GDP was 45Tn USD and world retail sales were 8.6Tn USD. By 2010 global GDP had risen to 63Tn USD and retail sales had climbed to 13.9Tn USD (World Bank, 2010). The impact of the GFC (2008) has been greater on developed capitalistic western nations compared with the more resilient Asian developing economies. As such, China and India have been growing while Europe and U.S. have been in recession.

The recently emerged global retail sector was continuing to internationalise in 2005 (Deloitte, 2005) where firms attentions were on managing risk in new markets. The global retail market was valued at $9Tn USD (2005) by the time Tesco had risen from 8th place (2002) to 5th place. In 2010 Tesco became 4th, Sainsbury’s 29th, Morrisons 32nd and Co-operative 83rd out of the top 250 firms in retailing (Deloitte, 2010).

Globally, CSR trends indicate that although overall contributions to community projects are high (CGS Survey, 2011), the actual real value has decreased due to higher inflation.

**U.K. Trends**

In 2005, U.K. being the 6th largest economy in the world (OECD, 2011) was growing at its slowest rate in twelve years (IMF, 2012). The country entered into recession in quarter 2 of 2008 which became the longest recession since records began (Office of National Statistics, 2011). Consequently, Royal Bank of Scotland became majority tax-payer owned (BBC News, 2008), while Northern Rock was fully nationalised (National Audit Office, 2009). The U.K. returned to fragile growth in quarter 4 of 2009. The government was grappling with rising debt (80% of GDP) and increasing unemployment (8% Dec. 2009). Consumer spending had slowed down and business confidence was low, contributed to by the European debt crisis (Greece; Spain; Italy). Although disposable incomes in U.K. have risen, this has been off set by rising household expenditure (Consumer Trends, Office of National Statistics 2011).
The trends in contributions towards community projects and charitable giving have changed (Matten and Moon, 2008). Companies are giving less cash donations whereas gifts in kind or management time costs are rising (Directorate for Social Change, 2011). Further, it should be noted that a CEO’s attributed cost will be different to an employee’s management time. Additionally, the astute firm recognises that against the 30% corporation tax threshold (2010) there may be advantage in charitable contributions for the firm itself (HMRC, 2011).

U.K. Retail Industry Trends

The retail industry was worth £295bn in 2009 of which £150bn was accountable to grocery multiples (IGD, 2010). Retailing has been the largest private sector employer in U.K. with 11% of the national workforce employed (British Retail Consortium, 2011). The industry average growth has been 18% over the five year period. The growth of sales of the dominant retailers have been far higher - Tesco 67% (44% in UK); Sainsbury’s 31%; Morrisons 25%; Co-op 33% during 2005-2010. Whilst demonstrating growth in U.K., Tesco has benefitted from faster international growth. Competitively, Tesco’s profit margin has consistently remained over 5% whereas Sainsbury’s, Morrisons and Co-op have been lower (Keynote Business Ratio Report, 2008). Tesco is the only globally international firm in this group. The private firms Tesco (75%) and Sainsbury’s (60%) have had higher debt ratios compared with Morrisons (26%) and Co-op (Keynote Report, 2012).

The growth area of the sector was on-line sales, but this represented only 7% of retailing (British Retail Consortium, 2009) and multiples have continued to diversify into new areas.

Reviews of the grocery multiple sector by the Competition Commission (2003; 2006; 2008) have referred to unfair pressure on suppliers and the growing dominance of the oligopolistic group (Bevan, 2005). But at the same time, Wal-Mart (1999) was allowed to takeover Asda which in turn took over Netto (2010), while Morrisons was the preferred bidder for Safeway (2004). Morrisons benefitted from the takeover of Safeway, as at the time, its market share within industry had declined (DEFRA, 2006; DEFRA, 2004). Thus the concentration ratio of five firms was restored. As such, mergers and acquisitions are a feature of the industry.

