



ThinkTWENTY20

The Magazine for Financial Professionals

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Automated Audits - Distinguishing Myth From Reality

How Social Media Became the Go-To Communication Channels

Social Media - The New Reporting Frontier

The Surprising Power of Experimentation

Twenty-Twenty Vision

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Submissions can be made by email attachment to info@ThinkTWENTY20.com. Articles should be in Microsoft Word in 12 pt Calibri Font. They should be 2000 to 3000 words and be well researched as evidenced by the inclusion of references, which should be numbered and included at the end of the article. Bibliographies are also encouraged. Academic papers with extensive mathematical analyses will not be accepted.

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“I’m so used to working from home that coming in for a meeting is quite an event for me.”

Editorial



Editor in Chief

Working at home, virtual meetings and, increasingly, virtual conferences have become the norm. This has meant that companies have had to find new ways of communicating and holding virtual events. The phenomenon of Zoom and its ascent to becoming one of the most favoured of communications vehicles is well known. But we felt that there are many other vehicles gaining more prominence, including social media and numerous other brands of communications software.

So, we made an attempt to explore this area in this issue. We got some interesting insight from several sources. Also, we looked into the use of social media for communicating with corporate stakeholders and found that it's gaining usage as well.

Finally, Gregory Shields has contributed an insightful article on the use of AI and other automation techniques in audits, an area that is changing rapidly, as we have shown in previous issues and in the blogs on our website.

In this issue, we also introduce our new columnist, Elly Stroo Cloeck, who is a Dutch project manager and consultant. After she worked for years as a CPA and IT auditor, internal auditor and risk manager, she's now an avid reader of management books, of which she publishes reviews and summaries on her website www.1001managementboeken.nl. She was part of the jury for the election of Dutch Management Book of the Year 2020.

We are excited to have Elly on our team.

Gdt.

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Distinguishing Hype from Reality about the Future of Automated Audits

By Gregory P. Shields, CPA, CA



Gregory is a member of the board of directors of the University of Waterloo Centre for Information Integrity and Information Systems Assurance (UWCISA). He is also a member of CPA Canada's Audit Data Analytics Committee. Before his retirement, he was CPA Canada Director, Auditing and Assurance Standards. His recent projects include developing non-authoritative auditing guidance on data analytics, cryptocurrencies, and accounting estimates.

Auditors have been put on notice: artificial intelligence (AI) is here and it's here to stay.¹ The possibility of AI-enabled machines replacing human auditors is creating some angst. Are people right to be worried, and if so, what can they do to prepare for an AI takeover?²

Those making predictions about the effects of AI on auditors (let's call them clairvoyants) come from different backgrounds and have diverse views. Most, however, seem to agree that external auditing in some form will be around for a long time. As well, they agree that AI will play an ever-increasing role in the audit. Differences of opinion mostly relate to how much of the audit AI will be able to perform without human input, how long it will take before AI plays a significant (perhaps dominant) role and what the repercussions are likely to be.

Profound Changes Coming

No prediction about the future will be entirely accurate. But how the future unfolds will profoundly affect the lives not only of auditors, but of all those associated with the auditing profession. Many people have a big stake in this game and they have to make important decisions right now. Should I make auditing my career? Should I switch my career from auditing to something else and, if so, to what? What should my university teach students about auditing? What continuing education do I need so that my auditing career survives and even thrives in the face of significant advances in AI? How should standards and audit regulations change to reflect increasing use of AI?

To make better decisions, it is important to distinguish hype from reality. There is a need to be skeptical. All clairvoyants have unintentional or intentional biases. For example, some may be trying to sell AI products and services. Others may see their primary goal as calming fears about what the future holds, and inadvertently understate risks and the need for immediate action.

Arguably, predictions fall into three overall categories:

1. *AI will soon displace human auditors.* Clairvoyants in this category might be referred to as chicken littles, predicting the auditing sky will soon fall on human auditors.

2. *AI will complement the work of human auditors, but never entirely displace them.* These clairvoyants might be referred to as eternal optimists, looking at the future of human auditors through rose-coloured glasses.³
3. *AI will ultimately displace human auditors.* These clairvoyants may be the realists. But, what does “ultimately” mean and what are the implications for decisions that have to be made now?

Let’s briefly assess an example view for each prediction category (shaded boxes) to help illustrate a few key issues regarding AI’s effects on the future of audit.

AI Will Soon Displace Human Auditors

The tipping point: 30% of corporate audits performed by AI by 2025: 75% of respondents expected this tipping point to have occurred. AI is good at matching patterns and automating processes, which makes the technology amenable to many functions in large organizations. An environment can be envisioned in the future where AI replaces a range of functions performed today by people.⁴

This view is based on responses to a 2015 survey by 800 executives and experts from the information and communications technology sector.⁵ These respondents no doubt had expertise in various aspects of IT. They may not, however, have had an adequate appreciation of the complexities of audits. With the benefit of hindsight (five years have passed since the survey was taken), this prediction will not be accurate.

Incredible advances are being made by AI in playing games. Google’s AlphaGo Zero learned the extremely complex game of Go by itself from scratch and trounced the reigning champ (an earlier version of AlphaGo that, in turn, had beaten the best human players).⁶ On the other hand, OpenAI’s natural language AI (named Generative Pretrained Transformer 3 (GPT-3)) often generates grammatically accurate text that is unmoored from reality. It also reproduces racist, misogynistic and homophobic phrases it learns from scaping the Internet. GPT-3, like other AI, has no coherent understanding of the world.⁷

Auditing happens in the messy real world. Auditors have to make many difficult judgments. They have to identify and respond to a myriad of factors affecting risks of material misstatement. These include, for example, complexity, subjectivity, change, uncertainty, management bias and fraud risk factors. Auditors also have to obtain evidence about the many assumptions, methods and the reliability of data underlying management’s accounting estimates, and evaluate management’s assessment of the going concern assumption. AI models of enormous scope and complexity would be needed to properly complete these tasks. Such models are likely many years away from successful development.

There are also non-technical barriers to significant use of AI in audits. Websites of large public accounting firms indicate they are making significant investments in AI for consulting and audit

purposes. But auditors are putting up considerable resistance to extensive use of automated analysis tools and techniques, even those that do not involve AI's complex algorithms. For example, auditors have lingering doubts about the efficiency and effectiveness of analytics compared to traditional audit procedures. Auditors still have significant difficulty in obtaining relevant data from clients and other sources and establishing its reliability. These issues will be just as important with increased use of AI. Audit regulators also express concerns about how data analytics are used.⁸



Some IT experts and others maintain that AI is already making significant inroads into audits. Nevertheless, an audit is much more complex than a simplistic analysis of transactions streams and balances that some IT experts seem to envision. They may be referring to increased use of Robotic Process Automation (RPA). RPA is, however, too basic to be considered AI: it does not involve use of machine learning models.⁹ RPA may be readily applied, for example, to search for words or phrases in contracts pertinent to applying a complex accounting standard (e.g., the standard for leases). Also, RPA can be used in analyzing transaction streams, journal entries and general ledger account balances. Yet, even these relatively simple automated analyses are likely to run into significant roadblocks.

For example, very large numbers of unusual items (anomalies) are often identified. These require investigation to determine whether they are false positives or indicators of misstatements. RPA won't help much in making such judgments. AI could eventually be applied, but the required algorithms would likely take significant time to develop. Despite years of research by a combined group of experts knowledgeable in both IT and auditing (representing academia, large firms and accounting bodies) this difficult issue has not yet been resolved. The

nature and extent of audit work to address these anomalies remains a matter of professional judgment for the human auditor.¹⁰

Another matter to consider is whether there would soon be significant demand for audits performed by AI (should such capability exist). Management of some audited entities may have made a business case for extensive use of AI in its operating and financial reporting processes. While such managers may be more receptive to use of AI by their auditors, managers that have not made this leap seem likely to resist auditor use of AI.

A recent survey by McKinsey indicates that, as a result of the COVID-19 pandemic, two-thirds of companies surveyed have moved faster to adopt artificial intelligence and automation.¹¹ For many companies, however, the pandemic is likely to have heightened the hurdles to implementing AI. For example, Davenport and Ronanki cite the results of a 2017 Deloitte survey of business executives. Of those surveyed: 47% said it's hard to integrate cognitive projects with existing processes and systems; 40% said technologies and expertise are too expensive; 37% said managers do not understand cognitive technologies and how they work; 35% said they can't get enough people with the expertise in the technology; 31% said the technologies are immature; and 18% said technologies have been oversold in the marketplace.¹² Of course, there are many surveys, and some may have more positive findings regarding the extent of adoption of AI.

Another issue is that the quality of AI adopted may introduce new risks affecting both financial reporting and the audit. Jeanne Boillet, Global Assurance Innovation leader of EY, has cited the results of Gartner's 2018 CIO Agenda Survey. It indicated that 85% of AI projects through 2020 will deliver erroneous outcomes due to bias in data, algorithms or development teams.¹³ Further, Jeff Lui, Director of Artificial Intelligence at Deloitte Canada, notes that understanding the "black box" (the algorithms behind AI) is critical for auditors.¹⁴ Obtaining such understanding, particularly for algorithms used in deep learning, may be both difficult and costly.

Finally, if AI were to take over most audit functions, fundamental changes would be required to auditing standards and rules of professional conduct. Buy-in from audit and securities regulators would have to be obtained. Laws and regulations governing auditor legal liability might also have to undergo fundamental changes. Even relatively minor changes to standards, rules and laws take years of discussion and debate before they are implemented. Changes to address pervasive use of AI would likely take a very long time indeed.

Given all the above, the view that AI will soon displace auditors seems divorced from reality.

AI Will Complement the Work of Human Auditors, Never Entirely Displace Them

This view reflects the Autor-Levy-Murnane (ALM) hypothesis. It emphasizes that every job is made up of many tasks, some of which are far easier to automate than others. There is a "substitution force": new technologies do, in some respects, substitute for workers. There is

also, however, an offsetting “complementary force”: new technologies also tend to increase the demand for human beings to perform tasks that cannot be automated.¹⁵

AI will enable us to work better, smarter and faster, enhancing the work that can be done and the value that can be added by human members of the team. It also seems likely that, with more of the transactional and process work completed for them, auditors will be able to move further up the value chain, dedicating more time to delivering strategic insight and more complex problem solving.¹⁶

So, will the substitution force win out, with all auditing tasks eventually being taken over by AI? The answer is likely “yes.” Yuval Harari notes that the threat of job loss results from the confluence of infotech with biotech. Research shows that human choices of everything result from billions of neurons in our brains calculating probabilities within a split second. If thoughts, emotions and desires are, in fact, no more than biochemical algorithms, there is no reason computers cannot decipher these algorithms, and do so far better than any human. In addition, unlike humans, computers aren’t individuals. It is easy to integrate them into a single flexible integrated network with which humans are unlikely to be able to compete.¹⁷

There is also a possibility that what replaces individual humans may be powerful human-machine networks. In that event, the complementary force would have won. Work has already begun on human-machine connectivity. Elon Musk’s Neuralink is developing a brain-computer interface (BCI) with a robot to implant it in brains with relative ease.¹⁸ If such human-machine networks were ever to exist, hopefully they would not result in a dystopia where only a few powerful elites would be members of a network. Alternatively, everyone might be connected to the machine-human network, like the evil Borg of Star Trek fame. In either case, it is not clear that auditing would be high on the agenda for anybody/anything.

