ORGANIZATIONAL AND METHODOLOGICAL SUPPORT OF CORPORATE SELF-ASSESSMENT PROCEDURE AS A BASIS FOR SUSTAINABLE BUSINESS DEVELOPMENT

Natalia Prodanova ¹, Natalia Savina ², Zhanna Kevorkova ³, Lyudmila Korshunova ⁴, Nadezhda Bochkareva ⁵

¹⁵ Plekhanov Russian University of Economics, Stremyanny lane, 36, Moscow, 117997, Russia
²³ Financial University under the Government of the Russian Federation, Leningradsky, 49 Prospect, Moscow, 125993, Russia
⁴ Moscow University by S.U. Witte, 2nd Kozhukhovskiy proezd, 12, Moscow, 115432, Russia

E-mails: ¹ prodanova-00@mail.ru; ² savina-vzfei@mail.ru; ³ lnkorshunova76@gmail.com

Received 15 May 2019; accepted 27 September 2019; published 15 December 2019

Abstract. Complicated, diverse, multidirectional institutional processes, taking place around the world, have led to the fact, that in modern conditions the priority direction for disclosing of information about the reporting entity activities to its stakeholders is corporate integrated reporting. It is increasingly acting as a new effective management tool that provides the necessary information connectivity and completeness of disclosure of information on sustainable business development. The article is devoted to one of the effective methods used in the preparation of integrated corporate reporting: internal self-assessment of the organization. The authors substantiate the need for internal self-assessment in order to prepare integrated corporate reporting; made proposals for the development of methods of the organization self-assessment; formed several proposals to improve the organizational and methodological support of the procedure of its implementation; disclosed the main content of the stages of internal self-assessment of the organization. The peculiarity of the proposed methodological solution is the focus on in-depth analysis of the existing business model, the assessment of the contribution of all types of capitals to the result of the organization, taking into account the features of the internal and external environment and industry specifics. The practical application of the proposed methodology as one of the tools of corporate governance allows to increase the level of standardization of integrated reporting and to ensure optimal management of financial and non-financial information flows.

Keywords: integrated corporate reporting; self-assessment; capital; information; stakeholders


JEL Classifications: M21, M40, G32.

Additional disciplines: Financial economics
1. Introduction

Domestic and international experience in the integrated corporate reporting formation shows that Russian scientists constantly face with a number of conceptual issues and problems in the development of relevant methodological materials and the attempt of their practical application: the lack of complex necessary information, both in open sources and in the accounting systems of organizations, the lack of data and statistics in the needful analytical context, the use of complex indicators, the inability of accounting system to provide relevant non-financial information, etc.

In this regard, despite the high need for high-quality methodological developments in the field of organizational and methodological support for the integrated corporate reporting preparation, there is a noticeable lack of them. The recommendations of the international integrated reporting standards discussed earlier are of a rather general approach. At the same time, it is obvious that these recommendations can serve as the necessary theoretical and methodological basis for the relevant developments (Korableva et al., 2018; Hilkevics, Semakina, 2019).

The proposed methodological approach is aimed at creating an effective mechanism for the preparation of initial information to create integrated corporate reporting. Initial methodological assumption is the recognition that the existing accounting and information system of domestic organizations in the real sector of the economy is focused primarily on the collection and presentation of value information and therefore is not well suited for non-financial information in the formats required for submission in non-financial reporting (Dunets et al., 2019; Chernysheva et al., 2019; Nikolaeva et al., 2018; Goryushkina et al., 2018). At the same time, the creation of a separate service dealing exclusively with this issue is often impractical due to the costs increase of collecting and processing the necessary information, a significant part of which is usually formed by various departments and organizations which are combined into business. Under these conditions, an orderly, albeit distributed, mechanism for collecting information through internal self-assessment could be a possible solution.

2. Literature review

Despite the development of an international standard for integrated reporting, in Russian practice “the methodology and technology of forming these reports are still in the approbation stage” (Druzhilovskaya, 2015), fundamental work in the field of forming and preparing corporate integrated reporting and a complete objective study of its analytical capacity is not enough.

Many well-known domestic scientists are actively involved in this problem, revealing the purpose, nature and content, principles of the requirements for information disclosure. Vakhirshina (2014) believes that “an integrated report should disclose the nature of the impact of management on six types of company capital (financial, production, human, intellectual, natural and social)” (Vakhirshina, 2014). At the same time, the information of the integrated report should contain the analysis of the “quality of the organization’s relations with its main stakeholders”, considering their legitimate interests and expectations (Getman, 2014).

