Social and Environmental Accounting : Some Conceptual Issues

Swagata Sen

. Reader, Department of Commerce,
University of Calcutta

Abstract

In recent years one of the most discussed and debated topics in the accounting literature is corporate social responsibility (CSR) and social and environmental accounting (SEA). The stakeholders of the companies - management, shareholders, Governments, lenders, labour unions, environmentalists and others are increasingly taking greater interest in disclosures made by the companies in respect of social responsibility and environmental accounting. While at one level there appears to be widespread agreement that CSR and SEA are worthy topics of attention, different groups have very different understandings of these fields. This article makes an attempt to provide an analysis of these differences by comparing three broad approaches to SEA: the *business case, stakeholder-accountability* and critical theory approaches. It also responds to concerns that a number of researchers have shown regarding the current dominance of 'business case' discourses.

Key-Words : Corporate social responsibility; Social and Environmental Accounting; Business case approach; Shareholder-accountability approach; Critical theory approach.

INTRODUCTION

Accounting literature in recent years has witnessed a wide range of works in the field of corporate social responsibility (CSR) and social and environmental accounting (SEA). Shareholders, lenders, management, government, labour unions, environmentalists, customers and the society at large are taking keen interest in disclosures made by the corporate bodies in the area of CSR and SEA. Governments, public policymakers, private sector organizations and professional bodies have set up working groups on various aspects of SEA and have issued a number of discussion papers and best practice guidelines (see, e.g., Commission of the European Communities, 2002; Global Reporting Initiative, 2002; Account Ability, 2003). Groups such as socially responsible investors, trade unions and environmentalists have also expressed an active interest in this field (see, e.g., O'Rourke, 2003; European Trade Union Confederation and European Trade Union Technical Bureau, 2002; Gray and Bebbington, 2001). While at one level there appears to be widespread agreement that CSR and SEA are worthy topics of attention, it does not take more than a surface review of the literature to realize that different groups have very different starting points. This article seeks to provide an overview of the conceptual landscape and to explore some of these differences by comparing three broad approaches to SEA: the *business case, stakeholder-accountability* and critical theory approaches. These approaches are based on fundamentally different understandings of the business-society interface, which, in turn lead to quite different views about why and how (if at all) the field should be developed. They have a lengthy historical legacy (see, e.g., Wells, 2002; Gray *et al.*1996; Gray, 2002) and help to explain the 'what', 'why', 'how' and 'for whom' the SEA is - and is likely to remain - such a contested issue (Maltby, 1997, Bragd *et al.*,1998). In

this context, we are also responding to concerns a number of scholars have expressed regarding the current dominance of 'business case' discourses (Welford, 1998; Gray *et al.*, 1997; Owen *et al.*, 2000; Ball *et al.*, 2000; O'Dwyer, 2003; Milne *et al.*, 2003). However, in this paper we refrain from taking a normative stand and do not impose on readers a 'correct' way of viewing SEA and CSR, but at the same time we feel that exposure to competing perspectives in this type of meta-analysis would build up the ground of thinking more reflectively about the frames available to us. As is now widely recognized, discourses matter and have profound implications for the social realities we construct, embed or seek to change.

The Business Case Approach

Business case proponents - as the label implies - view CSR and SEA initiatives primarily from the perspective of 'what's in it for business and shareholders'? 'Significant financial payback' is the response from growing numbers of corporate managers and business consultants. Groups such as the World Business Council for Sustainable Development (WBCSD), Business for Social Responsibility (BSR) and Business in the Community (BITC) have helped to spread this message internationally. Business case proponents tend to ignore, deny or gloss over conflicts of interest in business-society relationships (O'Dwyer, 2003). The focus is on identifying and pursuing forms of CSR and SEA that result in 'win-wins' for both business and wider stakeholders. CSR and SEA are primarily viewed as extensions of management's existing tools for enhancing shareholder wealth; offering 'a new generation of business opportunity' (Hedstrom et al., 1998). The WBCSD (2003), for example, identifies the following business benefits from sustainable development reporting :

1) Creating financial value, 2) Attracting long-term capital and favourable financing conditions, 3) Raising awareness, motivating and aligning staff, and attracting talent, 4) Improving management systems, 5) Risk awareness, 6) Encouraging innovation, 7) Continuous improvement, 8) Enhancing reputation, 9) Transparency to stakeholders and 10) Maintaining license to operate.

BITC (2003) outline a similar list of benefits for CSR and conclude that the rewards that can be gained from 'an effective business-led approach'. Deloitte Touche Tohmatsu (2002), typical of the large accounting firms promoting SEA, advise that: Business leaders are increasingly acting upon this responsibility [to report] because it makes good business sense. It helps companies to mitigate risk, protect corporate brand, and gain competitive advantage...

SEA is also widely recognized as a way of managing threats to organizational legitimacy, for example, as 'key stakeholders perceive significant discrepancies between their own and the company's values'. Companies can use it to demonstrate 'their positive impact on society' (BITC, 2003) and to head off campaigns from NGOs and activists which have the potential to threaten business interests (Litvin, 2003).

While SEA may not convince the 'radicals', it is likely to assist in controlling the perceptions of those groups most likely to identify with the organization (Neu et al 1998). Indeed, legitimacy theory is one of the most widely used frameworks in explaining why organizations voluntarily engage in SEA (see Deegan, 2002 for an overview of this literature).

Organizational legitimacy concerns are typically framed in terms of perceived rather than real conflicts of interests between business and stakeholders. As in the accounting and industrial relations arena, managerial perspectives are underpinned by a unitarist perspective

that is reluctant to admit conflict (Brown 2000). O'Dwyer (2003), for example, found a general unwillingness among managers to accept the existence of situations where their economic and social responsibilities could conflict (although, when pressed, interviewees conceded that economic objectives would reign). He also found a general resistance among managers in their capacity as managers to move beyond 'business as usual'.

