

iCOOP Co-operative Institute  
Research Project 2014-2

# iCOOP KOREA's Social Value 2014

2015 January

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## Foreword

iCOOP Co-operative Institute published the first report on social responsibility, Consumer Co-operatives Social Value Report: Focusing on iCOOP KOREA, in December 2013. With the beginning of the era of Framework Act on Cooperatives in Korea, iCOOP Co-operative Institute responded to the need of showing various data of iCOOP KOREA objectively, being conscious of the social responsibility of consumer co-operatives toward making a better future with citizens in outside the co-operative sector, and providing concrete evidences to the people when considering the co-operative differences.

This year's report measures the 2013 iCOOP KOREA's activities and business performance in line with social value following last year's social value report. By applying the same criteria and upgrading measurement methodology, we can examine the improvement and make comparison of the 2013 iCOOP performances with 2012. This year, the target organizations were extended from seven to nine organizations, and additional qualitative evaluation was conducted by ten Evaluation Group members about non-quantifiable issues. The Evaluation Group thinks highly of iCOOP KOREA' aim of social value and particularly the transparent practices to members in case of accident but identifies the weakness in its environmental policy suggestion and practice issues. We hope to improve these issues by carefully applying the evaluation results.

Although iCOOP KOREA aims and practices the ethical

consumption and production, current challenge of climate change and biodiversity decreasing is beyond our ability and its efforts seems to fall short of significant impact. In 2015, United Nations will set Sustainable Development Goals following Millennium Development Goals and is currently promoting various governments, corporate, and civil society to establish businesses and action plan for achieving SDGs. Among seventeen goals proposed by the Open Working Group proposals for Sustainable Development Goals (<http://sustainabledevelopment.un.org/index.php?menu=1549>), the second goal is to “End hunger, achieve food security and improved nutrition and promote sustainable agriculture” and the twelfth goal is to “Ensure sustainable consumption and production patterns”. The reason for ethical consumption and production comes not only from the importance of social relations but also from the fact that we can maintain our ecosystem and human society only through practice. In the lights of this aim, iCOOP KOREA has to introduce more devoted environmental policy aims and start to make a concrete roadmap.

Mr. Sarkozy, the former president of France, once pointed out that “What we evaluate/measure” is “What we aim for”. The social value report of consumer co-op shows that the desire of cooperators, that is, the co-op’s economic activities should bring common benefits to human society of ecosystem. Thus, this report is an alternative record of iCOOP to all of its owners and stakeholders.

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## 1. Research Aim

Recently, corporations seek to evaluate their performance in terms of social impact as seen in the increased number of Corporate Social Responsibility reports. NGOs and NPOs whose activities and businesses are difficult to assess has started to evaluate their performances and impact based on various criteria. Co-operative sector also try to assess its activities as was seen in the Coop Kobe's Evaluation Report with its own criteria from 1990s.

In line with these trends, this research focuses on the iCOOP KOREA's activities and its social values. After founded in 1998, iCOOP KOREA conducts its main business in direct trade of eco-friendly agriculture products among urban and rural areas and has become a well-established organization with 194,000 members and turnover of 427.9 billion KRW as of December 2013. It practices "Ethical Consumption" with the three core values of human and labor, food safety, and agriculture and environment. Its businesses and activities are well introduced in its annual report which is distributed to Korean and international community. This Social Value Report is second report following the first report in 2013 to evaluate the social value and impact of iCOOP KOREA's activities.

This research defines the "social value" of an organization as values that create benefits to the whole society by developing social capital through its resources, processes, and policies or reforming the unfairness and injustice in a given society as well as the

economic value provided by the given organization. The social value should be understood as a comprehensive value consists of economic, social-economic and social value. The evaluation of social value can be conducted both quantitatively and qualitatively focusing not only on the result of certain activities but also on the efforts and process of it.

Based on the above-mentioned “social value” concept, this research is about the iCOOP KOREA’s social value. This research is based on the 2013 evaluation of iCOOP and thus compares its result with the previous report to fully understand the trend of iCOOP KOREA’s social value. Furthermore, this research will be a part of series of annual reports to capture the trends and changes in the making and practicing of social value.

