

Arguing for a Multiple Capital Model

Sean Stein Smith

Faculty – Accounting
Fairleigh Dickinson University
Teaneck, United States

Abstract: *The purpose of this article is to conduct a review of the literature surrounding the changing nature of financial reporting, specifically the rise of integrated financial reporting. In addition to reviewing existing literature, and leveraging quantitative statistics embedded within, this general review contributes to the existing literature on this topic. Sourcing from scholarly literature, using a multi-industry lens and view, results in several findings. First, the increasing frequency in usage of non-traditional reporting illustrates the marketplace demand for a more comprehensive view of financial performance. Second, there are several areas of non-traditional capital posed to rejuvenate the financial reporting model; financial, manufactured, intellectual, human, social and relationship, and natural. Third, the accounting profession appears to be well positioned to seize upon the convergence of the multiple trends to enhance the value accounting professionals bring, to both organizations, and the profession at large. Implications resulting from this research are of interest to both academic researchers and practitioners. Researchers, leveraging the literary sources included in this piece, as well as using this piece for future research, have a wide range of potential research areas and subjects. Practitioners can use the implications, findings, and evidence presented in this piece to argue for a more integrated accounting function.*

Keywords: *Integrated reporting, multiple capital model, multiple types of capital, sustainability, finance, CPA, integrated reporting.*

1. INTRODUCTION

Business must evolve over time to adapt to changing market conditions, competitive pressures, and new marketplace actors (such as regulators, trade blocs, etc). It is imperative for the managerial team to not only adapt to shifting demands and expectations of marketplace participants, but also to be able to effectively communicate these results to stakeholders. Quantitative information forms the backbone of business communication, but it is often embedded within a qualitative narrative. In essence, business managers must be able to 1) communicate the mission, story, and values of the organization, and 2) clearly support and frame this argument with quantitative information and data. A clear indication of this simultaneous and sometimes conflicting need is the creation of the Integrated Reporting (IR) framework. An integrated framework that encompasses elements of risk management, strategy, and sustainability in the financial reporting deliverable, this framework represents a definitive step toward a new direction in how organizational performance is measured and reported. A critical piece of this framework, the focus on this research, is the creation and inclusion of five distinct types of capital in the integrated financial report. Including these items creates opportunities for organizations to more fully communicate organizational performance, and for financial professionals who must create, test, and disseminate both procedures and testing standards on these different capitals. With every opportunity also comes challenges, however, and a thorough understanding of these capital is necessary in order for organizations and individuals to maximize the their effectiveness.

2. METHODS & RATIONALE

Organizations require capital to fund operations, generate new product and service offerings, and expand into new areas. Proper management and deployment of capital is, arguably, the most important role that the management team plays within an organization. Managerial professionals must, simultaneously, manage and guide the expectations of external stakeholders via earnings releases, investor relations, and other communicative tools. Traditionally the meaning and definition of capital has been narrowly defined to mean the financial metrics and methodologies for shareholders and creditors. Shareholders and creditors, both financial stakeholders, exercise large amounts of

influence of the managerial decision making process of the organization, and as providers of capital and liquidity this is logical. Accordingly, financial reporting, management, and communication have developed virtually exclusively around the needs of financial stakeholders. Additionally, auditing, attestation standards and other assurance standards have also developed to serve and integrate this paradigm, and objective and standard metrics are critical to reliable and verifiable comparisons.

In light of the rapidly changing business environment, the traditional view and definition of capital, framing it exclusively within the framework of financial stakeholders, generates an incomplete view. Traditionally, non-financial information is relegated to footnote disclosure or brief mentions in the MD&A areas of publicly-traded financial statements. An integral task necessary of the finance profession is to construct standards in order to facilitate the further adoption of integrated financial reporting (Kiron, 2012). Traditional financial reporting is geared toward the reporting of historical, backward looking financial performance, which creates an incomplete snapshot of organizational performance. Capital, framed traditionally within the exclusive needs of financial stakeholders, also provides an incomplete view of both the returns on that capital, and of financial performance on an overall basis. Other market forces include pressure from stakeholders on matters of corporate governance, which is of increasing importance in the post financial crisis environment (Fulup, 2014). Integrating these ideas and concepts into actionable business information is not a simple task, and it requires an overhaul of how business performance is reported and discussed. It appears that the external pressures driving this fundamental change in reporting and management will continue unabated. Building on these facts, it appears, based from the evidence to date, that the organizations most likely to succeed in the future are those organizations that integrate these stakeholder needs.

