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## **Measuring the Unmeasurable: An “accounting marathon” to unpack corporate social performance**

### **Introduction to the challenge**

Firms’ activities have major consequences on the sustainable development of individuals and societies. The need to develop sustainability accounting tools to measure corporate social performance has gained momentum for over a decade and has now become a priority considering the recent polycrises and socialwashing scandals (Kjaer & Kirchmaier, 2023).

The recent Covid crisis, for example, has radically changed many aspects of our lives shedding light on what is important to individuals, societies, and the planet: the so called “Great Resignation”, a term coined in May 2021, describes the record number of people leaving their jobs since the beginning of the pandemic, and recent studies demonstrate that this trend is not expected to end in the near future (Fuller & Kerr, 2022). As a result, talent shortages and an evolving workplace have made human capital management a top priority for firms (Ellerbeck, 2022).

These dynamics highlighted people value for companies and introduced an urgent need and opportunity for firms to measure and report about social capital. The aim of this project is to unpack the “S” or “social” dimension of what we commonly refer to as “Environmental, Social, and Governance” (ESG) aspects. The search for credible metrics leads to a general call for better methodologies also in light of the recent studies finding substantial disagreement across rating agencies (Christensen et al., 2022) and requiring greater attention to how the data underlying ESG ratings are generated (Berg et al., 2022).

With this project, we are interested in exploring the following research questions:

- What are the existing frameworks and best practices to measure and report about corporate social performance? What are their limitations?
- How can we tackle such limitations to accurately and credibly measure and report sustainability information in the near future? What are the resources required to support this transition?

The project delineates in three phases: Phase 1 is a critical and interdisciplinary review of the status quo of the corporate social performance academic literature, existing frameworks and practices and their limitations. Phase 2 is an in-person event called “*Accathon*” (that we define as “an accounting marathon”) in which a group of 30 diverse stakeholders will take part in a 24 hours workshop to co-create knowledge and find practical solutions on how to measure and report corporate social performance information credibly and comprehensively. Phase 3 describes the dissemination and future impacts of the research project.

### **1. Definition: What we mean by “corporate social performance” today?**

The first step of the project is to disentangle the S dimension of the ESG corporate framework, to come up with a categorization of sub-topics that fall under the big umbrella of “social corporate performance.”

#### *Academic perspective*

We start with a systematic review of the scientific literature to understand the meaning of corporate social performance. From an interdisciplinary review of the literature, it immediately emerges that there is no unique

definition of corporate social performance yet. Prominent components of corporate social performance may involve equality, the respect of human rights, health, well-being, diversity and inclusion, and many others.

We analyzed scientific articles published in top-ranked academic journals (rated as 4 or 4\* according to the CABS 2021 Ranking) covering 15 different disciplines such as Accounting, Finance, Economics, Sociology, Ethics, and Human Resource Management, among others. We cover the last 23 years starting from the year 2000, which corresponds to the start of the UN Global Compact. Launched in 2000 by former UN Secretary-General Kofi Annan, the UN Global Compact was initiated to bring business and the United Nations together to give a human face to the global market, by upholding universal principles in the areas of human rights, labour, and anti-corruption (UN Global Compact 20<sup>th</sup> Anniversary).

A preliminary analysis of the first 558 papers considered shows that social corporate aspects are related to the main stakeholder taken into consideration. The most represented stakeholder groups in the academic literature are employees, top managers and directors, customers, suppliers, investors, local communities and minorities, auditors, regulators, trade unions and Non-Governmental Organizations (NGOs). Most of the papers are empirical, with a clear preference for topics such as board diversity, wage gaps and pay inequalities. On top of these studies, many quantitative analyses are performed using various types of ESG ratings and CSR scores, for which a more in-depth reading of the papers is needed to understand pros and cons of such measures.

