The Use of Management Accounting Information in Non-financial Reporting and Interaction with Stakeholders of Public Companies

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Abstract Sustainability report informs of social, economic, and environmental aspects of a public company. Non-financial report is used as a management accounting tool of rational and prudent corporate strategy. This type of reporting helps businesses to establish effective engagement with stakeholders. Stakeholders are crucial to success of every project. The purpose of the study is to define factors gathered from management accounting information that may affect quality of stakeholder engagement. The article is devoted to several practical aspects of non-financial reporting in public companies. The authors analyze factors affecting quality of stakeholders' engagement and feedback on standards-based GRI; reveal the impact of the company's most important components of sustainable development; and identify internal and external benefits from sustainability report. It is true that non-financial report provides a better understanding of risks and opportunities for both management and stockholders, reducing costs, increasing efficiency, and improving reputation and brand loyalty. That also comes from the latest instructions sent to Russian Parliament by the President to prepare regimentation of non-financial information disclosure for large companies by the end of April 2017. The study results prove that sustainability report allows management to create feedback, improve company's reputation, and increase ratings. However, there are some problems to be solved.

Keywords Stakeholders • Management accounting • Non-financial reporting • Sustainability report

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Introduction

Non-financial information includes important elements such as business model, strategy, sustainable development, human resources policy, and environmental safety. Investors and other stakeholders can recognize the ways of operating with this information (Kaspina 2015).

However, a small number of publications can be found that address the issue of using management accounting information in formation of sustainability report. Russian system of sustainability report has no literature that is dedicated to the problems of non-financial reporting. Nevertheless, there are still some interesting and relevant problems to be addressed.

Sustainability reports can help management of any company to better understand and measure economic, social, environmental, and governance performance. The company's administration can also set goals and manage strategy more efficiently (Kaspina et al. 2014a, b).

Stakeholders are important in the life cycle of any company. They may affect the company's policy and strategy and create the image. Therefore, competent system of interaction with stakeholders is necessary for any business (Kaspina et al. 2014a, b).

Nowadays, a variety of stakeholders uses all available information to be able to adopt different solutions. In order to meet the needs of economic agents, many companies regularly publish non-financial information in addition to the financial information.

The purpose of the study is to investigate the essence of management accounting non-financial information in integrated reporting of economic entities along with the problems and challenges related to interaction with stakeholders. In addition, we determine the feasibility of sustainability reports formation.

Data and Methodology

Building trust in business is the basis of achieving a sustainable development of the world economy. Nowadays various kinds of management decisions have direct impacts on stakeholders, such as financial institutions, labor organizations, civil society, and citizens. These decisions are based on financial and non-financial information. Management assesses risks and opportunities using information on a wide variety of current and future issues (Nurmuhametov et al. 2014).

Non-financial reporting includes information about company's sustainability challenges and impacts on the environment. It encompasses strategies, key performance indicators, results, and future goals. Usually sustainability report is presented by top management in accordance with the principles established at the Global Reporting Initiative (GRI).

This reporting shows the interdependence of social, economic, and environmental factors. Non-financial report also has a moral part – the need to focus on charity and helping the poor, sick, and homeless. With the help of sustainability report, businesses demonstrate their care about the environment, social orientation, and economic policy (Kaspina 2015).

Problems of Sustainability Report

The main problem of this study is the issue of weak discussion practices of non-financial information and perspectives of social responsibility in the community.

Along with this, the most urgent problem is management's desire to create a positive image in spite of business problems. Thus, the company idealizes its activities and system functioning. So information transparency disappears, the accuracy of the data is lost. Disclosure of company's activity fails to be true (Kaspina et al. 2015).

Because management is free to define the indicators of performance measuring, companies face the problem of comparability of information provided.

CEOs are confident that integrated reports serve to achieve great goals. First of all, as it contains information about system of management and social responsibility to employees, sustainability report allows companies to create the image of an attractive employer.

This report is a good management tool for public communication; it provides an opportunity to talk with the company's stakeholders. In addition, integrated report helps management focus on the main activities and purposes.

Results and Discussion

Stakeholders are crucial to any company, and effective management is vital to the business success in their eyes. Efficiency of any project directly depends on the stakeholder's management.

To become a successful participant in the market, companies need to meet the interests of stakeholders and take into account their comments and suggestions. In order to become competitive, management tries to establish a quality system of stakeholder engagement (through personal meetings, video and audio translation of financial statements, publication of information products, presentations, and conferences) (Kaspina and Shneydman 2013).

The list of company's stakeholders can be significant. Therefore, management should structure them according to their influence and interest to control stakeholders by groups (Fig. 1).