To determine the composition of the integrated reporting Kogdenko and Melnik (2014) compare traditional and integrated reporting, revealing the directions of “its transformation into a data system that aggregates key indicators for making management decisions” (Kogdenko and Melnik, 2014). Basing on the concept of “integrated thinking”, Malinovskaya (2013) defines, as part of corporate integrated reporting, “the interrelation of financial and management reporting, reports on corporate governance and remuneration, and reports on sustainable development”.

A wide discussion has been given to content issues, which are connected with the integration of data of already existing types of accounting, as well as with the mechanism for creating a new type of business accounting, which
should become a “motivational element to confirm the correctness of the decisions taken by financial capital providers when allocating resources and reflecting the results of value creation in integrated reporting” (Plotnikov and Plotnikova, 2014). Meanwhile, “the integration process, like any economic process, must be based on the basic rules” (Sorokina, 2008), which indicates the need to improve the methodological support for creating and preparing corporate integrated reporting.

International research and development conducted under the auspices of various international organizations, such as the Association of Certified Chartered Accountants (ACCA), the World Business Council for Sustainable Development (WBCSD), International Federation of Accountants (IFAC), International Integrated Reporting Committee (IIRC), International Institute on Sustainable Development (IISD) and others, play a significant role in this area.

3. Methods

As part of the study, the analysis of domestic experience in the formation of corporate integrated reporting was done. As a research tool a systematic analysis of empirical research, the principles of formal logic, the synthesis and analysis of theoretical and practical material were used. The author’s approach to conducting self-assessment presented below is based on survey materials, as well as modern methodological developments considered in the relevant standards for building a management system focused on success.

4. Results

The corporate integrated reporting is considered as a modern and effective mechanism for ensuring the transparency and openness of Russian companies. At the same time, formally, the issue of regulation of preparation and submission procedures of this reporting type is currently outside any national jurisdictions and is carried out on a voluntary basis within the framework of a broad understanding of the social responsibility and business transparency concept (Tarman and Dev, 2018).

From the point of view of the integrated corporate reporting preparation process, self-assessment can be considered simultaneously as an internal questionnaire independently conducted by responsible executives and as a comprehensive, systematically organized analysis of the current business model, taking into account the main capital involved in it. Self-assessment can provide an overview of the activities of the organization and the maturity of its management system.

Internal self-assessment should be organized in such a way that it can form a generalized (and sometimes detailed) representation of all significant elements and business segments, information about which will be presented in the integrated report.

Self-assessment can be considered both as an internal analytical tool and as a kind of mechanism to replace the technique of continuous uninterrupted registration of objects and operations in traditional accounting registers. If properly designed, the self-assessment system can provide the necessary level of completeness and reliability of the information presented in it, considering the requirements for the level of corporate transparency and disclosure. Therefore, General approaches that define the basic requirements for any business transparency systems, in particular, can be fully used in relation to it:

- focus on information, either contained in the management system, or obtained on its basis using techniques of financial and statistical analysis and modeling;
- focus on the information needs of key stakeholders. Self-assessment procedures should be carried out in such a way that on its basis formed “exactly the information that users need, in a convenient form”;

1138
- reliability, accuracy and completeness of the information received, which should provide internal and external users with the opportunity to correctly and timely assess the economic, environmental, social, etc. aspects of business activities, its opportunities for sustainable development and prospects for creating additional economic value in the future;
- balance of costs and benefits from creating a self-assessment system, balancing risks and opportunities when using the information contained in it. That is, business management should be well aware and able to balance the potential benefits of increasing transparency and the costs and losses associated with them.

The main goal of such a self-assessment is to achieve a comprehensive vision of the main internal processes, understanding how the selected business model is implemented on their basis. The business model, as an object of self-assessment, is logically considered through the types of capital involved in its implementation. A brief description of the main elements of each capital subject to the self-assessment procedure is given in Table 1.

