Gary Kelly, CEO of Southwest Airlines, is famous for saying, “I want one version of the truth.” The philosophy behind this simple statement accords with his firm’s recent move to integrated reporting—a new format for reporting on all of a company’s activities—that if broadly adopted could lead to profound change not only in the way corporations do business, but even in the way they view their role in society.

“Companies—which in some cases have revenues that rival the gross domestic product of small nations—are starting to think more about how they use financial, natural, and human resources, and to take account of the positive and negative externalities their decisions create,” explains Robert Eccles, a professor of management practice at Harvard Business School. Integrated reporting, which unites traditional, mandated corporate publications such as annual reports to shareholders with voluntary, nonfinancial disclosures, is an obvious way to consolidate and discuss all dimensions of business performance in one place.

In the past, reports on environmental, social, and governance performance, risks to a company’s operations (encompassing everything from a host nation’s political stability, to regulatory costs, to a company’s image in a community), corporate social responsibility, and information on the sustainability of a firm’s business practices have been published separately, often with diverse audiences in mind. Now, says Eccles, “Environmental consciousness, increasing recognition of the importance of human capital and social issues, awareness of natural-resource limitations, a financial system that keeps blowing up, and a better sense of the importance of managing and reporting on risk, have come together and given the concept of integrated reporting a spontaneous, widespread boost.”

Eccles has written a case about Southwest Airlines’ transition to an integrated report, as well as three books on corpo-
rate reporting including, most recently, One Report: Integrated Reporting for a Sustainable Strategy (Wiley). Although only a few American companies—including United Technologies and American Electric Power, in addition to Southwest—have so far adopted the practice, these firms “are coming to it for the same reason,” he says. “It is like moving from an externally driven sustainability strategy of being ‘green,’” meaning that a company operates in a way that is environmentally responsible as defined by regulation or social expectations, to “a sustainability strategy for the company”: a strategy that recognizes and accounts for the durability of a company’s activities over long periods of time. How long, for example, will regulators allow a coal company to operate without accounting for the social or environmental costs of pollutants? Integrated reporting, Eccles says, “is going to lead to better resource-allocation decisions that will create value over the long term, while allowing companies to take a more holistic view of their role in society.”

Eccles says companies find that one of the first benefits of this emerging practice is that it “enables them to take a more disciplined and integrated approach across all the different organizational silos.” That allows them to “improve the way they are managed, to ensure that they have a sustainable strategy that will enable them to create long-term value for shareholders and society.” Southwest Airlines, for example, discovered that it didn’t have an easy way to track water and electricity usage in all its facilities. Now it has a system in place to capture those data.

Improved management is one reason for moving to integrated reporting, but external forces can also play a role. Socially responsible investors increasingly demand information about environmental performance, and government regulation may even require it. South Africa has mandated integrated reporting for the 450 publicly traded companies on the Johannesburg Stock Exchange and on January 25 released a first-draft South African Framework for Integrated Reporting. According to Harvard Business School dean Nitin Nohria, “Integrated reporting is a big idea and the kind of idea HBS should support and practice.”

Putting all a company’s (or a city’s or a university’s) information in one place is not without risk, Eccles acknowledges, because it forces tough decisions and conversations. A corporation might buy electricity generated by nuclear power to reduce carbon emissions, but produce radioactive waste instead. Integrated reporting rapidly leads to the realization that “you can’t satisfy everybody,” he explains. Ultimately, the resolution of such trade-offs requires corporations to think about their role in society. “Integrated reporting,” he says, “instills the discipline to be much more specific about the relationships between financial and nonfinancial performance, and this will benefit all stakeholders.”

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FRIENDING FARMING

An African Breadbasket?

REPORTS OF FAMINE IN AFRICA ARE so common that it becomes easy to assume the continent will always face food shortages. But Calestous Juma, professor of the practice of international development at the Harvard Kennedy School, says Africa could feed itself—and even become a net exporter of food—within a generation.

Despite worldwide advances in agricultural technology, food production in Africa has actually fallen in the last 40 years—even as aggregate global food production has more than doubled. Although the majority of the continent’s population derives its income from farming, “only 4 percent of Africa’s crop area is irrigated, compared to 39 percent in South Asia,” Juma writes in his book The New Harvest (Oxford). Fertilizer use per hectare in Africa is less than 10 percent of the world average. Fully 70 percent of the population lives more than two hours’ travel time from a market.

In Juma’s eyes, that means there is plenty of room for improvement. Inadequate infrastructure (transportation, communication, energy) has hampered large-scale agricultural production, but he notes that this handicap also presents an opportunity for innovative solutions. To take one example, a partnership between mobile phone companies, governments, and nongovernmental organizations (NGOs) is creating a network of 5,000 automatic weather stations across Africa; the data they gather, when disseminated via mobile phone, will help farmers and fishermen in their trades.

Juma bases his arguments on initiatives like this one. “Most studies of Africa tend to be theoretical,” he said in an interview. “They’re based in models. But people can always construct a model that shows a different outcome.” He believes innovative projects are showing how African countries, through agriculture and the science, technology, and entrepreneurship that support it, can leave behind their role as aid recipients and instead pilot new strategies that the rest of the world might copy.

Agriculture was a part of life during Juma’s childhood on the shores of Lake Victoria, in western Kenya. His father was a fisherman; his mother grew (and still does grow) cassava. Juma first went to teachers college; graduate work on renewable energy at the University of Sussex led to his interest in agriculture. “You can’t study fuel...