Capital, as stated above, is the means by which organizations launch new initiatives, expand operations, and undertake strategic initiatives. In essence, capital represents the capability of organizations to continue generating value for stakeholders, both financial and non-financial. This final point, the ability of firms to launch strategic initiatives, can be viewed as the most important use of capital. Marketplace participants have begun to realize this shift in organizational value and performance. Measurement against the Dow Jones Sustainability Index (DJSI), results showed that organizations recognized for industry leading efforts with regards to sustainability, governance, and corporate social responsibility (via inclusion in the index) achieved superior financial performance versus a peer group (Lourenco, Callen, Branco, & Curto, 2014). Such clear, and market-derived, evidence of this link is a clear illustration of the financial ramifications of a changing and evolving business environment. Organizations must continuously evolve to remain competitive and relevant in the marketplace, and financial reporting and capital allocation must do the same. Against this framework, a multiple capital model (MCM) appears to be one viable method through which organizations can create value for stakeholders and effectively communicate that value.

2.1. Materiality for Management and Reporting

Materiality obviously matters a great deal to financial reporting and analysis, as without pre-determined levels of materiality, the management team would conceivably inefficiently use time on matters of limited importance to external stakeholders. The process of designing, building, and then implementing standards, metrics, and objective procedures to leverage them, is a key aspect in which managerial accounting professionals can add value to organizations. Additionally, the ability of managerial decision makers to justify and explain their course of action to stakeholders is critically dependent on the objectivity and comparability of the information utilized. Accounting and finance, with the assistance of technology, traditionally have been the business process owners of standardization, assurance, attestation, and overall comparability. Obtaining standardization, objectivity measuring tools, and the ability to compare performance of different organizations reliably, are essential steps in the integration of the multiple capital model. This need, the need for reliable, relevant, and comparable information, presents a wide range of opportunities for both organizations and financial professionals to seize and to take advantage of.

3. STANDARD SETTING

In order to accurately judge materiality and integrated information in the decision-making process, it is imperative for decision makers to evaluate performance of both their organization and the competition. This need for standards, and the comparability that results from the creation of said standards, is an important forward in the implementation of a multiple-capital model (Eccles, Krzus, Rogers, and Serafeim, 2012). Two points made in support of this approach are that this approach

leverages existing comparability practices, and that the financial marketplace expects such standards. Such standards are as critical to the greater implementation of a multiple-capital model as they are to comparing financial statements of organizations operating in different marketplaces. New ventures and corporate initiative often require specific metrics and guidelines to help management professionals monitor progress of the projects, and why should the development of a multiple-capital model be any different? A beneficial side effect of establishing standards and metrics is improved relations with stakeholders. Establishing transparent metrics, objective measurement techniques, and disclosure requirements has the potential to reinforce and improve the social-financial framework underpinning many sustainability and governance initiatives (Jianu, 2012). Underestimating the importance of this linkage provides an incomplete picture of the business landscape. Stakeholders, both financial and non-financial, require information from organizations to assist with the decision making process and evaluate the effectiveness of organizational initiatives. Developing standards and reporting tools, a specialty of the financial professionals, reinforces transparency and the overall effectiveness of the multiple-capital model.

A link between stakeholder engagement and financial reporting, which is a trend underpinning the entire development of a multiple-capital model, is evidenced by American Electric Power (AEP). AEP is regulated electric utility company and is a prime example of how required regulatory relationships can be developed into economically beneficial reporting. Led by the CFO, and with input from both regulators and environmental groups, the organization has constructed financial reporting tools and statements to address the needs of these external stakeholder groups (Parrot & Tierney, 2012). Commentary from senior management quoted in the case study indicated that both financial shareholders and non-financial stakeholders have benefited from these newly created reports and statements. Not only has information been communicated more effectively, but relations have improved between the organization and regulators. Reinforcing the findings by Eccles et. al (2012), certain sectors (such as regulated electric utilities) are poised to benefit in multiple ways from a multiple-capital model approach. In addition to modifying existing reporting templates and improving relations, a multiple-capital approach to financial management has the potential to meaningfully increase the value of the organization.