Rather than seeing CSR and SEA as a managerial distraction or as a tradeoff against profits, business case proponents promote the idea of corporations managing their social environment as part of their core business activity. Factoring social considerations into business decisions and playing a leadership role on social issues is also viewed as a way of promoting a 'light-handed' approach to regulation. Von Tunzelmann and Cullwick (1996), for example, note that CSR can 'minimize the prospects of future regulation' and be regarded as 'an alternative to regulation of business activity'.

CSR in this frame of reference is thus primarily situated in the traditional context of 'creating value for the business (owners)', through a focus on the potential for 'win-win' relationships. Understanding, managing and responding to stakeholder expectations is promoted as 'enlightened self-interest'. Business case proponents often back up their case by citing research that points to positive correlations between CSR activity, profits and shareholder returns (WBCSD, 1997; Co-operative Insurance Society, 2002). Closer analysis of the literature suggests a more complex picture.* Gray and Bebbington (2001) observe that much depends on how one defines 'ethical investment' and that the stronger the criteria applied, the more likely ethical funds are to 'underperform' relative to 'non-ethical' portfolios. Managers of ethical funds have also complained about the lack of information available to adequately assess CSR performance (Rockness and Williams,1988). Not everyone in the business community is convinced that the business case for CSR stacks up. Henderson (2001) acknowledges that the 'doctrine' of CSR is gaining support but argues that the ideas associated with it (e.g. corporate citizenship, stakeholders and sustainable development) have 'the potential to do real harm' and that its 'adoption by businesses generally.... would reduce community well-being and undermine the market economy. Stemberg (1999) observes that 'corporate mission statements and political rhetoric promoting stakeholder theory may seem innocuous, but they are expressions of a deeply dangerous doctrine' that undermines private property. Fears have been expressed that managers who promote their ethical image fuel public expectations, reinforcing 'the feeling that companies have a case to answer' (*The Economist*, 2002). Some of the managers O'Dwyer (2002) interviewed, reported that legitimating strategies were difficult, and possibly counter-productive, in the face of an increasingly cynical public. These managers felt that SEA had exposed them to even greater demands and increased scepticism. Apparent quests for legitimacy effectively backfired due to these disclosures being used in many instances as a stick with which to beat them... As the disclosures, which were positive in their nature and not overly comprehensive, were not perceived as reflecting actual performance (suggesting symbolic as opposed to substantive disclosure), the perceived legitimacy gap actually widened.

Increased SEA as a response to criticism also implicitly grants legitimacy to stakeholder claims 'something the organization does not want to do' (Neu *et al.*, 1998). This could lead, in the longer run, to a redistribution of wealth and power to non-shareholder constituencies. In this sense, even weak versions of sustainable development can be seen as 'the tip of the iceberg' (Springett, 2003), (Orlitzky *et al.*, 2003).

Considerations such as these lead some researchers to urge full consideration of the likely costs and benefits of CSR and SEA to finance capital in any business case assessment. Continuing debates within the business community have led many researchers to suggest that win-win opportunities - the 'low hanging fruit' - are becoming progressively less apparent for many firms (Hussain 1999).

Exhibit 1 given below summarises the key features of the business case approach.

Exhibit 1: The Business Case

Purpose	CSR/SEA is viewed as an extension of management's existing toolkit for enhancing shareholder value. CSR/SEA should result in 'win-wins'. If (and only if) reputation, social-marketing, good employee relations etc. provide additional 'wealth' will CSR/SEA proceed.
Key Assumptions	Shareholder primacy is assumed above all other stakeholders. Focus on stakeholder-*management* rather than stakeholder-*accountability*.
Regulations	Generally favour a 'voluntarist' approach. Regulation raises compliance costs, is too inflexible and could impose 'costly' CSR/SEA on business.
Role of Shareholders	CSR/SEA will involve 'consulting' with stakeholders.
Future of CSR and SEA	CRS/SEA requires more focus on 'technical' activities such as the development of performance measures and benchmarking techniques.

The Stakeholder-Accountability Approach

Stakeholder-accountability theorists view large corporations as quasi-public institutions and seek to promote a more open, transparent and democratic society (Gray et al., 1996; Gray, 2002). While stakeholders share common interests, there is also considerable potential for conflicts of interest. Briloff (1966), one of the earlier accounting experts in this area, characterizes the responsibilities of accountants for 'fair corporate accountability' in terms of the duality of power and property. On the one hand we have those who sit in the seats of 'power' controlling the day-to-day usage of the asset complex of the corporation, and on the other hand we have 'property', i.e., those who have an important stake in the way in which these assets and related power are utilised. This 'property' group comprises apart from the shareholders, the labour, consumers, the participants in the pension plan or insurance or bank fund, which have an investment or interest in the corporation, and government. Generally it might fairly be said that all of us in one way or other, are involved in every major corporate enterprise.

