

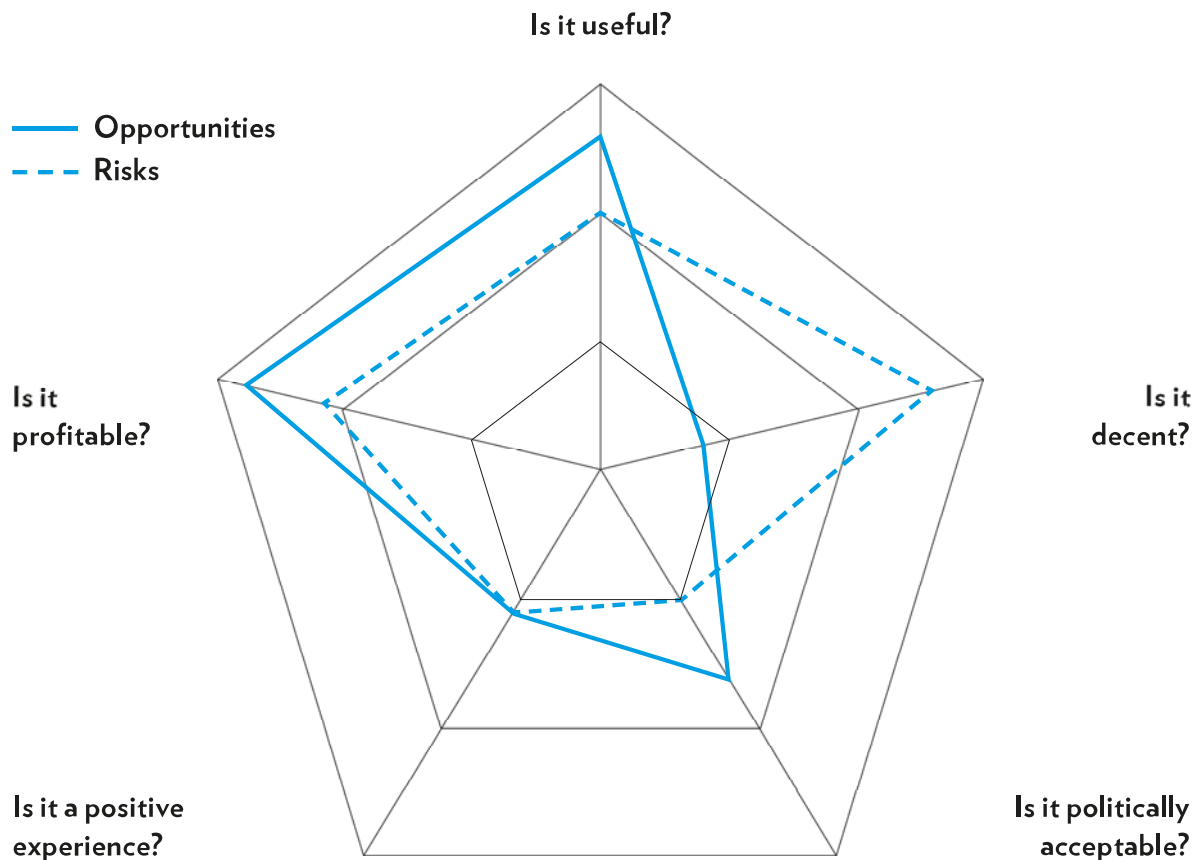
NON-FINANCIAL REPORTING - GETTING SERIOUS ABOUT SOCIETY

How non-financial reporting can make use of Public Value

By Timo Meynhardt, Peter Gomez & Thomas Berndt

More than ever, firms need to know how they impact on society, our values and our ways of living. In a world of high uncertainty, it is necessary to develop a sense of what really makes an organization valuable to the people. In research, the notion of Public Value addresses this type of value creation. It is about a firm's contribution to the common good as perceived by the people.

Public value scorecard with the five public value dimensions of a product, initiative, and organization



The Public Value scorecard measures the five Public Value dimensions of a product, initiative, and an entire organization and analyses the risk and opportunity potential for each dimension. Following a multi-method approach, the tailor-made scorecard is generated by using different data gathering techniques: survey, interviews, social media analysis, grid technique, workshop methods.

With the advent of Public Value in the business world, firms discovered a number of strategic opportunities. Next to an improved risk management, a more detailed identification of the corporate purpose and a much wider view on business opportunities, organizations learned to make use of Public Value to better legitimize their reason of being and their license to operate.

Beyond sustainability and CSR approaches

Public Value is concerned with the values people attach to a specific organization when reflecting about the society they live in. It

goes beyond sustainability and CSR approaches, because it puts an organization into a broader picture of societal stability and progress. The rationale is simple and yet compelling: it is the people which buys products, votes for initiatives, and decides whom to work for. Thus, it makes sense to better understand the social collective's concerns beyond stakeholder approaches.