Human auditors are likely to be primarily responsible for complex problem solving for quite awhile. Under any of the above scenarios, however, AI will eventually be the dominant force in auditing, given advances in both infotech and biotech.

AI Will Ultimately Displace Human Auditors

Attempts to deny the potential of computers to surpass many human capabilities, and simply to protect current models and ways of doing things, are likely to end in failure.¹⁹

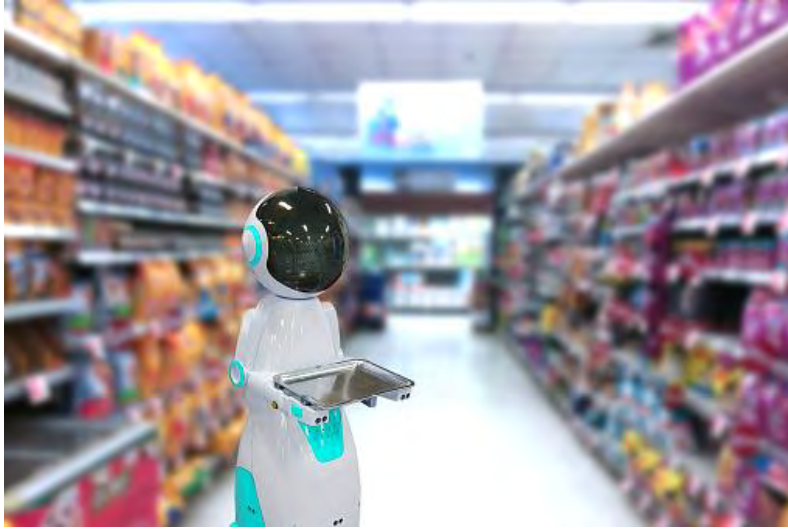
This last prediction category seems to best reflect reality. It is hard to challenge since the word “ultimately” makes the timeline for change open ended. Trying to pick a specific year for human auditor displacement is a mug’s game. Career choices and decisions on the time and effort to be spent on training are being made now. Therefore, an estimated broad time range may be useful. Susskind suggests that, if progress in IT over the next eight decades even faintly resembles that over the last eight, then systems and machines will be a further trillion times more powerful by 2100.²⁰ He does, acknowledge, however, factors other than technological

advances may significantly affect how AI displaces humans. Just because a machine can perform a task does not mean that this will be acceptable. The recent rebellion against how AI was used in the British exam system in response to COVID-19 comes to mind.²¹

Let's assume that displacement of human auditors by AI will take decades. What are some examples of issues that we need to start addressing now to help human auditors successfully adapt to this inevitable transition?

Despite wishful thinking by some AI service providers, auditors will still need to perform effective, high-quality audits, complying with standards and rules of professional conduct (even if the role of AI becomes dominant). These include rules related to independence, confidentiality and competence. There will be high, but not insurmountable, hurdles to jump. For example, effective audits in the future may require frequent (perhaps continuous) connectivity of auditor and client AI systems. Clear rules will be needed regarding when, for example, such connectivity (perhaps even integration) can be established to enable effective auditing without violating actual or perceived auditor independence. Far into the future, it may be interesting to see battles between the respective AIs of the audited entity, the auditor, audit regulator and maybe the standard setters if their models arrive at different conclusions on the proper application GAAP and GAAS. Might such battles be televised (a high ratings replacement to the current TV show Battlebots)?

For some time, human auditors will continue to play a vital role by helping to establish the validity of AI models. Criteria for evaluating the transparency of models are urgently needed. These criteria would be used by developers of models (machine or human), their users, auditors and audit regulators (the latter to evaluate auditors' AI models). There are encouraging developments in this area. A working group of the US Advanced Technology Academic Research Center (ATARC) is developing a "radar chart" that would provide a transparency rating based on weightings assigned to each of five factors: the algorithm explainability; identification of data set source; methods of data selection; reduction of data set bias; and model versioning method. This model could be contributed as a standard to the International Standards Organization (ISO).²²



If you are trying to decide whether to become an auditor, the CPA Competency Map's Task Force is updating the specific and extensive list of what you will need to learn. This is directly linked to determining what universities will need to teach you. Irene Wiecek, a task force member, has a clear vision of what the fundamental goal should be: "When the need to adapt to unpredictable change becomes a core competency,

we'll have prepared the young people drawn to this profession to meet that future with confidence."²³

If you are already an auditor, you will not be expected to become a data scientist but you will need to upgrade your skill sets in IT (particularly AI), statistics and analytics. You will need to know at least enough to be able to ask the right questions of specialists on the engagement team and client management. This includes being able to appropriately evaluate the quality of audit evidence that is significantly affected by use of AI and the application of analytics. You will also need to know how to strike the right balance in human and machine interaction to avoid both overreliance or underreliance on IT. The CPA profession has started the ball rolling to address what career-long training is needed. This is being done in the context of the overall direction provided by CPA Canada's *Foresight Initiative – The Way Forward*.²⁴ This initiative understandably considers the future of the accountancy profession as a whole. It does not focus on matters particular to the auditing segment of the profession that need to be addressed. But that will come.

Skepticism is useful in considering the various views about the future of audit. That should not degrade into cynicism. While there are huge hurdles to be addressed, effective action can be taken by all those associated with auditing, both individuals and groups, to address the inevitable significant advancements of AI.

¹ CPA Ontario Thought Leadership Series, *Evolving Alongside Artificial Intelligence*, pg. 1.

<https://www.cpaontario.ca/insights/thought-leadership/evolving-alongside-artificial-intelligence>.

² Throughout the rest of this article, "AI" is used to refer to machines enabled by AI and other advanced technologies.

³ My apologies to younger readers who may never have heard of chicken little or rose-coloured glasses, which surprisingly may have been worn by chickens.

⁴ Klaus Schwab, *The Fourth Industrial Revolution* (World Economic Forum, 2016), pg. 139.

⁵ *Ibid.*, pg. 28.

⁶ David Silver and Demise Hassabis, *Alpha Go Zero, Starting from Scratch*, DeepMind Blog (October 18, 2017). <https://deepmind.com/blog/article/alphago-zero-starting-scratch>.

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- ⁷ “Artificial Intelligence – Bit Lit” (*The Economist*, August 8, 2020).
- ⁸ *An Inside Look at How Auditors in Canada Are Using Data Analytics* (Toronto: CPA Canada, April 2019), pgs. 36-39. <https://www.cpacanada.ca/en/business-and-accounting-resources/audit-and-assurance/blog/2019/may/auditors-using-data-analytics-inside-look>.
- ⁹ *A CPA’s Introduction to AI: From Algorithms to Deep Learning, What You Need to Know* (Toronto: CPA Canada, 2019). <https://www.cpacanada.ca/en/business-and-accounting-resources/other-general-business-topics/information-management-and-technology/publications/ai-automation-for-cpas>.
- ¹⁰ *Rutgers AICPA Data Analytics Research Initiative (RADAR) Multidimensional Audit Data Selection (MADS) Research Project* (Rutgers Business School, February 26, 2020). <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/radar/radar-key-learnings-document.pdf>.
- ¹¹ Briefing Note #25 - *COVID-19 and the Great Reset* (McKinsey & Company, September 30, 2020). <https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>.
- ¹² Thomas C. Davenport, and Rajeev Ronanki, *Artificial intelligence in the Real World* (Harvard Business Review, January-February 2018 issue). <https://hbr.org/2018/01/artificial-intelligence-for-the-real-world>.
- ¹³ Joint ACCA (Association of Chartered Certified Accountants) EY event, *The Impact of Digital and Artificial Intelligence on Audit and Finance Professionals: Harnessing the Opportunities of Disruptive Technologies*, January 30, 2019. <https://www.accaglobal.com/gb/en/technical-activities/technical-resources-search/2018/december/impact-of-digital-and-ai-on-audit-.html>.
- ¹⁴ CPA Ontario, Thought Leadership Series: *Evolving Alongside Artificial Intelligence*. <https://www.cpaontario.ca/insights/thought-leadership/evolving-alongside-artificial-intelligence>.
- ¹⁵ Daniel Susskind, *A World Without Work* (New York: Metropolitan Books, January, 2020).
- ¹⁶ “What Impact Will AI Have on the Audit?” (*FEI Daily*, September 9, 2017). <https://daily.financialexecutives.org/impact-will-ai-audit/>.
- ¹⁷ Yuval Noah Harari, *21 Lessons for the 21st Century* (Penguin Random House, 2018), Chapter 2, pg. 30.
- ¹⁸ “Rule by Algorithm” (*The Economist*, August 22, 2020).
- ¹⁹ *Artificial Intelligence and the Future of Accountancy* (London: Institute of Chartered Accountants in England and Wales (ICAEW), 2018), pg. 4. <https://www.icaew.com/technical/technology/artificial-intelligence/artificial-intelligence-the-future-of-accountancy>.
- ²⁰ Susskind, Daniel, *op. cit.*, pg. 126.
- ²¹ “Brain Computer Interfaces – And Pigs May Drive” (*The Economist*, September 5, 2020).
- ²² Ron Schmelzer, “Towards a More Transparent AI” (*Forbes*, May 23, 2020). <https://www.forbes.com/sites/cognitiveworld/2020/05/23/towards-a-more-transparent-ai/?sh=746cd1213d93>.
- ²³ Irene Wiecek, *A Competency Map for Changing Times*, <https://www.cpacanada.ca/en/news/pivot-magazine/2020-08-24-competency-map>.
- ²⁴ CPA Canada, *Foresight – Reimagining the Profession – The Way Forward*, <https://www.cpacanada.ca/foresight-report/en/index.html#page=1>.

In Their Own Words

How Social Media Became the Go-To Communication Channels

By Gundi Jeffrey, Managing Editor



Gundi Jeffrey is an award-winning business journalist specializing in writing about the accounting profession for various publications in Canada, the US and the UK.

With a huge part of the world's population now using a variety of social media, most organizations and businesses have also begun to rely on this type of communication to

broadcast their marketing messages, with the hope of raising brand awareness and improving communication and interaction with their key audiences, clients and customers, and staff. They want to be accessible to their staff – especially in these times of remote work forces – to those who are interested in their services and products and to become known to those who are not yet aware of them.

It is not surprising, therefore, that CPA Canada and the country's accounting firms have incorporated the use of social media – such as Facebook, Instagram, Twitter, LinkedIn, Pinterest and YouTube – into their own marketing strategies. But the use of social media is not a “one size fits all” solution – each entity has its own ideas of how to present itself to its chosen markets. So, what is Canada's accounting sector doing with social media? Which tools are CPA Canada and accounting firms using? Whom are they targeting? And what kinds of results are they seeing?

ThinkTWENTY20 spoke to CPA Canada and two different-sized accounting firms about their experiences in this new era of communications. Specifically, we had input from Phil Boughton, Principal, Digital Marketing Channels, Marketing, Communications and Public Affairs at CPA Canada, Adam Rodricks, National Lead, Digital Marketing Services, KPMG in Canada, and John Nagy, a director at RHNCPA in British Columbia, who is passionate about technology and its application to accounting.

ThinkTWENTY20: *When and why did you start using social media for marketing/communication purposes and what were the first tools you used? Who were you aiming to reach? With what results? Were the results what you expected or hoped for?*

CPA Canada's Phil Boughton: We have been using social media at CPA Canada since the organization was founded in 2013, following the unification of Canadian accounting bodies. Social media provided a valuable platform to build recognition of the value of the Canadian CPA profession as well as to share relevant updates and news with members and other

stakeholders, while also providing an additional channel for our members to engage and communicate with us. The initial results were modest, though from an early stage we recognized that building a community on social media takes a lot of time and dedication.