Chen (1975) argues that management's primary stewardship responsibility is to society and that managerial performance 'should be evaluated in terms of both profit and the accomplishment of social objectives' and that this aspect had been long neglected by the accounting profession. Gray (1998), writing some 25 years later, still seeks to encourage a 'democratic evolution' by designing accounting so as to increase transparency and accountability, particularly of powerful

institutions and organizations: Such a view is predicated upon the rights to information of the polity in a democracy... and argues, in an increasingly secretive and complex world, for a commensurate increase in the transparency of the organisations which control and determine our futures. Accountability in its core sense means 'being called to account for one's actions' (Mulgan, 2000). Accounting helps to make things account-able and provides an important mechanism of social control. From a stakeholder perspective, responsiveness to the multiplicity of constituencies interested in corporate performance requires a form of plural accountability. Groups such as employees, consumers and local communities have a 'right to know' (Swift, 2001) and then to apply rewards and sanctions through 'exit', 'voice' or 'loyalty' options. The capability for stakeholders to both reward and impose sanctions is a key component in the accountability process. Given the pluralist nature of the relationships, it cannot be assumed that all groups will agree on what the relevant dimensions of performance are or, indeed, on what constitutes 'good' or 'bad' performance. Stakeholder-accountability is also increasingly viewed as a process 'in which people and records must interact to achieve accountability' (Yakel, 2001). Roberts (1991) shows how 'individualising' and 'socialising' forms of accountability contribute to different understandings of the self and our relationships to others. He urges a search for more integrative models of accountability that reflect both our separateness and interdependence. Lehman (1999) advocates adoption of a communitarian framework. He urges that in an era of supranational corporations, increased attention needs to be paid to expanding the public sphere and using SEA to facilitate informed public dialogue and debate through civic institutions. New ways are required to govern the 'global commons'. Rather than relying on corporations as agents of change, he calls for a re-politicisation of 'not only society but also its basic institutions - one of which is accounting'. His concern is for SEA to be developed 'as part of a public sphere committed to exposing and explaining corporate effects on 'the world' and to reflecting on what is 'significant' for communities' (Lehman, 2002).

Stakeholder-accountability proponents argue that it is debatable how much is new in the business case approach to CSR and SEA. 'Strategic SEA' is pretty much 'business as usual'. It rests on a neo-classical economic understanding of management's 'right to manage' and of the corporation as primarily a vehicle for shareholder wealth maximisation. The focus is still on what is value adding for companies. Business still sets the agenda, with any stakeholder engagement occurring primarily on management's terms. As Owen et al. (2000) put it: 'management take control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable...'

The primary concern 'is with society's impact on business rather than business's impact on society' (O'Dwyer, 2003). Organisations decide 'whom they perceive to be a party to a social contract' (Swift, 2001). Employees, consumers, and community groups are to be 'looked after' and 'reported to' to the extent that it benefits corporate profits and ultimately the 'owners' of the firm. Managers, as the agents of equity shareholders, remain accountable solely to shareholders for their decision-making. The business case approach thus leads at best to a 'soft' form of accountability, whereby organisations engage in stakeholder dialogue for the purpose of voluntary self-reporting on their trustworthiness as part of a reputation building process (Owen et al., 2001). Powerless stakeholders can safely be ignored. Fundamentally, there appears to be little debate between Friedmanites and business case proponents. As

management consultants MHC International put it, 'properly defined' CSR is profit maximizing (MHC International, 2004, emphasis added). Far from reflecting a genuine social advance, such initiatives appear decidedly manipulative to those who favour a stakeholder-accountability rather than stakeholder-management view of the firm. A number of business case proponents concede that economic self-interest is the clear motivation for companies trying to demonstrate 'social leadership'. It is tempting to take the attitude that 'if everyone wins', so what? For stakeholder-accountability proponents to the extent that the business case approach highlights the interdependent nature of business-society relationships, this work is to be encouraged. Where 'double-wins' are possible, it provides managers and others who wish to take account of the broader effects of corporate activity and make more 'socially efficient' decisions with a commercially acceptable rationalization. Translating issues into terms monolingual 'profit-speak' colleagues understand may help to expand the set of 'legitimate options'. This may provide a strategy for managers who report personal experiences of openly ethical reasoning impeding a successful business career (Nielsen, 1987).

Stakeholder-accountability advocates have no quarrel with the idea that stakeholder business relationships can be mutually beneficial. A firm that treats its employees decently may well reap benefits through increased productivity. Similarly, business must have regard for evolving social attitudes and expectations if it is to maintain its 'social licence'. However, stakeholder theorists note that the business case typically proceeds as if there is a self-evident harmony of interests between managers, shareholders and other stakeholders. Business case proponents are silent about what should be done once the gains from the 'low hanging fruit' of win-wins have been realised (Prakash, 2002). Where conflicts of interests are recognised, the priority of shareholder claims is taken for granted. Stakeholder-accountability advocates struggle with both of these propositions. For them, it is difficult to escape the conclusion that many companies are more concerned with the image rather than the substance of 'corporate citizenship' and 'sustainable development'.

The stakeholder-accountability framework recognises the significant economic, social and political power that major corporates wield in contemporary society. It is based on the idea that, in the final analysis, corporations exist because the polity allows them to, that corporates are accountable for the use of the vast financial, human and community resources entrusted to them and that affected parties need safeguards against potential abuses of corporate power (e.g. through various forms of stakeholder legislation). Information is viewed as providing an important monitoring role in this process. This has long been recognized for the shareholder constituency (Ijiri, 1975); stakeholder accountability theorists seek an extension to help protect the interests of other takeholder groups.

Greater access to SEA information is viewed as an essential part of increasing transparency surrounding corporate activity and its consequences for stakeholders. It thus becomes a way of determining whether firms are playing according to the 'rules of the game' and a basis for questioning the terms of a firm's 'social contract' (which will change over time). As with the business case approach, there is recognition of the behavioural potential of reporting requirements but the focus is now on managerial behaviour: power corrupts less when accounted for - because if decision-makers know they may be called upon to explain and justify the use of their powers, they are far more likely to make more considered and equitable decisions than they otherwise might... Business power is not - or should not be - exempt from all this. It is...

comparable to the power exercised by other major organisations - for example, for its effects on employees, consumers, the physical environment; and on local, regional and national priorities and development... (Medawar, 1978). This is similar to the 'sunlight is the best of disinfectants' philosophy that has underpinned much capital markets disclosure (Langevoort, 2001). The monitoring of social and environmental performance is arguably particularly important in a commercial environment where organisational incentives and socialization processes have traditionally emphasised the 'shareholder primacy' norm. Regulation is usually also supported on the basis that it secures information rights for stakeholders and is likely to lead to more balanced reporting (e.g. 'bad' as well as 'good' news disclosures). Stakeholder-accountability literature is also frequently associated with calls for more participatory institutions and forms of corporate governance, where stakeholders have more voice in the decisions, which affect them (Kelly, 2001). Information disclosure is viewed as a vital pre-requisite for informed participation (Brown, 2000).