Ultimately, Public Value refers to an extended notion of value creation. As a consequence, it also extends the grounds of reporting. Needless to say, new statutory provisions and regulatory trends (like the EU directive 2013/34 on disclosure of non-financial and diversity information) force organizations to not only consider non-financial information in management activities, but to also consequently align business activities to societal needs.

Incorporating Public Value into accounting and reporting

A group of leading firms and organizations in Switzerland recently joined forces with the authors to develop new approaches to enhance existing reporting measures. Basically, three options are under consideration:

1 Take advantage of the Public Value Scorecard

This tool measures the five Public Value dimensions of a product, initiative, or an entire organization (see infobox). For example, Swiss Mobiliar investigated the Public Value change entailed by a potential acquisition. Soccer club Bayern Munich studied Public Value challenges in the context of its growth strategy. Last, but not least, Fresenius Medical Care used the Public Value Scorecard to operationalize a missing part in its Balanced Scorecard.

2 Relate Public Value to your materiality matrix

Materiality analyses adjoin topics relevant for the organization to topics relevant for the stakeholders. To date, this analysis does not necessarily account for topics relevant for the general public.

Therefore, redefining the axes of the materiality matrix strives to make a case for the linkage of an organization's Public Value creation with its value chain and thus also with its business strategy.

Alternatively, Public Value could appear as a new topic in the existing analysis.

3 Find levers to boost your Public Value performance

Existing data bases comprise rich information relevant to Public Value. Currently, a research team allocates more than 1000 ESG key performance indicators to Public Value dimensions. This enables firms to identify levers to not only gain a detailed understanding of the different Public Value dimensions and their associated KPIs, but also to improve their Public Value.

Value creation instead of value washing

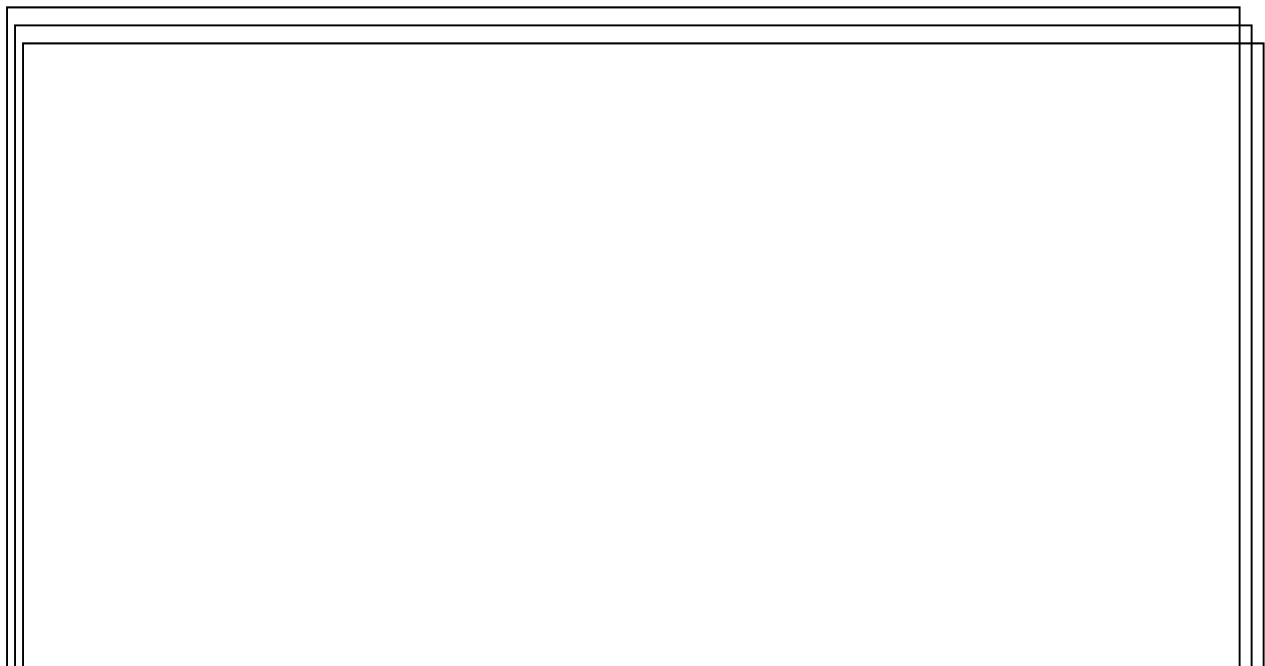
We consider accounting crucial in "securing" a firm's Public Value. It is cheap talk to predict a growing importance of this societal dimension. But doing innovative Public Value reporting should be a safe bet in times of growing mistrust in firms as a nation's wealth-creating engines. Incorporating Public Value dimensions into the accounting and reporting framework of a company also is a solid tool to prevent accusations of value washing.

Public Value reporting is a business imperative in a world full of uncertainties and dynamic change. It is just a logical next step for companies engaged in stakeholder dialogues and preparing a

materiality matrix. Or, as Nestlé puts it: “To be successful, a company cannot afford to ignore what the world thinks about it.”

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