A clear example materiality and objective evaluation for practitioner is the approach undertaken by the Boeing corporation. A multinational organization headquartered in the United States, Boeing is a Fortune 500 organization with operations that span the globe. Incorporating and evaluating the value brought to the organization by external stakeholders, the finance function integrated these results into 0.6% increase in total organizational assets (Carlson & Downs, 2014). While not specifically attributable to a multiple-capital approach, the fact remains that these assets are attributed (and identified) as stakeholder-generated assets. This example, along with market-driven illustration of stakeholder created assets, provides a framework for both organizations and practitioners to leverage in other situations. Standardization and materiality are critical to measuring financial performance, as well as evaluating the usefulness and returns generated by initiatives. Embracing a multiple-capital model requires creation of such standards specific to these new types of capital in a manner that is both familiar to decision makers and comparable across organizations.

4. INTERCONNECTIVITIES

The business community and environment is increasingly connected and linked in ways that inextricably bind organizations, regulators, and stakeholder groups together. An additional way illustrating the interconnectedness of business is the development, refinement, and implementation of the integrated financial reporting template. Different types of capital, at initial review, might appear to be a concept and strategy reserved for academic debate and scholarly discussion, but are in fact a logical extension of the larger business landscape. Environmental concerns, societal obligations, and the integration of both technology and business into everyday life must be accounted for by managerial decision makers. Patents, copyrights, trademarks, and brand equity are worth in excess of tens of billions of dollars, and the financial effect of these assets must be recognized. Additionally, and often debated in mainstream media, is the growing importance of education and technical training in the development of both employees and new strategic ideas. The connections, particularly between higher education and business, represent an opportunity for capital creation and financial professionals.

4.1. Institutional Investment Support

Private equity investment has traditionally been labeled as the smart money in the marketplace, that is, the funds and individuals that are on the leading edge of investing strategies and ideas. Bluntly stated, the private equity industry is concerned with maximizing returns on financial investments and assets, and interest by this investment group in sustainability initiatives lends support to the business case. French private equity firms, via investments in sustainability and other eco-friendly investments, have supported the development and expansion of green businesses initiatives (Crifo & Forget, 2013). Integrated reporting incorporates aspects of sustainability into the reporting framework, as well the creation of natural capital, and the support of institutional investors is essential to the continued development of this framework. Additional support for investing professionals is clear via the \$1.6 trillion in investment funds allocated to sustainable and green oriented business initiatives (Boerner, 2012). Business organizations require access to the capital and debt markets, and any strategic initiative requires monetary support. The presence and creation of investments and investment funds solely dedicated to sustainability and other non-traditional business initiatives clearly link multiple-capital theory to marketplace realities.

4.1.1. Professional Advocacy

Support for an integrated reporting framework, and a multiple-capital reporting framework is stems from both the marketplace (via investment funds), and professional advocacy groups. Management accounting professionals, accounting professionals who work within organizations, are equally as important, if not more important, than external accounting professionals regarding the development of standards and implementation of an integrated financial reporting model. Trends related to Big Data, real-time analytics, and higher value-additive decision making are just a few of the megatrends reshaping the accounting profession (Cokins, 2014). These skill sets, as well as the capabilities necessary to implement them within an organization, are required for the continued implementation of integrated reporting. Professional organizations such as the Institute of Management Accountants (IMA), the American Institute of Certified Public Accountants (AICPA), and the Chartered Institute of Management Accountants (CIMA) have embraced a more dynamic reporting format. Additional support for this trend, as well as opportunities for professionals, is evidenced by literature documenting said opportunities and options for CPAs in the reporting process associated with sustainability reporting (D'Aquila, 2012). Support and buy-in from the accounting professions, and linking this support to actionable ideas, are essential linkages that support integrated financial reporting. Professional advocacy and education have a powerful role to play in the further refinement of a multiple-capital model. Support from the accounting profession is integral to the continued expansion and implementation of an integrated financial reporting template. Leveraging traditional strengths, such as measuring and quantifying returns on initiatives, is a key component of the integrated reporting template and multiple-capital model. Returns on investments, especially in an era of increased competition and globalization, are metrics of great interest to external users of financial statements.

