Chapter 1  Credible sustainability reports

An empirical investigation on the interaction between sender and communication style: the case study of tegut

Nina Stockebrand and Achim Spiller

Department of Agricultural Economics and Rural Development, University Goettingen, Germany

1 Introduction

Since the 1990s sustainability reports have become more and more common in some branches of trade in Germany. In food retail not many approaches can be found. Currently Metro is the only company in Germany, which has presented a sustainability report so far (Loew, 2005) even though especially the food retail industry as a global and highly concentrated business stands in the focus of the sustainability discussion (Homann, 2006, Schneidewind, 1998, Spiller, 2005). The companies operate in the full spotlight of public scandals and the lacking transparency of the trade contributes to alienate the public.

The question of credibility of information is therefore of extreme importance in food retailing (Huck, 2006). This means, that sustainability reports are judged much more under aspects of credibility than in other branches. Even though the topic credibility of sustainability reports has been investigated in various works (GRI, 2002, KPMG, 2002, IÖW and IMUG 2001, ECC Kohtes Klewes, 2003), some questions still remain unanswered. Especially the significance of the sender of a message (the company) as well as the communication style used have not yet been taken into consideration in the studies on the credibility of sustainability reports. At the same time, general studies on communication styles state an influence of these factors on the credibility of a message.

Therefore, the main focus of this study lies on the analysis of the credibility of two different communication styles and their interdependencies with the sender (the company). The study provides an overview of the works on credibility of sustainability reports and uses this as a framework for a detailed case study with one leading German retailer. The case study deals with the analysis of the credibility of different communication styles and possible interdependencies between communication style and sender
respectively. The company tegut, which is characterized by a strong focus on ecological products, provides for an interesting field of investigation.

2 Credibility, communication style and sender-effect

2.1 Status quo in the research of credibility

Credibility is a central problem of sustainability reports (Frings, 2003). This problem did not just appear with the emergence of the issue of sustainability but has been discussed in reports of social, environmental and financial nature. Thus, national and international standards for reports of accounting have been developed that are now adapted to the sustainability discussion, e.g., the GRI-standard. A reference to these standards is often used to aid the credibility of sustainability reports (Quick and Knocinski, 2006). This topic has been investigated in numerous studies. Table 1 provides an overview of the works and their focus of investigation.
Table 1: Status quo of credibility in sustainability reporting (own representation)

<table>
<thead>
<tr>
<th>Author</th>
<th>Method</th>
<th>Variables influencing credibility in sustainability reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCA 2005</td>
<td>rating of sustainability reports</td>
<td>content/ communication, external judgment, process of creation reports</td>
</tr>
<tr>
<td>Adams, Evans 2004</td>
<td>theoretical consideration</td>
<td>company, external judgment</td>
</tr>
<tr>
<td>Clausen, Loew 2005</td>
<td>stakeholder inquiry and company inquiry</td>
<td>external judgment, company</td>
</tr>
<tr>
<td>ECC Kohtes Klewes 2003</td>
<td>stakeholder inquiry</td>
<td>content/ communication, external judgment</td>
</tr>
<tr>
<td>Frings 2003</td>
<td>guideline</td>
<td>content/ communication, process of creation reports, external judgment</td>
</tr>
<tr>
<td>GRI Global Reporting Initiative 2002</td>
<td>guideline</td>
<td>content/ communication, external judgment, process of creation reports, address to target group</td>
</tr>
<tr>
<td>Hauth und Raupach 2001</td>
<td>theoretical consideration</td>
<td>content/ communication</td>
</tr>
<tr>
<td>Herzig und Schalterger 2003</td>
<td>theoretical consideration</td>
<td>content/ communication</td>
</tr>
<tr>
<td>IÖW und imug 2001</td>
<td>guideline</td>
<td>content/ communication, external judgment, process of creation reports</td>
</tr>
<tr>
<td>Kim 2005</td>
<td>theoretical consideration</td>
<td>content, company, external judgment, address to target group, process of creation reports</td>
</tr>
<tr>
<td>KPMG 2002</td>
<td>company inquiry</td>
<td>external judgment</td>
</tr>
<tr>
<td>Loew et al. 2005;</td>
<td>rating of sustainability reports</td>
<td>content/ communication, external judgment</td>
</tr>
<tr>
<td>Pleon Kohtes Klewes GmbH 2005</td>
<td>stakeholder inquiry</td>
<td>content, external judgment, company</td>
</tr>
<tr>
<td>Stratos 2005</td>
<td>benchmarking</td>
<td>content, external judgment</td>
</tr>
</tbody>
</table>

Especially surveys among stakeholders show a number of hints how to increase credibility in sustainability reporting. It is exposed that in particular the orientation of the content towards the target group contributes to the credibility of the reports. In addition, a positive external judgement can
cause an increase in credibility (ECC Kohtes Klewes, 2003). In comparison to an empirical research in 2003, the study of Pleon (Kohtes Klewes) in 2005 showed an increase in the importance of verification for the credibility of sustainability reports (60% 2005 vs. 48% 2003). However, the majority of reports have not yet used external verification as a way of increasing credibility (Pleon, 2005). Loew and Clausen (Pleon, 2005) complete their statements regarding credibility with the general image of a company and its evaluation in the public (ibid.).

