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SUMMARY

Many different companies have decisively embraced the New Business Narrative focused on the Stakeholder Theory and it has been part of the ethos of leading companies worldwide for some time now. However, a systematic process has not been developed to identify an organisation’s withdrawn or distributed value for its different stakeholders in monetary terms. Accounting is inadequate for this purpose and the current information system therefore needs to be expanded. This article reflects on Stakeholder Accounting [SA]. Based on the multi-faceted model, it proposes broadening the value concept to also include price-based transactions, transfers performed in a non-market environment (and without consideration), and emotional ones. Moreover, it proposes expanding from a one-dimensional perspective, focused on shareholders, to a multi-dimensional including all the stakeholders of the organisation. The rest of the article reflects on the multiple experiences generated over the last ten years, along with the applicability, the potential and the implications of this accounting both for organisations and for their stakeholders.

1 This is research within the framework of the collaboration agreement signed between the DBS and Corporate Excellence, and has been developed specifically for use in the European Agricoop Value Project.
RESUMEN

Desde ya hace un tiempo, la Nueva Narrativa de la Empresa [NBN] centrada en la teoría de stakeholder, se ha incorporado de forma decidida en un amplio abanico de empresas, contribuyendo al ideario de las principales empresas del mundo. Sin embargo, no se ha desarrollado un proceso sistemático que permita identificar de forma monetaria el valor distribuido o retraído por una organización a sus diversos stakeholders. La contabilidad resulta insuficiente para este propósito, por lo que se necesita ampliar el actual sistema de información. En el presente artículo reflexiona sobre la Contabilidad Social orientada a los Stakeholders [SAS] que, basada en el Modelo poliédrico, propone una ampliación del concepto de valor, incorporando además de las transacciones basadas en precios, las transferencias realizadas en un entorno de no mercado (sin contraprestación de precio) y aquellas de carácter emocional. Así mismo propone una ampliación desde una perspectiva unidimensional, centrada en los accionistas una multidimensional que incorpore a la totalidad de los stakeholders de la organización. En el resto del artículo se reflexiona sobre las múltiples experiencias generadas en diez años de funcionamiento, así como la aplicabilidad, el potencial y las implicaciones de esta contabilidad [SAS] tanto para las organizaciones como para sus stakeholders.

Palabras clave: Stakeholder, nueva narrativa de empresa, propósito, contabilidad social, contabilidad para los stakeholder, valor social.

1. Introduction

Companies are seeking to shift from maximising profits to the purpose. At least, that is the case according to the public statements of the main investment funds and the websites of the majority of leading corporations. Furthermore, that purpose is broken down into balanced value distribution for multiple stakeholders. However, the model used to analyse and evaluate the performance continues to be fundamentally economic-financial accounting. Non-financial information has been increasingly included in recent years, but it is true that there is still no model as systematic and fully structured as accounting. The KPIs (Key Performance Indicators) are being included in the social and environmental spheres, but lack a cross-cutting analysis unit to provide an overall global perspective. Their reading and interpretation are as complex as if we were attempting to understand accounting in terms of non-monetary units, such as number of units sold, square metres of premises and number of employees, without a monetary unit to connect the data of one area with the information of the others.

The current accounting information system is one dimensional and is clearly aimed at shareholders/investors. Thus, it offers negative value to other stakeholders: workers, suppliers, public administration, etc. We cannot help but feel that good management should reduce and not incre-
ase that amount, as could be inferred from accounting where it would appear in plus terms. The conclusion to be drawn from these inconsistencies is that we need a new type of accounting that allows the general public and all the stakeholders involved to know to what extent a company or organisation creates or diminishes value for society, and how that value is distributed among the different stakeholders.

The current accounting system, with all its potential, proves to be very limited when it comes to holistically understanding value creation and its distribution, let alone in terms of how it is perceived as useful by individuals, which are not mere rational decision-makers guided by egoism, but rather complex decision-makers able to assess market, non-market and emotional aspects simultaneously. This explains the need felt by the stakeholder paradigm for a broader information system that allows a better understanding of the performance of the organisations as regards their stakeholders overall. The information systems linked to management as fundamental in the decision-making processes must be taken into account. Therefore, their measurement is not a mere external communication element (Kaplan & Norton, 1992), but rather substantially affects the strategy and management of the company. If there is really a commitment to managing for the stakeholders, management control elements (accounting) are necessary in order to see the value distributed to the different stakeholders, using all value transfer methods; not only with the goal of being transparent and coherent with the purpose, but also with the aim of making value management and creation more effective.

