

Accountants Will Save the World

by Peter Bakker

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Last June, I raised a few eyebrows when I told attendees at the United Nations Conference on Sustainable Development in Rio (aka Rio+20) that “accountants would save the world.” But I meant it. To get all businesses involved in solving the world’s toughest problems, we must change the accounting rules.

Why accounting? During my time as CEO of TNT N.V. we created a partnership with the UN World Food Program (WFP) – at that time the world’s first between a for-profit and the UN agency. A transport company like TNT is a typical beneficiary of globalization. At the same time we live in a world where every six seconds a child dies from hunger despite there being enough food in the world to prevent it. So TNT brought its logistics skills and committed its people’s time to help the WFP reach the victims of droughts, famine, and natural disaster. Our professional support made the WFP function better. But we got returns on our investment as well: Our employees were proud of the company and eager to participate; the disaster areas provided some of the best training on how to solve complex dilemmas; and of course the reputation of the company improved tremendously. There is no doubt we benefited from this.

But we weren’t capturing any of it in our financial reports. We were building social capital, but we didn’t have a way to tell our shareholders – or be held accountable to keep doing it. Similarly, you don’t have to be an energy company or pulp and paper producer to focus on those resources; all companies use water, energy, and paper. But few are held accountable.

That's why we need to ensure that corporate reporting makes clear how a company is making its money, not just how much money it has made. For every robust, time-tested measure of return on financial capital, we need another for social capital – the economic benefits that derive from cooperation among groups, and yet another for natural capital – the supply of natural ecosystems (think forests, oceans, mineral deposits) that we turn into valuable goods or services future.

Make no mistake, I am a capitalist: Someone who puts capital to work, and wants something back. But where we've lost the plot is that we only demand – and manage – a return on financial capital. In order to address current economic crises in a systematic way, we must begin to demand a return on social and natural capital as well. That's where we need to change the rules of the game.

It's true that since the advent of the Global Reporting Initiative in 2000 companies have begun to include evidence of sustainability in their annual reports. But many corporate reports describe sustainability as a “journey” with no explicit destination. Furthermore the non-financial parts of reporting today are not rule-based, making it impossible to compare performance across industries – and many times even within them.

The World Business Council for Sustainable Development (WBCSD), where I am president, is taking steps to address this. We are a membership organization consisting of over 200 companies worldwide – including all of the Big Four accountants. We've started a program on reporting and investment that will collaborate with The Prince's Accounting for Sustainability Project (as in Prince Charles) and the International Integrated Reporting Council to make sustainable performance concrete, measurable, comparable, and linked to scientific priorities. We will focus on both internal sustainability reporting for improved risk and performance management, as well as on external disclosure as a driver for more accurate valuation of companies and improved allocation of capital market investments. We will also convene a forum for CEOs and accountants to discuss and develop large-scale solutions for finance and reporting and are exploring the possibility of developing a world-class training program for CFOs on sustainability.

If the world wants to address our many challenges – if business wants to restore societies' trust – business must be more transparent and acknowledge that the resources we exploit or conserve and the social benefits we engender or lose, must be factored into a company's value and thus into day-

to-day management. This is not a matter of incremental change, but a radical transformation. And it's the accountants who will lead the way.

This post is based partly on a speech Peter Bakker gave at The Prince's Accounting for Sustainability Forum on December 13, 2012. A copy of the full speech, as well a video, can be accessed [here](#).

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