**Table 1.** Evaluation of the impact of key types of capital on the business model (Bochkareva & Prodanova, 2018).

<table>
<thead>
<tr>
<th>Type of capital</th>
<th>Studied elements</th>
<th>Characteristics of the research results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>Sources of financing (strategic and current)); Funding directions; Financing risks; Cost of capital for the business; Investment; Information about future investment projects.</td>
<td>Assessment of self-financing capacity, financing potential taking into account long-term plans; Assessment of risks associated with financing activities and effectiveness of measures to reduce them; Assessment of the prospects for growth of business value.</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>Description of fixed assets by groups and categories; Description of infrastructure facilities; Production process organization; Purchasing system and supply chain organization; Marketing, sales policy and organization of sales and distribution chains.</td>
<td>Assessment of production and technical potential; Assessment of production capabilities in terms of sustainable growth; Assessment of the effectiveness of material support of production processes; Assessment of sales opportunities.</td>
</tr>
<tr>
<td><strong>Intellectual</strong></td>
<td>The quantity and value of copyright, licenses, patents, know-how and other types of intangible assets; Investments in research and development, the acquisition of new intangible assets; The presence of intellectual infrastructure (business architecture, knowledge bases, internal networks); Availability of descriptions of business processes and their configuration; Personnel composition and average number of employees by units and segments; Expenses for advanced training and additional education of employees, their acquisition of special knowledge; Motivational programs and labour productivity programs.</td>
<td>Assessment of the potential for creating added value based on existing intangible assets; Analysis of potential returns on future investments in intangible assets; Assessment of the professional and educational level of employees; Assessment of staff experience and ability to perform work; Technical and methodological equipment of labour; Assessment of the contribution of employees to achieving the intended results.</td>
</tr>
<tr>
<td><strong>Natural</strong></td>
<td>Used raw materials and consumed natural resources; The use of various types of renewable and non-renewable resources; The impact of business on the environment; Costs on the environment; restoration of the environment; Costs of energy and resource conservation.</td>
<td>Assessment of limitations and opportunities for the use of natural resources and raw materials; Risks and opportunities of the current business model within the framework of existing natural ecosystems; Assessment of the environmental impact of production activities.</td>
</tr>
</tbody>
</table>
Social Analysis of the system of relations with interested users of reporting information; Expenses for social infrastructure; Amount of remuneration and other payments to employees; Costs of creating collaborative technologies; involvement of vertical supply chains; Costs of social investments, sponsorship, charity; The costs of creating a public image and ensuring the openness of the business (presence on social networks, interaction with the media, communication with the public, etc.).

Assessment of the potential impact of interested users of reporting information on a business; Assessment of the effect of social investments, sponsorship and charity in the regions where the business is present; Assessment of the contribution of social (relative) capital to business results.

Source: own research

Self-assessment should coincide with the specific activities of an organization, giving a complete, clear, accurate representation of all components of capital involved in the business. In addition, it may include issues of quality assurance of corporate governance in such key areas as:

- rights of shareholders and investors;
- activities of the Board of Directors;
- corporate governance and internal control systems;
- actions aimed at disclosure of information and increase of information transparency of business;
- corporate social responsibility and compliance with business ethics;
- compliance in all key areas of activity, etc. (Bochkareva & Prodanova, 2018).

In the expanded form, the self-assessment methodology should contain a set of questionnaires and questionnaires presented in the form of tables. Their filling is carried out by the relevant structural organizational units. Thus, through a systematic representation of the internal and external environment of the organization as "a combination of internal and external factors and conditions that can affect the achievement of the organization's goals and its behavior towards stakeholders" provides the necessary information basis for the formation of integrated corporate reporting.

Below there are the main methods and approaches for collecting data in order to conduct self-assessment for the preparation of integrated corporate reporting. As an example, we consider a fragment related to the self-estimation of intellectual capital.

Intellectual capital is one of the key elements of the business model, through which additional added value is created in the business, exceeding its usual production capabilities (Korableva et al., 2019), according the author intellectual capital is formed by "the potential value of the various components or flows of capital in an organization; relationships and collaborative activities that can increase the value and applicability of this potential to real business or organizational challenges".

By its nature, intellectual capital has a complex structure and usually includes three main components: intellectual property, intangible assets and corporate knowledge assets. The latter component is the least studied and almost not represented in the traditional accounting system. Recently, it became the subject of serious study in the theory and practice of accounting, therefore, the existing classification of its forming elements are heterogeneous and ambiguous. It is believed that knowledge assets may include such items as human capital, structural capital, customer capital. But it can also "include employee knowledge, information about production processes, experts, products, customers, competitors, intellectual property in the form of patents and licenses (administered by regulatory bodies to protect the public interest)."
Based on this classification, the self-assessment procedure scheme presented in figure 1 can be proposed:

**Fig. 1.** Scheme of intellectual capital self-assessment procedure

*Source: own research*

Questionnaires of self-assessment should be formed in groups of subjects, the nature of the estimated area and units (segments) of business. We can envisage two options of the self-assessment scheme: standard and extended. The standard scheme means that the survey of business units (segments) is conducted on a common basis without distinguishing their specifics. The advantage of this approach is obvious – questionnaires are formed in a standard form, the questions are the same, the specifics can be manifested only at the level of answers. This self-assessment option may be recommended to organizations that have only started to produce integrated corporate reporting for the first time or relatively recently, and have not yet developed effective, well-established internal organizational and instrumental tools for collecting and processing relevant non-financial information in the required presentation format.