Phil Boughton



Now, social media provides a strong communications presence for CPA Canada and the accounting profession. When warranted, that presence is further amplified by utilizing social media channels in conjunction with earned media from news outlets and services.

KPMG's Adam Rodricks: We've been using social media for marketing at KPMG in Canada for well over a decade. Our corporate Twitter account was among our first branded social accounts to be created in 2009, with an aim to increase the discoverability of our thought leadership. To say our strategy has expanded since then would be an understatement.

RHNCPA's John Nagy: We began using social media seriously in 2014 starting with LinkedIn. Our target audience was small to medium-sized businesses who might not have known what they needed in terms of accounting and tax services.

ThinkTWENTY20: Can you describe how you continued to incorporate social media into your marketing/communication strategies? What led you to choose the social media you used?

Boughton: Each social media platform is in a constant state of development, so we, too, have evolved our approach to social media management over time. It has been likened to learning to drive a car while it's being built – which feels quite accurate! Careful curation and centralized management have been essential in helping us to build a strong community and following on each channel. Over time, we developed a great appreciation and understanding of our audience's interests on each channel and how best to integrate social media within marketing or communications strategies.

The use of social media is not a “one size fits all” solution – each entity has its own ideas of how to present itself to its chosen markets.

Rodricks: It's incredible to see how much more legitimized social media marketing has become as a lead-generation tool in recent years. It used to be that the lion share of meetings devoted to social media consisted of lobbying for buy-in to use them as tactics in marketing campaigns.

Now, those same meetings consist of questions like “where” and “how much” rather than “should we.”

Nagy: Our marketing strategies have expanded to include Facebook and Twitter (in addition to LinkedIn). We have reengineered our website twice since we started the social media push and have made it easier for people to search for us. Our approach is still to establish ourselves as industry experts but also to show the human side of our firm.

ThinkTWENTY20: *What were you, and are you, hoping to achieve through the use of social media? And what are the primary messages you would like to send to your members and target audiences?*

Boughton: We promote content and resources that aim to provide Canadian CPAs and the business community with the skills, resources and support they need in an ever-evolving economy. The knowledge and expertise of our members is also promoted via social media to a broad stakeholder audience to reinforce the influence, relevance and value of the Canadian CPA profession – a profession that contributes to all sectors of the economy.

Social media is, of course, just one part of an integrated digital marketing strategy. Our audience engages with us across multiple channels and understanding the connections between social media and other channels, like organic search, can be really beneficial. For example, this year we provided key updates to members, businesses and the public on government stimulus measures relating to the Covid-19 fallout. While social media was initially the key channel for these updates, it evolved to play more of a supporting role as our website content achieved strong ranking on Google.

Rodricks

Rodricks: Social media is all about conversations. With everything we have done and aspire to do with our social media strategy, our primary objective is to generate quality engagement between our firm, our employees, our clients and potential clients. If we aren’t sparking meaningful conversations online, we haven’t done our job.

Nagy: We are very client-support oriented and we looked to LinkedIn as a tool to establish ourselves as an industry expert. Our second motivation was to attract new employees to the firm. Focusing on LinkedIn was the way most firms (with our history in the business) use the media for the purpose of making our name familiar to the target audience and to those other organizations who might not have heard of us before. This was not a perfect approach to achieve the desired outcome, but we did see an up- tick in traffic to our website.



ThinkTWENTY20: *How has the use of social media changed the way you approach and interact with your members/audiences?*

Boughton: It has really helped to inform the organization of our members' and other audience preferences and interests. Social media provides an incredible real time focus group as some content proves more popular than others. Within one hour of a social media post going live, you can immediately see if a product, article or video will resonate with the audience. We are always seeking ways to improve our social media content and campaigns – testing different approaches and identifying improvements that can enhance the member experience.

Social media is also a powerful complement to traditional news media as it is often faster and can be more targeted. Platforms such as Twitter are extremely important among journalists, with tweets being picked up and used as commentary or considered for story ideas. Timely social media, run in conjunction with a traditional media approach, can greatly assist an organization in achieving first-wave coverage – the key period when perceptions are established. Accuracy cannot, however, be sacrificed for speed.

Rodricks: We reach our target audiences in new places and with more accessible content than ever before. Some of the best feedback we've received online has consisted of how accessible we've made our thought leadership, which, more often than not, comprises fairly complex topics.

Nagy: We have worked hard to create content on our website that is useful to existing and potential clients, through the use of blogs and updates that we push out through social media. We are creating an approachable and ease of conversation opportunity.

We are always striving to be a trusted resource people and businesses can depend on while establishing ourselves as industry experts. We are here to help. Our clients love the fact that we have the answers to the questions and concerns they have that "keep them up at night" and what they did not know they needed to ask. We want to help other small to medium-sized companies (as well as individuals) better understand their financial position.

ThinkTWENTY20: *Which social media tools do you tend to use, and for what purpose? Are some more important than others? Which are your favourite and why? Are there any not suited to your members/audiences?*

Boughton: We have a presence on LinkedIn, Facebook, Twitter, Instagram and YouTube. Each platform has its unique value and we see different engagement patterns and preferences across the channels by specific audiences. LinkedIn is a priority channel for our communications and marketing. The platform has evolved beyond its initial focus on recruitment and networking into professional development and business content – which is an ideal match for CPA Canada and its members and other stakeholders. In recent years, we have seen tremendous growth in our following and engagement levels on LinkedIn as it has become an ideal platform for sharing CPA Canada's thought leadership and editorial content.

We also use social media to gauge member and stakeholder perspectives on key issues of the day, such as taxation, audit and assurance, financial literacy, etc. This is extremely beneficial as it helps to identify emerging challenges and opportunities faced by the profession.

Rodricks: We use tools that enable us to source, curate, schedule, publish and analyze posts, as well as tools that enable us to perform activities such as social listening. We also have an award-winning employee advocacy tool that we use internally to help activate more of our people's voices. What's of particular importance to us at KPMG is software that enables us to work seamlessly behind the scenes, so if, for example, someone mistakenly @-mentions the wrong KPMG firm instead of KPMG in Canada, we can queue up the proper response from the Canadian handle to provide the optimal user experience.

Not all content is created equal and neither are all tools. The tools we tend to shy away from are the ones that put emphasis on functionality that we don't prioritize, e.g., social listening on Tumblr.

Nagy: The social media tools we use depend on our intended audience and the message we want to put out. During COVID, we shifted to blogs that are full of up-to-date information that was released about government assistance and reporting. During our recruiting season, we push the lifestyle component to RHN.

I think the favourite depends on the target audience. We currently have a Twitter account but it is not as easy to use for blog articles, so we do not find it as appropriate for our approach. We will use it for promoting the firm socially.

ThinkTWENTY20: *How have your members/audiences reacted to your use of social media, both when you first began to market and communicate this way and then as it became more ingrained?*

Boughton: One of the most powerful things that social media can enable is a sense of community. It can provide a space for members and other stakeholders to discuss shared learnings and insights and also allow for the identification of issues or challenges that the profession is facing. Recently, during the Covid-19 pandemic as I noted earlier, it became a space where individuals raised a lot of questions and concerns regarding government stimulus measures that were being introduced. We collated this feedback and liaised directly with the federal government and the Canada Revenue Agency to address the issues directly. Social media was an invaluable platform for sharing these key updates and gathering real time feedback from members and other stakeholders.

The use of social media is extremely beneficial as it helps to identify emerging challenges and opportunities faced by the profession – Boughton

Rodricks: We've seen a tremendous shift in audience reception, particularly on our live streams. Early on, we worked hard to differentiate our content strategy and establish a unique voice that adds value to our followers, regardless of their industry sector. It's no easy feat when you have a presence in as many industries as KPMG does.

Everything "clicked" for us when our content strategy became people-centric. We often draw praise for the level of authenticity we bring to our streams on Instagram and Facebook. They really are unscripted and give an unprecedented level of access to our leaders, which is why viewership has steadily grown since we first went live in 2017.

Nagy: The expectation of having a flowed over the last few years. need to be active. Given we were dedicate a specific person to content. It has become media presence that is valuable. We have



Nagy

social media presence has ebbed and When it first started, there was a daily a mid-sized firm, it was difficult to keep up with posting and developing more acceptable to have a social less frequent if the content is found a happy balance.

ThinkTWENTY20: *Has the use of social media, and the types of media you use, changed since Covid-19 took over the world? That is, what impact has the Pandemic had on how you now communicate with staff, members and key audiences?*

Boughton: One trend that has been highlighted since Covid-19 struck is the increase in video consumption. This growth has been notable for the last number of years, but Covid-19 has accelerated the trend. Nielsen in the US reported recently that consumers are spending 25% cent of their TV viewing time consuming streaming video content. For organizations and brands, YouTube is really the best opportunity to engage users with longer-form streaming video content.

We, too, have seen a big growth in engagement with video content this year. We created longer-form video webinars for YouTube to provide essential updates on Covid-19 government stimulus measures and policies for our members and the broader business community in Canada. These videos have become some of our top performing on the platform. This has been a key learning and takeaway from the pandemic. As we move into 2021, we are looking at

opportunities to develop more longer-form video content to serve our members and other stakeholders.

Since the advent of Covid-19, we have hosted all of our member conferences and events this year in a dynamic, fully virtual format. This has allowed us to offer accessible and affordable online learning options to our members. It has been a great opportunity to innovate and grow in new ways, together with our membership.

Internally, we embraced live video calls as a means of engaging with our staff during the pandemic. We hosted all staff meetings on Zoom, led by our CEO and senior management team. The engagement with these meetings has been terrific – in fact, we are seeing more dialogue and staff participation than ever before. It has allowed us to connect frequently with the entire CPA Canada team, providing a great platform for dialogue and discussion. Sometimes, temporary solutions can offer great long-term opportunities and benefits.

Rodricks: The tremendous change in the usage of social media during the Covid-19 pandemic is most evident among the skeptics; many professionals I’ve worked with who were reluctant to activate on social media held this viewpoint because they prioritized in-person interactions. To quote one of those leaders, “my book of clients has been built on handshakes and phone calls, social media does little for me to deepen that.” Since the pandemic however, I’ve seen that reluctance dwindle and a willingness to learn leading to wider adoption, particularly on LinkedIn, where our number of individual employee profiles has spiked.

The pandemic has changed the tools we use. We’ve added a slew of virtual collaboration tools that aim at preserving authenticity in how we communicate. We’re looking more closely at metrics in this area as well: for example, can we use attention-tracking KPIs to determine which portions of a presentation are strongest, and which need to be improved? The analytics say yes, and this strategy previously applied to video consumption on social media platforms has become platform-agnostic for us.

Nagy: The types of posts we have focused on has shifted to information content and less social. We work hard to clarify information that is coming from the government for our clients and potential clients. Working as translators if you will. “How does this affect me?” and “Where can I get the help I need?”

The use of social media is extremely beneficial as it helps to identify emerging challenges and opportunities faced by the profession – Boughton

ThinkTWENTY20: *Are you pretty much on the same page as your competitors in terms of what you use, and how you use it to market your firm and its products? Or are there tools you use that set you apart from others?* (Because CPA Canada is a professional body, it was not asked this question).

Rodricks: In some ways. We all use enterprise-level CMS tools for content scheduling and publishing. Similarly, we all have access to social listening and media monitoring software that helps us protect the reputation of our respective brands. But we also have unique tools in our arsenal. Our employee advocacy tool is a platform that has set us apart in the industry, and we've been recognized not just for our incredibly high adoption rate among employees, but also the ROI it has generated.