The aim of the research is as followings. First, it suggests evaluation criteria to measure the co-operatives’ social value. As this is the first social value evaluation project conducted in Korean consumer co-operatives, the significance of this initiative could not be reduced. Second, it hopes to link the research findings with the iCOOP KOREA’s mission and vision by identifying the activities of iCOOP in a social perspective.

## 2. Methodology

This research focuses on the evaluation of the social value of iCOOP KOREA’s 2013 activities and its comparison with 2012 social value report using the established data criteria of 2012 evaluation issues.

## 1) Evaluation data

Research data's core subjects include seven core subjects. : Organizational governance; Human rights and labor practice; Environment; Fair operating practice; Uses issues; Community; Management resource. A total of 28 issue areas and 77 data were collected during the research. Further information about detailed data will be given in the following section .Two data criteria of ratio of primary co-op's education expenditure and ratio of activists with more with more than 3 year duration were added in the education and culture issue in community and human resource issue in management resource, respectively.

**Table 1. Additional Evaluation Data in 2013**

Core subjects	No.	Issues	Data
Community	2	education & culture	ratio of primary co-op's education expenditure
Management Resource	4	human resource	ratio of activists with more than 3 year duration

This research is based on quantitative review for annual comparison while use Evaluation Group's qualitative assessment as a complement. A total of eight issues were assessed by the Evaluation Group.

## 2) Targets and data collection

- Period: from January 1 to December 31, 2013
- Target organizations: 9



iCOOP KOREA has a total of 194,856 members (membership dues member 156,666), 427.9 billion KRW turnover, 1,895 employees and 2,673 producers in 2013. As a co-operative group based on local consumer co-ops, it consists of two main sectors, the consumption sector consisting of 78 nation-wide primary co-ops which is operated by members' investment and the production sector of business organizations which is established by producers' investment including iCOOP Association of Producer Groups.

This research tries to assess the evaluation issues that apply to the whole activities of iCOOP Korea and reviews the characteristic representative organizations regarding issue areas that don't apply to the whole activities.

The criteria for selecting evaluation target organization are three, including "the contribution to the iCOOP KOREA's turnover", "employment size", and "core (characteristic) businesses". A total of nine organizations were selected and reviewed according to the criteria.

iCOOP Union, COOP Store Co., Ltd., and COOP Service Co., Ltd. are the three largest contributors to the total turnover, respectively and COOP Service Co., Ltd., COOP Store Co., Ltd., and COOP Store Gwangju-Jeonnam show three largest employment size.

In addition, core business area organizations were also evaluated. : iCOOP Consumer Activities, the umbrella organization of member co-ops' activities; KCOD (Korea Certification of Distribution for Eco-friendly Foods Association) that manages and assesses the production and trade of iCOOP Korea; iCOOP Agricultural

Table 2. 2013 target organization

	2013	Year	number of employees	Note	
1	iCOOP Union	1998	131	The business federation is jointly invested by member co-ops and producers.	
2	COOP Store Co., Ltd.	2008	487	Invested by members, its main business is to operate Natural Dream Stores.	
3	COOP Service Co.,Ltd.	2011	515	The logistics company established by member co-ops and producers for effective infrastructure.	
4	KCOD (Korea Certification of Distribution for Eco-friendly Foods Association)	2005	28	With the "A Mark", KCOD created new inspection criteria from production to distribution process.	
5	iCOOP Agricultural Production Co., Ltd.	2004	17	This subsidiary company of IAPG manages eco-friendly production of rice, wheat, grains, vegetables, and fruits.	
6	iCOOP Dough Co., Ltd.	2011	51	This subsidiary of COOP Store supplies dough for bakeries.	
7	iCOOP Consumer Activities	2002	18	Financed by 78 member co-ops, it seeks out alternatives in the food safety, environmental issues for communities, among others.	
8	COOP Store Gwangju-Jeonnam	2013	152	The professional store management company of iCOOP in Jeonnam region.	2013 added
9	iCOOP Association of Producer Groups	2009	5	Producers in iCOOP KOREA promote ethical production.	2013 added

Production Co., Ltd. which has the largest number of trading partners as a central purchasing organization; iCOOP Dough Co.,

Ltd. and iCOOP Association of Producer Groups, the core production organizations with long history.