2. Theoretical framework: purpose and new business narrative

Since the last economic crisis, the micro-economic framework to understand how the economy functions has clearly been thrown into crisis; the incidents cited are just some signs of this far-reaching change of paradigm.

Recently Purpose is replacing maximising profit as the business orientation (Craig & Snook, 2014; Mayer, 2021; Serafeim, 2020); that requires a new business theory, which is yet to be developed. However, a theory, at least a narrative as a framework to understand the above change, has been generated from the stakeholder theory, which is largely incorporated in the discourse of the large corporations globally. The New Business Narrative [NBN] is based on five key concepts (Freeman et al., 2020b): 1) Prioritising purpose and earnings; 2) Creating value for stakeholders, including shareholders; 3) Seeing the businesses integrated in society and in the markets; 4) Recognising humanity made up of per-
sons, including their economic interests; and 5) Integrating business and ethics into a more holistic model. An approach that is based on six fundamental principles, (San-Jose, Retolaza y Freeman, 2017), namely: 1) Purpose, 2) Interconnection, 3) Cooperation, 4) Reciprocity, 5) Value Creation, and, 6) Human Complexity).

Figure 1

Daisy chart of the New Business Narrative principles

THE NEW NARRATIVE OF ORGANIZATIONS

Source: Prepared by the authors.

The New Business Narrative [NBN] starts with the Purpose (1\textsuperscript{st} Principle), which drives the participation of multiple stakeholders (2\textsuperscript{nd} Principle: interconnection). The latter cooperate with each other and with other agents (3\textsuperscript{rd} Principle: cooperation) to generate value; and expect, as is logical, to be included in the distribution of that value equitably to their contribution (4\textsuperscript{th} Principle: reciprocity). This collaboration allows an incremental value to be generated (5\textsuperscript{th} Principle: value creation), not only through the market activities, by also by means of non-market and even emotional transfers, as people are complex beings (6\textsuperscript{th}: human complexity) with different motivations and interests, which are even often contradictory; and we do not react well to the reductionist
model of maximising economic profit. The following figure graphically depicts the aforementioned six principles.

Figure 2

The 6 Principles of the New Business Narrative

Source: Prepared by the authors based on Freeman et al. (2020).

This New Business Narrative [NBN], which is very different to that of profit as it indicates the social value generated, requires a new accounting model that provides information not only about the profit, but also about all the transfers generated by the organisations, including the emotional and non-market ones, generally known as negative and positive externalities.

2. Stakeholder accounting [sa] for the new business narrative [nbn]

2.1. Conclusions

The fact is that we have a well-developed accounting system to identify value creation through the market, but it does not provide any information about non-market and emotional value transactions; the information on the distribution of the generated value does not facilitate a direct reading even as regards the market. The New Business Narrative [NBN] is calling for a new accounting system to really facilitate a holistic
understanding of the global value that the organisations transfer to or detract from all their stakeholders and, therefore, society (Harrison et al., 2020). This new accounting, which is usually known as Stakeholder Accounting [SA], breaks with the single value concept, by providing information on the value perceived by each stakeholder. That enables the shift from the current one-dimensional accounting to multi-dimensional accounting really aimed at stakeholders. Second, that information system should be able to incorporate not only the transactional value with a price paid, but also the set of non-market transfers, including relational ones. In any event, it would not as much about generating an alternative or complementary system to the current economic-financial accounting system, as about expanding its limits. Figure 3 depicts that expansion visually.

Figure 3
Expansion of the accounting information system

Source: Freeman, Retolaza & San-Jose, 2020.