4.1.2. Quantifying the Qualitative

Business decision makers require quantitative information in order to evaluate the effectiveness and investment options. New and innovative types of capital, including natural capital, necessitate the quantification of information traditionally classified as qualitative information. This linkage, the connection between quantifying information and sustainability initiatives, is a critical area in which accountants can excel. Ranking sustainability efforts by complexity, effect on business performance, or by complexity, is one methodology that can be used; in essence, it is possible to quantify the effect of sustainability initiatives on financial performance (Kurapatskie & Darnell, 2013). Ranking, measuring, and quantifying these sustainability initiatives, as well as other non-traditional projects, is an important step in integrating non-traditional reporting metrics into mainstream financial reporting. CPA's, and other financial professionals, are well positioned to leveraged embedded capabilities and skills to seize on this market trend.

CPA's, traditionally, have assumed the role of gatekeeper and guardian of quantitative financial information; that traditional role is now changing and evolving along with the marketplace. Organizations across the globe are implementing sustainability reporting as stand-alone initiatives, as well as integrating such initiatives into traditional financial reporting (Lynch, Lynch, & Casten, 2014). By evaluating sustainability options, evaluating the financial effect of sustainability and eco-friendly

business strategies, and the development of ecological accounting, organizations are well on the way toward comprehensive accounting procedures for sustainability and ecologically oriented initiatives. The triple bottom line has become a mainstay and catchphrase used by many organizations attempting to quantify the effects of sustainability on financial performance (Milne & Gray, 2013). Sustainability reporting and the ability of organizations to quantify the effects of such initiatives on financial performance represents a trend unlikely to decrease in the near future.

Governance also plays an integral role in the development of both an integrated reporting framework and a multiple-capital model. In essence, corporate governance is how the managerial team of the organization manages the affairs of the organization. Integrating governance within a framework of a more proactive accounting and finance function appears to strengthen both field (Ratnatunga & Alam, 2011). Implementing any strategic initiative, such as an integrated financial report or multiple-capital paradigm, requires the support of senior management, as well as an internal support structure. Embedding governance within the financial decision making process appears to lend support to such initiatives, and leveraging internal accounting and financial resources provides managerial decision makers with the information required for making effective decisions. CPA's, with well-defined skill sets that are detail oriented and quantitative nature, are well positioned to lend expertise to these new initiatives, which roll up into the integrated reporting framework (Smith, 2014). Linking governance, to sustainability, to the need the real-time information, and connecting these market demands to the skillsets already present in the accounting profession, represent a wide range of opportunities for practitioners to move up the value chain internally.

The challenge remains, as with any innovative concept, is how to integrate and implement such ideas into existing business practices. CPA's, and other financial professionals stand well positioned to leverage these market-driven demands into actionable business ideas for both organizations and the profession at large. Establishing a multiple-capital model requires the definition, quantification, and establishment of new capital accounts. Just how this process evolves, and the roles played by management accountants and financial professional is a portion of this discussion that must be analyzed.

5. HOW THE FIVE TYPES CAN BE INTEGRATED

The integrated reporting framework requires the integration of five types of capital into the traditional financial reporting template distributed to external stakeholders. These five types of capital are as follows: financial; manufactured; intellectual; human; social and relationship; and natural capital. Measuring, developing, and quantifying these different layers of capital, and the effect of these capitals on financial performance are critical steps in linking these capitals to traditional financial reporting. Additionally, it is imperative that financial professionals, while simultaneously developing quantitative metrics to integrate alternative types of capital, also establish a qualitative context for these capitals to be evaluated within. The five types of capital, and discussions on how to integrated them, are included below.