Firm Practice Trends

Tesco and Sainsbury’s origins are from London (south) whereas Co-operative and Morrisons originate from the north of England. Over decades, the U.K. has shifted from a northern based
manufacturing to a dominant southern based services sector (Martin, 1988). The southern private firms have grown faster than their northern based competitors, Morrisons and member structured Co-operative. The deeper understanding notes here, that in U.K. the Gini index has risen considerably in recent decades (UNDP, 2011) and poverty remains a concern (Palmer, 2011; Parekh et al. 2010). Specifically, there is growth in unequal distribution of wealth between north and south (Viitanen et al. 2011) along with differentials between executive and employee remunerations (Pryce et al. 2011). Thus, where historically manufacturing has been most philanthropic (Hill, 2011), these traditions seem to have translated more effectively into the northern based multiples rather than the liberalised southern firms. In practice each firm follows its own strategy and reports CSR voluntarily.

As discussed within Reporting of CSR above, the oligopolistic firm focus can be interpreted as patterns and themes within eight strategic actions. A critical analysis of each strategic action follows:

**Recycling, waste reduction and energy efficiency**

The firms have been engaged in waste reduction activities which include recycling carrier bags and use of materials within packaging (Tesco CSR report, 2010). The firms have also focused on reducing carbon emissions in line with government targets (Zero Waste Targets, 2050). In recent years, innovations in store design, environmental technology and improved materials for construction have contributed to more energy efficient stores (DEFRA, 2006). The firms continue to improve efficient refrigeration of stock (Sainsbury’s CSR Report 2009). These factors are aligned with government regulation and the actual value of efficiency or refrigeration is to the competitiveness of the business. The multiples while adhering to regulation only highlight achievements rather than failures or shortcomings e.g. If consumers take packaging back to a multiple retailer, the retailer is obliged to take it.

**Transportation**

Transportation is a significant factor in multiple costing (Sui and Liwei, 2012). With rising fuel prices, firms are actively pursuing bio-fuel as an alternative for their fleets (CSR Reports, 2005-2010). Morgan and Morley (2002) and Pretty et al. (2005) have highlighted that road transportation of food is a major contributor to green house gas emissions. Thereby the shift towards local sourcing is designed to reduce food miles and this is combined with better
stacking of heavy goods vehicles and distribution efficiencies (DEFRA, 2006). However, the actual number of locally sourced produce remains low.

**Regeneration partnership schemes**

In the reporting of CSR the benefits of regeneration schemes have been highlighted. In each case where the firm has opened a store in a deprived area (Sainsbury’s CSR report 2009) it has worked with local agencies and been supported by government grants towards the project costs (Wrigley et al. 2002; Betts et al. 2008). The benefit of employing the long term unemployed has also favoured the firm. Recruitment costs are lower where the job centre is involved and employee salaries have been supported by back to work schemes (DWP, 2007). Most recently cash incentives have been offered to employers to recruit the long term unemployed (Jones, 2011). While there may be benefits to the local communities, it is not always the case that multiples are wanted by locals as this often results in increased traffic or has adverse impact on local independent businesses.

**Supply chain sourcing**

U.K. sales of ethically sourced products/services has grown to £50bn (2011) over 5 years (Ethical Consumerism Report, 2011). However the significant proportion of this is ethical finance (44%) whereas food and drink represents only 14% of the market. Within this, grocery multiples account for 72% of the organic market (£1.7bn) which has fallen in 2009 and 2010 by 14% and 5% respectively (Soil Association, 2011). Thus, consumers are more cautious in spending where ethical products are more expensive. But some products such as eggs are becoming more main stream (Bishop, 2012). Logistical improvements (McKinnon et al., 2010) and technological advances have further benefitted distribution efficiency (Smith and Sparks, 2009) and global sourcing (Welford and Frost, 2006).

**Labelling and packaging**

Fair-trade labelling originates from Holland with coffee being labelled from Mexico in the 1980s. This became a foundation in 1992 and certification began in U.K. in 1994. Fair-trade provides assurance on products sourced from developing countries. Although this is based on minimum price or contribution to local community, the actual value remains unclear. The fair-trade market has increased year on year to £1bn (2010) of which banana, cocoa and tea/ coffee
represent the major certified produces (Fair-trade Foundation, 2011). Whilst the progressive reporting of these case studies is positive, it only represents a small percentage of the wide range of products on supermarket shelves (25000+).