A total of nine organizations were evaluated adding two more organizations, Coop Store Gwangju-Jeonnam, than 2012.

## 2) Evaluation Group

Issue areas which are difficult for quantitative research were evaluated by Evaluation Group's qualitative assessment. Table.3 Below shows the issue areas under the Evaluation Group's review. A total of seven issue areas were evaluated qualitatively.

**Table 3. Issues assessed by Evaluation Group**

Subjects	Issues	Data
Organizational Governance	mission and core value	holding mission or core value statement and the degree of contents for social value
Human Rights & Labor Practice	health and safety at work	accident protection education and activities
Environment	environmental mission	holding environment policy, detailed environment goal for action
	biodiversity & restoration of natural habitat	rice paddy wetland activities, biodiversity in independent certification system
Fair operating practice	transparent information sharing	measures in food safety accident ex. pesticide detection
	fair operating management practice	measures in management irregularity
	social issue participation (publicness)	contents of social issues participation

A total of ten members whose understanding of iCOOP KOREA varies were organized among co-operative researchers and co-operative activists. Each member of Evaluation Group assessed the issues after reading the contents of each data using 5 point survey tool.

### 3. Conclusion

This research evaluated iCOOP KOREA's social value in seven subjects, i.e. organizational governance, human rights and labor practice, environment, fair operating practice, uses issues, community and management by reviewing 28 issue areas and 77 data.

In the organizational governance, iCOOP KOREA shows clear mission/core value and high level of social value statement. The ratio of women in the board of directors was slightly decreased while the ratio of consumers and producers in BOD rose. The ratio of women in employees and the participation rate in community meetings and groups have increased than that of 2012.

In the employment relations, this research focuses on the current status of iCOOP's employees. Number of issues shows improvement including the ratios of full-time worker, employees outside metropolitan areas, women in leadership position, new workers' wage to minimum wage, and the new staff employment. But the turnover rate, the ratio of reinstated for paternal leave, and the ratio of female wage to male in management are stagnating compared to that of 2012.

iCOOP KOREA records 3.2 and 3.6 point out of 5 point-scale in environmental policy and biodiversity related activities, respectably. CO2 reduction was further expanded by participating Native Wheat Campaign and lending cotton bags instead of disposable plastic bags. Although iCOOP KOREA shows various practices in environment issues, the measurement of practices should be improved to capture the essence of it. Additional environmental report which will show its practices at a glance or detailed annual plan for participating in various national and international actions should be developed.

The fair operating practices iCOOP receives a high opinion of 4.3 point out of 5 in the food safety accident data such as pesticide detection and contents of social issues participation, whereas it lacks measures in management corruption (3.3/5), indicating further need of interest in this issue.

iCOOP's practice of benefitting members can be identified in user issues. There are significant increase in the number of product safety inspection cases, organic processed foods and the ratio of eco-friendly and organic food products to total primary agricultural products sales. The ratio of out of stock to sales decreased as well which can be understood as a good sign. However, product and service health and safety issue violation was increased and the effort to make additives reduction foods was decreased. Those incidents were dealt with immediate recall and re-examination.

In the community subject, evaluation shows significant improvement in the whole data in the community development,

education and culture, consumption-production resource, and social investment issues. For example, average monthly consulting cases of iCOOP Co-operative Development Center and the participants in iCOOP and primary co-ops' education and training program significantly increased.

Finally, this research investigated the management resources such as efficiency and financial, organizational and human resources to track the trend of iCOOP Korea while keeping in mind that strict comparison with conventional company might not be possible with its co-operative characters.

