

From: Nils-Göran Olve [mailto:nils-goran@olve.se]
Sent: Thursday, 17 November 2011 12:45 PM
To: dpresponses@theiirc.org
Subject: Some comments and thoughts

Dear friends,

I have read your discussion paper with great interest and agree wholeheartedly. My reaction can be summarized, this is necessary and something that some of us have have preached for a long time, but will it succeed this time? There are obstacles you don't address much, except telling us that you are building on previous initiatives that probably also hoped we would have come much further already now than we have. So really my question is, could I make some contribution?

I've worked for 40 years at the interface between Swedish academia and consultancy, and now hold appointments with two universities while otherwise working free-lance in management control and devoting increasing time to my leisure interests. I'm involved in consulting and research on strategy maps, IT as a business resource and the work of controllers. I'm the (co-)author of quite a few books, several of which were published in English by Wiley. The latest one, on Copenhagen Business School Press, outlines an integrated approach to management control which would be highly compatible with your paper and its idea (p. 20) to adopt integrated reporting first internally (see <http://www.cbspress.dk/Visning-af-titel.848.0.html?&cHash=af46c609c4f0012abaf05e5321ed8635&ean=9788763002424>). My coauthor Fredrik Nilsson is the professor of accounting at Uppsala University, and together we have research collaborations with i.a. The IIA's Swedish chapter. The book was also issued in Brazil. Some of my previous books on the balanced scorecard were also translated into Japanese, Spanish and other languages.

For me, the main reason (mentioned by you but maybe not given sufficient weight) is effective capital allocation. I can't see how funds from the public ("anonymous owners") will be forthcoming based on current financial reports. Just like I've preached for decades that such information is insufficient for internal control purposes. But when it's proved so hard to make even corporate boards understand their firms in this way, can we create outside reporting that succeeds in it?

So I'm sceptical. I see strong tendencies that numbers matter more as window-dressing, providing a facade and helping key people avoid blame by reference to ignorance, rather than functioning as a foundation for genuine discourse on future needs and current possibilities. So how avoid the game-playing that invades even boardrooms and management team meetings?

Also, as you point out the complexities of a modern business and its ties with its environment are staggering. The integration you argue would be most useful for many board members and senior managers, if it could be provided. In our book (see above) we described experiences - our own and from many leading Swedish controllers - of trying to put it all together. A few times I have had the pleasure to work with business teams and, once only, with a board to provide this kind of overview. Can it really be communicated to outsider stakeholders? Is maybe the modern firm too fragile to be owned by others than institutional owners and 'business angels' who can devote most of their time to trying to understand just one or two such firms?

This means that while ticking yes to all your questions, there are a few where I make mental reservations:

- Q6: We need to go into legal duties and ethical responsibilities towards other stakeholders, and maybe towards nature, and how law and ethics should relate, don't we? Also, you are rather vague in discussing the relation between the capitals and firms,

using terms like "available", "has developed" - but no term at all concerning access to humans! Accounting is about these interfaces and will be influenced by what the relations are!

- Q9: As said, don't underestimate personal opportunism. And, in particular concerning Investors, they will need to form personal judgments, and assume responsibility for these, to an extent that is very different from today. Now they may claim that they have done their job if they analyzed "rational" numbers, and came to conclusions similar to their peers. Strategic analyses from all kinds of data and narratives is a different matter! - Among stakeholders, don't forget other firms: suppliers, distributors and others in the "imaginary organisation"!

Colleagues at Uppsala already are somewhat into sustainability reporting. Maybe we could extend that in this direction, linking to our books etc. I notice there are some Swedish linkages that we might explore. What do you advise me to do?

Best wishes (really!),

Nils-Göran Olve

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Uppsala University www.fek.uu.se/institutionen/person.asp?personId=965

Also see www.makingscorecardsactionable.com; www.operavannerna.com

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