The extended scheme assumes that the survey of business units (segments) is carried out individually, considering their characteristics and information needs of internal users. In this case, the standard set of questions contained in the questionnaires can be modified by clarifying their wording, expanding or, conversely, reducing the number of items considered. Accordingly, it is possible to more fully and deeply take into account the specifics of intellectual capital, keeping in mind the nuances of its organizational, territorial, managerial structure, identifying its strengths and weaknesses, taking into account the risks and opportunities for further growth (Shatunova et al., 2019).

Such a scheme can be recommended to business, which has repeatedly formed corporate integrated reporting and, accordingly, has the necessary experience and technical capabilities to improve the mechanisms and tools for its preparation.

It should be noted that in general, the self-assessment procedure can be reduced to filling out questionnaires and their subsequent processing largely. Accordingly, this process can be organized in two ways.
The first method can be characterized by the principle of "bottom-up". It suggests that pre-formed questionnaires with approved wording of answers can be sent directly to the units being examined. The leadership of the latter, based on internal regulations and orders of higher governing bodies, independently determine how to fill them out and the persons responsible for this process. Accordingly, it is the heads of departments that are responsible for the accuracy and completeness of the information in the completed questionnaires.

The second method implements the opposite principle - "top-down", when the questionnaire is carried out by a centralized unit or by an independent working group, whose authority includes the direct organization of the self-assessment process.

The methods for conducting a self-assessment of capital are presented in Figure 2.

The functions of the working group, among other things, may include the following issues:
– identification and elimination of informational restrictions in places that impede objective, timely and full self-estimation;
– ensuring the organization consistency of the survey process with the management of the evaluated units;
– ensuring effective and rapid information exchange within the organization, not only information, but also knowledge and experience, stimulating close interaction between the performers.
Responsibility for the accuracy and completeness of the information in the completed questionnaires is more centralized here.

The discussion point is the degree of automation and formalization of the questionnaire filling process. The cost-benefit principle of obtaining information implies that the cost of obtaining information, considering the criteria of accuracy, reliability and urgency, should be reasonable (Baldacchino et al., 2019).

Accordingly, a certain part of the information can and should be generated directly in the accounting information system without the participation of people. But this implies a sufficient level of its development, the presence of good analytics and support for the required data presentation formats. Obviously, the part of the information presented in quantitative form can be obtained by resorting to modern information technologies. But rather, this will not be relevant for the first presentation of integrated corporate reporting.
To assess capital, the content of the questionnaires includes questions with quantitative and qualitative characteristics. In this regard, at the level of internal methodological developments it is advisable to distinguish between quantitative and qualitative information.

Particularly, in terms of intellectual capital, quantitative indicators can characterize: the share of labour protection and safety expenses; job growth; injury rate, etc.

Qualitative indicators characterize the presence of career and professional development programs; correspondence between the declared and real working conditions, the implementation (non-fulfillment) of the plan of professional development in the current period, etc.

Examples of qualitative and quantitative indicators, as well as related issues, are given in table 2.
Table 2. Qualitative and quantitative indicators of intellectual capital evaluation in terms of assessing the level of professional competence of the staff of the organization (Bochkareva & Prodanova, 2018).