Beyond non-monetary accounting, or general approaches that, undoubtedly, have facilitated the development of monetary social and
environmental accounting (Gray et al., 2014), multiple research and practical studies with companies and organisations exemplify the proposed accounting (Retolaza & San-Jose, 2018). AECA\(^2\) has its own methodology (Gonzalo & Pérez, 2017) which enables the shift from classical accounting to the analysis of the distribution for the main recipients of the market added value: workers, capital, public administration and the organisation itself; it also has a working group that is standardising the value indirectly driven through the suppliers. Furthermore, extending economic-financial accounting to the non-market transfers proposed by GEA\(^3\) Accounting allows their monetary quantification. There are also some emotional accounting experiences (Ruiz-Roqueñi, 2020) which have recently been crystallised in a sound methodological proposal (Retolaza & San-Jose, 2021). The incorporation of value generated or detracted by omission from the non-stakeholders is still a work in progress.

At the time of writing, companies have the necessary instruments to develop an accounting system that identifies all the value that they generate and its distribution to the many stakeholders. Given the determination of the majority of companies to generate value for stakeholders overall, the analysis and management of that value does not seem to be optional, but rather that it should be a clear goal of the companies. Stakeholder Accounting [SA] emerges as an instrument to assess the performance generated and the equitable distribution among the different stakeholders; thus, the possibility of cost accounting opens up in areas of great social interest, such as gender equality, the contribution to the SDGs (Sustainable Development Goals) or to the circular and proximity economy; aspects into which we will delve further in a later section.

The basis of Stakeholder Accounting [SA] is the multifaceted model (see Figure 4) proposed earlier in the area of stakeholder theory (Freeman et al., 2020; San-Jose et al., 2017). It is a framework for understanding the value distribution for a differentiated set of stakeholders.

\(^2\) https://is.aeca.es/suite/#/home
\(^3\) https://www.geaccounting.org/
The practical way of presenting this model in the framework Stakeholder Accounting [SA] would use a matrix identifying the type of distributed value on the y-axis and the stakeholder perceiving that value on the x-axis.

2.2. Applicability

Stakeholder Accounting [SA] is now not only an academic theoretical proposal, but is already a functioning reality. There are multiple case studies published in the scientific field (Retolaza et al. 2015b; San-Jose & Retolaza, 2017; Etxezarreta et al. 2018; Retolaza & San-Jose, 2020; Lazkano & San-Jose, 2020; Ayuso et al. 2020). Several years ago, Retolaza and San-Jose (2018) explicitly identified a total of 52 experiences. Therefore, a hypothetical thesis that Stakeholder Accounting [SA] is impossible in real monetary units should be refuted;

Source: Freeman, Retolaza & San-Jose, 2020.
empirical contrast, regardless of whether it can be improved, allows us to assert the possibility of spelling out in a practical way an information system in an organisation on its performance, aimed at a broad set of stakeholders; which reaches beyond the quantification of monetary transactions, and includes non-monetary and, even, emotional value transfers in monetary units. In this line, the Global Economic Accounting (GEAccounting) reports over 200 experiences in a decade of work. It has developed the ARTE (Action Research Training Experience) programme that facilitates the transfer of know-how to the different organisations to develop Stakeholder Accounting [SA] adapted to each participant (Aguado et al., 2021).

The methodology used in those experiences is explained and documented in different papers (Retolaza et al., 2015, 2016; Retolaza & San-Jose 2016b, 2019, 2021; San-Jose & Retolaza, 2016). It consists of six differentiated phases to obtain the non-market value: 1) preparing the stakeholder map, 2) phenomenological dialogue with the stakeholders, 3) identifying value variables, 4) calculating the fair value for each unit of the different value variables, 5) quantitative identification of the outputs transferred as regards each of the variables, 6) calculating the fair value generated by each variable for each stakeholder. The process of calculating the market value has to be added to this process to calculate the non-market value. The former only comprises a transformation of the profit and loss account from the perspective of the stakeholder receiving the distributed value, whether first by means of added value, second, by the mobilised value, fundamentally through the suppliers, or indirectly, using the induced value. Value that is often not attributable to a single agent and must be collectively considered as a value generated by a specific value ecosystem. Its exclusive appropriation by any of the participants would destroy or significantly hinder the collective value creation. Furthermore, the emotional value has to be incorporated, based on the degree of satisfaction of the different stakeholders with the perceived value and of the transfer of this value to monetary units by identifying the limits of the fair value of the surplus to that stakeholder, whose scope is estimated between the real price paid (lower limit) and the maximum willingness to pay (upper limit). Once the three types of value market, non-market and emotional – have been obtained, they are integrated and analysed using indicators, along with their graphic representation and holistic understanding.
2.3. Potential

Even though the majority of organisations and companies that develop an accounting system for stakeholders initially seem to be guided by interests related to communication and reputation (Lazcano & Beraza, 2019), they naturally extend the potential of that information to other spheres, such as benchmarking, strategy, people management and impact assessment.

