

# Standards: The battle for AccountAbility

Posted by [Mallen Baker](#) [1] on Oct 7, 2012

The long-running standoff between AccountAbility and stakeholders of the AA1000 sustainability standards continues. Can some structural changes and new appointments ease the tension?

Eighteen months ago, explosive disagreements over the future of standards thinktank AccountAbility burst into view when its own standards board collectively resigned, and the organisation's management issued an open letter attacking the propriety of a number of board members and "certain disgruntled employees of AccountAbility".

A bewildering series of claims and counter-claims followed. A central fear emerged that the organisation, recently under new management, was taking a more commercially minded course that created a conflict of interest for the guardian of the AA1000 standard.

And today the war being fought in the name of better stakeholder engagement rages on. So what has actually happened in the interim, and is there a constructive way forward that will preserve the impact of the good work of the past?

AccountAbility was set up in 1995 with the aim of "progressing the professional practice of social and ethical accounting, auditing and reporting". At that time, it had the vision of becoming the professional body for accountability practitioners as the sector matured.

It created the AA1000 set of standards covering assurance and stakeholder engagement. The early versions were over-complex, but included key principles that have since become commonly recognised as useful and absorbed into other operations, such as the Global Reporting Initiative (GRI).

AccountAbility was a membership organisation, with individual and corporate members, and AccountAbility's forays into commercial consultancy had created tensions with some of its members – even before management changed hands. As early as 2007, the organisation's annual report disclosed that those members who had established businesses providing report assurance using AA1000 feared the potential for the host body to exercise an unfair advantage against them.

## Activist background

While former Accountability chief executive Simon Zadek has his critics, he was widely viewed as an intellectual driving force in the movement, and with his heart and soul very much in the same place as the activist community. The tensions and arguments were already there, but he had a reservoir of trust to count on, which came to bear – for instance – when the organisation's advisory council was persuaded to restructure the organisation to become a limited company.

When Sunny Misser, a sharp-suited former PricewaterhouseCoopers man from New York, took over in late 2009 he had no such reservoir of trust to draw from. You could hardly have pictured a starker contrast with Zadek, and in Misser you had someone who unashamedly promoted a more commercial approach.

Now the new AccountAbility has emerged. It focuses on three areas: advisory services, research, and standards. In 2010, AccountAbility reported a turnover of £3.3m, with a profit of £189,000. It has offices in New York, London, Dubai, Sao Paulo, Washington DC, Johannesburg, Zurich and Riyadh. The company lists its specialist sectors as financial services, pharmaceuticals, energy and extractives, telecommunications, consumer goods, and food and beverages

It has a newly formed advisory council including Sir Mark Moody-Stuart, the extractive industry veteran whose CV includes leadership roles at the Global Reporting Initiative and UN Global

Compact. It has a website you would associate with a budding professional firm rather than what some used to consider a slightly ramshackle campaigning organisation.

The transformation has caused a number of stakeholders to go ballistic.

### **Punch and counter-punch**

A group of concerned former participants set up an “AA1000 User Group” forum hosted on LinkedIn. It became the place where intemperate claim and counter-claim could be exchanged in public in an occasionally astonishing way, and it produced an executive of people tasked by that community to find a way forward.

At its urging, AccountAbility agreed in June 2011 to set up, an interim standards board (ISB) to oversee things while it could regroup and put a more enduring process in place. It established an independent nomination committee chaired by Roger Adams of the professional accountancy body ACCA, a figure respected by both sides. This group then identified who should be on the new board.

The ISB was chaired by Anant Nadkarni, vice-president for group corporate sustainability at Tata. It included a number of people who had been involved with AA1000, including some of those associated with the LinkedIn group.

Judy Kuszewski, one of the LinkedIn group interim executive committee, says: “We did consider it a success when AccountAbility agreed to form the interim standards board to replace the one that resigned, and the nomination committee which Roger Adams was chairing. But it hasn’t, to date, resulted in independent governance.”

In fact, the board became increasingly divided as members of the LinkedIn group demanded specific guarantees and became frustrated at what they saw as slow action and lack of communication.

In November 2011, when the AA1000 Stakeholder Engagement Standard was ready to have its final draft published, members of the group went ahead and published it first on an independent website that failed to mention AccountAbility but claimed authorship by the AA1000 Technical Committee.

Naturally this raised questions of intellectual property, and whether the group had gone too far. Some saw it as one of a series of outrageous moves by the critics that displayed bad faith.

ISB chairman Anant Nadkarni says that such action was completely unheard of, in all his time of involvement with groups such as GRI, Social Accountability International and the Global Compact. “Some people were arguing that because they are passionate about this area, they wanted to be able to put the standards in their pocket and walk away with them.” The committee was behaving as though it was separate to the body that had set it up, he says.

Nadkarni is frustrated that the conflict obstructed progress. “Such standards as AA1000 need to be co-created. They cannot be produced by one group alone, they need to be co-created to meet common aims.”

### **Building alternatives**

AccountAbility produced a white paper on governance for AA1000 in June 2012 which proposed the setting up of a separate community interest company (which carries specific safeguards under UK law that it must be focused on community benefit, not private profit). The standards would be vested in this company, and it would be run at arm’s length from the commercial operations of AccountAbility, even as it received some financial support from it.