Nagy: When we look at others in our industry, we do better on content than we do on frequency. We look to what information can help someone who is looking for an answer. For example, we are always looking for helpful guides for our clients and, sometimes, if we cannot find them, then we create them ourselves.

We are mainly focused on knowledge-based blog posts that establish RHN as experts you can trust and who will be able to help. Our results are measured in a matrix we can get from Hootsuite as far as engagements, views and contacts. Truthfully, it is best measured through the traffic of search engine optimization. Creating content and putting it on a website to operate efficiently has been a game changer.

ThinkTWENTY20: *For your organization, what is the top benefit you derive from this type of marketing/communicating?*

Boughton: Social media is a really powerful way of connecting with our members and other stakeholders. In recent years, we've increasingly used social media to better understand how we can serve both. We can always seek to deliver more useful, relevant content by engaging all our audiences in dialogue about important issues. Social media provides such powerful data to help inform that work.

Rodricks: Quality social media marketing provides an opportunity to generate awareness of our services, as well as engagement on our content. For example, after we showed our support on #BlackOutTuesday, there was incredibly clear feedback from our social media community: this is a great start, but please let it be just that, the beginning. What followed from KPMG has been a consistent effort to spotlight our black individuals, their stories and the issues that matter most to them through the ongoing #OurExperienceMatters campaign. The campaign resonated with so many – three times our average engagements – illustrating the importance of sharing the experiences of our people in building a truly inclusive and stronger society. Diverse perspectives make all the difference.

Nagy: It is relatively easy to use. We do not need to hire a marketing firm and outsource the content. We are able to create it and distribute it in a timely manner.

ThinkTWENTY20: *How do you see the future of marketing/communicating with social media unfolding? Are there any new tools you'd like to see developed?*

Nagy: We see social media continuing to dominate the marketing scene.

Rodricks: We're excited to play a part in the emergence of the micro-influencer model (people who are highly influential in their immediate networks).

When we look at the characteristics that are slowly making up more and more of our workforce, we notice one big similarity between them, especially with respect to Millennials and Gen Z: they are increasingly detached from institutions.

We aren't fighting this distrust; we're embracing it by showcasing our leaders on social media and providing our followers with direct access to them. We want to have real conversations with real people and help businesses succeed. Authenticity over everything. We feel strongly that looking at things differently makes a world of difference.

In terms of future-forward tools, we'd love to see software that shines the light on "dark social," particularly more robust analytics on expiring content such as Instagram Stories or Snapchat filter usage.

Boughton: I think the growth in video will continue and the gap between mainstream video streaming platforms (Netflix, Disney+) and social media platforms like YouTube will narrow. More and more, brands are investing in long-form video content, with YouTube now firmly established as the platform of choice for video. While costly and resource heavy, there is a reward for those investing in video. YouTube remains a channel where achieving strong organic reach (without paid promotion) is still very much possible.

The evolution of education and social media could also be an interesting space. Research has highlighted how educational marketing can be more important than selling during a crisis, such as the current Covid-19 pandemic. We have seen a boom in online learning since the pandemic began. At CPA Canada, we have experienced an increase in members and others attending virtual conferences from the comfort of their own homes. The virtual approach has been extremely well received by participants. Platforms such as LinkedIn have been investing more in online learning in recent years, beginning with the launch of LinkedIn Learning. It will be interesting to see if LinkedIn begins to offer greater integration of e-learning features to publishers on the main LinkedIn platform. It is certainly something we would be interested in utilizing if it was available.

Social Media: The New Reporting Frontier

By Gerald Trites, FCPA, FCA



Jerry is a retired partner of KPMG, and a former Professor of Accounting and Information Systems at a Canadian university. He also served for 12 years as Director of XBRL Canada. He has published 12 books and numerous articles and papers and is presently Editor in Chief of ThinkTWENTY20.

In recent years, corporate financial reporting rendered electronically has extended far beyond corporate websites to include social media, including Facebook, Twitter, YouTube, SlideShare, StockTwits

and LinkedIn. There are several others in popular use, but these particular sites have entered the mainstream in business.

But companies are also using the same social media for promotional purposes well beyond the realm of corporate financial reporting and, sometimes, it is difficult to distinguish between these uses – whether a particular disclosure item is a part of the formal financial reports or simply marketing.

Some companies have their own Facebook page for their financial reporting and marketing purposes. Use of Twitter is also common, especially for such short items as earnings and dividend announcements and other news events. YouTube is often used to show videos of company gatherings, including investor meetings and executive presentations. LinkedIn, since it is populated heavily by professionals, is used for a variety of financial reports. Several companies use blogs, although blogs devoted to investor relations (IR) are much less common than those used for marketing.

LinkedIn is by far the most popular social network among investor relations professionals, with almost 80% of social-media-engaged respondents using it.

A 2009 in-depth survey looking at how the public in general used social media¹ produced the following key findings:

- 49% of consumers/users use social media at least once a day;
- 31% agree that social media are more credible than advertising;
- 61% are researching products to purchase;
- 36% depend on social media to help them with purchase decisions;
- 40% are “talking” to or learning from specific organizations;
- 25% feel better about an organization engaged in social media.

Although the survey is a bit dated now, it shows relationships that existed at that time and likely extend to the present. For example, a 2018 survey showed that 30% of investors are comfortable making investment decisions using social media.²

In September 2009, *IR Alert* conducted a survey of 270 IR professionals to establish a benchmark of social media usage by IROs and CFOs.³ Results of that survey indicate that about 60% of industry professionals use social media in some way, especially those who work at smaller firms. Only 12% of IRO and CFO respondents indicated that they use social media to disseminate financial information to shareholders and the market. Of the various social networks, investor relations professionals most commonly use Twitter to communicate their messages.

Other highlights of this survey include:

- Although conference calls and news releases remain the most commonly used methods of communicating investor relations information to shareholders and the market, about 6.3% of respondents now use a corporate blog to communicate financial information, while 13.6% of companies with annual sales of less than \$50,000,000 use one.
- Most public companies do not use any form of social media for communicating financial information. In fact, only 12.5% of respondents said they use social media to communicate with shareholders and the market.
- Twitter is the most-used social network for this purpose, used by about 79% of social-media-engaged respondents.
- LinkedIn is by far the most popular social network among investor relations professionals, with almost 80% of social-media-engaged respondents using it at least once a month.

In August 2009, [Q4 Web Systems](#), experts in electronic corporate reporting, issued a research report analyzing 80 public companies and their use of Twitter during the second-quarter 2009 earnings season. The research shows that the number of public companies with Twitter accounts grew by 270, or 338%. Of these, the number using Twitter for investor relations increased by 77, or 175%. Although still small in terms of the potential universe, the research indicates that social networks can be an effective medium with which to reach out and interact with stakeholders.⁴

What is Usually Posted on Twitter as Far as IR Is Concerned?⁵

According to the research report:

- 53% provided a link to their earnings release only.
- 18% provided a link to their notice of call and earnings release only.
- 8% provided a link to their notice of call, earnings release and webcast.



- 7% provided a link to their earnings release and webcast only.

In 2013, Q4 Inc. surveyed 890 companies⁶ to see what social media they used. They found that of the 890 companies in their sample:

- 72% use Twitter for investor-related material (up 9% from their 2012 study).
- 45% use Facebook for investor-related material (up 5%).
- 52% use SlideShare for investor-related material (up 8%).
- 42% use YouTube for investor-related material (up 13%).
- 32% use their corporate blog for investor-related material (up 14%).
- 66% of companies are listed on StockTwits.
- 82% of companies have their social media links on their corporate website (up 17%).

“In the FTSE 100, 72 companies shared their financial results on Twitter during 2017, up from 69 in 2016. Exactly half (50) shared their results through LinkedIn, up from 42 the year before, and 23 companies created results-oriented videos for YouTube, up from 18.”⁷

In 2018, for 2017, “FTI Consulting’s Index — its fifth annual edition — shows a startling 105 percent increase over the previous year in interactions with results-related content from FTSE 100 companies posted through Twitter, LinkedIn, YouTube and SlideShare.”⁸

Since the SEC opened the way to formal notices being sent out by social media, many companies have been exploring ways to use these vehicles.

The statistics show that LinkedIn has seen a dramatic increase in usage for investor relations purposes in recent years. Other statistics also show that 85% of investors check into LinkedIn at least monthly. Probably it’s a lot more frequent than that.⁹

These statistics are quite impressive, both for the extent of usage of social media for IR (and, therefore, for corporate reporting) and for the obvious trends from the prior year, showing significant increases in all categories.

The data confirm that use of social media for corporate reporting has been growing in recent years. Facebook, Twitter, YouTube, Flickr, SlideShare, StockTwits, Blogs, Google+, Pinterest and LinkedIn have all been used in varying degrees and in different ways.

The use of social media for reporting purposes was of incidental interest until April 2013, when the US Securities and Exchange Commission (SEC) issued a press release stating that:

“...companies can use social media outlets like Facebook and Twitter to announce key information in compliance with Regulation Fair Disclosure (Regulation FD) so long as investors have been alerted about which social media will be used to disseminate such information.”¹⁰

Regulation FD is the key SEC rule that seeks to ensure that no group of investors is favoured in the provision of information. The objective is to ensure a level playing field for all investors. The reference to Reg FD in the SEC announcement is important, as it allows companies to use social media for primary announcements, as long as the shareholders have been informed as to which social media will be used so they will know where to look for the information.

Since the SEC opened the way to formal notices being sent out by social media, many companies have been exploring ways to use these vehicles.

Types of Information Disclosed Through Social Media

It is important to note that use of social media for purposes of investor relations is a concept that can be somewhat ambiguous. For example, there is information that is clearly investor related, such as earnings reports, or notices of shareholder meetings. This might be called Type 1 IR information. Then there is other information that is simply of interest to investors, even though it may not have been directed to them. This might include information on new products, new business arrangements or geographical information. This might be called Type 2 IR information.

So, how do companies actually use social media? We address this issue by type of social media, starting with Twitter and StockTwits.

Twitter

Twitter is, as seen above, the most heavily used of all the social media for corporate reporting. Although Twitter is limited to 280 characters, it can be used to convey weblinks, which gives it the capacity to convey large amounts of information in little space.

More than 60% of institutional investors say that social media will become increasingly important to them.

Twitter is being used by several companies for:

- earnings and corporate actions announcements;
- questions for conference calls;
- event promotion;
- live-tweeting of annual and quarterly meetings.

Examples include Alcoa, Pepsi, Starbucks, Coca-Cola Company, Boeing, eBay and BASF.

StockTwits

Many public companies are incorporating the use of StockTwits to help increase awareness and broaden access to their company information. For example:

- Of the sample of 890 companies in the Q4 survey, 66% have a presence on StockTwits.

- Two examples are Ford Company and the Royal Bank of Canada.

Starbucks won an award from the National Investor Relations Institute (NIRI) in 2013 for its use of Social Media in IR. One of the strong reasons for this success was its “Starbucks News” account on Twitter, which contains a good deal of IR information. This is still available at @StarbucksNews.

Another similar example was the “Dellshares” account of Dell Corp., which also contained considerable amounts of IR information before the shares were taken off NASDAQ in 2013. Dell can now be found under the hashtag @Dell. Cisco Inc. makes good use of Twitter as well under @Cisco.