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Description</th>
<th>Presentation method in the questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantitative indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour protection and safety expenses share</td>
<td>Labour protection and safety expenses</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td></td>
<td>Total expenses</td>
<td></td>
</tr>
<tr>
<td>Percentage of company employees who completed</td>
<td>Percentage of company employees who completed professional training</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td>professional training (retraining, advanced</td>
<td>(retraining, advanced training) during the year</td>
<td></td>
</tr>
<tr>
<td>training) during the year</td>
<td>Number of employees completed skills training</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td></td>
<td>Average staff employed</td>
<td></td>
</tr>
<tr>
<td>Coefficient of occupational injuries, in</td>
<td>Coefficient of occupational injuries, in terms of 1 million hours worked</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td>terms of 1 million hours worked</td>
<td>Number of occupational injuries</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td></td>
<td>Number of new working positions</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td></td>
<td>Number of working positions in total</td>
<td></td>
</tr>
<tr>
<td>Job growth rate</td>
<td>Job growth rate</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td>Share of young professionals in the total</td>
<td>Share of young professionals in the total number of employees</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td>number of employees</td>
<td>Number of young professionals</td>
<td>Calculated, automated</td>
</tr>
<tr>
<td></td>
<td>Average staff employed</td>
<td></td>
</tr>
<tr>
<td><strong>Qualitative indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee satisfaction with working conditions</td>
<td>Are the working conditions defined in the employment contract, collective</td>
<td>Informal, personal survey</td>
</tr>
<tr>
<td></td>
<td>agreement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Is there a correspondence between the declared and real working conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Presence of complaints of workers on non-compliance with requirements to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>working conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Existence of certificates of compliance with technical and sanitary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>standards for workplaces</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Availability of comments during internal and external audits</td>
<td></td>
</tr>
<tr>
<td>Effectiveness of measures to improve</td>
<td>• Implementation (non-fulfillment) of the continuing education plan</td>
<td>Informal, personal survey</td>
</tr>
<tr>
<td>the skills of employees</td>
<td>• The presence of self-training programs for workers and conditions for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>implementation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Availability of career and professional development programs</td>
<td></td>
</tr>
</tbody>
</table>

Source: own research

Self-assessment should not only help to identify general facts and patterns in the information collected, but also contribute to a better understanding by the staff of the importance of its role in the organization’s activities, an objective evaluation of individual contribution to the creation of economic added value. Based on the results of the self-assessment, additional measures can be taken aimed at solving such problems as:
– organization of processes for the knowledge and experience exchange, advanced training, building programs to
introduce proposals for improving production processes and improving product quality;
– improvement of systems of material remuneration and non-material incentives, considering the individual contribution of the employee and his personal achievements;
– creation of a system of career growth, planned staff rotation in order to stimulate personal development and improve professional competence of employees;
– development of corporate mentoring and training programs for young professionals, etc.

6. Discussion

In the future, the role of the proposed methodology for self-assessment for management purposes can be much wider, because its information content can be used for analysis of sustainable development or improving the overall quality of management, identify areas in need of improvement, the formation of strategic priorities and prioritization of the implementation of certain management actions or decisions.

In addition, in order to enhance the overall information and analytical effect, the full self-assessment methodology may include additional tools for internal process analysis and business results estimation with respect to the selected benchmark (benchmarking). As a result, the organization is able to make qualitative and quantitative comparative assessments with other organizations in order to better understand its market positions, as well as to monitor changes over a certain period of time in terms of achieving the planned strategic goals and forming new strategic guidelines.

7. Conclusions

The organization should use self-assessment to identify opportunities for improvement and innovation, set priorities and develop action plans for sustainable success. The results of the self-assessment show the strengths and weaknesses of the business, its maturity level and life cycle stage. Thanks to them, there is additional valuable information not only for business analysis, but also for staff training in order to properly represent his understanding of the existing business model and the potential for value creation.

The proposed method of self-assessment, according to the authors, should be considered not so much as a mechanism for creating an additional accounting system, alternative to the existing one, but as a management tool that gives us opportunity to optimally manage and effectively use the flow of non-financial information.

References


Natalia PRODANOVA - Doctor of Economic Sciences, Professor, Basic department
Financial Control, Analysis and Audit of the Main Control Department of Moscow, Plekhanov Russian University of Economics. Research interests - accounting, integrated reporting, financial control, control and audit in the field of procurement
ORCID ID: https://orcid.org/0000-0001-5140-2702

ORCID ID: https://orcid.org/0000-0001-6297-5688

Zhanna KEVORKOVA - Doctor of Economics, Professor, Professor of the Accounting, Analysis and Audit Department of the Financial University under the Government of the Russian Federation. Research interests - accounting, financial control, control and audit in the field of procurement, forensic.
ORCID ID: https://orcid.org/0000-0002-8674-4216

Lyudmila KORSHUNOVA - Candidate of Economic Sciences, Department of Secondary Special Education, Moscow University by S.U. Witte. Research interests - financial statements, financial control, labor resources, employment
ORCID ID: https://orcid.org/0000-0002-2346-614
Nadezhda BOCHKAREVA - Candidate of Economic Sciences, The Head of E-lab, E-lab of the Department of Financial Control, Analysis and Audit, under the General Controlling Department of Moscow, Plekhanov Russian University of Economics. Research interests - accounting, integrated reporting, financial control.

ORCID ID: https://orcid.org/0000-0001-9534-4372

Register for an ORCID ID:
https://orcid.org/register