



ENHANCED SUSTAINABILITY: The Green Swans Era in The Management Accounting and Control



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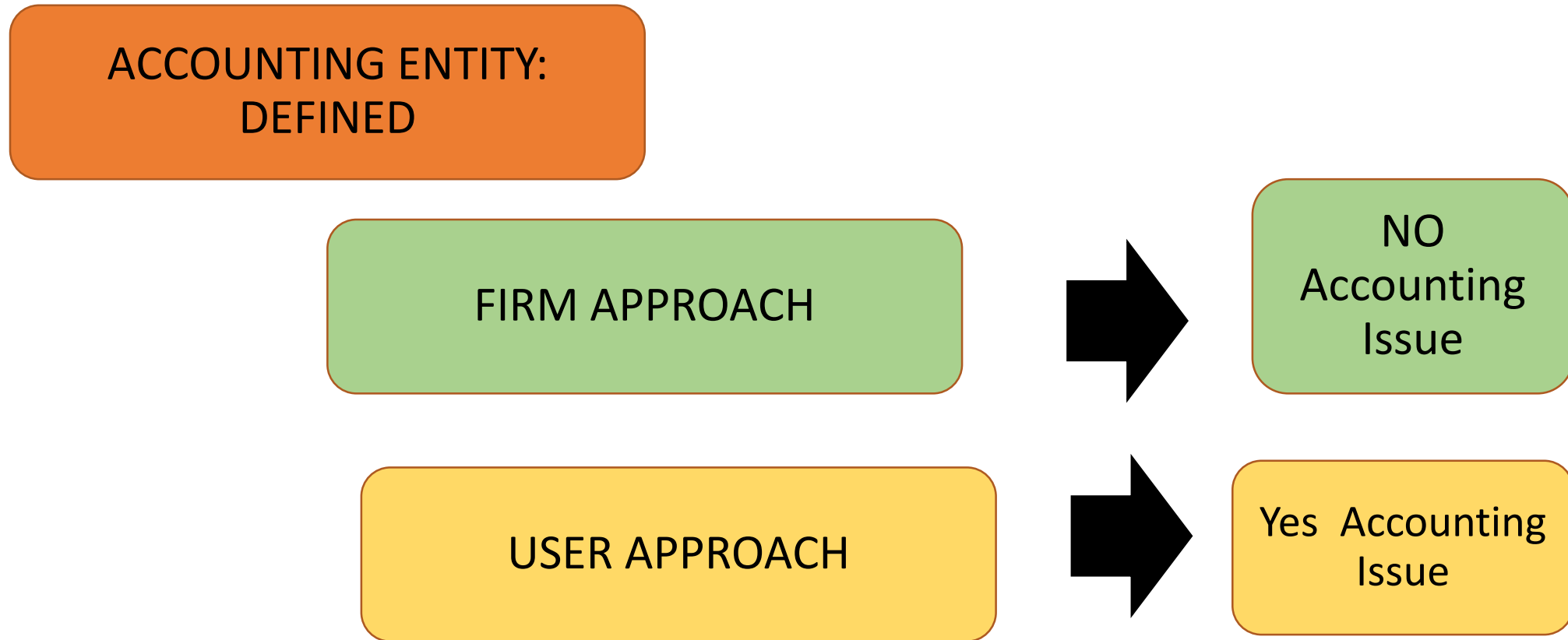


The Role in Editorship

As Editor in Chief in Issues in Social and Environmental Accounting (ISEA) under Ebsco-Process in Scopus

- As Editor, Social Responsibility Journal (SRJ) under Emerald-Scopus (Q2)
- As Editor, SageOpen, Under Sage Publication (Q3)
- As Member of Editorial Board in International Journal of Accounting and Finance (IJAF) under Inderscience
- Member of Review Board, Emerald Emerging Market Case Study Under Emerald
- As Reviewer: Sustainability Accounting and Management Policy (SAMP) , Accounting, Auditing, and Accountability Journal (AAAJ)–Emerald (Scopus#2&1) and Marine Policy-Elsevier (Scopus#1), Journal of Sustainable Finance and Inversting (Q1)

SUSTAINABILITY ISSUE VS ACCOUNTING ISSUE



SUSTAINABILITY ISSUE VS ACCOUNTING ISSUE

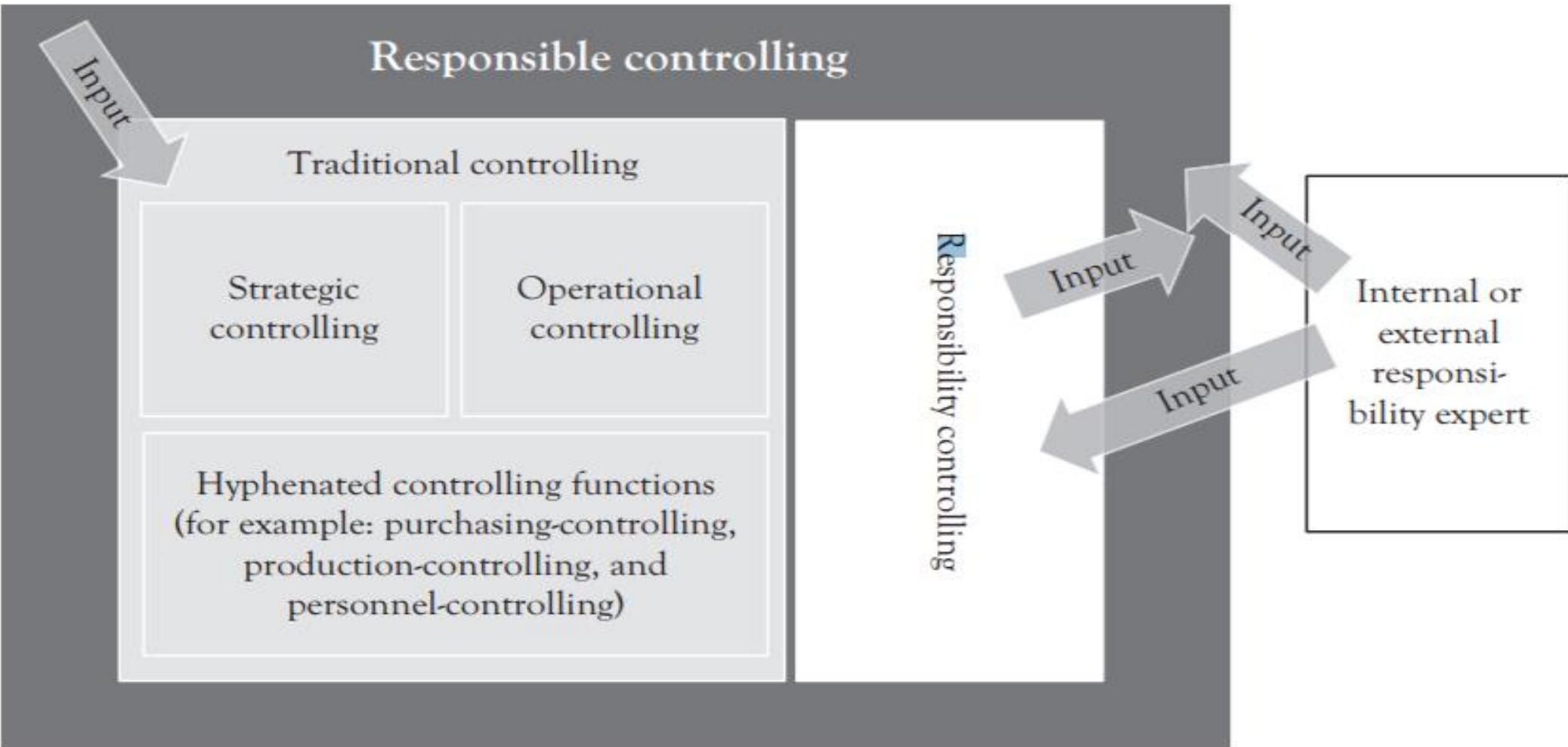
**From Research
Perspective:
Is the sustainability issue
accounting issue?**