Facebook and LinkedIn

Facebook is used less than Twitter, but more than others. Most Facebook use is directed to general marketing and does not usually contain much in the way of technical information. Nevertheless, some companies do include some investor-related information.

Newmont Goldcorp makes extensive use of social media, including using it for IR purposes. The [Goldcorp Facebook](#) site links to a blog, which in turn contains a feed of the Twitter tweets issued by/on Goldcorp. Also, that same page contains links to the other social media used by Goldcorp, which include the full blog “Above Ground,” YouTube, Slideshare and Flickr.



This is a good example of how some companies are using social media on an integrated basis, exploiting the particular characteristics of each form of media and linking them so that users can get a full view of the events or matters those companies wish to disclose.

But Can You Trust It?

The reliability of social media is often questioned, and for good reason. Many people make entries about a company even though they have no connection to that company and have neither particular knowledge nor expertise about that company. Naturally, the information they put on social media has a high possibility of being unreliable. Often, however, a company posts information itself, and this information is likely to be as reliable as any of the formal information it places in its annual report or other official media. Therefore, in considering social media for investor information, it makes sense to pay particular attention to all of the information a company issues. To preserve the integrity of the information released, some companies will set aside special corporate accounts for their social media content and exclude or prohibit any information from outside sources.

LinkedIn is a favourite social media for business professionals and one that can be used effectively for investor relations. Strangely, it has not yet achieved the level of use for IR that Twitter and Facebook have. However, some companies maintain corporate sites on LinkedIn and they do often have notices such as earnings releases and conference calls. An example is [Agrium Inc.](#)

Other Examples of Companies Using Social Media

Many international companies have become active participants in social media. A 2010 [Burson-Marsteller Fortune Global 100 Social Media Study](#) found that 79% of the largest 100 companies in the Fortune Global 500 index are using at least one of the most popular social media platforms: Twitter, Facebook, YouTube or corporate blogs. Approximately 65% of these companies have active accounts on Twitter, 54% have a Facebook Fan Page, 50% have a YouTube channel and 33% have corporate blogs (though not necessarily IR blogs). About 20% are utilizing all four platforms to engage with stakeholders. In Canada, companies such as Barrick Gold Corporation, Canada Gas Corp. and TVI Pacific Inc. see value in using social media, and they have incorporated it into their online communications plans.

[Barrick Gold Corporation](#) began using [Twitter](#) in October 2008 to increase the level of interaction between the company and its stakeholders. It uses Twitter to circulate news release headlines, providing a link to the full release. Over time, it began receiving questions and comments in @replies and direct messages, and responded to them as they arrived. After gaining comfort with the medium, Barrick Gold increased its posts and interactions with followers. It also followed related social media to stay up to date.

Barrick Gold provides Tweets about upcoming events, new content posted on the website, reminders of quarterly earnings announcements and conference calls. In April 2009, it launched a Twitter feed specifically for recruiting purposes (@barrickgoldjobs), in which it posts employment opportunities, links followers to the Career's section of its website and responds to questions from potential candidates. It also launched an official [Facebook page](#) for recruiting activities.

Usefulness of Social Media for Reporting

While it is well known that social media is widely used, the question arises as to whether investors use it. Much research has been done on social media usage, and statistics on such usage have been made available from a variety of sources.

Work done by Pew Research, for example, shows that 74% of online adults use social media.¹¹ The fastest growing demographic on both Facebook and Google+ is the 45–54 age group, at a rate of 46% and 56% respectively.¹² Similarly, on Twitter the 55–64 year age bracket is the fastest growing demographic cohort, with a 79% growth rate.

For particular groups of interest, however, the statistics show a different story. For example, a study done by the National Investor Relations Institute revealed that analysts don't use social media much. They feel it is not reliable but the institute did say that the most reliable form of social media is corporate blogs. In addition, the majority of survey respondent IR professionals (72%) said they do not use social media for their IR work.

Another survey, however, conducted by Q4 Inc., found that, consistent with the results of NIRI's 2010 social media study, respondents report not using social media for IR primarily due to lack of interest by the investment community. This survey also found, however, that the interest of IR professionals is growing. Almost half (49%) who do not currently use social media in their IR program plan to reassess the issue within the next 12 months.

Among investors, a Q4 survey showed that 52% of respondents utilize social media as part of their research process, a slightly smaller number than the 2010 levels of 56%; the vast majority of these respondents indicates that it has influenced their investment decisions at least occasionally.

According to an article on the PwC Website, *"Social media: time for reporters to join the conversation,"* by Mehdi and Palmer, "around 50% of professional investors in the US regularly use blogs and follow each other on Twitter and StockTwits, and more than 60% of institutional investors say that social media will become increasingly important to them."

Most analysts, 92%, however, consider the information gleaned from social media sites as either somewhat or not at all reliable. According to the entire survey group, it is the lowest rated information source in terms of influence.

In light of the SEC's decision to grant credibility to postings on sites such as Facebook and Twitter, 43% of analysts assert they will likely utilize social media more often as part of their research process. Financial blogs, including Seeking Alpha, as well as LinkedIn and Twitter, are viewed as the most valuable social media resources; only 25% find company-sponsored blogs useful.

Challenges and Best Practices

In all social media, best practice calls for a dedicated presence as opposed to an *ad hoc* one on various other accounts. There is a clear need to distinguish between official corporate entries and those of other people. This is best accomplished by having a corporate account complete with logos and other material and images that clearly identifies it as an official corporate account. In addition, the account needs to be monitored closely by responsible employees to weed out the spam and inappropriate comments (if comments are allowed). All social media have a search facility so the entries should be labelled clearly and properly to enable the search engines to direct users as accurately as possible.

Best practices entries on Twitter

Twitter is known for utilizing hashtags such as #pepsico, #starbucks or #investors for its entries. Hashtags are very useful for helping users find entries and for categorizing tweets. As with all social media, entries should be official corporate notifications and made only by authorized people. Although Twitter is restricted to 240 characters, it does permit the inclusion of weblinks, which makes it possible to effectively use it to send out much larger pieces of information than the 240 characters and also makes it possible to stream events using weblinks to YouTube or other streaming media.

Best practices on Facebook

Facebook, while often used by companies for communications, is not widely used as a vehicle for corporate reporting, although a great many organizations use it for marketing purposes. If it is used, the same rules apply as for other social media: have a dedicated administrator, make the entries as official corporate entries and differentiate the corporate entries from those of others.

Best practices on YouTube

YouTube enables the use of playlists, which facilitate the grouping of videos under appropriate and relevant headings. For example, executive announcements can be grouped together, as can all videos for a particular fiscal year.

YouTube offers separate corporate channels that can be used as a local rallying point and a convenient location for related videos. Finding relevant information on social media is always an issue. Although all the media have search engines, they aren't always enough.

Some of companies help their users by providing indexes and customized search facilities. Siemens is a good example of this in their use of YouTube. That company provides playlists that classify the video content by topic. Although they are not restricted to investor relations, many of the playlists can be identified as likely relevant to investing. For example, their playlist for industrial productivity should be of interest to investors.

Objectives, Plans and Oversight

Companies have been using social media for corporate reporting purposes with increasing frequency. Each of the popular media has a useful purpose and, to be effective, the use of

social media needs to be carefully planned and managed. There should be objectives and plans of action and proper oversight.

Endnotes

¹ The [2009 Social Media Reality Check](#) consisted of two separate online surveys. The first survey, covering 1,516 respondents, was conducted among members of [Leger Marketing](#) Online Panel of adult residents from across Canada. (With a sample size of 1,516, results can be considered accurate to within +/- 2.5 percentage points, 19 times out of 20.) The second survey, covering 615 respondents, was conducted with marketing/communications practitioners obtained primarily from [CNW Group](#) client lists. (With a sample size of 615, results can be considered accurate to within +/- 4.0 percentage points, 19 times out of 20.) Both groups were identified to be users of social media. The survey results are available online at [Slideshare](#).

² <https://www.westuc.com/en-us/blog/digital-communications/infographic-how-social-media-transforming-investor-relations-0>.

³ Refer to "Survey Reveals IR Professionals Slowly Embrace Social Media, Especially Smaller Companies — and Which IR Blogs They Read" (*IR Alert*, September 2009).

⁴ The research report [Public Companies and their use of Twitter for Investor Relations](#) is available on the Q4 website.

⁵ Read "[Attention Twitter Fence Sitters: New Report Shows IR Twitter Usage Up; Q4 CEO Says Best Buy's IR 2.0 Best Practices Instructive](#)" (*IR Alert* online, December 3, 2009).

⁶ Q4 Inc. study, 2013.

⁷ Diageo and BP Top Social Media Reporting Index, *IR Magazine*, <https://www.irmagazine.com/reporting/diageo-and-bp-top-social-media-reporting-index>.

⁸ <https://www.fticonsulting.com/insights/fti-journal/making-splash-financial-reporting-social-media>.

⁹ <https://www.westuc.com/en-us/blog/digital-communications/infographic-how-social-media-transforming-investor-relations-0>.

¹⁰ SEC Press Release, Washington, DC, April 2, 2013.

¹¹ Pew Research Study.

¹² GlobalWebIndex, Q1 2013 Stream Social Report.

The Surprising Power of Experimentation

By Jonathan Andrews, CPA

Does experimentation belong in business? Science has used experimentation for centuries to fill gaps in knowledge. Why shouldn't the same apply to business, asserts Professor Thomke of Harvard Business School in his new book *Experimentation Works – The Surprising Power of Experiments*, published by Harvard Business Review Press (229 pages) in 2020.



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Stefan H. Thomke is the William Barclay Harding, Professor of Business administration at Harvard Business School. He is also author of *Experimentation Matters* (HBR 2003) and more than 100 articles, cases and notes published in many books and journals. He is a frequent conference speaker and adviser to global business leaders.

Based on their own experiences, *ThinkTWENTY20* readers may believe that experimentation simply does not belong in business. Professor Thomke's new book is for them, because it has the potential to encourage a re-examination of their beliefs.

Historical Thinkers and Modern Business

Who would have thought that Francis Bacon, Isaac Newton, Thomas Edison and Albert Einstein would be in the same book as Amazon, Apple, Booking.com, Google and sports teams such as Team New Zealand sailing and Lotus F1 motor racing? Professor Thomke draws on the knowledge and experience of these and many more real-world examples to create a comprehensive insight into why experimentation can, and does, work in many business situations.

In the preface, the author explains that the scientific method for building and organizing knowledge, originally formulated by Francis Bacon in 1620 when he published *Novum Organum*, was powered by experimentation. Professor Thomke bases this book on the premise that business could also achieve the benefits of experimentation achieved by science.

Appealing to Business

In his introduction, the author draws attention to the need for a business to innovate. Professor Thomke believes that innovation is important to business because it has the potential to drive profitable growth and shareholder value. To achieve continuous innovation, a business must be willing to experiment.

Businesses have experimented with various solutions in the past. The author refers to this as “spray and pray” – just try something and see what works and what does not. In applying the scientific method, however, with rigour and discipline, business use of experimentation has created a pattern of success for several organizations. This is what Professor Thomke’s book *Experiments Work* is all about.

Failure is a New Type of Success

In the first chapter, the author introduces the reader to why he believes that experimentation works and how it should work. In doing so, he draws on examples of both successes and failures. He explains that it makes the challenge to innovate that more difficult by the uncertainty caused by rapidly changing customer demands. There is some solace, however, to be found in the increased availability of digital experimentation tools.