In short, 2013 research concludes that iCOOP KOREA's activities and businesses not only provide benefits to members, job creation and income security for producers but also contribute to build social values and public goods such as environmental protection, community invigoration and social capital building among others.

Table. iCOOP Korea's Social Value (2012, 2013)

Core subjects	No.	Issues	Data		Unit	2013	2012		
				Detailed					
1 organizational governance	1	mission and core value	holding mission or core value statement / the contents of social value		5 scale (100 point-scale)*	4.3 (86.7)	-	-	
	2	composition of BOD and employees	gender, age composition of BOD	ratio of women	%	52.2	57.7	▽	
			gender, age composition of employees	ratio of women	%	35.6	33.1	▲	
	3	BOD (board of directors) & committee activities	total number of meetings, i.e. general meeting and BOD meetings			7.25	6.1	▲	
			number of committees			2	2	-	
	4	stakeholder participation	stakeholder participation in BOD	ratio of consumer & producers	%	78.3	75	▲	
			representatives participating in iCOOP Union	ratio of representatives to members	%	0.086	0.089	▽	
			average attendance rate of community meeting and club	ratio to membership dues members**	%	6.5	6.3	▲	
	2	1	employment relations	gender, forms of employment	ratio of regular workers (annual+monthly income)	%	99.7 (76.6)	96.3 (86.3)	▲
				regional distribution of employees	ratio of employees in non-metropolitan region	%	48.3	43.9	▲

Core subjects	No.	Issues	Data		Unit	2013	2012	
				Detailed				
2 human rights & labor practice			new employment and turnover	number of new employees		793	563	▲
				turnover rate	%	46.39	42.25	▲
	2	health & safety at work	industrial accident and absence	average number of accidents		3	4.85	▽
				average absence days		50	46	▲
			accident protection education and activities	5 scale (100 point-scale)*	3.3 (66.5)	-	-	
	3	human developm ent & training	average education time per a person	total	time	9.38	9.88	▽
				male	time	10.05	8.8	▲
				female	time	8.15	11.96	▽
	4	social protection	holding minimum notification time in major change in business			-	-	-
			ratio of women in leadership position (above section chief level)		%	35.4	33.3	▲



Core subjects	No.	Issues	Data		Unit	2013	2012		
				Detailed					
2 human rights & labor practice	4	social protection	parental leave	parental leave applicants		9	7	▲	
				ratio of reinstated for parental leave	%	66.7	100.0	▽	
			ratio of new staff to minimum wage	%	1.52	1.37	▲		
			ratio of female wage to male in management	%	78.6	81.6	▽		
3 environm ent	1	environmental mission	holding environment policy, detailed environment goal for action		5 scale (100 point-scale)*	3.2 (63)	-	-	
	2	environmental load	reduced CO2 emission by Native wheat consumption (estimate)		kg	10,869,000	8,922,000	▲	
			reduced CO2 emission by organic farming		kg	6,965,000	7,365,000	▽	
	3	sustainable resource usage	reduced paper box usage by using reusable supply box		kg	668,022	883,243	▽	
			reusable cotton bag	bag lending cases			710,000	580,000	▲
			recycling charge		KRW	9,053,710	9,602,420	▽	

Core subjects	No.	Issues	Data		Unit	2013	2012		
				Detailed					
3	4	biodiversity & natural habitat restoration	rice paddy wetland activities, biodiversity in independent certification system		5 scale (100 point-scale)*	3.6 (72)		- -	
4 fair operating practice	1	transparent information sharing	measures in food safety accident ex. pesticide detection		5 scale (100 point-scale)*	4.3 (86.5)		- -	
	2	fair practice in management	measures in management irregularity		5 scale (100 point-scale)*	3.3 (66.7)		- -	
	3	social participation (publicness)	contents of social issues participation		5 scale (100 point-scale)*	4.3 (86)		- -	
	4	fair competition		legal measures regarding unfair trading			0	0	-
				penalty and non-financial sanction against violation			3	3	-
5 user issues	1	exact information on product & service	product education for members			63	28	▲	
			membership news publication and circulation	<i>Natural Dream Story</i> circulation per a member		5.48	6.51	▽	
			product information disclosure & labeling issue violation			14	6	▲	
	2	members' health & safety	product and service health and safety issue violation	foreign matters in foods, pesticide residue, quality claims		42	37	▲	