More traditional channels of accountability such as annual reports need to be supplemented with access to 'raw' forms of data (more typically associated with management accounting systems) that allow for active engagement by stakeholders. The central aim is to encourage more democratic dialogue. From this perspective: any form of social and environmental accounting (and much financial accounting) will produce outputs, which are contestable and open to debate. The utility of such accounting is not in its representation of 'infallible truth' but in its creation of a range of environmental and social visibilities and exposure of values and priorities that become inputs to wider democratic processes of discourse and decision making (Boyce, 2000). Accounting there by helps to create new visibilities and facilitate discussion and debate among interested parties. It promotes dialogic rather than monologic conceptions of reason and thus facilitates the 'layers' of talk required in a multi-perspectival environment (Morgan, 1988). The aim is to open up conversations, not close them down with 'incontrovertible bottom lines' (Boyce, 2000). 'Accounts' are explicitly understood as interpretations which recipients are free to accept or contest. The role of SEA under the stakeholder-accountability approach has elements in common with traditional accounting - to provide information for accountability purposes (assessing managerial performance and monitoring compliance with legislative, regulatory and contractual arrangements) and assisting users to make informed decisions. However, stakeholder-accountability proponents firmly reject the dominance of shareholders and capital markets that has been the conventional focus of accounting. In line with its stakeholder orientation, this approach is underpinned by a far broader understanding of user constituencies and the performance under scrutiny. For this group sustainable development is unlikely to be compatible with the neoclassical economic paradigm. There is concern for 'eco-/social justice' as well as 'eco-/social efficiency' aspects of sustainability along with a questioning of the rhetoric that 'economic growth benefits everyone' (Lehman, 2002). There is concern that the managerialist agenda of SEA has defined out the more 'explicitly political' areas such as 'poverty, fair trade, propaganda etc. etc.' (Bebbington et al., 1999). There is strong interest in more democratic approaches to corporate governance (Millon, 1993; Kelly, 2001), a more participatory political culture generally (Boyce, 2000; Grolin, 1998) and in linking micro and macro levels of reporting (see, e.g., Bebbington et al.,2001 on measures to promote the internalization of 'externalities'; Bartelmus, 1999 on 'greening' the national accounts). This will require more explicit attention to the surfacing and institutionalisation of competing perspectives and interests.

Stakeholder-accountability theorists are dismissive of much current SEA practice. It is criticized for its poor quality (e.g. in terms of its incompleteness, selective nature and inadequate audit) and managerialist focus, offering little, if anything, in the way of real accountability (see, e.g., Ball et al., 2000; Gray et al., 1997; Owen et al., 2000, 2001; O'Dwyer, 2003). O'Dwyer et al. (2003), in a study of stakeholder perspectives, found that current practice was widely viewed 'as little more than an untrustworthy symbolic stakeholder management exercise with little concern for 'true' accountability'. NGOs also reported feeling powerless in terms of their potential influence on SEA practice.

Reporting is viewed as a 'banking' rather than a 'dialogic' practice: reports are there to tell a more or less passive audience that 'everything' is fine and to discourage further questioning of the organisation... [The business case approach], focused around reputation management... retains the model of the company as being the all powerful, all knowing teacher and the report audiences being 'ignorant' and needing to be filled up with relevant knowledge so they will be docile in the face of organisational activities (Thomson and Bebbington, 2004).

Many researchers argue that this uneven playing field has been exacerbated by the absence of effective legislation (Owen et al., 2001; Swift, 2001). As Gray (cited in Dey 2003) puts it, 'accountability should hurt' and it seems unlikely that self-regulation will deliver on this score.

Exhibit 2 given below provides the summary of the key features of the stakeholder-accountability approach.

Exhibit 2 : Shareholder Accountability

Purpose	CSR/SEA should increase the accountability and transparency of organisations. This may involve additional costs to organisations. Accountability and transparency are central components of a democratic society.
Key Assumptions	Various stakeholders have 'information rights' which must be acknowledged for decision-making purposes and to protect against potential abuses of corporate power. Shareholder primacy is not assumed.
Regulations	Regulation is necessary to ensure balanced reporting for accountability, monitoring and decision-making purposes. Otherwise, risk of 'greenwash' is too high.
Role of Shareholders	Stakeholders must 'meaningfully participate' in organisational decisions/reporting.
Future of CSR and SEA	Operationalisation of CSR/SEA is inevitably political. Intervention by regulatory bodies (with stakeholder articipation) is required to develop meaningful accountability measures.

The Critical Theory Approach

The critical theory or 'radical' approach is essentially a critique of the stakeholder accountability approach to CSR and SEA. Advocates of this position are sceptical about the potential for 'real

accountability' in the absence of radical change in capitalist society. They warn of the dangers of acting 'as if' we live in a pluralist society. While concepts like 'stakeholders', 'democratic dialogue' and 'triple bottom lines' sound nice in theory, imbalances of power and resources mean that most efforts in this area will 'do nothing but prop up inequitable and alienating societal structures' (Burritt and Welch 1997). Global capitalism has led to a narrowing of democratic debate and the rolling back of the State, promoting a 'democracy of elites' (Lehman, 2002).