Initially this seemed that it might answer many of the concerns. But members of the LinkedIn group were critical of the fact that the plan was being driven through without the full agreement of the ISB. They pointed to the fact that the proposed board for the new company would have a majority for members of the AccountAbility management team, therefore undermining its claim to be independent.

And they became increasingly angry by what they saw as the failure to act on promises – a fact stressed by members of the executive committee to Ethical Corporation – and the absence from the dialogue of the head of standards, Kurt Ramin, and chief executive Sunny Misser.

Liv Watson, one of the founders of the XBRL standard on electronic business reporting, had been brought into AccountAbility at the same time as Ramin to help put the standards on track. She left after only a few months, frustrated at what she saw as the apparently unbridgeable gap between AccountAbility and its critics.

“If [AA1000] is going to have trust in the marketplace,” she says, “we need to have the standard open and free of any conflict of interest. The infrastructure issue needs to be resolved. I don’t think a lot of people will adopt the standard until this is the case, and others will simply move in to fill the space.”

And others have begun to add their voices to the chorus. Posting in the LinkedIn group, Paul Scott of corporateregister.com, which has held the inventory of companies using AA1000, said: “In April this year I gave notice to AccountAbility that we would not be continuing with this [arrangement] ... The reasons I gave were, among others, that I no longer considered AccountAbility to be an appropriate steward of the standard.”

Talk in the LinkedIn group has moved towards the possibility of a new rival initiative. As yet there are no specific proposals about how this might be formed.

John Aston, managing director of Astoneco Management, says: “We’ve given a team the chance to play – but they haven’t performed. We’re going to stop trying to put a square peg through a round hole, and there’s a consensus that we can get enough people to the table to create an alternative. We’re looking for a platform where KPMG, PwC and WWF could all contribute, leaving their badges outside and focusing on the common task.”

### **Concerns ‘addressed’**

Sunny Misser still believes there is everything to play for and maintains – having considered the feedback from what he describes as “the entire stakeholder universe” – that the majority of concerns are being addressed.

“We have created a community interest company, and the transfer of the intellectual property of the standards is under way. We are adding another non-AccountAbility appointee to the board of the company, and are happy to add a further one to put the management team in the minority.

“We have a nominating committee for the new standards board chaired by SAI founder Alice Tepper Marlin and we can state quite unequivocally that AccountAbility does not, and will never, do assurance work off the standards in competition with those stakeholders that do.

“We have done everything that has been asked of us.”

Is he worried about the foundation of a rival group? Misser shakes his head. He firmly believes, he says, that it is best for AA1000 to be supported by a stable organisation, with established processes, able to bring in the highest-calibre resources with a solid financial input.

What about the criticisms of lack of engagement and communication? Misser agrees that this area has not been a success. Outreach and relationship building had not been one of the head of standards’ strengths, and Ramin has since left AccountAbility, Misser says. (Though, at the end of September 2012, Ramin is still listed on the company’s website as a “special advisor”.)

The group is now placing its hopes on a new appointment in that particular hot seat – Professor Carol Adams. Adams, who was on the interim standards board, has been involved in AA1000 since the early days, and a number of the critics had – unaware of her impending appointment – identified her as one of those supportive of AccountAbility who carried a good track record and credibility.

She will come in with the brief, says Misser, of picking up the ball where it has been dropped.

Adams herself is not undaunted by the task, but believes that the AA1000 standard is still worth fighting for. She recalls with pride her involvement back in the late 1990s when, she says, she had a sense of working alongside the leaders in the field.

“My first priority,” she says, “is stakeholder engagement and sorting out the governance arrangements with the new standards board. I know we’re not going to please all of the people, but we can do more.”

She believes that, in the face of sometimes fierce criticism, the AccountAbility team has been able to put some of the baggage behind it and move forward.

In an echo of Anant Nadkarni’s comment on “co-creation”, Adams acknowledges this is not a task she can do alone. “We really need those who want the standards to work to help make them work.”

### **An AccountAbility solution**

Several people supportive of the LinkedIn group who asked not to be named expressed anxieties about the breakaway group being set up, which they said ran the risk of having its vision defined by what it wasn’t rather than what it was. They still believed that the best resolution would be for AccountAbility to sort things out, for all that time was short and trust low.

This perhaps is the group that Adams will need to win over in the quest to put the last two turbulent years in the life of AA1000 behind it.

And although it is clear that some of the gripes could go away easily if AccountAbility started to deliver promised changes to a speedier timetable, some genuinely tricky dilemmas will remain. Most specifically – is it possible for a for-profit company to be associated with a public-good standard without the take-up of the standard being affected?

Companies that historically acted as a catalyst for standards, such as B&Q and the Forestry Stewardship Council over 20 years ago, accepted that the value of the standard was that it was completely independent.

But then, other standards bodies, such as GRI and Social Accountability International offer a range of commercial services in relation to their standards. And so it comes down to where the grey ill-defined lines lie that mark the extent of what AccountAbility can do before it becomes an obstacle to the future success of the AA1000 standards.

The answer to that one can only be discovered as events unfold.

### **Links:**

[1] <http://www.ethicalcorp.com/users/mallen-baker>

[2] <http://aa1000ses.net>