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graph TD; A[From Research Perspective: Is the sustainability issue accounting issue?] --> B[Seen in the introduction Section-the Boundary of the area]; A --> C[Indicated in the implication of the research finding];
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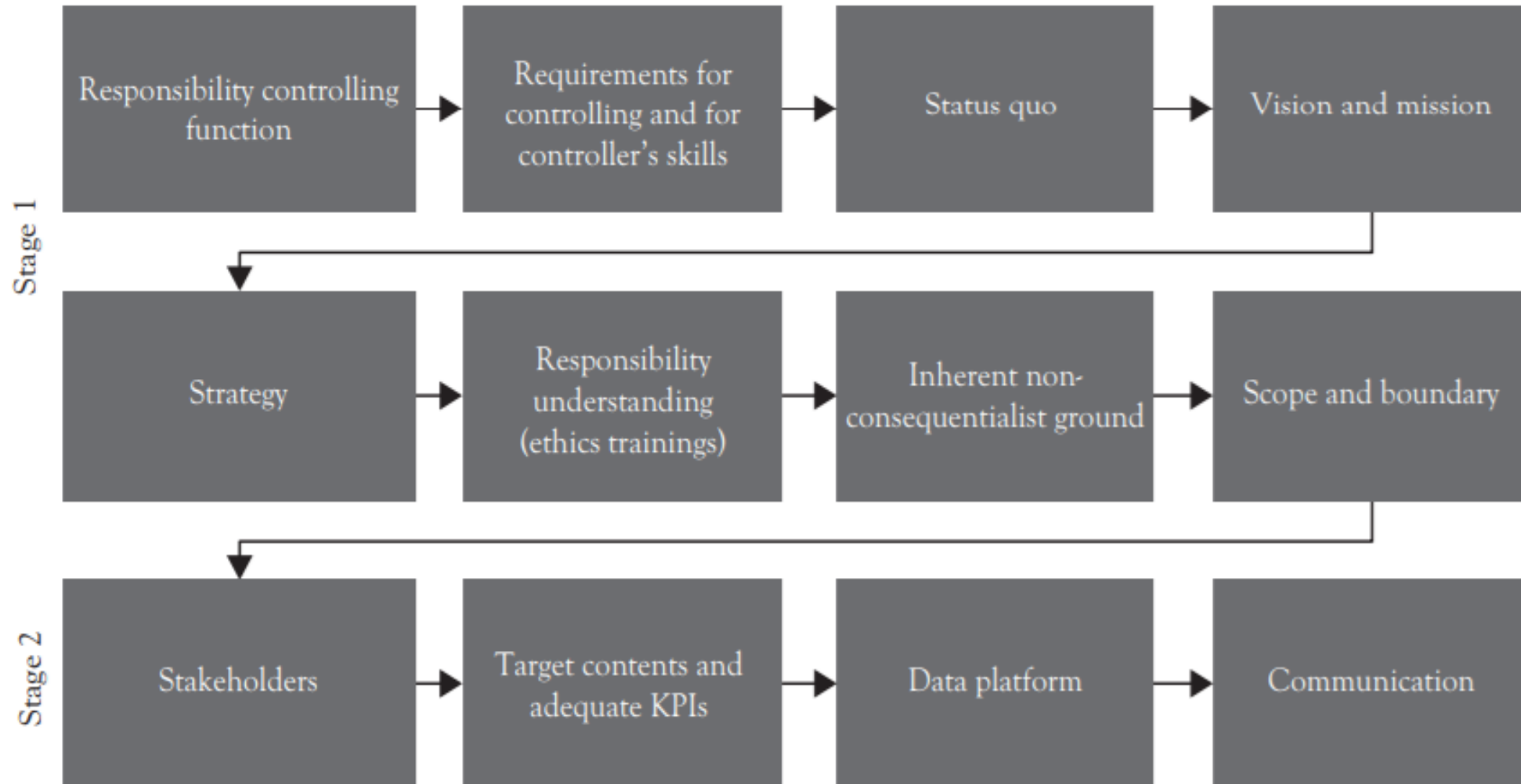
**Seen in the introduction
Section-the Boundary of
the area**

**Indicated in the implication
of the research finding**

SUSTAINABILITY ISSUE AND MANAGEMENT ACCOUNTING & CONTROL



SUSTAINABILITY ISSUE AND MANAGEMENT ACCOUNTING & CONTROL-2



Accounting for Sustainability

- Sustainability Reporting
- Sustainability Management
- Sustainability Performance
- Sustainability Governance

Approaches to Corporate Sustainability Reporting (Schaltegger, 2012)

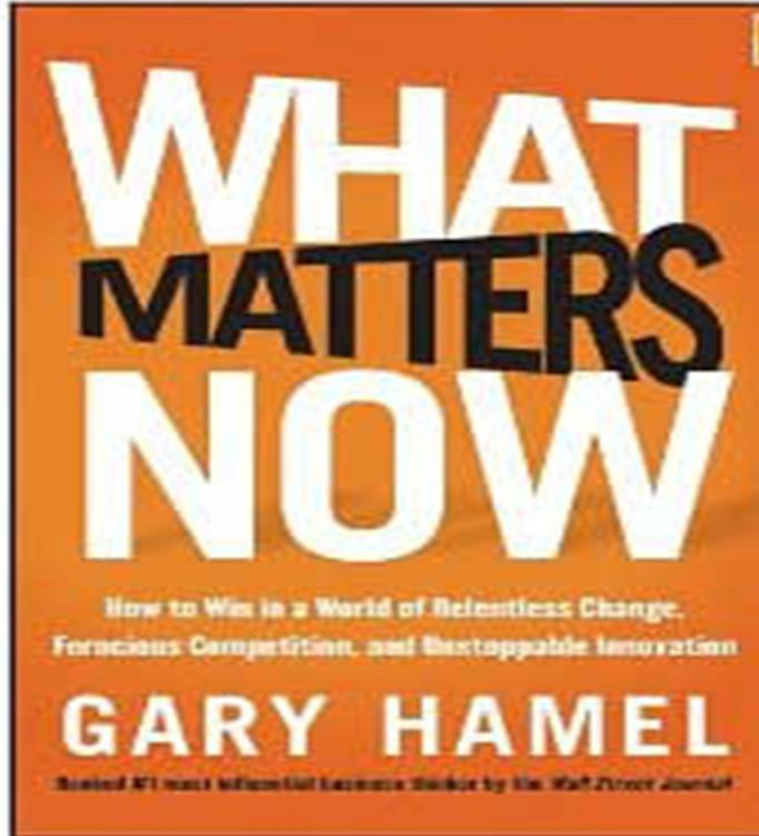
- Business Environment, Sustainability Reporting and Accounting

