

Lessons from a natural capital case study

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In April 2019, CIMA, with the University of Exeter and the University of Canterbury, released a study called Natural Capital Accounting: Revisiting the Elephant in the Boardroom (available at tinyurl.com/qsclu7q). The following is an excerpt of a case study of Forest Enterprise England, one of the first practical adopters of natural capital accounting (NCA), featured in the CIMA study. The agency is now known as Forestry England.

The natural world is extremely complex and highly interconnected, which demands that those undertaking NCA have expertise and in-depth knowledge that is not readily available in most organisations, our research indicates.

In the case of [Forestry England] the organisation employs ecologists in the normal course of its operations. Moreover, these ecologists provided fundamental expertise and knowledge. It was also evident that the management accountants involved in producing [Forestry England's] NCA significantly expanded their own knowledge and expertise through their interactions with the ecologists during the NCA process. This allowed them to better understand the stewardship issues that related to [Forestry England's] management of the natural resources under its control. This in turn allowed them to better engage with the process of demonstrating to the government, and other stakeholders, the wider value that the organisation produced for society.

This highlights, particularly given the threat of privatisation in the past, how NCA has the potential to be utilised in societal and political debates and discussions over what values we want our organisations to be focusing on.

The above leads to the following three main points that any management accountant needs to be aware of before implementing NCA:

1. NCA requires in-depth knowledge and skills of the natural world, which are not always readily available within an organisation. These may need to be drawn in from external scientists and experts.
2. NCA may produce major benefits, not from the outcome of the NCA calculations or values generated, but as a result of the learning that is required to be able to undertake the process of making the NCA calculation.
3. While NCA may be beneficial in opening up debate as to the wider value an organisation provides, it also may require a focus on issues and challenges that are beyond the organisation's traditional remit and comfort zone. NCA clearly has the potential to stretch the conventional accounting entity boundary, something that may no longer be based on legal, ownership, and transaction rules but rather scientific understandings of ecology.

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