Core subjects	No.	Issues	Data		Unit	2013	2012	
				Detailed				
5 user issues	2	members' health and safety	product safety inspection			6,303	5,152	▲
	3	user benefit	total primary agricultural product sales	eco-friendly product	% of total sales	84.49	84.81	▽
			total primary agricultural product sales	organic product	% of total sales	47.71	39.2	▲
			organic processed foods			19	4	▲
			additives reduction foods			3	10	▽
			shop size, holding a guide for the socially disadvantaged	size of shop per a member,	m2	0.148	0.140	▲
			ratio of out of stock to sales		%	0.91	1.17	▽
			4	collecting members' opinion	consulting & addressing to claims			176,083
	collecting members' opinion	iCOOP Korea homepage event				21	8	▲
	6 community	1	community development	ratio of contribution to the Native wheel at production		%	15.5	8.0
Fair Trade production partner-countries						16	5	▲

Core subjects	No.	Issues	Data		Unit	2013	2012	
				Detailed				
6 community	1	comm. development	support for the co-operative ecosystem	average monthly consulting cases of iCOOP CDC***		383.16	126.5	▲
	2	education and culture	iCOOP center program for community	number of programs		563	75	▲
				participating person		15,544	2,911	▲
			member education and training	participating members		85,780	76,102	▲
			ratio of primary coop's education expenditure		% of total expenditure	2.84	2.49	▲
	3	consumption-production resource	job creation in Gurye Natural Dream Park, Jeonnam			147	92	▲
			primary agriculture producers	number of producers (contract producers)		2,673 (1,845)	2,909 (1,820)	▲
			member-loan for pre-purchasing domestic grain fund		KRW	2,957,016,867	1,902,552,177	▲
			price stabilization fund	aggregated for 1 year	KRW	65,494,887,998	25,022,774,120	▲
	4	social investment	ratio of donation to ordinary profit	(total amount)		%	95.69 (2,220.03)	13.88 (16.12)

Core subjects	No.	Issues	Data		Unit	2013	2012	
				Detailed				
6 community	4	social investment	solidarity activity cases (iCOOP Seed Foundation)	participating members		1,075	724	▲
			The Co-operative Journal circulation	aggregated for 1 year		7,872	7,600	▲
7 management resource	1	management efficiency	rate of turnover increase		%	23.19	-	-
			Return on Asset(ROA)	(excluding donations)	%	0.02 (0.4)	1.92 (2.24)	▽
			Return on Sales/Turnover(ROS)	(excluding donations)	%	0.01 (0.2)	0.83 (0.96)	▽
	2	financial resource	member investment	(including project investment)	KRW	17,727,671,796 (22,673,436,869)	15,016,408,481 (22,735,328,743)	▲
			equity capital rate	(including project investment)	%	11.27 (13.73)	14.23 (19.79)	▽
			total borrowings to total asset		%	43	41	▲
	3	organizational resource	member co-operatives			78	74	▲
			membership dues member**			156,666	129,850	▲
			average monthly expenditure of membership dues member		KRW	223,443	208,374	▲

Core subjects	No.	Issues	Data		Unit	2013	2012	
				Detailed				
7 managem ent resource	3	organizational resource	number of shops			141	129	▲
	4	human resource	employees			1,895	1,468	▲
			ratio of employees with more than 3-year duration		%	25.7	18.6	▲
			activists			2,832	3,122	▽
			ratio of activists with more than 3-year duration		%	22.7	20.8	▲

\* this indicator is evaluated by Evaluation Board.

\*\* membership dues members refer to members who pay monthly dues and receive 10-15% discount on each item. The monthly dues is used for the coop's management cost and various funds.

\*\*\*iCOOP CDC refers to iCOOP Co-operative Development Center.

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## iCOOP KOREA's Social Value 2014

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