Business environment	Societal expectation	Relevance of sustainability accounting	Relevance of sustainability reporting	Type of reporting
Trust me	None	Internal efficiency improvements	Internal communication to achieve efficiency improvements	No external reporting needed, internal communication as part of normal operations
Tell me	Communicate	Information creation for highly visible and formally required issues	Sustainability as an important external communication element of partial internal relevance	PR-driven reporting
Show me	Communicate and illustrate	Information creation to meet stakeholder expectations and information demands	Essential communication element as part of a set of "voluntary" communication activities	Outside-in approach to communications and reporting driven accounting
Prove to me	Measure, account for, communicate and illustrate	Disclosure result of what has been achieved with sustainability performance management; basis to create transparency and verification	Additional element in a systematic approach of performance management and disclosure	Inside-out approach to performance management and accounting driven reporting
Involve me	Involve, empower, integrate and exchange	Basis to support exchange and joint development, implementation and responsibility sharing	One integrated element in a systematic approach of interactive collaboration and involvement of stakeholders	Twin approach of involving stakeholders and jointly developing strategy, reporting, communication and accounting

The Current Condition of the Sustainability Research

- Elkington (1997): **Triple bottom line (TBL)**: Economy, Social, and Environment
- Given the current condition of sustainability concept, the research on that area focused on **the relationship** of financial aspect and social & environmental issue.
- There are two issues: **Causality and direction**
- Using the improved logic of the current sustainability concept, some potential for future research and publication can be done on the sustainability accounting issues in the lens of **financial accounting, management accounting, taxes, auditing and information system**

WHAT IS GOING ON TBL OF ELKINGTON



The problem of the Current Business

- Values
- Innovation
- Adaptability
- Passion
- Ideology

5 Issues



Capitalism



Gary Hamel warns us against the following unchallenged beliefs...

As a champion of capitalism, I'm worried when I see:

- An ever bigger share of the world's wealth going to an ever smaller global elite.
- Companies spending millions of dollars to tilt the regulatory playing field in their favour.
- Three-hundred-to-one pay differentials between CEOs and first-level employees.
- Governance structures that are expressly designed to deflect shareholder concerns.
- Companies that treat employees as mere factors of production.



Winning players change the above patterns and speak-up on in

WHAT
MATTER
NOW



Hamel on the most toxic strategic assumptions (1):

Please read

WHAT
MATTERS
NOW
GARY HAMEL



1. *The paramount objective of a business is to make money (rather than to enhance human well-being in economically efficient ways).*



2. *Corporate leaders should only be held accountable for the immediate effects of their actions (and not for the second- and third-order consequences of their single-minded pursuit of growth and profits).*



3. *Executives should be evaluated and compensated on the basis of short-term earnings (rather than on the basis of long-term value creation, both financial and social).*



4. *The way to establish a business' social credentials is through high-minded mission statements, green-tinged products, and a fat CSR budget (rather than through an unshakeable and sacrificial commitment to doing the right thing in every circumstance).*



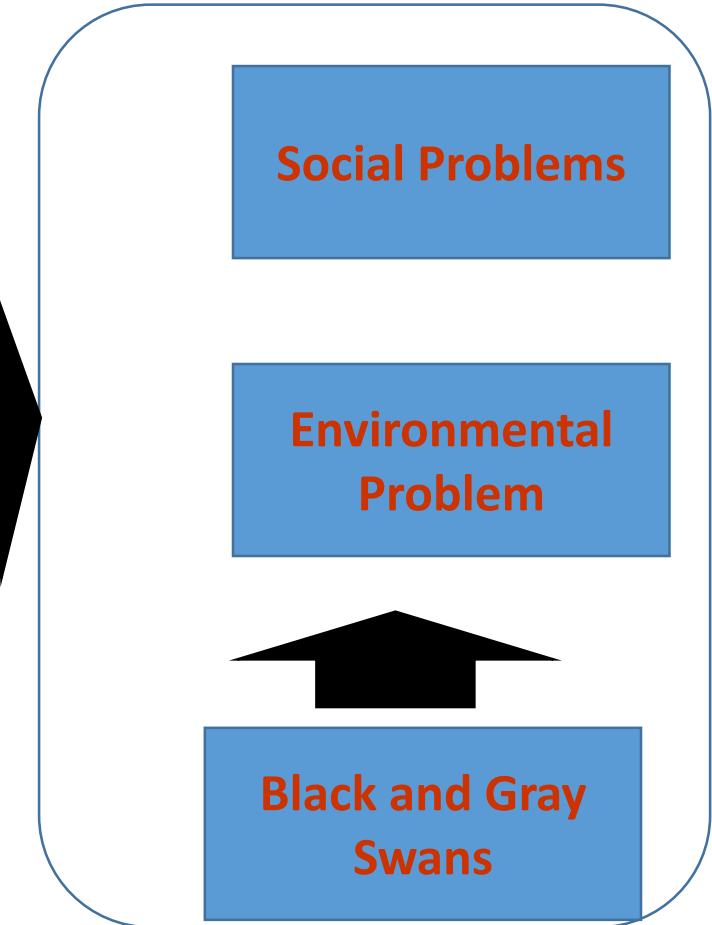
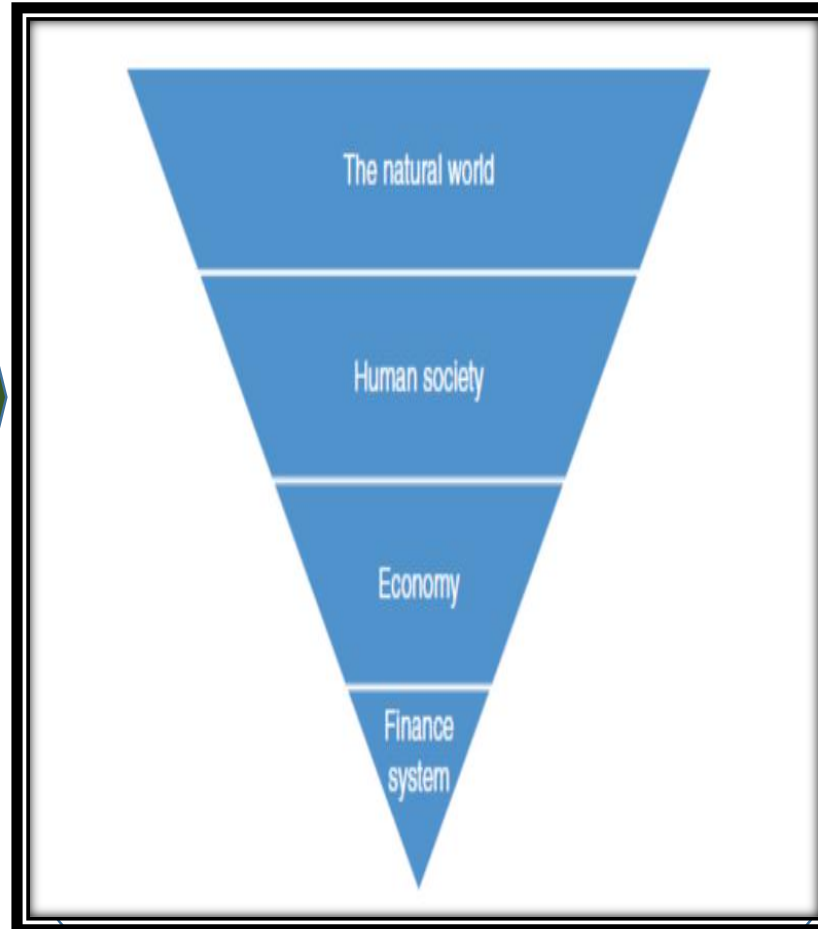
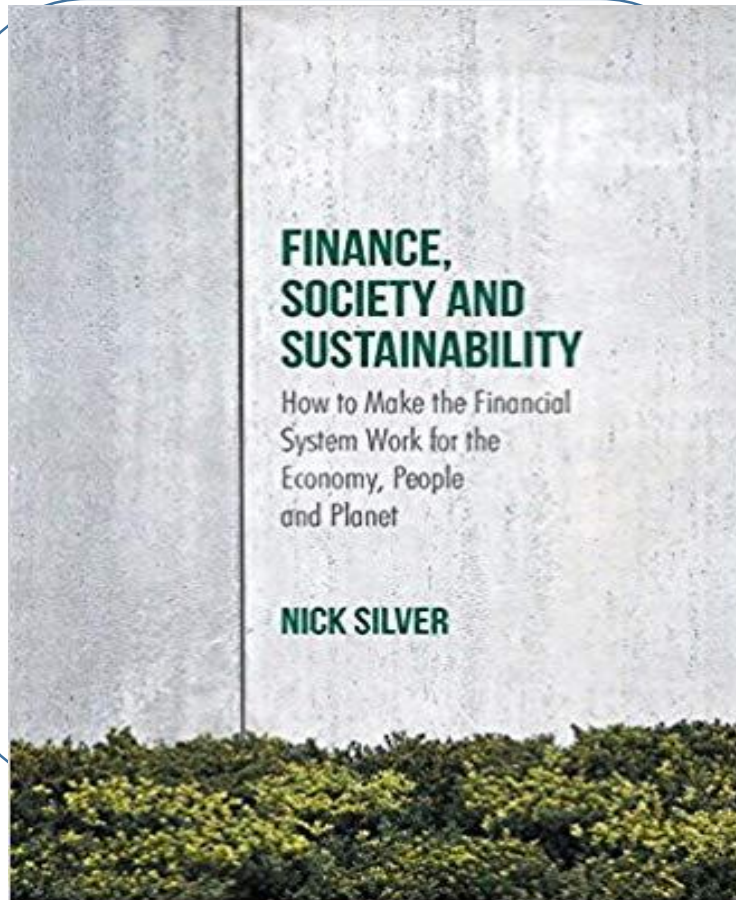
5. *The primary justification for "doing good" is that it helps a company to "do well." (The implication: do good only when there's an upside.)*