In providing initial examples of experimentation approaches, the author draws on diverse sources, such as Thomas Edison and Team New Zealand, winner of the 1995 America’s Cup. Edison was famous for seeing nothing wrong with failure; to his mind failure was simply another way of learning. In the world of experimentation and innovation today, the author re-asserts that failure is respectable.

Team New Zealand needed rapid feedback from experiments with the effect of incremental changes on performance – digital experimentation tools enabled this. The team’s approach to experimentation was “generating a testable hypothesis, running disciplined experiments, and learning meaningful insights.”

The author makes the point – one he repeats throughout the book – that *disciplined* experimentation is *the* way to achieve competitive advantage.

A More Detailed Look at Experimentation

In the next chapter, “What Makes a Good Business Experiment?,” the author expands on the approach used by Team New Zealand. Assisted by several real-world examples, he answers the following questions:

1. Does the experiment have a testable hypothesis?
2. Have stakeholders made a commitment to abide by the results?
3. Is the experiment doable?
4. How can we ensure reliable results?
5. Do we understand cause and effect?
6. Have we gotten the most value out of the experiment?
7. Are experiments really driving our decisions?

In challenging conventional wisdom and potentially faulty business wisdom, the benefit in working conscientiously through the above, Professor Thomke explains that flawed outcomes can be avoided and be replaced with good decisions.

Experimenting Online and Offline

The internet has brought about the ability for businesses to reach customers directly on a massive scale. In the third chapter, “How to experiment online,” the author refers to many of the big digital businesses, such as Amazon, Google, Facebook and Microsoft. Interestingly enough, non-digital companies are also included, such as Walmart, Nike, Fedex, *New York Times* and the BBC – they run experiments too, but on a smaller scale.

Professor Thomke devotes much of the third chapter to best practices that should be followed, such as “Test All Testable Decisions,” “Define Success Metrics,” “Build Trust in The System” and “Keep It Simple.” He provides many interesting examples to support these proposed best practices.

Understanding the Cultural Shift

It’s one thing to become convinced that experimentation is a perfect solution for your business. It’s quite another to assume that experimentation is a perfect fit for your business. In the fourth chapter, the author specifies seven attributes that he believes a business must have if it is to benefit from experimentation. These begin with “A Learning Mindset” and end with “Ability to Embrace a New Leadership Model.”

Senior management has to ask itself whether it is practical to make changes to ensure that the business can meet the necessary requirements. It could mean a large shift in culture: if it makes decisions based on experimentation, and not experience and knowledge, has not senior management itself become redundant? Rather than leave the reader hanging at this pivotal point, half-way through the book, the author answers this question effectively with a real-world example.

Taking a Closer Look at the Pioneers

As we turn the next chapter, the author takes us inside a range of organizations that thrive on experimentation, from the Lotus Formula One racing team to Booking.com, one of the world’s largest online travel agencies.

These examples may be extreme but, as the author to his credit points out, the businesses concerned all started out with much smaller experimentation initiatives. One reason was that third-party tools to enable business experimentation had yet to be developed.

Change Involves a Journey

In the sixth chapter, “Becoming an Experimentation Organization,” the author poses a key question: why is it that so many companies have examined Toyota’s “Toyota Production System”(TPS) but few have been able to imitate it? Professor Thomke answers this question with several examples, asserting that, to become an experimentation organization that can fully embrace TPS, involves a journey of transformational change. Yes, there are tools available, but they have to be handled with organizational maturity, brought about by such a change.

Dealing with the Deniers

Quoting Isaac Newton, “For every action, there is an equal and opposite reaction,” the seventh chapter, “Seven Myths of Business Experimentation,” prepares the reader to address specific myths concerning business experimentation. These are reactions that the author has come across in working with business experimentation.

To refer to issues faced by businesses in planning for business experimentation as “myths” could be viewed as overly enthusiastic on the part of the author. A case in point is “Myth 7: Running experiments without advance consent is always unethical.” Professor Thomke dismisses this concern over the ethical use of experimentation because advance notice is not always “practical.” Some may have an issue with that response!

The Future May Not Be Friendly

A somewhat mischievous epilogue wraps up this stimulating read by turning to the future, asking a question posed by Peter Drucker: “What does your customer value?” The author refers to the explosion of technology in terms of the number and computational power, especially in mobile devices, soon to be in the hands of customers. Large-scale experimentation will be essential to keep up with the empowered customer, but doing so has to be controlled rigorously with discipline.

Artificial Intelligence, in the form of machine learning and artificial neural networks, introduces the concept of “closed-loop systems” where everything is carried out in background, including business experimentation, and all you will see are the recommendations. Taking it to a higher level, the author asks, “What if you are not consulted at all?” With that unnerving question, Professor Thomke advises that, if you want to understand where business experimentation could take your organization in the future, start that journey now.

Taking the First Step

Reading Professor Thomke’s book will give you a much more informed perspective on what makes up business experimentation. The author covers the potential, practicalities and pitfalls thoroughly, supported by a wealth of real-world examples. Understandably, he does not provide all the answers, but there can be little doubt that he prepares the reader with some valuable questions.

The reader may perceive the future that he conjures up to be unnerving, even horrific. Nevertheless, it represents a change that businesses have to get to grips with now because the future that Professor Thomke describes is based on the present.



Corporate Rebels – Book, Blog and Movement!

By Elly Stroo Cloeck



Elly Stroo Cloeck is a Dutch project manager and consultant. She worked 20 years as CPA and IT auditor at KPMG and another 20 years as internal auditor and risk manager at multinational such as Aon, Arcadis and Ahold Delhaize. Now she's an avid reader of management books, of which she publishes reviews and summaries on her website www.1001managementboeken.nl. She was part of the jury of the election of Dutch Management Book of the Year 2020.

We all want a pleasant work environment. Is that a utopia? No, it's not! In this management book *Corporate Rebels*, written by Dutch corporate rebels Joost Minnaar and Pim de Morree, published February 2020, you can read about a large number of companies where it is actually fun to work. The authors discovered what makes those companies so special during a road trip that went all over the world, and that not only resulted in a book, but in a rebel movement.

"Corporate Rebels" is a movement for which Minnaar and de Morree won the Thinkers50 Radar Award at the "Oscars of management thinking" in November 2019. In other words, they represent the talents of the new generation of management gurus. So, I had very high expectations of this book.

The authors, who both had well-paid but rather tedious corporate jobs, were inspired by the ideas of well-known management gurus Ricardo Semler, Simon Sinek and Dan Pink, and saw the huge difference between these gurus' views and their own working conditions. And they wanted to find out why. They made a bucket list of all the people they wanted to speak to about what was really going on, which reads like the *Who's Who* in the management universe.

This bucket list of "usual suspects" also contains a lot of unknown names, including a lot of non-American names! Like the managers of the Dutch municipality of Hollands Kroon, for example. And those of the Swedish Handelsbanken. Intriguing. Not in the least because the book really focuses on these unusual suspects in addition to more famous names such as Patagonia, Semco and Buurtzorg.

The book is divided into eight trends, each of which has a chapter devoted to it. 1. From profit to goals and values; 2. From the hierarchical pyramid to a network of teams; 3. From directive to supportive leadership; 4. From planning and forecasting to experimenting and adjusting; 5. From rules and control to freedom and trust; 6. From centralized to shared authority; 7. From secrecy to radical transparency; and 8. From position to talent and development.

Unusual Suspects from All Over the World

Each chapter has a number of examples of companies describing a relevant trend and also providing a short summary in the form of "best practices from all over the world." These companies include:

- The municipality of Hollandse Kroon, which wants to become the smartest municipality in the Netherlands. The municipality has built its workplace around six core values: trust, courage, enthusiasm, contact, respect and innovation. Trust was put into practice by abolishing 70% of the previous rules (unheard of in European government). Furthermore, this rebellious municipality has 35 self-managing teams with extensive responsibilities.
- The Chinese company Haier, which developed from an old-fashioned producer of (poor quality) refrigerators to a platform of start-ups and micro-enterprises. In five transformations, Haier brought more and more responsibility and appreciation to the workplace. A nice example of this is that employees with innovative ideas are not only rewarded, but can give their names to the resulting innovations, which of course earns them a lot of respect from colleagues.
- The Swedish Handelsbanken, where they radically decentralized and, among other things, put an end to the "know-it-all policy documents" of central staff departments consisting of people who had never had contact with a customer.
- The Swiss Haufe Umantis, where the employees themselves choose their CEO every year.
- The Belgian Ministry of Social Security. There, the newly appointed director had to make the civil servants happy and, at the same time, create an efficient government. The director asked the civil servants themselves to figure out the entire transformation.
- The Dutch law firm Bruggink van der Velden, where a maximum (no typing error!) number of billable hours has been set, namely, 1128: 47 weeks x 4 days x 6 hours. They believe that this provides a healthy work-life balance, which is essential for creativity.
- The English Smarkets, a betting office with self-managing teams, radical transparency and self-selected salaries. I found the latter particularly fascinating: how do you make sure that it doesn't go too far? There is a salary committee that advises, but more importantly, every salary is public.

General Lessons

In addition to the examples, we can also find many general management lessons in the book, often taken from the "Thinkers50" gurus. Like the Peter principle: do not promote a good professional to manager. Management requires different skills, and so you lose a good professional and you gain a bad manager. Make sure that professionals can be promoted to subject specialist, coach, mentor, etc.

A number of best practices are also cited for decision-making authority in the workplace: pre-approval (approval in advance with the only requirement being that the guidelines are respected) and an advice process (advice must be sought from peers, may be ignored, but both advice and decision must be disclosed). So this is making use of the "wisdom of the crowd."

Very inspiring, these examples and best practices! But how do you ensure that your company becomes a fun place to work? The book concludes with three principles that help you: 1. Don't force, but inspire. 2. Experiment continuously; 3. Create a movement.

Inspiring Amuse-bouche

I found this to be a very inspiring, topical and readable book. The best practices are not really new and the examples are mostly well known. Yet, the authors know how to give the famous story of Patagonia a twist that makes it interesting again. Much of what is in the book is described in more detail on their blog; for example, check out their long and detailed blog about Haier, which I read with great interest. The book is such an amuse-bouche that it will whet your appetite for the blog itself.

All the quotes in the book are printed upside-down. That might make you remember the quotes particularly well because you have to turn the book around twice. Perhaps the idea is to indicate that these statements turn current practices upside down? Or do the statements really stick better in your mind? In any case, the quotes stand out, they're rebellious, and that will be the intention.

What is also striking is the way in which the interviews are described. The authors talk about the trip to an office, what that office looks like (often very "corporate," with a lot of marble, while the workspaces themselves are modern and cozy and inspiring), what the interviewee is wearing, and so on. This gives a completely different dynamic! The usual way of describing best practices is often factual and, above all, distant, which means that it is impossible to say whether the interview was face to face, by telephone or email, or whether the information just came from the communication department. And, very often, the information just came from another book – which you have already read. That will not be the case with this rebel book. Or did you already read everything about Hollandse Kroon and Handelsbanken?

And my high expectations? They were all met!



The Pace Quickens, the Plot Thickens – Unexpected Progress Toward Convergence in Global Sustainability Reporting Standards

By Alan Willis, FCPA, FCA



Alan Willis, FCPA, FCA, a former partner in one of the Big Four accounting firms, has since 1991 been an independent researcher, writer and advisor on corporate reporting and performance measurement beyond the scope of financial statements alone, and the implications of such reporting for corporate governance, internal control and assurance. He became an early pioneer in the concept, development and practice of sustainability reporting and later of integrated reporting.