Packaging currently remains a high cost factor in the value of a product (Wai Leng, 2010). Whilst recycling is increasing and improved packaging is being introduced (Martinez-Sala et al. 2010) there is growing confusion with regards to the different labelling on packaging (Green Consumer, 2011). This is impacting the consumer understanding of the nutritional value of products.

**Animal and nutritional welfare**

The Freedom Food Scheme and labelling system was set up by the RSPCA in 1994. This scheme supports welfare of animals through their life. Since then, animal welfare concern has increased and farmers have pursued this standard. As such free range eggs (40%) and fish (18%) represent the largest contributors to a growing market worth £1.2bn. However, this again is a very small proportion of the 25,000+ products that are stocked by supermarkets.

With growing awareness of supply chain and sourcing, the nutritional value of multiple products has come under investigation. More recently, the well being and health debate (Global Strategy on Diet, 2004) has fuelled a focus on obesity in U.K. (Wang et al. 2011), rise of processed foods, salt and sugar content of produce, and use of pesticides by farmers (Dunn, 2011) as potential influences on societal health.

**Charitable donations / schemes**

Within the reports the actual value attributable to society is derived from charitable donations and schemes. Although the private companies Tesco/Sainsbury’s state significant figures (£20M+) in their reports, the breakdown of this includes financial donations, employee time, gifts in kind and management time – where financial donations are lowest. Where contributions have been raised for charities, this is through donations from customers/suppliers/employees to which the company trust contributes twenty percent. In contrast, the Co-operative makes greater financial contributions to charities rather than attributing costs to employee time and gifts in kind. It is also noted that Tesco has made donations to support events of political parties (£40K). Although Morrisons grew the slowest over the period of investigation, it prefers to make fixed £1M contributions to charities rather than percentage of revenue.
These findings reaffirm the concerns of the Directory of Social Change (2011) that firms in the U.K. are in practice using schemes/philanthropy as a publicity exercise, where emphasis is on business objectives rather than society needs. It is further noted that the legality of contributions is becoming increasingly complex (DSC Conference, 2012) and U.K. firms are increasingly targeting grant funding to support contributions (Murphy, 2011).

The multiples are also engaged in food donation schemes. This has emerged out of awareness that the level of food being disposed due to sell by dates, shelf life and use by dates passing is currently 6.7m tonnes per year (Benn, 2009, Chartered Institute of Waste Management). Every day in U.K. 5m potatoes, 4.4m apples and 1m loaves of bread are being discarded daily (Waste and Resource Action Programme, 2009).

*Marine and water footprint*

Supermarkets in U.K. sell nine tenths of the sea-food within the nation. In 2009 the Marine Conservation Society rated supermarkets on sustainable fishing: Co-op (80%); Sainsbury’s (77%); Morrisons (68%), Tesco (62%). According to Professor Hoekstra (2011) products purchased in supermarkets account for 97% of our water footprint. The consideration of water footprint is a comparatively recent introduction to CSR that indicates the growing impact on basic resources, particularly water.

**The balance of CSR between firm and society**

Table 4 below presents whether the reporting and practice of CSR favoured the firm, society or was balanced between the two. Whilst it is acknowledged that multiple retailers are indeed progressing in CSR, the patterns suggest that a rebalance towards society is needed:

<table>
<thead>
<tr>
<th>Strategic Action</th>
<th>Reporting (Firm vs. Society)</th>
<th>Practice (Firm vs. Society)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling, Waste and Energy Efficiency</td>
<td>Firm</td>
<td>Firm</td>
</tr>
<tr>
<td>Transportation</td>
<td>Firm</td>
<td>Firm</td>
</tr>
<tr>
<td>Regeneration Schemes</td>
<td>Firm</td>
<td>Firm</td>
</tr>
<tr>
<td>Supply Chain Sourcing</td>
<td>Firm</td>
<td>Firm</td>
</tr>
<tr>
<td>Packaging and Labelling</td>
<td>Firm</td>
<td>Firm</td>
</tr>
</tbody>
</table>

Table 4: The Balance between Firm and Society in CSR reporting and practice
Our overall findings indicate that CSR strategic actions favoured the firm more than society (70:30). In table 4 above, in all eight strategic actions the firm benefited more than society in reporting and practice of CSR.