As another research stream, some authors (IÖW and imug, 2002) tried to provide solutions for the problem of credibility through the development of guidelines. Rating agencies (Loew et al., 2005, ACCA, 2005) standardized specific criteria for credibility on the basis of different fundamental approaches (GRI, 2002, WBCSD, 2001). In a recent ranking that depicts credibility (Loew et al., 2005), companies in general score relatively low.

The communication style is another often mentioned but rarely evaluated issue. Critical communication, although advised by many studies, is not yet commonly used. Furthermore, there is a lack of empirical studies that investigate whether a critical style of writing can contribute to the credibility of a sustainability report. Loew et al. (2005) reveal that out of 150 companies only 5 mention unsolved problems in their sustainability report. The remaining 145 do not address any problems that come with sustainable management. From a theoretical point of view, sustainability management deals with difficult trade-offs between economic, environmental and social issues which includes critical decisions in many cases.

Up to now, no empirical analysis has confirmed the assumption that a company itself has an influence on the credibility of a sustainability report. Academic research in communication investigated attributes for credibility with the help of theoretical approaches (e.g. Adams and Evans, 2004, Kim, 2005) and mentioned the relevance of the company itself. Thus, the objective of the following study is to combine the questions of communication style and the sender-effect in an empirical survey in the food retailing.

2.2 Sustainability problems of food retailing

The circulation of sustainability reports in food business varies. Whereas reports are very common for large brand manufacturers (Selbach and Löhr 2004), food retail is partly an exception (Loew et al., 2005). European companies such as Kesko, Ahold and Tesco focus more and more on sustainable topics (SustainAbility and UNEP, 2002). In Switzerland companies like Migros and Coop have long been dealing with sustainable management and have integrated these concepts into their politics (Spiller, 2005). In Germany, these tendencies are just at the beginning, a fact that is reflected in the low number of published sustainability reports.

Within the German food retail market only Metro can present a sustainability report. Whereas the Tengelmann Group includes some short information on sustainability into the annual business report, all other leading companies such as Edeka, Aldi and Rewe still are without effort in the sector of sustainability (Loew et al., 2005). “Apparently, the trading of goods is not seen as responsible as the producing of goods” (ibid.). In contrast to this, the public debate about sustainable food retailing is growing.
Similar to the chemical industry, food companies became more and more the focus of public attention. (Selbach and Löhr, 2004) However, the food retail industry is still only little involved in the discussion about sustainability.

The public responsibility of the food retail industry becomes clear in the negotiations with its suppliers. Through its position of power, the retail branch is significantly involved in the choice of the assortment and is able to foster or to repress sustainable products (Stippel, 1997). It takes on the role of a ‘gatekeeper’ and is thus able to preselect the choice of the customer (Spiller, 2005). Socially, the retail sector assumes responsibility in so far as it secures business for its suppliers while at the same time providing jobs and financial security for their employees. This can only be guaranteed if the company operates economically and secures a long term presence on the market. The ‘Three-Column-Principle’ of sustainability can thus be transferred to the food retail sector. However, the idea of sustainability that is based on an equilibrium of the three columns ecology, social aspects and economy has not yet been fully implemented into the food retail business of which the low number of published sustainability reports is an indication. Therefore, stakeholders remain sceptical towards the retail branch and assume a strategy of maximum profit (ibid.).

2.3 Case study tegut

Tegut is a company that has dealt with sustainable topics since the 1980s (Will, 2006, Spiller, 2001). The Hessian family enterprise based in Fulda is a larger regional chain with 301 stores (in 2005) in Hesse, Thuringia, Bavaria, and South-Lower Saxony (LZ │NET, 2006a; tegut.com). Since the mid 1980s and until nowadays, tegut has consequently dealt with organic food. With a total volume of sales of 1 billion Euros and an increase by 4% in 2004, tegut implemented its concept successfully. Today, organic products account for 10% of the whole assortment; measured by the volume of sales this amounts to even 15%. Frequently, the promotion of organic products is linked to regionality, as, for example, it is supported in projects from the Rhön-area (LZ │NET, 2006a, LZ │NET, 2006b). At the same time, social aspects such as the association with other people and the promotion of their abilities belong to the company’s policy and philosophy, which affected 5,412 employees in 2005 (tegut.com). The award „Ausbilder des Jahres 2005“ (trainee teacher of 2005) confirms the company’s successful social commitment (LZ │NET, 2005). All in all, tegut is seen as benchmark of sustainability management in the conventional food retailing. However, the company has not published a sustainability report yet.

