Reporting N on financials

James Donovan

The University of the Incarnate Word
approaches. The one thing that does emerge is that he doesn’t support the Iraq war. However, because this is a political work and 9/11 is so tricky politically, there is much confusion on what our foreign policy should be. He can’t seem to cogently apply social justice to this issue.

The chapter named “Family” is rather blasé about marriage. Obama adopts the ultra-libertarian point of view that however people organize their families is just fine. He sees that a two parent family is advantageous and that having a father present is good for the children. But apparently marriage is merely an option, but of no great importance. The big problem for him in relation to the family is economics. He favors the European approach of the all-enveloping state as the way to obtain social justice for the family. He dismisses those who would push for a return to the “traditional family” with the old cliché “you can’t legislate morality.” Although he says he is not against the “traditional family”—and indeed he has a traditional family—one gets the feeling that he has a snobbish disdain for, as he puts it, the “1950’s family.” Of course, as a political tome and given the chapter’s libertarian thrust, he does not reject such a family.

The Audacity of Hope is a highly readable book with surprising balance in most chapters. The insertion of his personal life and history enhances the work. I did get the feeling that he was overemphasizing his moderateness to hide his liberalism. Nevertheless, I didn’t get the feeling that I was being bludgeoned by a political polemic. It was interesting with numerous insights. It was one of the better campaign opuses I have read.

Reviewed by Rick McDonnell
University of Texas at San Antonio

Reporting Nonfinancials
By Kaevar Gazdar
John Wiley & Sons
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Financial accounting and reporting goes back to the Industrial Revolution and the separation of management and capital. It is the process by which managers indicate the financial results of their stewardship to investors and creditors.

Financial accounting and reporting is a conservative process by design. Assets are recorded at the amounts for which they have been acquired from another party. Most assets that are developed internally are simply not recorded. Financial accounting rules in most jurisdictions bar putting such assets on the balance sheet because they cannot be valued with sufficient objectivity.
In recent years corporations have generated a plethora of these assets—goodwill, brands, products of research, and so on. One result has been a large and growing difference between the market values and book values of companies. Notable specific examples include the recent sales of Skype to E-Bay and Google to public investors.

Investors and others interested in making better decisions have demanded information that goes beyond that provided by traditional financial accounting. But, financial accounting has precise rules and is mandatory for public companies; providing the additional information is almost all voluntary and rules and formats are still developing.

Kaever Gazdar, head of reporting for a large German bank, makes an important contribution to this discussion. The 300 pages of his book are packed with specific recommendations as to how companies can bridge this information gap. And, interspersed among the recommendations are numerous references to studies showing that these additional disclosures are in the companies’ best interests financially!

Gazdar locates the information gap in four broad areas that he calls values. Competitive value deals with brands, customers, and markets. Management value deals with strategy, governance, and outlook. Human resources value deals with productivity, motivation, and potential. Ethical value deals with corporate social responsibility, sustainability, and stakeholder dialogue.

The book can practically serve as a manual for corporate managers seeking to improve reporting. It contains an extensive survey of best, good, and less good performance in each area. A summary at the end of each section provides step-by-step procedures for analyzing individual circumstances and makes recommendations; suggests where the new reporting should appear in a company’s reporting scheme; and even suggests key performance indicators.

In the end-of-chapter materials is a list of “best” performers with their Web addresses so the reader can conveniently view superior non-financial reporting. More unusual, but effective, is an account of a fictitious multinational company’s adventures in gathering the data to report on the material discussed. Much of this is fun as it gets into some of the personality quirks one might expect to encounter among a talented and diverse group of managers in a large and diverse organization.

A curious thing about the book is the absence of any mention of environmental issues and, particularly, climate change. These matters presently hold great fascination for corporate watchers of all stripes – those with primarily financial interests and those whose primary interests are otherwise. It would have been interesting to know what Gazdar’s views might be on beefing up disclosure in this area.

Finally, the book unintentionally illustrates some of the pitfalls companies encounter. There is praise for BP throughout the book for its corporate behavior. But, in the past
year, several safety, environmental, and governance issues have tarnished its crown. In the chapter on customers, Dell was recognized for the customer loyalty flowing out of its fierce devotion to direct delivering. However, this summer its computers went on sale at Wal-Mart.

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