Do you recognise any of the above assumptions in main stream management thinking?

WHAT
MATTERS
NOW
GARY HAMEL

WHAT IS GOING ON WITH FINANCIAL SYSTEM

The Current Capitalism



CHALLENGES

THREE CRITICAL CHALLENGES in Today's Business Environment

DISRUPTIVE TECHNOLOGY

CONFLICTED STAKEHOLDERS

UNKNOWABLE FUTURES

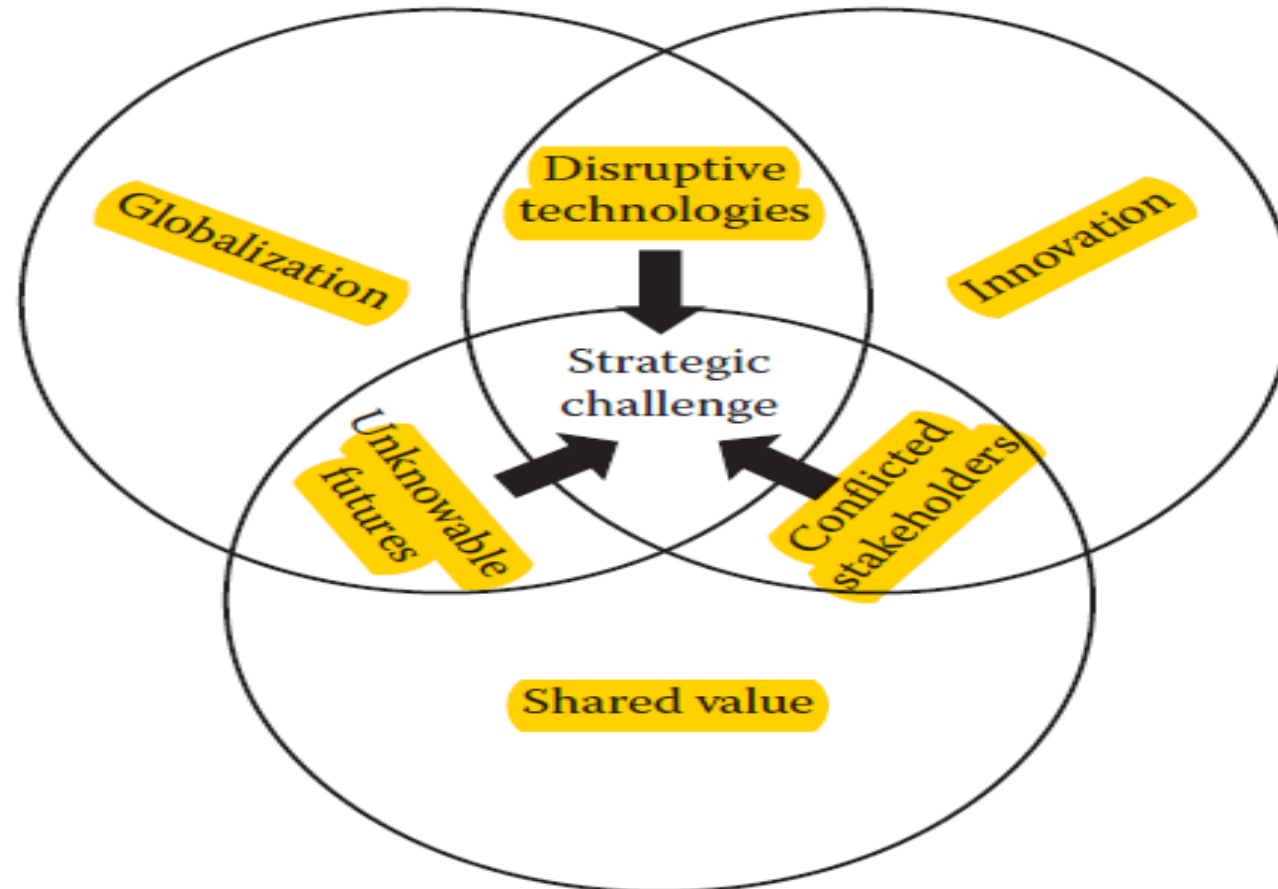
ENHANCED SUSTAINABILITY: **Green Swans (Elkington, 2020)**