In terms of practice, The Ethical Consumer Group (2011) which operates as an alternative consumer organisation has rated supermarkets on a scale of 1 (poor) to 20 (good) where the highest mark of 6 has been awarded to Marks and Spencer. Morrisons (4.5) and Co-op (4.5) scored higher than Sainsbury’s (1.5) and Tesco (1). Within this report, Hunt and Hodson (2011) have rated supermarkets on CSR policies and performance where the methodology is derived from NGO’s research based on civil society’s expectations. The results of Hunt and Hodson (2011) are Co-op (56%); Sainsbury’s (29%); Morrisons (18%) and Tesco (15%). This further affirms that the practice of CSR by grocery multiples is not meeting the expectations of society and there is a need for improved horizontal and vertical social dialogue (Leonard, 2008). Thus in an attempt to rebalance the relationship between firm and society, the SRC framework (table 5) may better define the relationship (Kakabadse and Kakabadse 2007; Dahlsrud, 2008) and address the concerns:

### Table 5: A framework for SRC (Social Responsibility of Corporations)

<table>
<thead>
<tr>
<th>Animal Welfare</th>
<th>Firm</th>
<th>Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Donations and Schemes</td>
<td>Firm</td>
<td>Firm</td>
</tr>
<tr>
<td>Marine and Water Footprint</td>
<td>Firm</td>
<td>Firm</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firm</th>
<th>SRC</th>
<th>SRC Outcomes</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global</strong></td>
<td>Liberalised finance; fast communication</td>
<td>People, Profits, Planet, Posterity</td>
<td>Standardisation</td>
</tr>
<tr>
<td><strong>National</strong></td>
<td>Anglo- American Capitalism (shareholder view); global supply chain and competitiveness</td>
<td>Social ; Environmental</td>
<td>Regulation</td>
</tr>
</tbody>
</table>
## We propose that the continuums of SRC as defined in table 2, can be applied to offer multi-layered definition where the SRC continuums has specific outcomes at each level.

### Towards standardised multi-layered comparison – A social innovation approach

A number of cross comparative studies have approached CSR from different perspectives (Aguliera et al. 2007). These scholarly and industry based contributions offer further insight:

In a recent study Drummond (2011) identifies that the reporting of CSR ranks multiples as Tesco, Sainsbury’s, Morrisons, Asda (best to worst). However, this scholarly investigation is based on a comparative of the firm CSR reports (2005-2010) only. In consideration, Waterman (2007) has conducted a more detailed investigation that derives analysis from the industry ratings: Government Food Industry Strategy, 2006; BiTC indicators; and DEFRA KPIs. Waterman (2007) highlights that the BiTC criterion was the most comprehensive of the three indicators, where Tesco scored lowest in relation to communities and environment. Co-op and Sainsbury’s have scored low on water usage. All firms have reached carbon emission targets and nutrition targets. Thus, the peer/industry lens suggests Co-op is rated above Sainsbury’s and Tesco (Morrisons was not part of this study). In contrast, the Ethical Consumer Report (Welch, 2011); Policy and Performance Study (Hunt and Hodson, 2011) and Green and Ethical Investigation (Bishop, 2012) have rated supermarkets as Co-op; Sainsbury’s, Morrisons and Tesco (best to worst). These investigations offer practice insight as they consider NGO’s and consumer perspectives within a wider lens. In terms of governance, studies such as Aguilera et al. (2006) provide insight into institutional investors, TMT leadership, labour relations and consumer environmental concern impacts. Of particular interest is the developed motivational causes model of CSR behaviour by Aguilera et al. (2007) which identifies multi-layered antecedents to CSR behaviour.
The findings of our study suggest that there is a gap between reporting and practice of CSR that favours the firm at each level (tables 4 and 5). In consideration, our study makes three recommendations which are synthesised within figure 1 below:

1) A multi-level standardised definition of Social Responsibility of Corporations (SRC).
2) Improved regulation of the corporation at global and national level.
3) The introduction of members of the public and employees onto the board’s CSR (SRC) committees at firm level.