5.1. Multiple Classes of Capital

5.1.1. Financial Capital

Financial capital is arguably the simplest and most basic type of capital to understand, and the traditional view of capital most familiar to both external stakeholder and managerial decision makers. Financial capital is critical to the creation, refinement, and implementation of corporate strategy, initiatives, and the ability of the organization to seize on evolving marketplace opportunities. Beyond simply reporting and quantifying the varying levels and types of capital put to use by the organization, the accounting and finance function must be able to identify, implement, and rationalize why financial capital is being utilized, as well as identify future potential ways to leverage financial resources .

Integrated reporting requires a new paradigm of thinking on both on an organizational level and practitioner level. Fully realizing the benefits of the creation and issuance of an integrated financial report necessitates a new and different way of thinking about how to best define organizational performance (Tilley, 2014). This revised mindset extends to the traditional capital account of financial capital as well as to the the more innovative capital accounts. Accounting policies and practices clearly have a strong linkage to financial performance and organization. Observing accounting policies instituted during the financial crisis, it is clear that organizations utilizing a more conservative

set of policies benefited from reduced earnings volatility and superior performance (Francis, Hasan, & Qiang, 2013). Expanding upon, and leveraging this research, a case for a more integrated and active accounting function becomes clear.

Finance and accounting must, as a profession, evolve and move upward on the financial value chain. As increasing numbers of corporations use some form of non-traditional reporting, it is argued that an integrated financial report represents the future of financial reporting (Roth, 2014). Extracting insights from financial information, and having the ability to translate these insights into actionable ideas and strategies, represent a key steps forward in the reporting and disclosure of financial capital. While the components of financial capital may remain unchanged, the context in which it is reported and its uses are undoubtedly changing.

5.2. Manufactured Capital

Manufactured capital can be thought of how the organization actually delivers goods and services to customers and clients, whether this is tangible or intangible. The ability of an organization to distribute products/services and information to clients and customers is obviously an essential component for business success, but often is not included in the overall financial position of organizations. Manufactured capital extends from the C-suite to frontline operations and must be incorporated in an equally thorough manner into the financial reporting process. Manufactured capital, in essence, is how the organization communicates and distributes the goods and services it produces to the clients and consumers that drive the business forward. In addition to providing the operational capacity for organizations to generate profits, the ability of the managerial team to accurately assess the value of these assets is critical to sustainable success.

CPAs are well positioned to seize on the increased interest in evaluating the value of the assets of the organization related to delivering products and services. With 95% of the largest 250 corporations globally already issuing some sort of alternative, or non-traditional reporting standard, it is imperative that organizations adapt and leverage capabilities of CPAs (Hughen, Lulseged & Upton, 2014). CPAs, and other financial professionals, possess the capabilities to inform managerial decision makers of the consequences pertaining to the quantification of manufactured assets. Leveraging experience with ROI, ROE, and various measures of discounted cash flow analysis present the profession with a multitude of opportunities to excel and to move up the value-additive chain within an organization. Extracting and evaluating the value of these assets is critical to fully realizing the assets, and revenue generating potential, of these assets so critical to operational success.

Manufactured capital traditionally refers to the physical assets and business locations of an organization, but that is not the only area in which the accounting profession can add value. Organizations such as Facebook, Twitter, LinkedIn, and even Apple have large amounts of total assets in intangible assets. Intangible assets, including intellectual capital issues, are comprising an increasing amount of total assets and market capitalization. The formation of the intellectual capital class is a clear recognition of this shift.

5.3. Intellectual Capital

Intangible assets, including copyrights, trademarks, and brand equity are comprising an increasing portion of both total assets, and marketplace capitalization, of publicly-traded corporations. Organizations such as Disney have long recognized the importance of intangible assets, and organizations such as Apple and Coca-Cola have recently begun to aggressively leverage the value and representation of intangible assets. As intellectual property becomes, simultaneously, more important and an increasingly contentious issue internationally, it is important for organizations to accurately value these assets.