While communitarian approaches to accountability may be an advance over narrow liberal models, there is still the difficulty that communities may simply 'reflect and reproduce the power imbalances that are a part of current systems' (Walker, 2002). For critical theorists, the dominance of capital-oriented values and perspectives is such that CSR and SEA are likely to fall victim to business capture and lead to mystification rather than liberation. Springett (2003), for example, points to the way that the sustainable development agenda has been appropriated by business interests, charging that the discourse led by groups such as the WBCSD has 'largely sought to tame the concept to mean no more than a level of social and environmental engagement that corporations can easily accommodate - even use to burnish their brand... [This] eco-modernist paradigm comfortably appropriates aspects of the shift to sustainable development - those that concern business risk and 'eco-efficient' use of resources that cut business costs -deflecting demands for more radical change and subsuming into the traditional business model the rhetoric of greener business as usual ...' .

Welford (1998) says 'Eco-efficiency thus serves to embed existing structures. Rather than occupying center stage, social and environmental issues remain 'appendages which drop off when the going gets tough'.

According to this view, voluntarist CSR and SEA initiatives are most realistically viewed as forms of disinformation and 'greenwash' which camouflage more sinister corporate agendas. CorpWatch (2001) says " Behind the green PR is a deeper corporate political strategy to get the world's governments to allow corporations to police themselves through voluntary codes of conduct, win-win partnerships and best practices learning models, rather than binding legislation and regulation. We call the corporate strategy of weakening national and international environmental agreements while promoting voluntary measures Deep Greenwash. Deep Greenwash may occur behind the scenes or in coordination with public forms of greenwash such as environmental image advertising".

Not surprisingly then, there is considerable criticism of SEA proponents who seek to occupy and engage with the so-called 'middle ground' (which, for critical theorists, is subject to ongoing social struggles and thus will inevitably be in a state of constant transformation). By emphasising pragmatism and moderation, middle-of-the-road thinkers implicitly promote conservative agendas. At best, they are likely to contribute to little more than 'rearranging the deckchairs on the Titanic' (Puxty, 1986).

To pretend otherwise, is 'to misread the nature of capitalist social relations' (Trotter, 2000). Being 'eager to do *something*' is not enough (Lehman, 2002). If CSR and SEA are best viewed as ideological weapons, can they be used to promote counter-hegemonies aimed at transforming the status quo? Critical theorists believe they can, but that this is best done by highlighting rather than downplaying social conflicts and struggles. SEA in the form of adversarial accounting and externally prepared 'anti-reports' can be used to expose the basic contradictions and exploitative aspects of the capitalist system and thereby challenge the *status quo*:

The radical accounting school incorporates several streams of research. Some studies examine the conflictual underpinnings of taken-for-granted concepts (profit, wealth, net present value,

and efficiency), and the neo-classical foundations on which they rest... Others review the genealogies of accounting discourses and their mutability in different social and organisational contexts... And still other radical research explores accounting's role as an ideological weapon in social conflict over social wealth... (Tinker *et al.*, 1991). Arnold and Hammond (1994) seek to have social accounting constructed 'as a site where subordinate groups and social movements can challenge dominant economic interests'. They examine the South African divestment debates of the 1970s and 1980s to demonstrate how accounting 'can serve contradictory political interests'. By giving voice to alternative worldviews, social accounting has 'considerable disruptive andcounter-hegemonic power' (Bebbington *et al.*, 1999).

Dey (2003) has recommended the use of 'shadow' reports whereby commentators use alternative sources of information (e.g. media, anti-corporate websites) to help expose gaps between what companies choose to report about their activities and what they conceal. This practice has its roots in the external social audits of the 1970s (Medawar, 1976; Harte and Owen, 1987). Dey (2003) observes that the growth of the internet has provided access to far more 'counter-information' sources and that shadow reports might help to provide the conditions for real dialogue between corporates and stakeholders. Noting the high degree of social interdependence in capitalist societies, and the public disapprobation firms such as Nike, Shell Oil and Exxon have faced in recent years, Tinker and Carter (2002) observe that :

> 'if corporations disclose accounting income achieved as a result [of] environmental degradation, harmful products, or abusive labor practices, these practices may come back to haunt investors in the form of litigation, consumer boycotts, union action, or even (for WTO-connected multinationals) public disorder. The advent of the internet has not only provided better access to information but also facilitated the increase of public pressure on multinationals'.

As Hastings (1999,) puts it,

> 'a criticized company can be affected financially more readily and more globally than in the past'.

Short of attempts at counter-narratives, SEA is more likely to strengthen rather than weaken inequitable power distributions. Critical theorists are thus extremely wary of so-called 'partnership' approaches between business and 'stakeholders' and attempts to engage with firms in social accounting experiments (although, as will be seen below, some do see these as offering opportunities for the development of democratic consciousness). They point out that social accountants themselves admit they have had a low level of 'emancipatory success' (see, e.g., Owen et al., 2000; Dey, 2000; O'Dwyer, 2002). Furthermore, powerful groups can point to the existence of SEA 'as evidence of their openness in listening to criticism' leading to the legitimization and extension of their power (Puxty, 1991). Dialogue in such situations is a farce: True dialogue takes place only among equals. There is no dialogue across the boundary between masters and servants, for the master will listen only as long as his power remains intact, and the servant will limit his communication to utterances for which he cannot be punished. In fact, to recommend dialogue in a situation of inequality of power is a deceptive ideology of the powerful, who wish to persuade the powerless that harmony and mutual understanding are possible in society without any change in the status quo of power (Baum 1977, cited in Swift, 2001).