The first recommendation enables heterogeneous firms to report and practice within a sustainable multi-level framework for global comparative monitoring. In support of this, the second recommendation recognises that corporations have outgrown governments (Anderson and Cavanagh, 2000). Thus, improved regulation at higher levels will rebalance control mechanisms within the selective environment (Volberda and Lewin, 2003). At industry level, firms should be monitored and rather than changing NGOs every year, a sustainable strategic societal value format should be adopted to enable fairer and more transparent distribution of wealth directly to communities. This further supports the call for a closer relationship between retail multiples and government (Department of Innovation and Skills, 2010). The third recommendation at firm level, seeks to promote collective decision making that infuses wider stakeholders within the strategic decision making and monitoring processes. This study concludes that the boards’ Social Responsibility Committee within corporations should include members of the local public and employees.
The current firm CSR boards’ may benefit from external stakeholder (members of public) and internal stakeholders (employees; suppliers) having a voice in collective decision making of SRC.

Conclusion

In the U.K. the service sector has emerged in recent decades as the dominant economic force. Within this, the retailing industry is the largest employer led by grocery multiples. The underlying leading firms concentration regulatory agenda within industry has benefitted the oligopolistic firm practices of Tesco; Sainsbury’s; Morrisons; Co-op.

The formalisation of CSR reporting within the retail industry is evident (CSR Reports 2005-2010). Whilst endeavours maybe genuine, distinguishing features have emerged between the firms. The CEO led, competitively driven firms may grow faster, but appear more sensitive to environmental influences. In contrast, the member structured, ethically motivated format of Co-op has developed slowly but seems more resilient in economic downturns. As such, the private firms were first to formally report CSR, but the practices of Co-op demonstrate more valued social concern. In conclusion, there are lessons to be shared between private and member structured firms in the reporting and practice of CSR. A standardised collaborative...
approach to CSR, in the form of SRC, may offer a more robust, sustainable and resilient balance. In terms of social innovation, the findings suggest there is a need to shift from the commercial / financial interpretation of CSR (Grayson, 2007) towards a more communitarian societal value understanding of CSR in the form of SRC. Thus SRC proposes to facilitate improved horizontal and vertical social dialogue (Leonard, 2008) along with collective firm bargaining (Arrowsmith and Marginson, 2006).

**Limitations**

Our study did not consider Asda which represents 17% market share. We recognise Asda’s commitment to sustainability 2.0 targets where carbon emission targets have been reduced by 12% since 2007; 6000 products from 600 suppliers are sourced locally and where baseline for African sourced products and women’s contribution is being given priority. But, for our methodology we required more detailed CSR reports. Thus, we cite Asda only where other cross comparative studies have included or stated their findings.

**The Internationalisation of CSR**

As a future consideration, it is appreciated that the corporation operates internationally. Thus sustainability\(^7\) is dependent on achieving a link between each layer (Global; National; Industry; Firm) that balances firm and society requirements within the continuums. Within the SRC framework, regulation is recommended at global and national level (Matten and Moon, 2008) to promote a globalised standard format (Judge, 2010), whilst a voluntary approach will work better at industry and firm level. Thus, local communities have an input in deciding the projects they wish to support within a sustainable framework. Internationally, this format respects local traditions, diversity and customs (Agruilera and Jackson, 2003) within a unified framework where large corporate profits maybe of more value to society. Thus the SRC model is a contribution (Zattonni and Van Ees, 2012) towards the globalised vision (Judge, 2010) of CSR corporate governance (Aguliera et al. 2007).

**Possible Future Research**

In this study we have engaged the U.K grocery multiples to qualitatively develop a conceptual framework in support of multi-layered CSR understanding. We suggest that future studies may quantitatively apply the SRC framework as pendulum/continuums towards evaluating the

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\(^7\) GRI Mission Statement applied within SRC framework inclusive of society stakeholders
achievement of SRC outcomes as defined within our framework (table 5). The ultimate objective is that of seeking collaborative and harmonised balance between firm and society.

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