

# The CPA Journal

<https://www.nysscpa.org/news/publications/the-cpa-journal/integrated-reporting-and-generational-priorities>

August 2016

## Integrated Reporting and Generational Priorities

*Michael Kraten, PhD, CPA*

On June 23, 2016, the citizens of the United Kingdom voted to leave the European Union. According to Prime Minister David Cameron, “Over 33 million people from England, Scotland, Wales, Northern Ireland, and Gibraltar have all had their say.” He continued, “The British people have voted to leave the European Union, and their will must be respected” (“David Cameron Resigns as Prime Minister after Britain Votes Brexit,” ITV News, <http://bit.ly/29w0BIL>).

But did they *all* wish to leave? According to Politico, 75% of voters aged 18 to 24 voted to stay in Europe, and 56% of voters aged 25 to 49 wished to remain as well. Older voters, however, expressed their desire to leave, with 61% of senior citizens and 56% of voters aged 50 to 64 preferring to depart (“British Youth Voted Remain,” June 24, 2016, <http://politi.co/29zLs1C>). In other words, the United Kingdom is now grappling with significant differences in generational attitudes regarding the long-term sustainability of its integration with the European Union. And this is not solely a European phenomenon. Americans are grappling with differences in generational priorities as well.

### Sustainability: Three Generational Perspectives

Say “sustainability” to business professionals of the Baby Boom generation, and they're likely to respond that it refers to Corporate Social Responsibility (CSR). They might think of Ben & Jerry's, the ice cream producer that was the first organization to issue annual Social and Environment Assessment Reports (SEARs) in regards to its self-defined sustainability goals, available at [www.benjerry.com/about-us/sear-reports](http://www.benjerry.com/about-us/sear-reports). But to Generation X professionals, sustainability more likely refers to sets of metrics known as Environmental, Social, and Governance (ESG) measures. These metrics add a third emphasis, that of corporate governance, to the social and environmental concerns that form the core of Ben & Jerry's SEAR reports. To a Generation X professional, many organizational and economic crises of the past two decades, from the demise of corrupt organizations like Enron to the collapse of financial markets in the global banking industry, were attributable to fatally flawed systems of corporate leadership and control. Members of this generation have become acutely aware of the need for sound governance practices to ensure our sustainable futures.

To the Millennial generation, though, it is not sufficient to simply compile environmental, social, and governance metrics in a manner that is independent of financial reporting practices. Instead, a globally interconnected and culturally intertwined world necessitates an integrated approach to sustainability reporting.

How can the accounting profession help achieve that goal? At the NYSSCPA and the Hedge Fund Roundtable's May 2016 conference on sustainability, Mervyn King, the former chairman of the International Integrated Reporting Council, and Jane Gleeson-White, author of *Six Capitals, or Can Accountants Save The Planet?*, both spoke of the Integrated Reporting framework. This model incorporates environmental, social, and financial (or economic) considerations into a single paradigm (<http://bit.ly/1SnOH0x>).

The model was also addressed at the NYSSCPA's annual “NextGen: The Conference for Young CPAs” on July 25, 2016. Furthermore, it was discussed in this author's posts on the NYSSCPA's NextGen blog entitled

“Our Three-Dimensional Future” (May 25, 2015, <http://bit.ly/29CqBRa>) and “Can Accountants Save the Planet?” (October 1, 2015, <http://bit.ly/29zoigr>).

The Integrated Reporting model presents a framework in which all business inputs, activities, outputs, and outcomes are managed with respect to the six capitals of organizational endeavors, which are financial, manufactured, intellectual, human, social/relationship, and natural. This model is much more complicated than a simple listing of social, environmental, and governance metrics; indeed, the Integrated Reporting paradigm reflects the full complexity of the interdependent, interconnected, Internet-driven, and highly globalized world of the Millennial generation.

## Cases in Point: Four Millennial Executives Speak

To confirm this assertion, the four Millennial professionals who were interviewed for this article were asked to describe their impressions of sustainability. First and foremost, they are all familiar with the Integrated Reporting model. Though they each work in different sectors of the economy, and though they each apply the concepts of the model to their endeavors in different ways, they all agree that an integrated approach to financial and managerial reporting reflects their business priorities as a millennial generation.