Intellectual capital and the reporting on intangible assets overall have been issues of increasing importance since the financial crisis. With support from the AICPA, IMA, and other practitioner associations, several intellectual capital reporting templates and methodologies for reporting the value of intangible assets have been developed (Abhayawansa, 2014). Corporations such as Apple and Coca-Cola, and the large values assigned to intangible assets, demonstrate the financial and tangible value that intangible assets and intellectual capital can deliver to an organization. Using techniques already in existence for valuing tangible assets, and assets such as trademarks and goodwill, it is

entirely logical to expect that the same types of standards and metrics will be utilized toward a broader range of intangible assets.

Linking an integrated reporting concept, and multiple-capital model, into a broader recognition of intangible assets, is a logical evolution of the accounting and finance profession. By examining in more depth the strategy, governance, and risk-assessment policies of the organization, a conversation and debate is undoubtedly to develop with regards to the ethical framework of the business. Ethical business organizations that emphasize the importance of ethics and positive corporate culture realize an increase in the creation of intangible assets and the overall percentage of total assets attributable to intellectual capital (Su, 2014). Using these scholarly frameworks and recommendations, it is entirely plausible and possible for organizations to task the internal accounting function with developing policies and procedures for reporting this value.

5.4. Human Capital

Employees are arguably the most important asset that an organization possesses, and this is important to remember no matter which field the organization operates in. Organizations, no matter how technologically advanced or sophisticated, are still managed and run by individuals who must be informed, educated, and engaged to properly execute the strategic mission of the organization. Often interpreted as a qualitative metric, the measurement or quantification of human capital can have definitive financial effects on the organization, in addition to the employees in question. Particularly as the business landscape becomes more global, and competitive, it is imperative that organizations have a quantitative and comparable metric with which to evaluate the value embedded within the employees of the organization.

Linking the value of human capital to other trends re-shaping the business environment, namely increased attention paid to environmental and societal issues, creates a framework within which human capital can be effectively evaluated. Organizations, specifically for-profit corporations, traditionally have been oriented toward stock and debt holders, but this focus is changing as an enhanced stakeholder view takes hold. This trend has resulted in an entirely new field of accounting, namely, ecological and societal accounting. Social responsibility accounting and the new procedures that accompany any new accounting policies are changing how the accounting profession, and organizations at large, are accounting for ecological and social capital (Wildowicz-Giegiel, 2014). These policies and procedures that have evolved and been developed for use pertaining to ecological and societal accounting can be leveraged for use with human capital. Evaluating the training and certifications held by employees, and leveraging that knowledge to reduce fines and other regulatory issues, demonstrate a clear link between human capital and financial results.

Human capital, while an emerging field and still evolving with regards to standards and procedures, clearly represents an opportunity for practitioners to demonstrate value and flexibility to the managerial decision makers. Organizations are managed and run by individuals, and strategic planning is implemented by the individuals in charge of the decision-making process of the organization. It is imperative, within this framework, to effectively evaluate and quantify the value that human capital can bring to the decision making process.

5.5. Social and Relationship

Societal and relational capital might seem, at first observation, to be items and ideas relegated strictly to academic and theoretical conversation. Recently, and partially as a reflection of the evolution taking place in the marketplace, this mindset and thought process have begun to evolve. Social media companies, such as Twitter, Facebook, and Yelp are notoriously difficult to value and have spawned a crop of critics claiming none of these organizations are worth what current market levels indicate. Relational capital, or relationships capital, can be viewed in a similar light. How exactly does an organization quantify, in dollars and cents, the benefits of the relationships and connections it has with external stakeholders? More importantly, what qualitative framework can the organization use to justify spending the time and money on doing such an analysis? These questions, far from limiting the potential of social and relational capital, provide fertile avenues for it to be explored.