Would you believe it? In the last six months there have been promising developments in the confusing, fragmented landscape of sustainability reporting and ESG disclosures that, a year ago, were unimaginable. There has been remarkable progress toward convergence in global sustainability reporting standards, paving the way for ESG-related disclosures to capital markets to become as reliable, relevant and comparable as IFRS-based financial statements are in financial reporting. The pace is quickening, the key actors are collaborating, the plot thickens. Where is this all headed? Are we seeing the rethinking of corporate reporting?

In an article I wrote for *ThinkTWENTY2020*'s Summer 2019 issue (***Enhancing Relevance: Shaping the Future of Corporate Reporting***), I proposed a two-part design for the future of corporate reporting that would meet, on the one hand, the needs of investors for information about enterprise value creation that is relevant and material to their decision making and, on the other hand, the needs of stakeholders in general for information relevant and material to their assessments of corporate sustainability, i.e., enterprise impacts on the environment, society and the economy. The former I called a *Value Creation Report* (which would accompany the financial statements), the latter an *Accountability and Sustainability Report*. Moreover, I suggested the key organizations that would need to lead the way and convene the resources to undertake these two development streams. These proposals (reproduced for ready reference in a box at the end of this article) have turned out to be more prescient than I could have expected!

More Collaboration Needed

I emphasized there is no need for additional frameworks and standards, just consolidation and integration of what is out there already, by collaboration among appropriate, credible, competent organizations already in existence. I pointed out the importance of achieving regulatory support and endorsement of sustainability-related reporting standards – without

delay for the *Value Creation Report*, maybe later for the *Accountability and Sustainability Report*. Such standards need to become mandatory, embedded in regulatory or statutory external reporting requirements in worldwide markets and jurisdictions. And I said that every company would need to create a reliable integrated data base of all the information and metrics needed for internal and external reporting, financial and otherwise, according to whatever disclosure standards it is following.

In subsequent blogs in 2020, while still expressing doubts as to how soon the requisite collaboration might occur, I reported several unexpected signs of collaboration for convergence and advancing progress to meet capital market needs for reliable, comparable disclosures. I noted, for example, the December 2019 paper by Accountancy Europe on *Inter-connected Standard Setting for Corporate Reporting*,¹ the EU's July 2020 call for new work on standards for its Non-financial Reporting Directive,² the WEF/International Business Council's proposals (with Big Four accounting firm support) in *Towards Common Metrics and Consistent Reporting of Sustainable Value Creation*³ and the continued work of the Corporate Reporting Dialogue.

Then, in July 2020, came the joint GRI and SASB announcement that they planned to collaborate "in promoting clarity and comparability in the sustainability (reporting) landscape,"⁴ followed in September by the even more amazing news that "Five global organizations, whose frameworks, standards and platforms guide the majority of sustainability and integrated reporting, today announce a shared vision of what is needed for progress towards comprehensive corporate reporting – and the intent to work together to achieve it." The five organizations in question, CDP, CDSB, GRI, IIRC and SASB⁵ (hereafter referred to as the "Five") published a "Statement of Intent to Work Together Towards Comprehensive Corporate Reporting."⁶

Their proposed approach recognized the differing information needs and materiality concepts of "providers of financial capital" (e.g., investors) and other, broader categories of stakeholders. The former are primarily concerned with decision-useful information for the assessment of performance and prospects in enterprise value creation (both within and outside the financial statements), while the latter focus their attention on multiple sustainability topics and related disclosures about enterprise impacts on the economy, environment and people.

The Five envisaged a stepping stone approach to harmonization, with two main building blocks. The first building block would address disclosures relevant to enterprise value creation, deploying information from the existing frameworks and standards of both financial standards

¹ <https://www.accountancyeurope.eu/publications/interconnected-standard-setting-for-corporate-reporting/>.

² <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation>.

³ <https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>.

⁴ <https://www.sasb.org/blog/gri-and-sasb-announce-collaboration-sustainability-reporting/>.

⁵ CDP (formerly Carbon Disclosure Project), Climate Disclosure Standards Board, Global Reporting Initiative, International Integrated Reporting Council, Sustainability Accounting Standards Board.

⁶ <https://www.sasb.org/blog/progress-towards-a-comprehensive-corporate-reporting-system/>.

setters (IASB and FASB) and those of the Five proponent organizations, plus maybe others such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The second building block would draw on the same existing frameworks and standards but would go beyond the first building block, recognizing the wider range of information needed by a broader range of users and their concerns about an enterprise's impact on the economy, environment and people, communicated through a variety of channels and media.

On the very same day in September 2020 as the Five's announcement, the International Federation of Accountants (IFAC) issued a release calling for the "creation of an International Sustainability Standards Board alongside the International Accounting Standards Board."⁷ This was accompanied by a schematic depiction, "The Way Forward," of the objectives, structure and building blocks of the proposed new board. "The Way Forward" diagram included a structural element advocating that the new sustainability standards board "should adopt a building blocks approach, working with and leveraging the expertise and disclosure requirements of leading initiatives, including CDP, CDSB, GRI, IIRC, and SASB." Momentum was clearly building in support for a new architecture for comprehensive corporate reporting.

Evidence of this momentum was strengthened dramatically on September 30, when the Trustees of the IFRS Foundation published a consultation paper to assess the demand for global sustainability standards and what role the IFRS Foundation might play in their development.⁸ In short, the IFRS Foundation proposed that it establish a new Sustainability Standards Board (SSB) alongside the International Accounting Standards Board (IASB). That same day, IFAC issued a release applauding the IFRS Foundation's new initiative. Comments on the IFRS Foundation's consultation paper on sustainability reporting are due by December 31, 2020, but IFAC and the GRI have already submitted their responses to the IFRS paper, broadly supporting its proposed role in the sustainability reporting landscape.

Unification for Value Creation Reporting

But one more surprise announcement came out on November 25, when the IIRC and SASB announced their intention to merge into a new unified organization, the Value Creation Foundation.⁹ The aim of this initiative is to provide investors and companies with a comprehensive framework for reporting on the full range of information that is relevant and material to understanding and assessing enterprise value creation. The announcement emphasized that the <IIRC> Framework and the SASB Standards are complementary, that the new Value Creation Foundation will work to integrate other existing frameworks and standards as appropriate into the new corporate reporting system, and engage with the IFRS Foundation, IOSCO, et al, "working towards global alignment on a corporate reporting system" in which "integrated reporting and sustainability disclosure have the same level of rigour as financial accounting and disclosure."

⁷ <https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/enhancing-corporate-reporting-way-forward>.

⁸ <https://www.ifrs.org/projects/work-plan/sustainability-reporting/comment-letters-projects/consultation-paper-and-comment-letters/>.

⁹ <https://www.sasb.org/wp-content/uploads/2020/11/IIRC-SASB-Press-Release-Web-Final.pdf>.

So how do all these new announcements and initiatives fit with the IFRS Foundation proposal, and where might they take us in the next year or two?

The IFRS Foundation paper first recognizes the widespread and urgent demand for consistency and comparability in sustainability reporting – a demand shared among investors, preparers, central banks, regulators, public policy makers, auditing firms and other service providers – and notes the multiplicity of sustainability reporting frameworks, standards and metrics. The paper points out that any contribution by the IFRS Foundation can build on its track record of expertise, credibility and due process in standard setting (i.e., for the work of the IASB in developing IFRS used by public companies in nearly all jurisdictions and capital markets around the world), plus its worldwide relationships with securities regulators and governments.

After consideration of strategic options to (a) do nothing or (b) try to facilitate harmonization among existing initiatives, the IFRS Foundation concluded that (c) its best response to the demand for consistency and comparability in sustainability reporting to serve investors and other primary users of financial statements would be to create a Sustainability Standards Board alongside the IASB. The IFRS Foundation clearly recognizes the importance of the new SSB, not only to develop and acquire its own expertise in setting standards for sustainability reporting, but also to collaborate with and build on the established work of the existing leading organizations in this space, such as the Five, the TCFD, and now, presumably, the Value Creation Foundation to be created by the IIRC and SASB. The IFRS Foundation paper is notably silent as to the role of the future (revised) IASB Management Commentary/MD&A in the future corporate reporting system.

The IFRS Foundation's paper proposes that, in the interests of making early progress, the sustainability reporting standards established by the SSB should initially focus on the information needs of investors and other financial capital market participants, based on what is presently considered material to their decision making. The paper recognizes, however, that over time information about an entity's impacts on sustainability, i.e., on the environment, economies and society, may in fact become material in the eyes of investors, not just, as today, in the eyes of broader categories of stakeholders. Therefore, in due course, the SSB would need to consider whether it should broaden the scope of its standards to align with, for example, the very widely recognized and used sustainability reporting standards that the GRI has developed over the last 20 years.

The IFRS Foundation's paper is thoughtfully laid out, posing many important issues and seeking broad feedback on key questions. It represents a powerful catalyst for fresh, urgent and collaborative dialogue among the key actors in the sustainability reporting landscape, taking into account the feedback by year end that will undoubtedly inform that dialogue. It's perhaps the long-awaited answer to investors who have been calling for IFRS for ESG!

Information for Wiser Decision Making

For now, however, thinking back to my own article in 2019, I see momentum building first toward the investor package (“bundle”) I envisaged, comprising financial statements plus a *Value Creation Statement* that combines integrated and sustainability reporting relevant to assessment of enterprise value creation, and second toward the continued evolution of true sustainability reporting (my *Accountability and Sustainability Report*) for broader stakeholders concerned about an entity’s environmental, economic and social impacts, as well as the implications of these for the entity. The “value creation” component of the former package may well take shape through early collaboration among the IFRS Foundation, the Five and the TCFD, while the latter package may continue to evolve and mature under the leadership of the GRI but in collaboration with other relevant actors. Whether the SSB standards and the GRI standards will converge over time remains unclear for now, but sustainability reporting needs to become mandatory somewhere down the road.

COVID 19 and climate change are global life-changing crises, but at least they underscore that financial reporting alone does not provide the information needed to make wise decisions about how enterprises create value and affect the world we live in. They have highlighted the interconnectedness between the environmental, social and economic phenomena and realities that shape our quality of life and how we do business.

By creating globally accepted disclosure standards for mandatory sustainability reports that accompany financial statements to provide the broad spectrum of information needed by investors about enterprise value creation, we will have made a giant stride towards sustainable finance and capital markets as well as a significant step toward thinking and transparency about entity environmental and social impacts.

Bottom line: 2021 will be an interesting, even exciting, year in the evolution of corporate reporting, to the benefit of all stakeholders and the long term public interest. Watch this space!

Excerpt from “Enhancing Relevance: Shaping the Future of Corporate Reporting,” *ThinkTWENTY20* Summer 2019, issue, pp. 18-21:

Today’s corporate reporting landscape has grown piecemeal and disjointedly over many decades, from a time when the business landscape and concept of corporate accountability were very different from today’s. Imagine resetting the clock, as if today we could boldly rethink, reinvent and redesign all of external corporate reporting to reflect the realities and context of the 21st century in which businesses must operate.

Suppose we were to consider separately the reporting expectations of (a) a company’s “providers of financial capital” (investors, lenders and creditors) and (b) other stakeholders and the general public whose interests are, or are likely to be, influenced by a given corporate business enterprise (and who may in turn influence company policy and action).

We now have the opportunity to examine and consider how all the various reporting channels, standards and frameworks, financial and otherwise, mandatory and voluntary, might be harnessed, integrated and – where necessary – modified or enhanced into two broad reporting “bundles” that respectively meet the needs of (a) investors (“providers of financial capital”) and (b) other stakeholders.