Placebo Effect of Elkington's TBL for 3 Decades

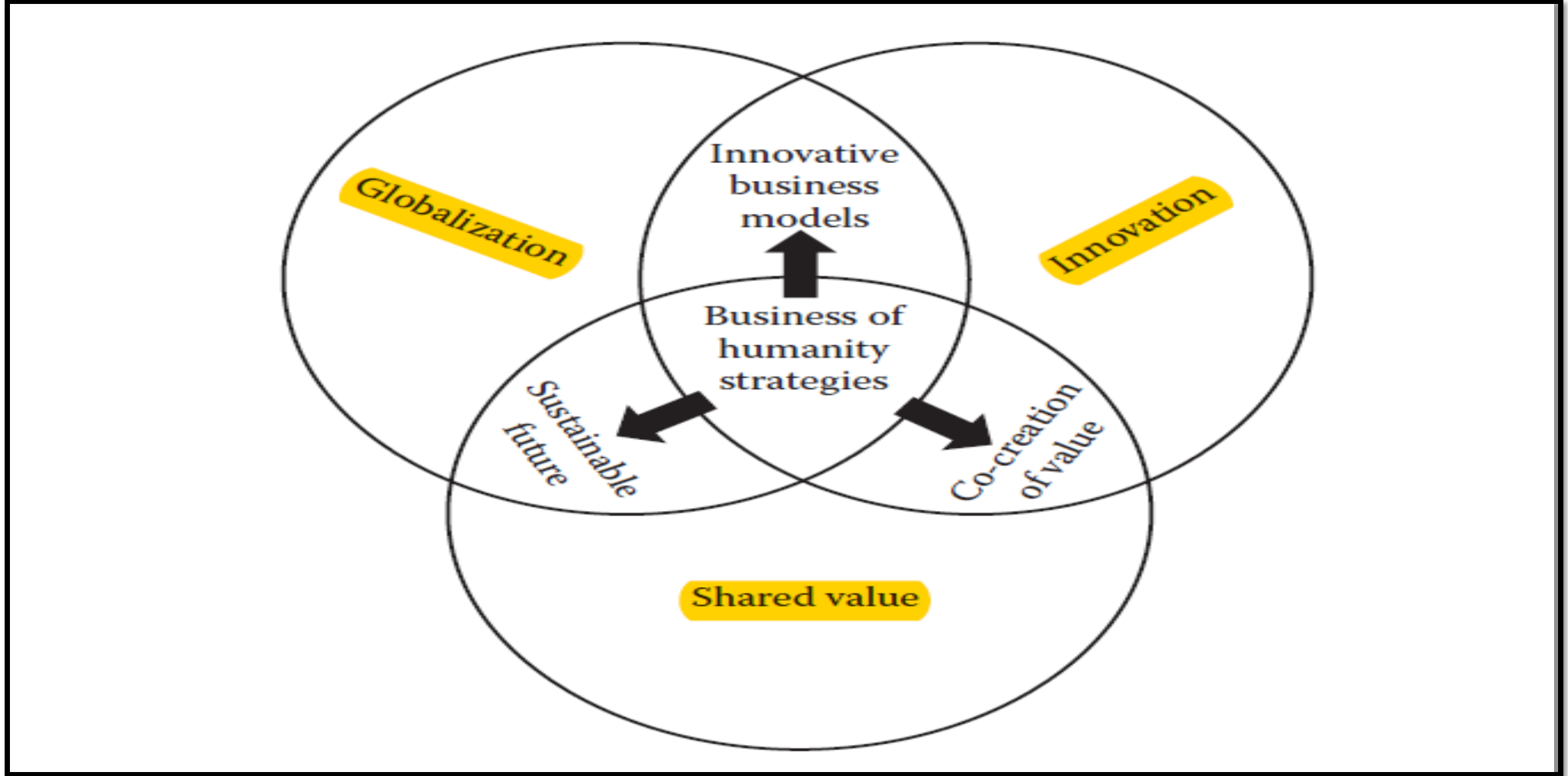
Mega Forces:
1. Globalization
2. Innovation
3. Shared Value

Getting Future FIT

INTERACTIONS OF THE THREE FORCES



The intent of BoH Strategies.



So Why recall TBL? (Elkington, 2020)

- since the 1990s, the sustainability sector has grown rapidly, at somewhere between one and two billion dollars in annual revenues globally, it is no giant
- Given the huge of future, but it is far from clear to whom that wealth will go.
- While there have been **unquestionable successes**, our climate, water resources, oceans, forests, soils, and biodiversity are all increasingly threatened.
- The TBL was never designed to **simply** be **an accounting tool**.
- The basic idea of TBL inspired platforms like the GRI and Dow Jones Sustainability Indexes, influencing corporate accounting, stakeholder engagement, and strategy