### *Practitioners' perspective*

We review existing frameworks and practices to capture sustainability impact and integrate it into corporate reporting. The Impact Management Platform offers a comprehensive list of frameworks and initiatives provided by the leading sustainability actors (Impact Management Platform, 2021). These partners are working together to identify opportunities to consolidate existing sustainability resources, collectively address gaps, and coordinate with policymakers and regulators. We use this list as a starting point and complement it with additional initiatives emerged from the academic review. We further categorize this list according to the stakeholders' groups previously defined, for example under "employees" perspective (e.g., Glassdoor), "investors" perspective, (e.g. the Principles for Responsible Investment), under "auditors" perspective (e.g. the AA1000 Assurance Standard), among others.

The objective of this Phase 1 is to provide the starting point for Phase 2, in which we will critically analyze the existing definitions and frameworks, to come up with innovative solutions to any limitations and drawbacks of these frameworks.

## **2. The field study: The "Accathon"**

After presenting and discussing the state of the art of corporate social performance via a systematic review and analysis of existing literature, frameworks and firms' practices, we convene in an accounting hackathon, (hereafter Accathon), entitled: Measuring the Unmeasurable: Sustainability Accathon in Rome, October 12-13, 2023 (4pm - 4pm). For 24 hours a diverse multi-stakeholder' group of experts will meet to co-create knowledge and find practical solutions on how to measure and report corporate social performance information credibly and comprehensively. To integrate the needs and expertise of diverse and interdisciplinary stakeholders, for this first edition of the workshop, we plan to invite up to 30 participants to join the Accathon. The participants will be representative of the variety of key stakeholders including academics, companies from different industries (e.g., agriculture, health and life sciences, energy, financials); regulators, policymakers, and standards setters; data providers and rating agencies; other investors, consultants including accountants, NGOs, activists, and any other person from other fields.

Applicants must respond to a "call for action" by May 31, 2023, by submitting a short proposal on how to measure corporate social performance. The proposal can be prepared in any of the following formats (or a combination of them): written abstract (500 words), video presentation (3 minutes), PowerPoint presentation (5 slides), poster (1 page up to A3 pdf). The proposal should aim at tackling the following challenge: ***How can we measure corporate social performance in a credible and impactful way?***

Applicants can also refer to a *Guidance for the proposal submission* for illustrative but not binding questions to be considered in the proposal, like:

- What are the most important **frameworks and best practices** to measure and report corporate social performance (e.g., impacts on human and social capital)? What are their strengths? What are their limitations? How can they be overcome?
- What are most important **key performance indicators (KPIs)** to measure social performance? What the *KPIs* that are important in all the sectors, dimensions and geographical areas? Is it possible to create a *universal* measurement of social performance that is not specific to any region, size, or industry?
- Can we capture social performance in monetary terms? What methods can be used for the **monetary valuation** of the social performance of a firm? Is it possible to integrate social performance and/or social and human capitals into corporate financial statements? How?
- What are the **key challenges related to the measurement** of the social performance of firms? In which areas (e.g., human capital, social capital, human rights, health, well-being, diversity inclusion)? How can they be addressed?
- What are the **opportunities** for firms committed to measuring and reporting their social performance? In which areas (e.g., human rights, health & well-being, diversity & inclusion)? How can they be guaranteed?
- Who are the key **stakeholders** involved in the process of measuring social performance? What specific role do they play in measuring and reporting it?
- What are the **technologies** needed to account for social performance? What role do they play in measuring and reporting it?

Selection criteria of applicants will be based on the diversity of perspectives (participants' background, experience and stakeholder group) and on the content of the proposal (relevance to the scope of the call for action and feasibility). Submissions will be evaluated by an external committee of three experts with different CSR-related expertise and background, to avoid any conflict of interest.

By building an inclusive, international, and interdisciplinary partnership of individuals representing diverse stakeholder groups, we will design a field study to test different approaches aimed at developing new social performance metrics and to select the ones that are the most innovative, and that provide insights to participants to improve their current accounting tools and strategies related to the corporate social dimension.