2.4 Structure of the case study

In cooperation with tegut, an empirical survey was conducted in the summer of 2006. The comprehensive personal interviews include 113 respondents, 81 customers and 32 employees of tegut. Main focus was measuring the effect of a self-critical communication style, sender effect and their possible interaction.

The analysis of the communication style was carried out on the basis of two different text extracts on the purchase of bananas in the Dominican Republic. The texts differed in their communication style. While one text describes the problems of the purchase of Bananas and hence addresses the
topic in a critical way, the second rather reminds of a naive report suppressing any problem. On the one hand the authenticity of a communication style is examined by a choice experiment between the two texts and on the other hand by the inquiry of criteria of authenticity acquired in former projects. By combining these cards the extent of the effect of the communication style in one company can be determined. For these purposes both communication styles were combined with two companies, tegut and Edeka (tab.2). Edeka is the market leader in the German food retailing (32 billion Euros turnover in 2005) and works with a similar marketing concept.

Table 2: Composition of cards (own representation)

<table>
<thead>
<tr>
<th>Card 1</th>
<th>tegut uncritical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card 2</td>
<td>Edeka critical</td>
</tr>
<tr>
<td>Card 3</td>
<td>tegut critical</td>
</tr>
<tr>
<td>Card 4</td>
<td>Edeka uncritical</td>
</tr>
</tbody>
</table>

The respective cards had to be ranked according to the perceived level of authenticity. This ranking allows a measurement of the interactive effects between communication style and the company involved. Furthermore, additional seven-point rating scales and image questions were used to evaluate the reputation and the perceived awareness of sustainability reporting.

2.5 Empirical Results
The publishing of a sustainability report by tegut is conceived as “rather important”, “important” or “very important” by 93% of the respondents. In the first appraisal of the communication style, 68% of all respondents evaluate the critical communication style as more credible. For the employees, this type of report is even more credible (84%). Such evaluation can basically be explained by the way the critical text appeared to the subjects; more honest (*** and more competent (**) (tab.3). In order to determine the factors which have an influence on the credibility of the texts the acquired criteria of credibility of the status quo examination were tested as independent variables in a binary logistic regression. The decision of choice between text 1 and text 2 serves as dependent variable.

Table 3: Strength of effect of written criteria on credibility (Logit regression) (own representation)

<table>
<thead>
<tr>
<th>determinate of effect</th>
<th>regression-coefficient</th>
<th>Wald</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>more honest</td>
<td>0.958</td>
<td>11.129</td>
<td>0.001***</td>
</tr>
<tr>
<td>more competent</td>
<td>0.875</td>
<td>8.290</td>
<td>0.004**</td>
</tr>
</tbody>
</table>
Beside the differences between the target groups education, age and income lead to differences in the perception of the text. The critical text is more positively evaluated by younger respondents with a higher educational background and higher income. A comparable result could be determined in the study by Hoveland (1965).

2.6 Interaction effects

In order to determine the interaction effect between the communication style and the company the card inquiry was used. The comparison of the rank averages (tab. 4) points out the differences that can be interpreted by means of the following rule:

The differences between the factor-degrees of the one factor become irregular in regard of the degrees of the other factor (Jaccard and Turrisi, 2003)

This means that the difference between both columns, tegut and Edeka, as well as the difference between both rows, critical communication style and uncritical communication style, must be unequal when showing an interdependency (interaction).

Table 4: rank average of card inquiry (own representation)

<table>
<thead>
<tr>
<th>Communication-style</th>
<th>company</th>
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<tbody>
<tr>
<td></td>
<td>tegut</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>critical</td>
<td>Card 3</td>
<td>μ</td>
<td>σ</td>
<td>μ</td>
<td>σ</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>1,68</td>
<td>0,898</td>
<td>2,99</td>
<td>0,898</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Card 1</td>
<td>μ</td>
<td>σ</td>
<td>μ</td>
<td>σ</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>2,19</td>
<td>1,125</td>
<td>3,11</td>
<td>0,868</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>difference</td>
<td>0,51**</td>
<td>0,12 n. s.</td>
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<tr>
<td></td>
<td>Edeka</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uncritical</td>
<td>Card 2</td>
<td>μ</td>
<td>σ</td>
<td>μ</td>
<td>σ</td>
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<td></td>
<td></td>
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<td></td>
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<td>1,31***</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Card 4</td>
<td>μ</td>
<td>σ</td>
<td>μ</td>
<td>σ</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>0,92***</td>
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</tbody>
</table>

Table 4 shows that the average rating of the company not only differs from column to column but also from line to line. Except for the difference between card 2 and card 4, the deviance is significant\(^1\), thus showing an interaction effect between the two variables.