Getting Future Fit

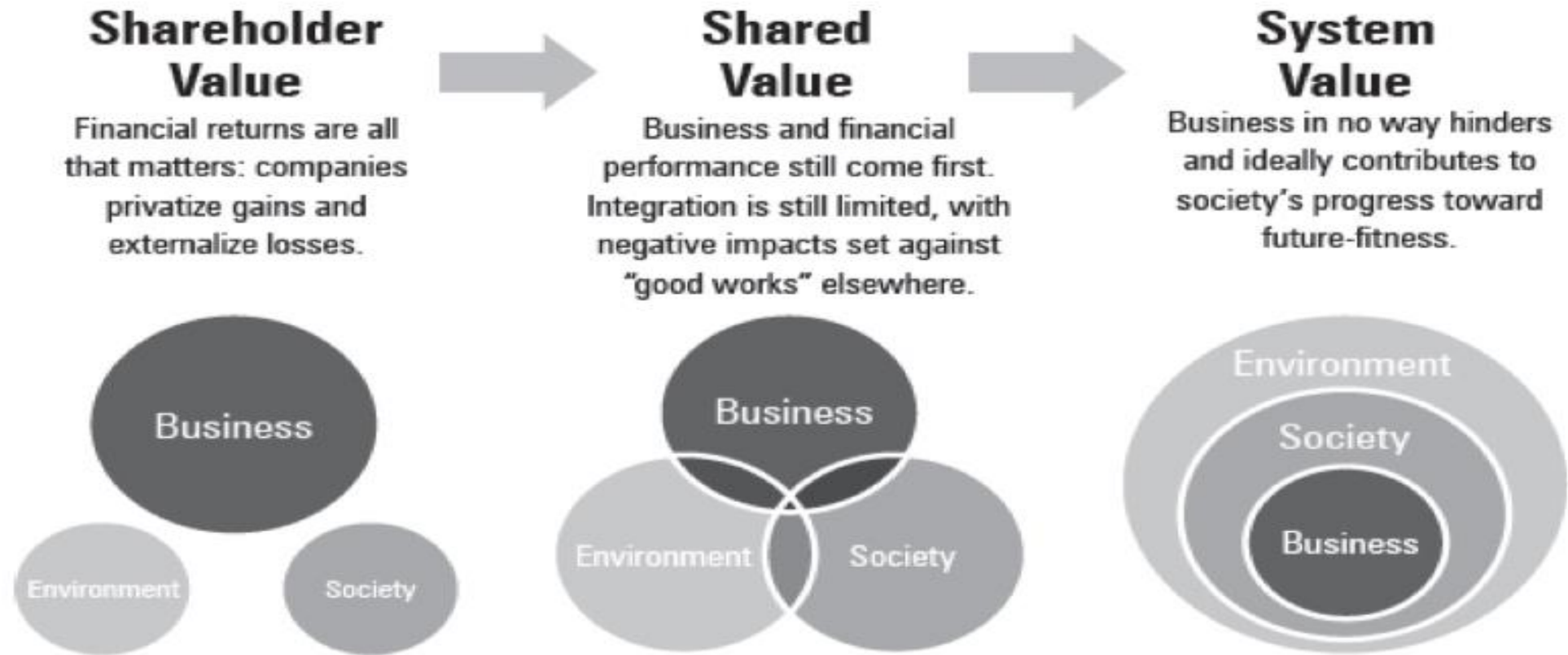


Figure 4: The Long Road to System Value Source: Future-Fit Foundation

Getting Future Fit-2

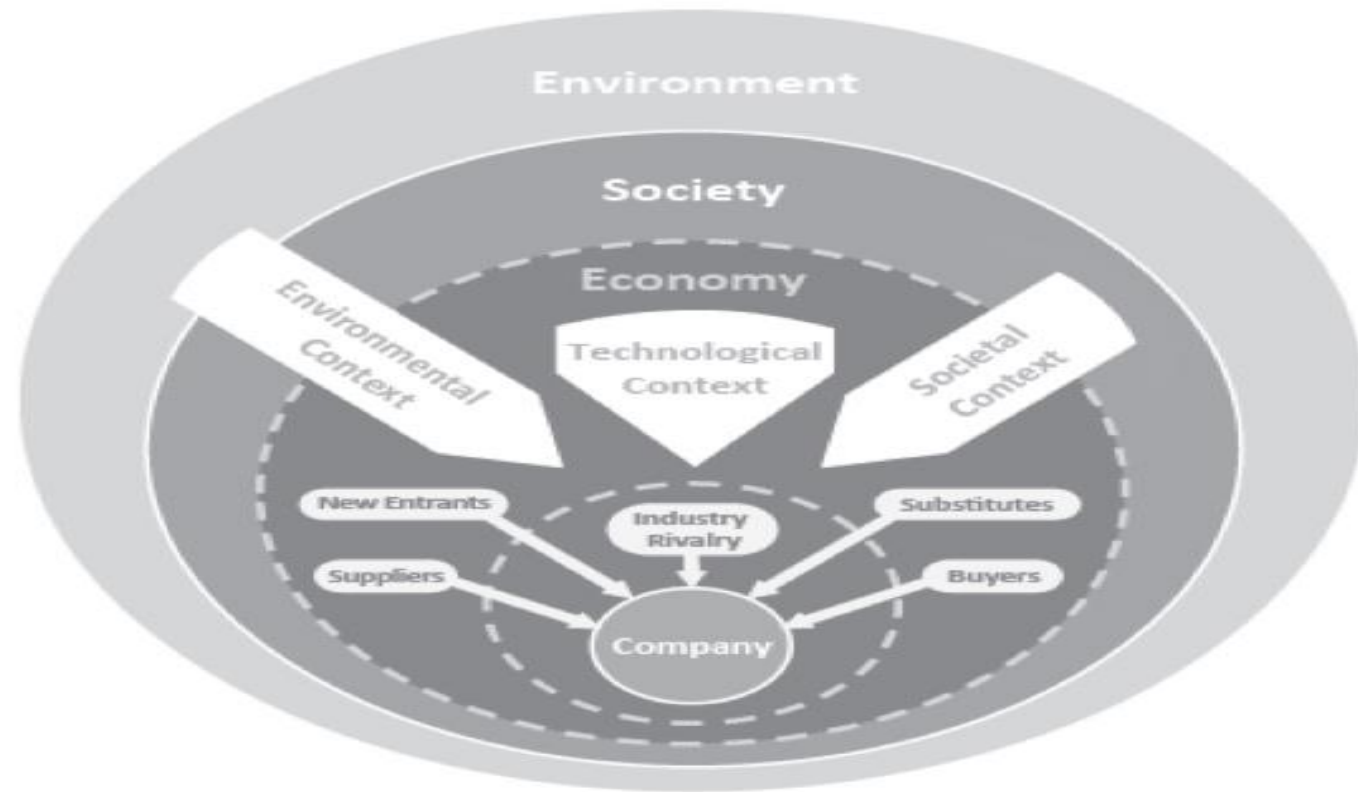


Figure 5: Force Fields, Overlapped with Michael Porter's Five Forces
Source: Future-Fit Foundation

Getting Future Fit-3



Figure 6: Eight Properties of a Future-Fit Society
Source: Future-Fit Foundation



The Basic Role of Accountant in the Organization

Scorekeeping is the accumulation and classification of data.

Attention directing involves reporting and interpreting information.

Problem solving quantifies the likely results of possible courses of action.

The Role of Management Accounting & Control

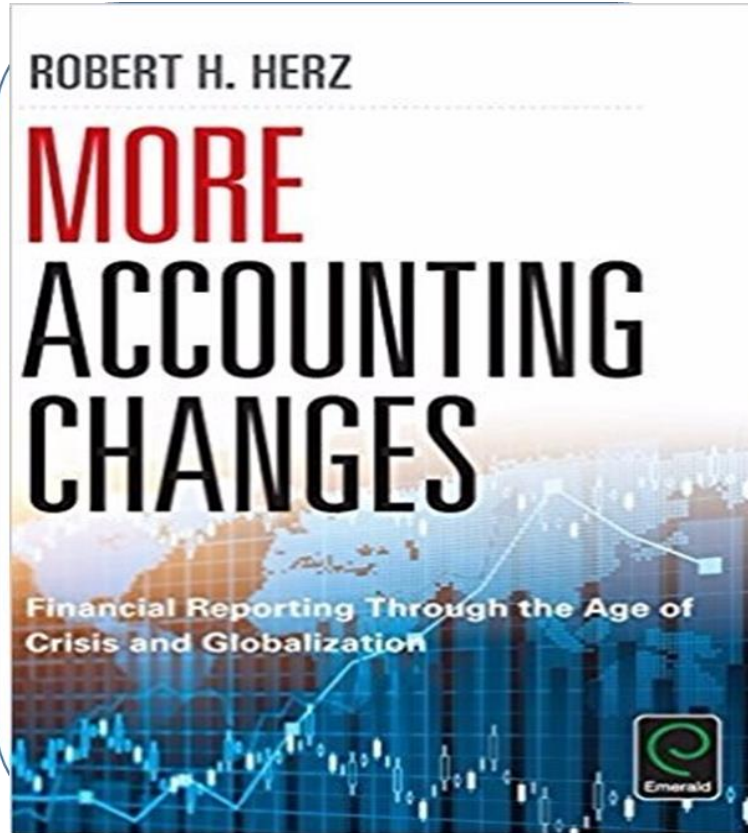
Enabling managers to achieve organizational goals

Providing (non-)financial information for decision-making and to develop planning and control systems.

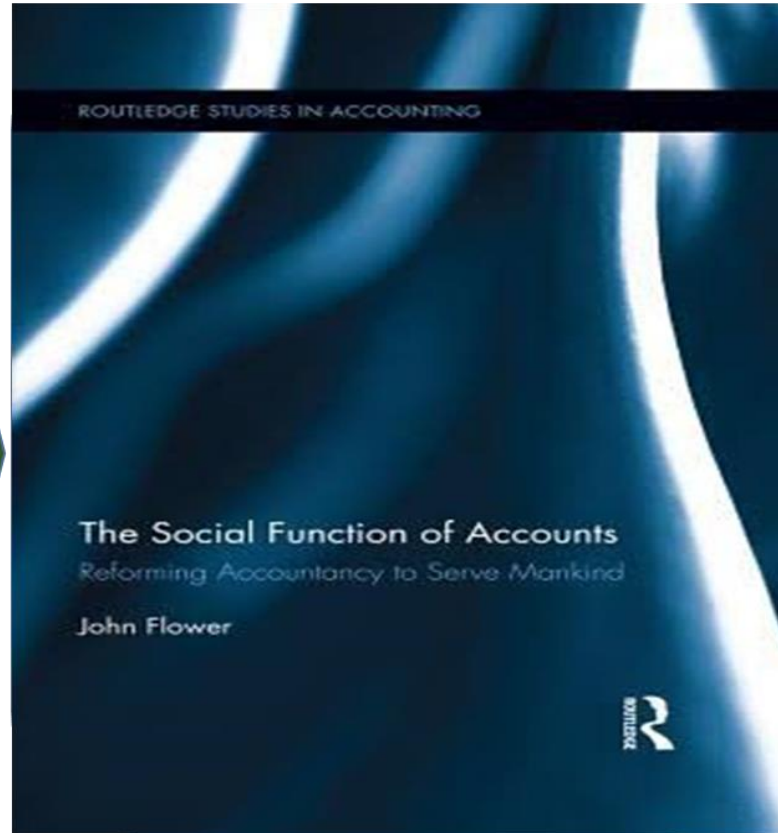
Enabling you to connect the information needs of managers to state-of-the-art knowledge about human behavior.