We will facilitate a collaborative workshop in partnership with Matter Solutions, an international company based in Rome specialized in the design and facilitation of collaborative workshops and transformational journeys for large and heterogeneous teams. For almost 20 years, they have been helping some of the most demanding organizations (e.g., UNICEF; World Economic Forum) to solve complex problems, accelerate sustainable change, and share these solutions with the world. Matter's unique method of workshop facilitation is based on several key elements:

- A purpose-built facilitation environment;
- A set of models that enable large teams to diagnose their challenges and to design collaborative solutions;
- Scaling capacity: participants' ability to tackle complex arguments increases as a function of their numbers;
- Alternation between plenary discussions, individual reflection, in-depth analyses, and in parallel break-out groups;
- Graphic facilitation and the visualization of content to facilitate discussions as well as illustrate complex concepts or strategies.

This highly collaborative methodology allows participants to learn from each other, visualize their ideas as they emerge, network at a strategic and operational level, discover insights through group interactions, form shared and coherent forward-looking intent, explore and test solutions in a safe environment of diverse peers.

The objective of the Accathon is to work together, address the challenge of measuring corporate social performance, refine existing measurement tools and co-create new ones. The unique value of the Accathon is to value people and organisations existing resources and expertise and empower them to co-design a new and impactful tool to measure and report on sustainability performance able to meet their diverse information needs and possible resolving limitations of existing frameworks and practices. The Accathon, we will also ensure the development of a partnership of stakeholders that shares a common strategy and roadmap toward the inclusion of such sustainability performance measure in organisations reporting.

### 3. Wrap-up and dissemination: A new Corporate social performance framework

Defined as a tool to measure and report sustainability information in a rigorous and credible way (Bebbington et al., 2017), sustainability accounting aims at ensuring transparency on organisations' economic, social and environmental impacts (cf. SDG 12.6 and SDG 12.8). In the past, traditional accounting systems focused on providing information about organizations economic value and performance rather than ensuring accountability for the overall impact of companies' activities on the economy, society, and planet (Bakker, 2013). Sustainability accounting emerged to account for the limitation of traditional financial reporting (Christensen et al., 2021).

Nevertheless, we are still far from being able to accurately measure and credibly disclose information on corporate sustainability as demonstrated by recurring scandals (e.g., Volkswagen Dieseltgate) and by extant academic research (e.g., Melloni et al., 2017). Indeed, not only "green-washing" but also "sdg" "covid", "pink" and even "rainbow" washing are rampant these days (Ruiz-Blanco et al., 2021). Today we have a unique opportunity to challenge the status quo, embodying anachronistic theories and practices on the role of the firms in society that have put at stake system resilience, prosperity, and sustainable development (United Nations (UN) Sustainable Development Goals (SDGs), UN 2015; Bansal et al., 2021).

In this respect, the project will collaboratively push towards a unified understanding of how to account for social performance today in a meaningful and impactful way. Besides, it will build a partnership involving key stakeholders to i) critically evaluate existing frameworks and practices ii) find solutions to the challenge of measuring the unmeasurable in the sustainability context iii) proactively implement these findings and monitor their effectiveness over time.

As a key output of our project, we will offer a corporate social performance measurement framework for firms and organisations to measure and report their social impacts rigorously and credibly. By offering theoretical, methodological, and practical insights into how we can measure and report sustainability information, the project aligns with the mission to support companies in the transition towards a resilient, and inclusive economy by joining forces to confront societal challenges and shape the world of tomorrow. We seek to challenge the way companies and policymakers think about the status quo and to move towards a renewed definition of social performance metrics.

As it appears, the research project represents a first milestone in a long-term journey that entails different synergic phases where each of them is feeding the following one. At the end of the first cycle, we will restart the project with new knowledge and people to ensure the continuous evolution and update of the proposed model.

**Words count: 2,250**

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