Key Issues in Integrated Accounting and How to Resolve Them

A Presentation by

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Two Key Issues of Interest

- How to achieve meaningful **commensurability** in integrated measurement, management and reporting across disparate areas of impact (and not just token or superficial integration)?
  - Social
  - Economic
  - Environmental
- How to appropriately **contextualize** integrated performance assessments so as to avoid a one-size-fits-all approach?
- In sum, 2 key issues:
  1. Commensurability
  2. Contextualization

1. Commensurability

- <u>Question</u>: How do we integrate measures of performance across multiple areas of impact that are otherwise different and incommensurable in terms of how they are measured?
  - Social (e.g., units of health or justice)
  - Economic (e.g., units of income or employment)
  - Environmental (e.g., units of natural resources or ecosystem services)
- <u>Answer</u>: By assessing all such impacts through the lens of a common *theory of performance* – capital sufficiency, human well-being, and <u>sustainability</u>:
  - Sustainability criterion applies to all areas of impact (AOI) – impacts on capitals are either sustainable (i.e., maintain capital sufficiency) or not
  - Capital sufficiency, in turn, is grounded in human well-being

2. Contextualization

- Question: On the assumption that no two organizations are alike, how do we appropriately contextualize measurement, management and reporting?
- Answer: Mainstream implementations of the Sustainability Context principle first put forth by GRI and later refined by others (e.g., Context-Based Sustainability) show the way:
  - Organizations must first be clear about who their stakeholders are (groups to whom duties and obligations are owed to manage their impacts on vital capitals in ways that can affect their well-being)
  - Organization-specific norms for such impacts must then be defined and codified in context-based metrics
  - Context-based measurement, management and reporting must then be operationalized in an integrated form (e.g., MultiCapital Scorecard)

A Final Caveat

- Not all capital- or context-based performance accounting systems are necessarily up to the task …

If it is possible to perform "well" under the principles or dictates of an accounting system and yet still be putting the sufficiency of vital capitals or human well-being at risk, then the system itself fails on its face and should be rightly rejected!

Thank you!

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