Sustainable Development in the Retail Sector: REI's Stewardship Efforts

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In recent decades, many corporations have implemented sustainable development techniques and tactics into Corporate Social Responsibility (CSR) departments theoretically devoted to promoting environmental and humanitarian ideals. The broad principles guiding firms' CSR activities are directly related to stakeholder expectations and demands. The diversity of business stakeholders further complicates a firm's CSR principles, as representatives are required to determine proper socio-environmental actions while upholding the ethical ideology related to CSR. Utilizing stakeholder theory, correlations between stewardship efforts and economic gain illustrate the marketability of strong CSR principles. An analysis of REI's individual store stewardship programs and level of outreach within their local communities may illuminate correlations between economic growth and positive corporate social responsibility.

Keywords: corporate social responsibility, sustainable development, stakeholder theory, stewardship

REI (Recreational Equipment Inc.) is a national cooperative and industry leader in outfitting people for outdoor excursions. Environmental conservation of parks and wilderness areas has been a focus for REI's leadership since its inception in 1938; however, in the last decade, strong goals toward sustainable development have increasingly gained importance within REI's corporate mission. The broad principles guiding REI's Corporate Social Responsibility actions are directly related to stakeholder expectations and demands. By analyzing REI's stewardship efforts I will illustrate correlations between positive socio-economic actions and economic gain, utilizing stakeholder theory to frame my research. I pose this question: how are connections between stakeholders and the expansion of REI's reputation through employee stewardship efforts reflected in REI's successful economic growth?

Sustainable Development Definition

In the Brundtland Report, drafters defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, 48) emphasizing the importance of managing social environments to minimize impact on the physical environment. This definition coincides with REI's corporate mission because REI's leadership maintains short-terms sustainability goals, while preparing for varied economic circumstances in the next 100 years. Another sustainable development theory utilized within this research employs three core elements: economic, environmental, and social. Vos explains "neither social development nor economic growth is permitted to take ecological underpinnings for granted…ecological preservations schemes should not take economic outcomes or public support for granted" (2007, 335) suggesting the need for the three sustainable development elements to require balancing. Until recently, businesses generally viewed the relationship between socio-environmental investment and economic gain as a dichotomous relationship. However, an analysis of REI's stewardship efforts will likely bring positive correlations to light.

Stakeholder Theory

Stakeholder theory evolved from shareholder theory, in which shareholder opinion held increased power in corporate decision-making processes. Freeman contends that "any group or individual who can affect or are affected by the achievement of a corporation's performance" (1984, 25) are stakeholders; however, since business decisions effect the environment, the environment should also hold stakeholder status. Therefore, a more complete definition of stakeholder theory utilized in this research defines stakeholders as entities that are directly affected by the actions of a firm, although these can include actors with agency (employees, non-profit organizations, the government) and without agency (the environment). Starik contends that including the environment as a business stakeholder "allows the organization [to] be more capable of perceiving and effectively interacting with its natural reality" (1995, 214). For a business such as REI, dependent on outdoor recreational possibilities to create and maintain the need for outdoor equipment, the environment certainly plays an important role in its future.

The actions of individual REI stores are often far-reaching and influence various stakeholders within their locality. Members and customers may possess different values and expectations than non-profit organizations, local neighborhood communities, and environmental advocacy groups. Additionally, REI's employees, leadership, and Board of Directors retain more influence in determining policies and practices than other stakeholders. Thus, in reference to stewardship efforts, an analysis of the connections between stakeholders as well as similarities in stakeholders' values will likely illuminate correlations between corporate socio-environmental investment and economic growth.

Recent Research

The effects of sustainable development actions have been analyzed by researchers in various formats, often relying on stakeholder theory to provide the basis for a conceptual approach. In studies compiled by Van Dijken (2007) and Lopez et al. (2007) researchers studied sample firms included in the Dow Jones Sustainability Index (DJSI) in order to analyze for positive (or negative) correlations between sustainable development efforts and the performance of stocks. In another study completed by Bird et al. (2007), researchers focused upon the particular corporate social responsibility activities that show connections to market growth. The temporal scale of the above-mentioned studies is problematic because of the susceptibility of the stock market to rapid changes in individual stock value and sustainable development valuation studies may require more time for satisfactory analysis. Furthermore, to expand upon earlier research, the elimination of shareholders in the analysis of correlations between socio-environmental investment and economic growth may result in greater positive correlation conclusions.

Local Store Stewardship Analysis

In its seventy years, REI has grown to over eighty stores within the United States. Concerning stewardship efforts, individual stores are encouraged to be involved within local communities and partner with environmental groups to promote socio-environmental sustainability. Stores benefit from the flexibility to create distinctive outreach programs based on the needs of their region and greatly vary the scope of their stewardship efforts. Local REI stores function as more than retailers within their local communities, although their level of influence can vary widely. Because REI employees are involved within their local communities, leaders "[call] on employees to nominate non-profit organizations for REI grants" (REI 2008) creating stakeholder connections between employees and local organizations. These connections further demonstrate shared sustainable development values between these stakeholders as the employees that volunteer with environmentally-focused groups have further ability to nominate these groups for funding through REI.

In researching connections between REI's stakeholders, and furthermore analyzing correlations between socio-environmental investment and economic growth, I plan to study the differences between various stewardship programs promoted in individual REI stores. An appropriate study size will be determined based on similar studies as well statistical analysis. Additionally, I will control for external events that may significantly impact business, and also study only stores that have been open for at least one year (because stewardship programs require time to become ingrained within a community.) In conducting my thesis work, a number of individual REI stores will be compared based upon investments in stewardship, such as: grant money, outdoor stewardship project frequency, in-store outreach event frequency, the number of environmental groups a store has partnered with, and employee volunteerism. These factors will be utilized to assess whether the stores within my study have seen economic growth or increases in membership as a result of stewardship efforts. My expectation is that an individual REI store's involvement within its local community increases REI's reputation through word-of-mouth means in conjunction with funding support. In the future, this sustainable development research can be expanded upon to analyze any conclusive correlations between socio-economic investment and economic gain of other retailers.

Conclusion

The study of REI, a non-publicly traded cooperative, will expand upon earlier research of sustainable development strategy valuation. By eliminating shareholders from the equation, REI's stewardship efforts may be more socio-environmentally motivated than similar retailers. Since REI's leadership is prepared to invest in sustainable development programs, and it is currently economically feasible, the substantial stewardship efforts of individual REI stores and their employees, allow for in-depth study of the probable positive correlation between environmental investment and economic growth. Comparison of similar retailers utilizing these study methods will illuminate differences in correlations between economic investment and return.

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