There is a fear that most current efforts are more likely to reinforce the 'eco-modernist' path (Welford, 1998) than facilitate much-needed social change. Engagement - if it is to have any

chance - needs to be informed by critical perspectives on micro and macro level social change (Dey, 2002). This requires an emphasis on reflection, the exploration of unexamined assumptions, ideological strategies and dialectical awareness of tensions and contradictions that can lead to radical transformations (Tinker and Gray, 2003; Carr, 2000). Academics need to act as 'confronters of orthodoxy' and to unsettle established 'regimes of truth' (Sikka et al., 1995). For some, the dangers of incorporation are such that 'it is better to retire to a leftist couch and allow capitalism to self-destruct of its own internal volition' (Tinker and Gray, 2003). Critical theorists also urge caution in terms of theorising the role of regulation; pluralist conceptualisations of the State as 'a neutral marketplace where aggregate social preference is expressed' are rejected as naive (Arnold 1990). While agreeing that legislation is important in securing information rights, they are ever watchful for attempts to emasculate the regulatory process (e.g. through the structuring of agendas, restricting participation and conservative judicial interpretations).

Some more 'pluralist' favour 'engaging' in a less confrontational way and are more optimistic about the possibilities of engaging *with* practice in an attempt to achieve change (see, e.g., Bebbington, 1997; Bebbington *et al.*,1999. Gray, 2002). They accept that there is evidence of capture in the SEA project, but observe that it is not complete. Some managers do recognize the need for substantial change. SEA has opened up opportunities for them to question current practice and allowed 'new forms of discourse both within the organization and between the organization and external participants' (Bebbington, 1997, citing Gray *et al.*1995). Exposure to alternative accounts may encourage others to reflect on their understandings of CSR and thus 'make a difference' to 'how managers think and act' (Friedman and Miles, 2002). Attention to technical detail, for example developing methods to internalise externalities, helps to avert excuses made in the 1970s; 'it is a good idea but cannot be done' (Tinker and Gray 2003).

From this perspective, SEA helps to create and encourage different situational logics and contributes to sowing the seeds for structural change. Alliances with philosophically sympathetic groups such as NGOs and trade unions may also help to increase external pressure for change. Growing attention is also being paid to the 'enabling potential' of SEA education through its consciousness-raising capacity (Humphrey et al., 1996, Bebbington, 1997, Tinker and Gray, 2003). This includes improving the literacy of SEA academics by exposing them to the theoretical critique of social accounting. Gray (2002) argues that while theorisation of the processes of social change may be under-specified, to accept capture as a reason for dis-engagement is similar to 'fiddling while Rome burns'. To quote Gray (2002):

> "Such developments will be captured to some degree - how could they not be? But the degree to which they are captured depends (at least in part) on the extent of engagement by those with concerns in the field - the willingness of social (and alternative/critical?) accountants to refuse to yield the field to corporate autonomy without a fight... To bleat about engagement and the purity of the alternative/critical soul is fiddling while Rome burns, and 'Rome' is certainly burning".

Whether a more confrontational or collaborative path is pursued, critical theorists agree that SEA protagonists 'inevitably take sides in social conflict ... and strive to ensure that their choice is a socially well-informed one' (Tinker et al., 1991). They also agree that 'the over turn - or at least a massive reinvention - of capitalism' is needed to make real societal progress (Tinker and Gray, 2003).

Exhibit 3 summarises the key features of the critical theory approach.

Exhibit 3 : Critical Theory

Purpose	CSR/SEA should expose the basic contradictions and exploitative aspects of the capitalist system. Environmental degradation and social inequities should be highlighted.
Key Assumptions	Sceptical about the potential for 'real accountability' in the absence of radical change in capitalist society. Dangers in acting 'as if' we live in a pluralist society.
Regulations	Legislation is important in securing information rights. However, need to be wary of opportunities elites have to emasculate regulatory processes (e.g. through agenda-setting and pseudo-participation).
Role of Shareholders	Meaningful 'engagement' is unlikely within current governance structures.
Future of CSR and SEA	Current economic system requires radical change. Dominance of capital oriented values and perspectives means CSR/SEA likely to fall victim to business capture. Stakeholders may be better to rely on externally prepared 'anti-reports'.

Conclusions

This article has considered how SEA is perceived and constructed within three very different frames of references. It has highlighted the tensions and contradictions among the various social actors that have an interest in this field. SEA is an interpretively complex field. These competing discourses - business case, stakeholder-accountability and critical theory - have important implications for the social realities we construct, embed or seek to change. Their visibilities (and silences) are evident in a number of arenas including, inter alia, business, research, education, and public policy settings.

It is not our intention to take a normative stand about SEA and CSR. However, like many other reseachers, we are concerned about the current dominance of the business case discourse which appears to be a case of powerful elites steering society 'in a direction which solidifies their own dominance' (Welford, 1988, Gray et al., 1997; Owen et al., 2000; Ball et al., 2000; O'Dwyer, 2003; Milne et al.,2003). Too often the business case approach is presented as 'the only discourse in town', claiming a misplaced neutrality and objectivity. Exposure to competing perspectives may be the starting point wherefrom we can take a fresh look at CSR and SEA and adopt or develop a perspective that would be based on neutrality, equity and social justice.

References

AccountAbility, (2003) AA1000 *Assurance Standard*. AccountAbility: London.

Arnold, P.J. (1990) The state and political theory in corporate social disclosure research: A response to Guthrie and Parker, *Advances in Public Interest Accounting*.

Arnold P, Hammond T., (1994) The role of accounting in ideological conflict: Lessons from the South African divestment movement, *Accounting, Organizations and Society*.

