How one company took on and customized a “mythical” management innovation

With some faith and introspection, a recent study found that an organization can embrace and deliver a management innovation that seems largely imaginary.

Performance management tends to be based on well-established financial metrics. A newcomer on the scene is “integrated reporting,” an ambiguous concept that seeks to blend non-financial and financial management and disclosure.

Integrated reporting or “IR” has gained momentum in recent years as organizations seek to describe their actions on environmental, social and governance (ESG) issues. These aren’t easily quantified using conventional accounting. IR encourages entities to think about and report on how they create value using different “capitals” such as human capital -- but in practice, IR remains mysterious.

The authors of a 2018 study -- Delphine Gibassier, Michelle Rodrigue and Diane-Laure Arjaliès – set out to discover whether and how management innovations that are ill-defined, such as IR, can be put into place.

The study

Their work examined a European consumer goods company identified as “Gama.” For six years, the authors closely followed Gama’s attempts to integrate environmental and social measures into existing financial performance management and reporting practices. The company had previously done internal work on carbon and water accounting. It was seen as a pioneer in corporate social responsibility, and IR seemed to be the logical next step.

Between late 2010 and 2017, the researchers had access to Gama’s discussions, data, decisions and actions on an IR project They were intrigued by the adoption of an innovation that seemed imaginary. They wanted to understand how the company overcame the lack of specific explanation about what an IR report should contain.

Although major layoffs and a re-organization in 2013-2014 disrupted Gama’s plans to produce an integrated report, the company eventually regrouped and re-committed to its IR project.

Results

When Gama finally released its integrated report in 2016, the content was quite different from other integrated reports at the time. It didn’t use the framework developed by the International Integrated Reporting Council, for example. (The council has since merged with another entity to form the Value Reporting Foundation.) Gama’s integrated report addressed all stakeholders, as opposed to focusing mainly on investors.

And after spending years bringing their report to life, Gama project staff weren’t entirely happy with it. One of the biggest hurdles they had faced was identifying the “right” key performance indicators to report for societal aspects of sustainability, such as human rights or social programs in its supply chain.

Implications

Gama was open to the idea of IR because its employees believed in a broader social purpose – that is, the organizational culture was predisposed to consider sustainability topics. That may not be the case with other organizations, particularly if they embrace what the authors describe as "the most influential foundational myth in management," the maximization of shareholder value.

At Gama, employees connected dots between IR and their corporate culture, strategy, and sustainability accounting. This suggests that the IR myth made sense to them. While myths are questioned and criticized for appealing to beliefs rather than to science, accepting the mythical nature of IR can also allow companies to create new ways of working.

The study authors concluded that the "mythical" dimension of IR might inspire an organization to consider merging financial and non-financial reporting, because it enables freedom and creativity to invent a new system.

Future research could further explore the imaginary function of management innovations, and the potential of corporate reporting to offer alternative myths to that of shareholder supremacy.

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