\(^1\) The comparison of average values of paired random samples gives information, in how far the differences are significant (Bühl, Zöfel, 2000). In so doing, the average rating values of the cards 3 and 2, the cards 1 and 4, the cards 3 and 1 as well as the cards 2 and 4 were compared.
As a result, it can be revealed that:

- Tegut is preferred compared to Edeka, i.e. its image is better with consumers as well as with employees.
- The critical communication style is more credible than the uncritical.
- The influence of the company itself affects the critical text to a larger degree (difference 1.31) than the uncritical one (difference 0.92).
- The effects of communication have a larger influence in the case of tegut (difference: 0.51) than in the case of Edeka (difference: 0.12).
- The communication style does not affect the credibility of Edeka and is therefore of less importance for the company.

One the one hand, the results of earlier studies regarding the communication style are validated. On the other hand, conclusions can be drawn about the difference in effectiveness of the two variables. The stronger influence of the critical text in the evaluation of credibility on card 2 and card 3 shows that a critical style of writing is more credible in connection with the more sustainability oriented company tegut than it is with the competitor Edeka. In comparison, the use of an uncritical style of writing has less influence on the evaluation of credibility on the cards of tegut and Edeka.

Due to the reputation of tegut as a sustainability oriented firm, a more critical style of writing is expected by the customer. If a critical style of writing is not used, the evaluation of credibility shows noticeable lower results than for the same text read in connection with Edeka. In this case, Edeka cannot enhance its credibility significantly through a critical communication style. Compared to tegut, the company is much less involved in ecological and social issues and it is expected, that its statements about sustainability are seen as much less credible. Neither a critical description nor an uncritical one can convey information in a credible manner compared to tegut.

When looking at the evaluation of customers and employees separately, the following can be stated: Customers rate the tegut cards as significantly more credible than the Edeka cards and thus judge the credibility of sustainability reports with respect to the sender or the company respectively. Employees rate only card 3 as noticeably more credible compared to all other cards, that is they evaluate according to the compatibility between company and communication style. The communication style has to match the company in order to appear credible.

As a conclusion, three forms of answering behaviour can be differentiated when looking at ranking 1 and ranking 2:

1. Preference of company: 40 respondents (46% of customers and 26% of employees) evaluate the credibility of the cards based on the company.
2. Preference of text: the same number of respondents evaluate according to the communication style. Out of 40 respondents 18 (40% of employees, 20% of customers) preferred the critical text and 22 (20% of customers) the uncritical one.
3. Interaction: 19 respondents (33% of employees, 13% of customers) evaluated on the basis of coherence between text and company.

3 Overall conclusion

As a conclusion, a sustainability report should include critical aspects (communication style effect), however, particularities of the target group have to be taken into consideration. Whereas employees demand a critical discussion within the company and evaluate a critical communication style as more credible, the communication style loses significance when looking at customers. Their evaluation relies more on the company itself (company effect). When customers trust a company and are convinced of its credibility, they trust the contents of the sustainability reports. A critical communication style in some cases shows too much in depth information.

The interaction effect has to be taken into consideration especially when addressing employees. They expect an authentic representation of the company in the context of a sustainability report. If the expectations of the employees do not match the communication style in the sustainability report, it is seen as not authentic. Employees are involved in the daily routine of the company and expect an honest and critical communication as they are able to evaluate reports with regard to their validity. Stakeholders that are closely involved with the company, employees in this case, possibly suppliers as well, will challenge statements more critically and evaluate credibility according to an interactive effect.

The credibility of sustainability reports in the food retail branch can be enhanced through the use of a critical communication style but the most important aspect for consumers is the image of the company itself. If the company acts convincingly with regard to sustainability in public, its sustainability report will be perceived as credible, mainly independent of the communication style. On the contrary, companies that seek to use a sustainability report pro forma as a means of enhancing their image will face problems with their credibility if they have not yet convincingly implemented sustainable forms of management. In such cases, other criteria for credibility such as external evaluations can become of more importance.

Generally, this study confirms the relevance of sustainability reporting for the food retail branch. In addition to the present criteria for credibility, it also emphasizes the relevance of a suitable communication style as well as the company image itself for the credibility of sustainability reporting.

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