The power of social connections and external relationships has long been recognized in the form of intangible assets and productive working relationships, but the benefits do not stop there. Leveraging the development of social and environmental accounting standards research, Wildowicz-Giegiel

(2014) illustrate this link between social capital and accounting records. Accounting and finance standards centered on a particular area add legitimacy and veracity of any subset of financial reporting, and the creation and implementation of social accounting standards is no different. Additionally, the importance of socio-financial concepts is clear, as it pertains to the development on an integrated financial report (Jianu, 2012). An integrated financial report provides a critical introduction, and framework, in which social and relational capital can develop and evolve. Integrated financial reporting provides an opportunity for both organizations and practitioners to develop and implement a new form of capital that folds social connections and partnerships directly into financial conversation. Such market-based connections and evidence provide ample support for the further development and quantification of social capital. The narrative arguments within which the management team can argue these points are equally as important as the specific tests and measurement procedures used to evaluate the monetary aspect of social capital.

Linking back to the concept of human capital, and the over-arching theme of becoming increasingly integrated with the communities they serve, the role of social and relational capital becomes crystallized. In the post-financial crisis environment, a great deal has been written and said about the shortage of workers with the skills that organizations are looking for. Universities and corporations have a long tradition of partnerships and other types of joint ventures, and against a framework of increasingly technical jobs, it is even more important to maintain this connection. U.S. corporations such as General Electric, Microsoft, and Boeing are organizations that have extensive relationships with universities from recruitment to the direct partnerships pertaining to development of future professional leaders. Financial professionals could simultaneously quantify these relationships and provide the management team with the future pipeline of managerial expertise critical to success in an economy that is increasingly linked to knowledge and information.

5.6. Natural

Natural capital links most directly with existing trends in both the accounting and business environment overall; eco-friendly operations and sustainable business trends. Borrowing a concept from sustainability literature, one can link the development of natural accounting to the implementation of life-cycle-accounting (LCA) practices at organizations such as PUMA and Nike. Natural capital, as a concept, is obviously simpler for some organizations to monitor and manage; oil, natural gas, and extractive industries such as mining and timber come to mind. Other types of business, such as professional services, might at first glance seem disconnected from the concept and ramifications of integrating natural capital accounting. This frame of reference, provides an incomplete view of both the concept of natural accounting, as well as the implications of integrating such a mindset to accounting and financial reporting. A more comprehensive, and accurate approach, is to think of natural capital as an addition to the fields of sustainability and eco-friendly concepts already placed into practice.

Linking natural capital to sustainability is a logical progression; sustainability accounting and business practices are concerned with the effect or an organization on the surrounding environment, and natural capital is the quantification of said effects. Sustainability accounting and reporting is on the rise at organizations of all shapes and sizes; practitioners able to seize on this trend appear to be well positioned for future growth (Murphy, 2014). Leveraging insights and information generated from sustainability and other eco-oriented reporting is the next step in the development of an effective reporting and managerial framework. Capitalizing on, and transforming these insights into actionable business strategies, opens another field of opportunity for both organizations and financial practitioners (Jeffers, Romero, & DeGaetano, 2014). The development and implementation of accounting policies, procedures, and recognition standards related to the components of natural capital represents both a challenges and an opportunity. This field, and the requirements of businesses, make the development and integration of natural capital an exciting and dynamic area of research.

Practically speaking, however, it is important for financial professionals to be able to do several activities with regards to this class of capital. First, sources and drivers of capital must be identified. Second, standards and policies have to be developed to ensure consistent and comparable reporting. Third, and arguably most importantly, the correct narrative and qualitative framework must be built into financial reporting in order to create the appropriate environment for this initiative to succeed. In essence, what natural capital requires are professionals that are detail oriented in nature, familiar with the financial machinations and operations of the organization, and that possess the ability to

effectively communicate the meaning of quantitative information. CPAs are well posed to seize on this marketplace demand, and leverage existing skill sets to do (Smith, 2014). Accountants and financial professionals are the professional services group most often associated with both developing and interpreting quantitative information; these same skills sets apply to the emerging area of natural capital accounting

6. MULTIPLE CAPITAL MODEL (MCM)

From the academic literature, it is becoming clear that support for an integrated reporting framework is growing. Researchers in the fields of sustainability, management, governance, and financial accounting all leverage existing information and integrate previous findings in this expanding research area. Integrated reporting, the varying threads of research and study that connect it together, and the linkage between data and management, presents a comprehensive support structure for this reporting framework to fill. A critical component of the integrated financial reporting model and framework is creation and implementation of a multiple-capital model (MCM). At first glance, this might simply seem to be the creation, and result of, academic research that exists independent of practitioner uses, but this is an inaccurate and incomplete view. Support for the integrated framework, and the MCM embedded within it, provides financial practitioners with abundant opportunities for both research and actionable concepts.