Communication and benchmarking are areas where multiple experiences exist; in the first case, we can highlight information leaflets, press releases and videos; with regards to benchmarking, it is already being carried out in several subsectors such as disability, agri-food and museums (San-Jose & Retolaza, 2016).

However, the great potential comes from two areas still to be developed. On the one hand, the integration of Stakeholder Accounting [SA] into the strategy, by means of an adapted balanced scorecard (Etxanobe, 2020) or by means of empowering the participants (Retolaza et al., 2020). On the other hand, the development of cost accounting, based on the Stakeholder Accounting [SA] and complementary to it. The fields of application studied include gender equality (Gartzia & Retolaza, 2019), territorial impact and proximity purchasing (Retolaza et al., 2015), the circular economy or assessing the impact of public procurement (Bernal et al., 2019) and innovation (Echevarría, 2020).

3. Discussion

It could be argued that both the citizens and an important percentage of investors are demanding a new social contract (Costas, 2017). Information on value distribution therefore becomes a significant consideration. Transparency is a value sought after by society, when not legally required (Fung et al., 2007); non-financial reports in our sphere not only expand the number of companies affected, but also the quality and depth of the information requested (Andrades & Larrán, 2019). In this vein, Stakeholder Accounting [SA] goes a step further than the KPIs, as it is able to translate the latter into monetary units. That opens up the possibility of social quantitative assessments that are as powerful as those used in the financial sphere.

Stakeholder Accounting [SA] proposes an expansion of the traditional accounting. On the one hand, by extending the y-axis by means of
incorporating the market, non-market and emotional values. The value has been expressed in monetary units facilitating its understanding and comparability in order to be able to integrate the three units with each other and with the management processes. On the other hand, an extension of the x-axis is also proposed, by establishing a category for each of the stakeholder recipient of that value.

This Stakeholder Accounting [SA] proposal is based on the multifaceted model, in a similar way that the double entry system underpins economic-financial accounting. The specificity of the model is that the value is differential for each of the stakeholders. Therefore, even though we can calculate the sum of the consolidated distribution for the stakeholders overall, the fundamental usefulness is not found in the sum, but in the balanced distribution. This will lead to multidimensional accounting, where the goal of the manager, far of optimising all of them, which would be impossible, will be to achieve a balance that is sufficiently satisfactory (satisficing) (Simon, 1957) for each of the stakeholders.

In addition, but no less important, it should be noted that the Stakeholder Accounting [SA] is presented as an instrument where feedback enables a potential increase in the perceived value in the areas of intrinsic and momentous motivation. In turn, it may also impact the social performance of the company by means of the increased OCB (Organizational Citizenship Behaviour) of the agents (multiple stakeholders) involved in its generation. In turn, this leads to a virtuous circle process (Retolaza & San-Jose, 2021).

Furthermore, value analyses can also be addressed where traditionally KPIs are used, such as value distribution according to gender. This type of accounting not only allows a global balanced measurement, but also specific for each type of value and stakeholder. Therefore, a much broader range of information is achieved, as the different spaces of the matrix do not have to necessarily be aligned in a single direction. That information, which is far more nuanced, allows strategic and management processes aimed at the differential value distribution to be specified. In turn, cost accounting focused on the SDGs allows the differential value incorporated by the strategies implemented by the company in that regard to be seen, and, therefore, enables the goodness of those management mechanisms to be assessed. Moreover, it allows the territorial impact of the activity of an organisation or project to be assessed. That facilitates an analysis of the return of the impact of public spending and investment, which is of great interest to steer public procurement to opti-
mise the social value generated. From this perspective, cost accounting based on stakeholder account is a good methodology to measure the social impact of organisations and projects.

References