Source: authorial view

Fig. 1 Major providers of sustainability reporting guidance (Source: Authorial view)

Fig. 2 The power-interest relationship with stakeholders (Source: Authorial view)
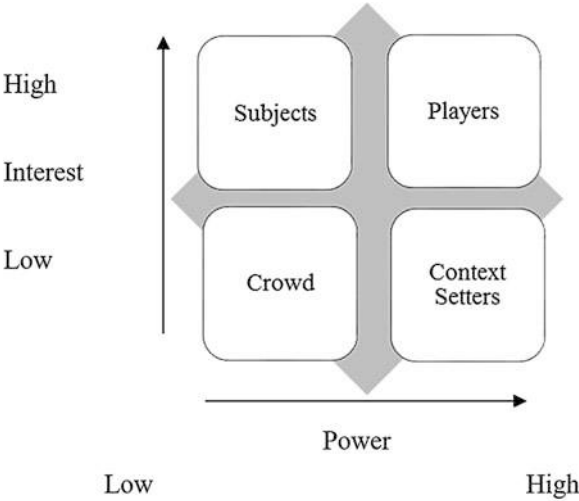
Source: authorial view

In accordance with Fig. 2, the influence is an ability to control or affect the actions, beliefs, and attitudes of other people. Interest is the state of being responsible, affected, involved, concerned, attentive, and curious.

In addition, another classification can be defined by the level of company's project support. Assessment of people's motivation can be based on these categories: allies, supporters, neutral, reluctant, and opponents.

Suppose that the quality of interaction of companies with stakeholders depends on several factors, such as security, quality of website information, and quality non-financial information assessment report.

In order to investigate the impact of these factors on the quality of interaction with stakeholders in details, we used the statistical program "Gretl" and built a

Table 1 The correlation matrix

X1	X2	X3	Y	
1.0000	0.3725	−0.0461	0.6277	X1
	1.0000	0.0269	0.7186	X2
		1.0000	0.3141	X3
			1.0000	Y

Source: author's calculations based on statistical program "Gretl"
Note: 5% critical values (two-sided) = 0.4329 for n = 21

correlation matrix. The study was conducted on the basis of 21 public companies. The correlation matrix is shown in Table 1.

The dependent variable (y) is the quality of interaction between public companies and stakeholders. Factors that influence the result variable are guaranteed security of a public company (x1), quality of the information on a public company website (x2), and quality non-financial information assessment report (x3).

The most important is the correlation coefficient between x1 (guarantee security of a public company) and x2 (quality of information on a public company's website).

With the classical method of least squares, we estimated parameters of the model "Cooperation with stakeholders." The results of the multiple regression are presented in Tables 2 and 3.

Excluding the constant, the largest P-value obtained for x3 (quality non-financial information assessment report). Since the P-value of each factor is less than 0.01, the model is acceptable.

The coefficient of determination equals 0.768596, which is considered to be high.

$$y = -1.59 + 0.387^*x1 + 0.562^*x2 + 0.407^*x3,$$
$$(0.850)\ (0.111)\ (0.129)\ (0.149) \tag{1}$$

where n = 21 and R-square = 0.769. In parentheses, there are the standard errors.

All regression coefficients in the resulting equation are statistically significant.

Checking availability heteroscedasticity in the model, using the test White (White). Null hypothesis: there is no heteroscedasticity.

Test statistics: LM = 21
P-value = P (chi-square (7) > 21) = 0.00377015

The test results show no white heteroscedasticity.

The resulting model of the study is solid as all the regression coefficients are statistically significant, and the coefficient of determination is high. In the model, there is no heteroscedasticity.

According to the results of the study, the hypothesis was confirmed. The quality of the interaction of companies with stakeholders depends on several factors, such as the guarantee of the security of the company, quality of the company's website and information, and quality non-financial information assessment report.

Table 2 The results of multiple regression

Variable	Coefficient	The statistical error	t-statistic	P-value	
Const	−1.59119	0.850371	−1.871	0.0786	*
X1	0.386784	0.110993	3.485	0.0028	***
X2	0.562115	0.129458	4.342	0.0004	***
X3	0.407048	0.148926	2.733	0.0142	**

Source: author's calculations based on statistical program "Gretl"

Table 3 The parameters of multiple regression

The model parameters	Value	The model parameters	Value
The average value of dependent variable	4.047619	The statistical deviation of dependent variable	0.589592
The sum of square residues	1.608811	The statistical error model	0.307630
R-squared	0.768596	Revised R-squared	0.727760
F(3, 17)	18.82150	P-value(F)	0.000012
Log-likelihood	−2.822922	Akaike criterion	13.64584
Schwartz criterion	17.82393	Henna-Quinn criterion	14.55260

Source: author's calculations based on statistical program "Gretl"

Conclusion

Summing up the results, sustainable development of the company integrates economic, social, and environmental management factors, lowers business risks, strengthens competitiveness, and improves the efficiency of staff and customer loyalty as well as company's reputation. Sustainability reports make a positive contribution to business community, economic, and social development of regions.

However, studies on this issue are still ongoing. It is obvious, that the level of practical experience exchange and expertise in this area is not sufficiently developed. Therefore, there are several problems yet to be solved. As mentioned earlier, the issue of comparability of data is one of the majors. It can be solved by comparing provided management information with the GRI standards. Increased attention in media, as well as creating additional opportunities to learn best practices, methodologies and international experience can greatly improve the quality of social reporting.

From the results of our research, it is possible to conclude that management, missing sustainability report, leads their companies to negative consequences. The activities of such companies are less transparent than their competitors; they may gain lagging reputation, even if it's not true.

In our future research, we intend to concentrate on practical aspects of sustainability report formation. Future work will involve the analysis of the domestic and foreign companies' sustainability reports.

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