Support from the profession is evidenced from the research and analyses performed by a growing number of researchers. Accounting professionals appear to be well-positioned to seize on the megatrends creating support for a MCM as well as other items (Smith, 2014). Other researchers build upon these statements with analysis of the growing importance of sustainability, the increasing numbers of organizations implementing a non-traditional reporting model, and the definitive ways CPAs can deliver value (Roth, 2014; Murphy, 2014, and Hughen, Lelsegend, & Upton, 2014). While varying in specific foci, several common threads and theories unite this research and analysis. First, the linkage between integrated reporting framework in theory, and marketplace needs, is strong and only becoming stronger. Second, while many organizations have begun to integrate non-traditional reporting methods into financial reporting, much work remains. Lastly, managerial decision makers need both high-quality information, but also require a narrative framework in which to fold the quantitative data. It appears that accounting and other financial professionals are well-positioned to take advantage of these trends to move up the value chain both within organizations and as a profession.

A MCM represents a significant step forward in both financial reporting, and how organizational performance is evaluated versus both the competition and by external stakeholders. Integrating greater elements of strategy, risk management, governance, and sustainability into a financial reporting template provides managerial decision makers with a more complete and inclusive data set with which to evaluate and make decisions. New initiatives and steps forward, such as an MCM, are not without challenges and obstacles, and lack of standardization and attestation standards remain among the top challenges for non-traditional reporting overall. Against this backdrop, opportunities are revealed for both organizations and financial practitioners. Organizations that adopt an MCM will not only have better information with which to make decisions, but will also benefit from improved relations with stakeholders both internally and externally. In short, integrated financial reporting appears to be positioned as the leading reporting template for the next era of business expansion and growth. MCMs, embedded with integrated reporting, appear to have enormous potential for both the dissemination of information and growth in the fields of accounting and finance.

7. CONCLUSION

Business exists in a competitive environment influenced by an ever-increasing amount of regulation, scrutiny, and stakeholder pressure. An integral piece for both integrated financial reporting, and the holistic managerial mindset that must precede it, is the inclusion of all stakeholders in the value creation process. Recognition of the value and attributes that the multitude of organizational stakeholders can bring to the decisions implemented by the organization is clearly evidenced by the creation of multiple types of capital. While sector-specific standards on the relative importance of such non-traditional standards are important, it is imperative to incorporate the role of financial professionals. The ability to analyze, integrate, and implement large amounts of information into the managerial decision making process are value-additive to business process matrix. The ability to efficiently evaluate, categorize, and report on non-traditional measures of financial performance

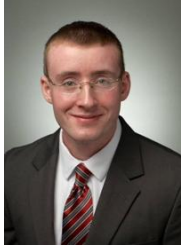
including governance, stakeholder engagement, and sustainability is critical to the success of organizations moving forward into the 21st century. Accounting and financial professionals, specifically related to the testing and development reporting standards linked to sustainability and natural capital stand well positioned to leverage this evolution to create value for both organizations and the profession as a whole.

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AUTHOR'S BIOGRAPHY



Sean Stein Smith is a 3-time graduate of Fairleigh Dickinson University (FDU) (Metropolitan Campus), where he earned his B.S., M.S., and M.B.A. He is currently a Senior Financial Analyst for Suez Environnement. In addition, Sean is currently adjunct faculty at FDU, where he has developed and taught courses in personal finance, corporate governance, managerial accounting, and financial accounting. Sean has also been published in numerous scholarly and academic publications including *The Journal of Strategic Innovation and Sustainability*, *Strategic Finance*, *Journal of Applied Business and Economics*, *Journal of Finance and Accounting*, *International Journal of Business and Social Science*, and *The CPA Journal*.