Ball A, Owen DL, Gray R. (2000) External transparency or internal capture? The role of third-party statements in adding value to corporate environmental reports, *Business Strategy and the Environment*.

Bartelmus P. (1999) *Greening the National Accounts: Approach and Policy Use*. Department of Economic and Social Affairs (DESA) Discussion Paper No 3. DESA: United Nations.

Bebbington J. (1997) Engagement, education and sustainability: A review essay on environmental accounting. *Accounting, Auditing and Accountability Journal*.

Bebbington J, Gray R, Hibbitt C, Kirk E., (2001) *Full Cost Accounting: An Agenda for Action*. ACCA Research Report No 73. ACCA: London.

Bebbington, J. Gray, R., Owen D. (1999) Seeing the wood for the trees: Taking the pulse of social and environmental accounting. *Accounting, Auditing and Accountability Journal*.

Boyce, G. (2000) Public Discourse and Decision Making. *Accounting Auditing & Accountability Journal*.

Bragd, A., Bridge, G., den Hond, F., Jose PD. (1998) Beyond greening: New dialogue and new approaches for developing sustainability. *Business Strategy and the Environment*.

Briloff, A.J. (1966) The responsibilities of the CPA for fair corporate accountability. *Financial Analysts Journal*.

Brown, J.A. (2000) Competing ideologies in the accounting and industrial relations environment. *British Accounting Review*.

Burritt, R.L., Welch, S. (1997) Australian commonwealth entities: An analysis of their environmental disclosures. *Abacus*.

Business in the Community (2003) *The Business Case for Corporate Responsibility*. BITC: London.

Carr A. (2000) Critical theory and the management of change in organizations. *Journal of Organizational Change Management*.

Chen RS. (1975) Social and financial stewardship. *The Accounting Review*.

Commission of the European Communities (EC) (2002) *Corporate Social Responsibility: A Business Contribution to Sustainable Development*. EC: Brussels.

Co-operative Insurance Society (CIS) (2002) *Sustainability Pays*. CIS: Manchester.

CorpWatch. (2001) Greenwash fact sheet. Available at http://www.corpwatch.org,

Deegan C., (2002) The legitimising effect of social and environmental disclosures - a theoretical foundation, *Accounting, Auditing and Accountability Journal*.

Deloitte Touche Tohmatsu (now Deloitte) (2002) *Sustainability Reporting and Assurance — Trends, Challenges and Perspectives*. Deloitte & Touche: Denmark.

Dey, C.R. (2000) Bookkeeping and ethnography at Traidcraft plc: A review of an experiment in social accounting. *Social and Environmental Accounting Journal*.

Dey C., (2002) Methodological issues: The use of critical ethnography as an active research methodology. *Accounting, Auditing and Accountability Journal*.

Dey, C. (2003) Corporate 'silent' and 'shadow' social accounting. *Social and Environmental Accounting Journal*.

European Trade Union Confederation (ETUC) (2002) European Trade Union Technical Bureau (TUTB). *European Trade Unions – Actors for Sustainable Development*. TUTB: Brussels.

Friedman, A.L., Miles, S. (2002) Developing stakeholder theory. *Journal of Management Studies*.

Global Reporting Initiative (GRI) (2002) *Sustainability Reporting Guidelines*. GRI: Boston.

Gray, R. (1998) Imagination, a bowl of petunias and social accounting. *Critical Perspectives on Accounting* .

Gray R. (2002) The social accounting project and Accounting Organizations and Society: Privileging engagement, imaginings, new accountings and pragmatism over critique? *Accounting, Organizations and Society*.

Gray, R., Bebbington, J. (2001) *Accounting for the Environment* (2nd ed). Sage: London.

Gray, R., Dey, C., Owen, D., Evans R, Zadek, S. (1997) Struggling with the praxis of social accounting:, Stakeholders, accountability, audits and procedures. *Accounting, Auditing and Accountability Journal*.

Gray, R. Owen, D. Adams, C. (1996) *Accounting and Accountability* — Changes and Challenges in Corporate Social and Environmental Reporting. Prentice Hall: London.

Grolin, J. (1998) Corporate legitimacy in risk society: The case of Brent Spar. *Business Strategy and the Environment*.

Harte, G.F., Owen, DL. (1987) Fighting de-industrialisation: The role of local government social audits. *Accounting, Organisations and Society*.

Hastings, M. (1999) A new operational paradigm for oil operations in sensitive environments: An analysis of social pressure, corporate capabilities and competitive advantage. *Business Strategy and the Environment*.

Hedstrom, G., Poltorzycki, S., Strob, P. (1998) Sustainable development : The next generation of business opportunity.

Henderson, D. (2001) *Misguided Virtue*. NZ Business Roundtable: Wellington.

Humphrey, C., Lewis, L., Owen, D. (1996) Still too distant voices? Conversations and reflections on the social relevance of accounting education. *Critical Perspectives on Accounting*.

Hussain, S.S. (1999) The ethics of 'going green': The corporate social responsibility debate. *Business Strategy and the Environment*.

Ijiri,Y. (1975) *Theory of Accounting Measurement*. American Accounting Association.

Kelly, M. (2001) *The Divine Right of Capital*. Berrett-Koehler : San Francisco.

Langevoort, DC. (2001) Seeking sunlight in Santa Fe's shadow : The SEC's pursuit of managerial accountability. *Washington University Law Quarterly*.