The Change in the Role of Accountant Given the sustainability Issue



Extended Information, more
non financial information



More Human

64% of CEOs Are
Increasing
Investment in
Corporate Social
Responsibility in
2016

Demand for Information
has changed



ELSEVIER

Contents lists available at [ScienceDirect](#)

Research in Accounting Regulation

journal homepage: www.elsevier.com/locate/racreg

Research Report

Evolution of corporate reporting: From stand-alone corporate social responsibility reporting to integrated reporting

Kathleen Hertz Rupley*, Darrell Brown, Scott Marshall

Portland State University, Portland, OR, United States



INTEGRATED REPORTING?



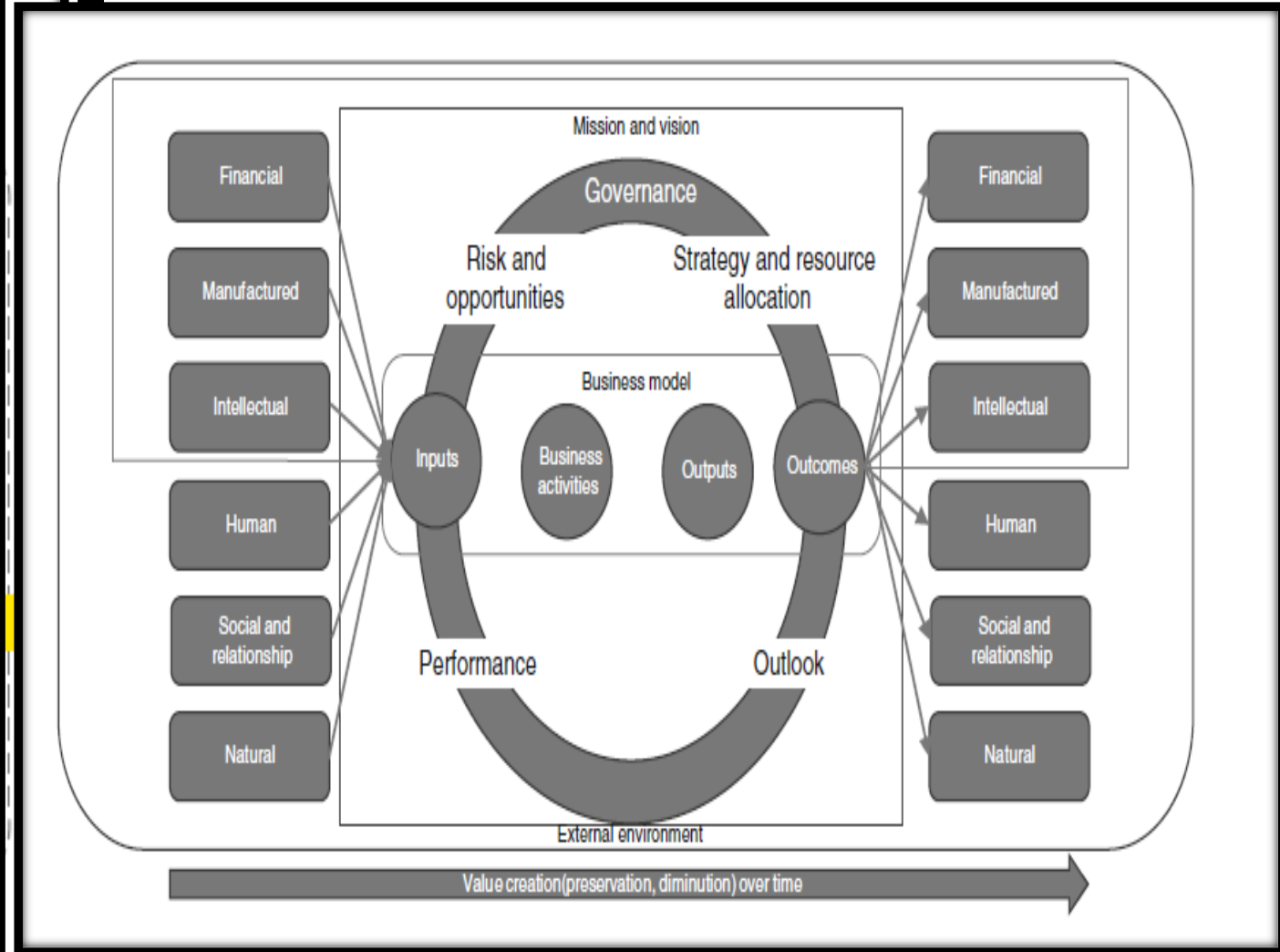
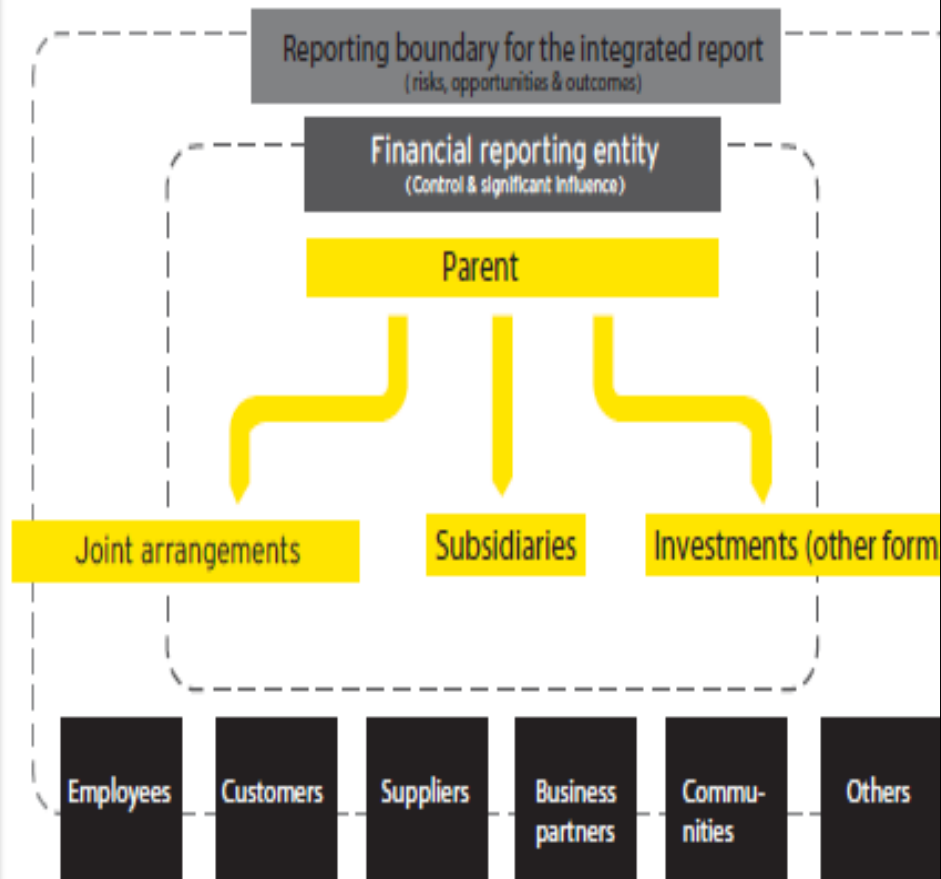
- The front-running IRs do not, as a rule, provide the information most highly rated by investors.
- The IR is different from financial statements and CSR reports in many ways. Rather than isolated CSR reporting.
- The IR currently promoted by the IIRC has the potential to contain, in a single report, the most relevant financial and non-financial information for stakeholders.
- The study provides a baseline for companies preparing IRs and for regulators (i.e. SEC, FASB) in the context of determining future disclosure regulation.