The first executive, Nick Hunsaker, is the founder of Honey For Haiti (<http://honeyforhaiti.org>), a Connecticut-based organization that raises funds “through the sale of ... local Connecticut honey in which every single dollar made goes directly into the development of sustainable, income-generating activities” at Maison L'Arc-en-Ciel, an orphanage in Kenscoff, Haiti. Hunsaker uses the integrated reporting framework of the IIRC for business modeling purposes. “In today's world,” he says, “even those living off the grid in places like Kenscoff can be reached with a click of a button. For Maison L'Arc-en-Ciel's sustainable farm to succeed, they'll need to efficiently employ their financial, intellectual, natural, human, and relationship/social capital.” Note that he emphasizes five of the six capitals in the Integrated Reporting model. Although not every category is equally important to every organization, the six collectively represent a comprehensive list of resources that comprise our global economy.

Jim Klinger is the Assistant Controller of IFC Asset Management Company LLC (<http://ifcamc.org>), a wholly owned subsidiary of the International Finance Corporation (IFC) of the World Bank Group. Since 1944, the World Bank has evolved from facilitating postwar reconstruction efforts to alleviating worldwide poverty (<http://bit.ly/29twmfc>). Klinger says, “I want my work as a CPA to mean more than just providing for my family. When I'm not assisting with impact investing at work, I invest my free time and personal capital in ways that I hope will make a positive difference in the world. After all, my daughter and future generations will inherit all that we do. If we do poorly, we'll have some tough critics!” He is familiar with the Integrated Reporting framework and is also learning more about the guidelines of the Sustainability Accounting Standards Board (SASB) and the Impact Reporting and Investment Standards (IRIS) of the Global Impact Investing Network (GIIN). “All of us, from the wealthiest investor to the neediest global refugee, need to understand the increasing interconnectedness of our global economy and society,” he says. “And we need to grow with it!”

Jason Dodier is a Civilian Federal Account Manager with Schneider Electric (<http://schneider-electric.com>), a global energy management firm based in Europe. He is collaborating with Nicholas Denice, an attorney and Certified Fraud Examiner, and Octavia Abell, the director of strategy at the Rhode Island Office of Innovation, to develop sustainable “smart city” strategies. Dodier has lived and worked across the world, including Europe and the Middle East, as a firm ambassador focusing on sustainability, the “Internet of things,” and branding. According to him, “it's my job to leverage the sharing economy while educating people about digitization, which provides the necessary insights to have lasting impacts within our society.” Dodier believes that “all citizens deserve the right to live in a place that is efficient, resilient, and sustainable. As globalization continues to shrink our world, new technologies and cultural awareness initiatives will bring us together. Energy reduction objectives are a part of that strategy; when implemented correctly, they can help generate tremendous amounts of social and natural capital.”

Finally, Kristin Pizzi is an audit senior manager at Marcum LLP (<http://marcumllp.com>). Of all of the Millennial businesspersons interviewed for this article, Kristin has most clearly followed the traditional CPA career path. “As a Millennial accountant, I have a passion for working with start-ups that strive to create a positive economic and social impact in the community. I personally find great satisfaction and have made a commitment to donate some of my time and professional skill set to mentoring social entrepreneurs. I am also proud to work for a firm that instills Corporate Social Responsibility as part of its brand awareness.” She defines integration in a different sense: “One of our core values is giving back to the community. The mission of the Marcum Foundation, for instance, is to ‘support nonprofit organizations by providing critical assistance to those in need, through programs and services delivered at the community level.’ It’s very rewarding to be able to have such a close alignment between my personal sense of social responsibility and my career.”

## Bridging the Generation Gap

These insights can provide Baby Boomer and Generation X executives with much-needed context. When finding themselves at odds with a colleague of a different generation about the nature and importance of sustainability, they should keep in mind that differences in generational attitudes may be inducing that discord. In addition, they should remember that such clashes are hardly unusual. As the Brexit political debate in the United Kingdom or various environmental or social challenges here in the United States illustrate, the beliefs and attitudes of the Millennial generation have been forged by the rapidly integrating world in which all generations are living.

*Michael Kraten, PhD, CPA is an associate professor in the accountancy program at the Providence College School of Business in Providence, R.I. He is a member of The CPA Journal Editorial Board.*