Lehman, G. (1999) Disclosing new worlds: a role for social and environmental accounting and auditing, *Accounting, Organizations and Society.*

Lehman, G. (2002) Global accountability and sustainability : Research prospects. *Accounting Forum.*

Litvin, D. (2003) Stealing the NGOs' thunder. *Ethical Corporation Magazine.*

Maltby J. (1997) Setting its own standards and meeting those standards: Voluntarism versus regulation in environmental reporting. *Business Strategy and the Environment.*

Medawar, C.(1978) What is accountability? *Accountant's Magazine.*

Medawar, C. (1976) The social audit: A political view. *Accounting, Organizations and Society.*

MHC International Limited (2004) Alternative view of corporate social responsibility: A dialogue with the *Financial Times,* available at www.mhcinternational.com.

Millon, D. (1993) Communitarians, contractarians, and the crisis in corporate law. Washington and Lee, *Law Review.*

Milne, M.J., Tregidga, H., Walton, S. (2003) Playing with magic laterns? The New Zealand Business Council for Sustainable Development and Corporate Triple-Bottom Line Reporting. In 'Critique and Inclusivity: Opening the Agenda', Proceedings of the 3rd International Critical Management Studies Conference, Lancaster University, July 7-9.

Morgan, G. (1988) Accounting as reality construction: Towards a new epistemology for accounting practice. *Accounting, Organizations and Society.*

Mulgan, R. (2000) 'Accountability': An ever-expanding concept? *Public Administration.*

Neu, D., Warsame, H., Pedwell, K. (1998) Managing public impressions: Environmental disclosures in annual reports. *Accounting, Organizations and Society.*

Nielsen, R.P. (1987) What can managers do about unethical management ? *Journal of Business Ethics.*

O'Dwyer, B. (2002) Managerial perceptions of corporate social disclosure: An Irish story, *Accounting, Auditing and Accountability.*

O'Dwyer B. (2002) Constructing a social account in an overseas aid agency: A failed attempt at a dialogic education process. Paper presented at the Critical Perspectives on Accounting Conference, New York, April 25-27.

O'Dwyer, B. (2003) Conceptions of corporate social responsibility: The nature of managerial capture. *Accounting, Auditing and Accountability Journal.*

O'Dwyer, B., Unerman, J., Bradley, J. (2003) Stakeholder perceptions of corporate social disclosure in Ireland: A story of antagonism, powerlessness and poor practice. Paper presented at the 26th annual congress of the European Accounting Association, Seville, April 2-4.

Orlitzky, M. Schmidt, F.L. Rynes, S.L. (2003) Corporate social and financial performance: A meta-analysis. *Organization Studies.*

O'Rourke A. (2003) A new politics of engagement: shareholder activism for corporate social responsibility. *Business Strategy and the Environment.*

Owen, D.L. Swift, T.A., Humphrey, C., Bowerman, M. (2000) The new social audits: Accountability, managerial capture or the agenda of social champions? *European Accounting Review.*

Owen, D.L. Swift, T. Hunt, K. (2001) Questioning the role of stakeholder engagement in social and ethical accounting, auditing and reporting. *Accounting Forum.*

Prakash, A. (2002) Green marketing, public policy and managerial strategies. *Business Strategy and the Environment.*

Puxty AG. (1986) Social accounting as immanent legitimation: A critique of a technicist ideology. *Advances in Public Interest Accounting.*

Puxty, A.G. (1991) Social accountability and universal pragmatics. *Advances in Public Interest Accounting.*

Roberts J.,. The possibilities of accountability. *Accounting, Organizations and Society.*

Rockness, J. Williams, PF (1988) A descriptive study of social responsibility mutual funds. *Accounting, Organizations and Society.*

Sikka, P. Willmott, H. Puxty, T. (1995) The mountains are still there: Accounting academics and the bearings of intellectuals. *Accounting, Auditing and Accountability Journal.*

Springett, D. (2003) Business conceptions of sustainable development: A perspective from critical theory, *Business Strategy and the Environment.*

Sternberg, E. (1999) *The Stakeholder Concept* : A Mistaken Doctrine. Foundation for Business Responsibilities: UK.

Swift, T. (2001) Trust, reputation and corporate accountability to stakeholders. *Business Ethics : A European Review.*

The Economist (2002) The dangers of corporate social responsibility. November 21.

Tinker, T. Carter C. (2002) Abraham Briloff's lonely hearts club tribute band. *Accounting and the Public Interest.*

Thomson, I. Bebbington, J. (2004) Social and environmental reporting in the UK: A pedagogic evaluation. *Critical Perspectives on Accounting.*

Tinker, T. Gray R. (2003) Beyond a critique of pure reason: From policy to politics to praxis in environmental and social research. *Accounting, Auditing and Accountability Journal.*

Tinker, T. Lehman, C. Neimark, M. (1991) Falling down the hole in the middle of the road: Political quietism in corporate social reporting. *Accounting, Auditing and Accountability Journal.*

Trotter, C. (2000) When lambs lie down with lions, some will be eaten. *The Independent (NZ)* 29 March.

Von Tunzelmann, A. Cullwick, D. (1996) Social Responsibility and the Company: A New Perspective on *Governance, Strategy and the Community.* Institute of Policy Studies: Wellington.

Walker, P. (2002) Understanding accountability: Theoretical models and their implications for social service organizations. *Social Policy and Administration.*

Welford, R.J. (1998) Corporate environmental management, technology and sustainable development: Postmodern perspectives and the need for a critical research agenda. *Business Strategy and the Environment.*

Wells, C.A.H. (2002) The cycles of corporate social responsibility: an historical retrospective for the twenty-first century. *Kansas Law Review*.

World Business Council for Sustainable Development (WBCSD) (2003) *Sustainable development reporting: Striking the balance*. WBCSD: Geneva.

World Business Council for Sustainable Development (WBCSD) (1997) *Environmental Performance and Shareholder Value*. WBCSD: Geneva.

Yakel, E. (2001) The social construction of accountability: radiologists and their record-keeping practices. *The Information Society*.