IIRC Framework



Figure 1: Entities/ stakeholders considered in determining the reporting boundary (source: IIRC Framework)



The value creation process (adapted from: IIRC)

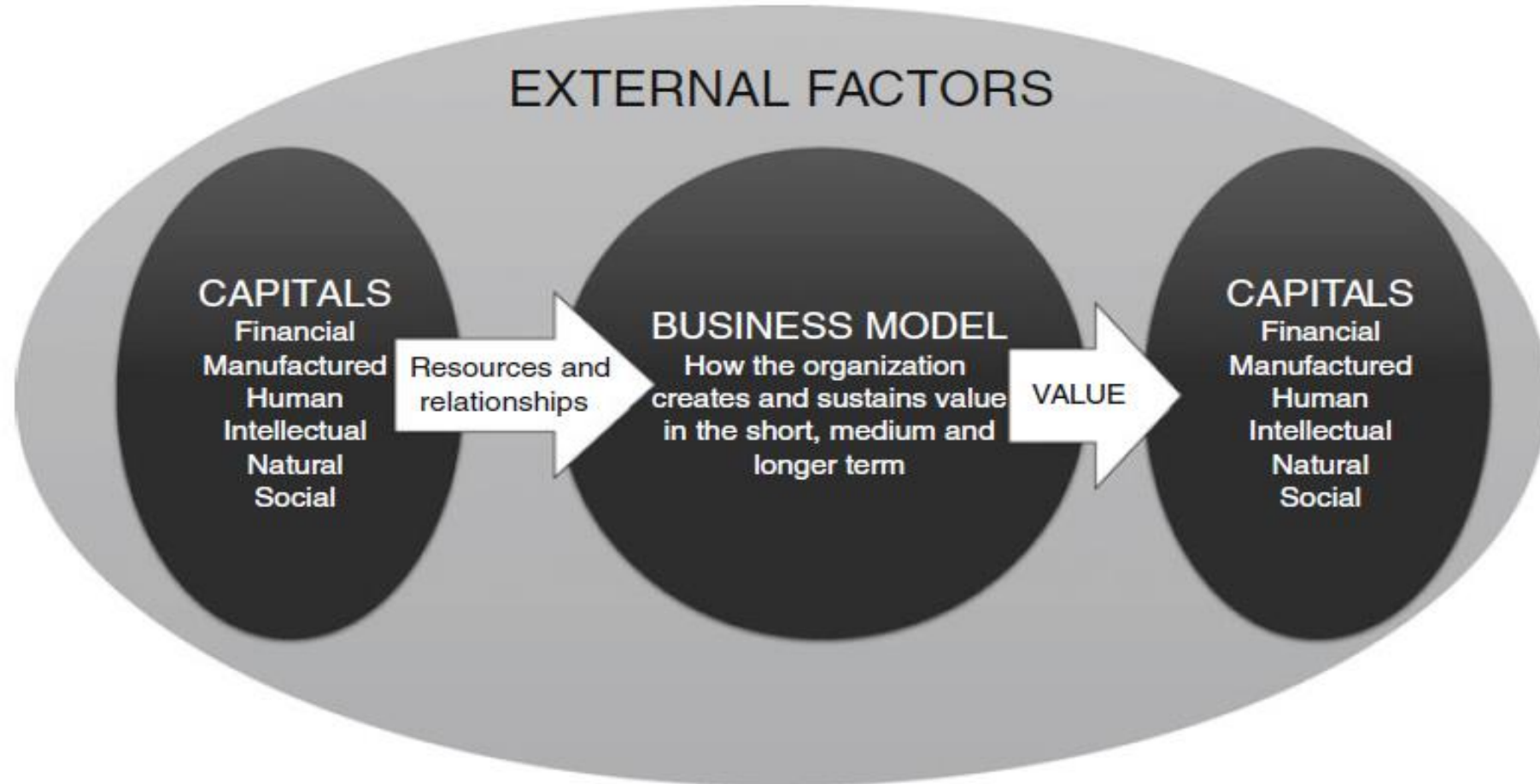


Fig. 2.2 The business model (Adapted from: IIRC (International Integrated Reporting Council, U.K.) 2013)



IIRC Framework



Guiding Principles

Strategic focus and future orientation:

An integrated report should provide insight into the organisation's strategy, and how that relates to its ability to create value in the short, medium and long term and to its use of and effects on the capitals.

Connectivity of information:

An integrated report should show a holistic picture of the combination, inter-relatedness and dependencies between the factors that affect the organisation's ability to create value over time.

Stakeholder relationships:

An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests.

Materiality:

An integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term.

Conciseness:

An integrated report should be concise.

Reliability and completeness:

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.

Consistency and comparability:

The information in an integrated report should be presented:

- On a basis that is consistent over time
- In a way that enables comparison with other organisations to the extent it is material to the organisation's own ability to create value over time



IIRC Framework



The Content Elements

Organisational overview and external environment:

What does the organisation do and what are the circumstances under which it operates?

Governance:

How does the organisation's governance structure support its ability to create value in the short, medium and long term?

Business model:

What is the organisation's business model?

Risks and opportunities:

What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?

Strategy and resource allocation:

Where does the organisation want to go and how does it intend to get there?

Performance:

To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

Outlook:

What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

Basis of presentation:

How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

Note: The Content Elements are not mutually exclusive i.e. they do not need to appear in a set sequence or in discrete stand alone sections in an integrated report. Rather, information in an integrated report is presented in a way that makes the connections between the Content Elements apparent.

CLOSING NOTES-

- **THREE CRITICAL CHALLENGES** in Today's Business Environment needs to be responded in proper way
- Responding to the Strategic Challenge: **BOH strategy**: Crafting innovative business model, Engaging in co-creation of value with conflicted stakeholders, and Envisioning and enabling a desired and sustainable future (Sustainability with Green Swans)
- Given Situation, understanding on why TBL fails and Moving to Value system are needed: **Green Swans**
- The extended Porter's Five force is also needed to achieve Future-Fit Company and Society.



CLOSING NOTES-Cont...



- **Given Situation, what **the roles that accountants** can play?**
- **The basic roles: scorekeeping, attention directing, and problem solving.**
- **The role of Management Accounting & Control**
- **The extended roles are needed to respond: the grasping of **the integrated reporting.****