The Reporting Bundle for Investors

Investor needs might be satisfied by a two-part reporting bundle that comprises a super integrated MD&A (MD&A on steroids!), perhaps better called a Value Creation Report, accompanied by a company’s financial statements based on International Financial Reporting Standards (IFRS). The form and content of the Value Creation Report would be designed by selecting – modifying as necessary – and integrating relevant elements of what is currently called for in existing elements of the IIRC Framework, the SASB standards, the TCFD recommendations, CPA Canada’s MD&A Guidance, securities regulators’ MD&A requirements, the revised IASB *Management Commentary Practice Statement* and, possibly, subject to a relevance and materiality test, informed by other sources such as the ICGN Guidance on Integrated Business Reporting, the UN SDGs or the Future Fit Business Benchmark.

This new Value Creation Report would aim to provide in a connected way, as concisely as possible, all the information that would be deemed material to investors beyond what is disclosed in the GAAP financial statements. Hyper-links or icons would enable on-line user access to more detailed information on some issues and topics.

The Value Creation Report would need to be customizable in places for each of the 70-plus industry sectors covered by the SASB standards. Although it would, for a while, need to include the MD&A disclosure items currently called for by securities regulators, in the fullness of time, with IOSCO encouragement, it could replace current MD&A requirements in North America and similar “Management Commentary” style requirements in other jurisdictions (e.g., the EU and the UK, Asia, South Africa, etc.). Securities regulators in Canada and the US would, for example, simply require a Value Creation Report plus financial statements in their periodic filings.

Design and development of the Value Creation Report would be undertaken by a credible consortium similar to the IIRC’s Corporate Reporting Dialogue, convened by organizations accustomed to due process in setting corporate reporting standards. This work would not necessarily call for establishment

of a new global organization if an existing one, such as the IIRC, were widely seen as capable of undertaking it, subject to showing it had or could acquire suitable leadership, governance and resources.

To meet investor needs, the familiar MD&A model that has been around for decades, suitably updated, adapted and enhanced as suggested above, could thus become the ideal Value Creation Report to accompany IFRS financial statements, eventually achieving securities regulators' recognition. Interestingly, the integrated reporting model proposed by the IIRC in its 2013 framework has many of the same content elements as the Value Creation Report suggested above.

It is unlikely that audited financial statements will disappear anytime soon because of their familiarity and foundational, albeit narrow, function in accounting for investors' contributions of financial capital, so they would accompany the Value Creation Report to provide an additional level of detailed financial information.

The Reporting Bundle for Other Stakeholders

For other stakeholders' purposes, the widely used and accepted GRI's Sustainability Reporting Standards could be used as the basic model or point of departure for designing the second report "bundle," let's call it the Accountability and Sustainability Report – enhanced as necessary by incorporation of appropriate elements of the IIRC Framework, the TCFD recommendations, the SASB Standards and, say, the Future Fit Business Benchmark and UN SDGs. To accomplish this work, the GRI could convene an appropriate new multi-stakeholder collaborative task force to design and develop the new Accountability and Sustainability Report, building on the GRI's original mission and its current reporting standards. There would need to be, as now, sector-specific versions of the GRI Standards for the newly devised Accountability and Sustainability Report.

If investors, business sectors, civil society and other stakeholders were all on board with the two-part approach proposed above, then securities regulations and company law might be the last remaining obstacles to address for, at least, the investor bundle. But, as we saw in the 1933 Securities Exchange Act of the US, in the 1975 re-write and subsequent changes to the CBCA, in SCC references to corporate citizenship in the BCE decision, in South Africa's *King Report* and in EU directives about reporting, the concept of protecting the public interest is not static or immutable – it evolves to meet societal values and economic circumstances over time. The new regime for corporate reporting might eventually be widely embedded in company law and securities regulations.

What we don't need now is even more piecemeal reporting frameworks for this and that – we need integration and consolidation of what's already out there, through a meaningful, trusted contemporary process and a lens that all stakeholders, including investors and companies, can align with: long-term value creation, the importance of ESG factors and wide acceptance of the new realities and corporate accountabilities for doing business outlined earlier this paper.

There is now an opportunity to boldly reinvent and redesign the landscape of corporate reporting over the next decade or sooner. The actors in information supply chains, the report users, the stakeholders, the standard setters and the frameworks are all known today, but are they ready and willing to collaborate, just as the GRI and Accounting for Sustainability did in 2010 to create the International Integrated Reporting Council? They simply need to be convened to collaborate in two parallel and connected (but not competing) task forces for the sake of relevance in 21st century corporate reporting.

Hey! What's New?

A random collection of news I thought you might find interesting this season...

By Gundi Jeffrey, Managing Editor



Gundi Jeffrey, Managing Editor of ThinkTWENTY20, is an award-winning business journalist specializing in writing about the accounting profession for various publications in Canada and England.

Why You Should Still Take Days Off This Holiday Season

A blog posted on the FastCompany webpage December 11, 2020 agrees that it might be tempting to save up your vacation days when you're stuck at home anyway, but here's why you still need to take time off this winter season. At the very least, getting away from work can change your perspective. Here's how:

According to the author, Art Markman, a professor of Psychology and Marketing at the University of Texas at Austin and Founding Director of the Program in the Human Dimensions of Organizations, "When you go to work every day without fail, it seems obvious what tasks you should be working on. ...But it can be hard to figure out whether the accomplishments you strive for are really adding up to something significant that you will look back on with pride. Stepping away from your job for a week and engaging in other activities can break that narrative. Now, you're talking to other people, reading other things, and remembering what it's like to be a citizen of the world."

As you do that, he says, you may also find that you change your mind about the overall importance of aspects of the contribution you are trying to make at work. Perhaps there are jobs that are lower down in your queue that deserve more attention. "After some time away, you may find yourself adjusting the priority of some goals."

Also, when you are up close and personal with your to-do list, it can be hard to escape the lengthening list of items added to it. As a result, you may find yourself checking off a lot of boxes without actually making progress on that all-important mission.

Taking time off can help with that too. Research demonstrates that you think about things that are physically distant from you more abstractly than you think about things that are physically close to you. Your vacation gets you physically (and mentally) distant from work. As a result, you are not plagued by thoughts of specific things that need to get done (at least after the first day or so of vacation). That can allow you to refocus on that mission.

When you return to work, you can flip through your to-do list and start figuring out which items are truly important because they are mission critical—and which are not. If you're lucky enough to control your own schedule, you can just reorder your list. If not, you might need to sit down with a supervisor to talk about how to remove some tasks that seem less crucial in order to free up time for what really matters.

Usually, it's important to have multiple pursuits in your life. Even if you can't travel somewhere new, there is joy in reading a good book, pursuing a hobby or taking a walk on a beautiful day. Time away is a good reminder that your life is more than just your work.

For more of Markman's reasoning, check out [Why you should still take vacation time this holiday season \(fastcompany.com\)](https://www.fastcompany.com/9050547/why-you-should-still-take-vacation-time-this-holiday-season).

Key Insights for Successful Hiring in the New Normal

An article produced by Robert Half for the December edition of the *FEI Canada Finance and Accounting Review* explains that the spread of Covid-19 has caused a wave of disruption for companies across Canada. But also a wave of innovation. From remote hiring and onboarding to socially distanced offices, practices that would have seemed on — or even beyond — the fringes just a few months ago are firmly in the mainstream.

Hiring managers planning to bring in new staff may need to revise their playbooks to account for these developments. So, what are the main trends affecting the current job market? And which skills are likely to be in high demand?

According to Robert Half, the trend toward remote working predates the pandemic, especially in the creative and tech industries. But when physical distancing restrictions were implemented, telecommuting became a business necessity across a much broader spectrum of the economy, shaking up the more traditional “face time” culture of finance, accounting, corporate law firms and many other businesses.

Nearly three-quarters of workers polled in a survey said they want to work from home more often (74%), with 55% citing a better quality of life due to lack of commuting. For their part, employers have learned that home-based workers can be just as productive and innovative as their in-office counterparts. Firms that want to recruit and retain top talent should consider placing flexible work schedules and telecommuting options at the heart of their employment packages.

The move to virtual teams grants employers access to a deeper talent pool from a broader geographic area, even across time zones. According to a survey of more than 600 senior managers in Canada, 44% say their organization has hired full-time or temporary staff remotely since the pandemic began and, of those who hired, 75% conducted remote interviews and onboarding sessions and 55% expanded their search geographically to access a wider candidate pool. “Thorough onboarding remains essential for integrating new employees. Savvy managers are arranging video sessions for remote hires to meet the team and assigning mentors to provide guidance and support from a distance.”

Firms that were on the path to digital transformation before 2020 had a competitive advantage. And the pandemic unmasked an even more pressing need for a much wider range of companies to automate their services and streamline their processes. This has put technology professionals with expertise in artificial intelligence (AI), cloud computing and cyber security in high demand, along with full-stack developers and DevOps engineers. Digital transformation and data-driven professionals are also sought, particularly as online retailers look to evolve their presence.

Get more hiring information and advice at [E-Newsletters | FEI Canada](#).

Young CPAs Learn to Adapt to Lead a Changing Profession

A blog posted by AICPA Communications on Dec 11, 2020, [Young CPAs learn to adapt to lead a changing profession - AICPA Insights](#), puts into perspective how the accounting profession has undergone major changes of late. “New technologies are redefining client expectations and therefore how the profession works. Now, with the pandemic, the need to adapt has accelerated.”

The blog talks about the experience the 2020 AICPA Leadership Academy offered 29 young CPAs from firms, businesses and academia across the nation the opportunity to refine and enhance the skills they will need to meet the challenges of those changes. This year, the event was held virtually.

“I now not only have a better understanding of the importance of having a solid grasp on what is going on in my organization and the profession, but also understand how to look at the current state and plan for the future and be ready to adapt,” said 2020 academy graduate Jessica McClain, a CPA with Brand USA in Washington DC.

Attendees discussed key issues and interacted with influential leaders in the profession. Josh Russell, a CPA with Patterson, Prince & Associates PC in Florence, AL, said he was surprised by how much all the attendees had in common. “Whether we came from a large, medium or small firm, industry or organization, we all had many similar successes, struggles, stories, wants and experiences. Sometimes I think we treat public accounting firms like each group is in its own bucket based on size, but we all have things in common.”


One current that flowed through all the discussions was the coronavirus pandemic’s impact on the profession and the greater world. “Covid was really a catalyst for many changes the profession has been discussing for some time,” said John Confrey, a CPA with Mazars USA LLP in New York. “The profession can sometimes be slow to change, but COVID proved we can be adaptive.”

The accounting profession, particularly for younger CPAs, has a reputation for long, rigid office hours. The pandemic forced firms to adopt remote working and flexible schedules as well as rethink processes and efficiencies. Some are optimistic that the pandemic will spur the profession to more quickly and readily adopt new technologies into their practices. “Organizations that had not implemented remote-working technology and digital, cloud-based systems have struggled in this environment,” said Russell. “Covid has shown that we have to embrace technology or risk dying out.”

As the profession and CPA licensure model develop, technology skills will be in greater demand. Confrey said he looks forward to seeing the potential they offer in the profession. “I see technology as a way to minimize routine tasks, allowing professionals to spend more time using their creative skills to problem-solve for their companies or clients,” he said. “I’m most interested in implementing robotic process automation [RPA] to improve processes.”

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