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Social and environmental accounting, organisational change and management accounting: A processual view☆

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ABSTRACT

Consistent with calls for in-depth studies of social and environmental accounting and reporting (SEAR) intervention (Bebbington, 2007; Fraser, 2012; Contrafatto, 2012), our paper focuses on the interrelationship between organisational change and SEAR practices, as well as the involvement of management accounting in such organisational dynamics. Drawing insight from both Laughlin (1991) and Burns and Scapens' (2000) theoretical frameworks, we explore the processes of change through which SEAR practices become elevated to strategising status, in the context of broader organisational and extra-organisational developments, but we also illuminate how institutionalised assumptions of profit-seeking limit the extent to which broader sustainability concerns become infused into day-to-day business practice. Our paper highlights the importance of management accounting in facilitating and shaping the cumulative path of SEAR practices (and sustainability more generally); however, we also heed caution against uncritical reliance upon conventional management accounting tools. The following paper extends our understanding of SEAR practices as cumulative process over time, an awareness of the potential limits to such developments in profit-seeking organisations, and stresses a need to be circumspect when involving management accounting.

1. Introduction

"[. . .] the current economic crisis is putting enormous pressure on the functioning of management accounting systems in most organizations in the world [. . .] Strategies are [. . .] being constantly recast, illustrating in the process the importance of being strategic rather than merely having a strategy. Ad hoc analyses of a multitude of different aspects of the economic functioning of the organization are becoming a form of standard practice. Management accounting is moving to operating in continuous time. In these and many other ways economic information flows are assuming an ever greater salience in the management of organizational affairs" (Hopwood, 2009a, pp. 799–800).

It is well documented that management accounting *information* could play a fundamental role in the progress of the corporate initiatives towards sustainable development (Thomson, 2007). Management accounting, as a primary source of information within organisations, is paramount to the diffusion of social and environmental accounting and reporting (SEAR) practices and sustainability know-how. Its tools and techniques underpin the means by which tomorrow's organisations define, measure and *both* internally and externally report their social and environmental impact; and the role of a management accountant is thus critically important in this respect. As the above quotation suggests, management accounting

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is becoming increasingly complex, fluid and integrated within broader organisational and extra-organisational processes; there is, it seems, a growing demand in business and society for information. An important aspect of these developments is the interplay between management accounting and sustainability-related issues (including sustainability accounting and reporting); yet very little is known about such interplay (Thomson, 2007).

Today's organisations are increasingly open to pressures to be more socially and environmentally responsible when they conduct their business. Accounting and reporting on social and environmental aspects has become common practice for most leading organisations (KPMG, 2011). 'Being and acting' towards sustainable development, at least as it has been defined by many organisations, has been elevated to a higher tier of managerial concerns. That is, nowadays sustainability issues appear to be part of an organisation's strategic concerns.

Although the term 'sustainability' has been debated in the organisational literature for some time, there is still ambiguity concerning its meaning (Gray, 2011) and *whether* (and *how*) this notion can be applied in the context of business and corporations (Milne et al., 2009; Gray and Milne, 2002; Bebbington, 2007). The varied and not always consistent terminologies used, in one way or another normally refer to the definition provided by the United Nations Commission for Sustainable Development in 1987, according to which a development is 'sustainable' if it is able to "meet the needs of the present generations without compromising the ability of future generations to meet their own needs" (UNWCED, 1987). Thus, sustainability represents fundamentally a 'global' (Gray and Milne, 2002) and 'spatial' concept (Bebbington, 2007) that refers to the "properties of a physical system in some physical space" and its capacity to sustain (Bebbington, 2007, p. 234). The concept of sustainability embraces notions of eco-efficiency in the use of resources; and eco-socio justice in their distribution between current generations (i.e. intra-generational) and between present and future generations (i.e. inter-generational).

Some authors contend (see for example Gray and Milne, 2002) whether this notion can be applied in the context of business and corporations and, if so, what the implications for their undertakings would be. Nevertheless, business and corporations are strongly implicated in this ongoing debate and they have, and indeed they had, an important role to play in the process of developing (or not) sustainably through the adoption of more responsible behaviours, initiatives and practices,[2] including management, accounting and reporting.

Sustainability (accounting and) reporting[3] is going through a rapid and detailed change process. From a situation of, say, just 20 years ago when a handful of organisations produced basic social and/or environmental accounts, we now see a bandwagon of organisations clamouring to be the first, best and most innovative owners of fully 'integrated reports' which attempt to combine social and environmental impact with the traditional accounts of financial performance. All of this requires *information*, usually drawn from a company's management accounting systems, and overseen by the management accountant. In turn, we also see an avalanche of new management accounting tools that, it is claimed by their advocates, provide a more effective way to bring sustainability concerns into an organisation; although, as we develop in this paper, most of these tools tend to be premised on an assumption of 'profit-optimising outcomes' (Scapens, 1994).

Our paper aims to better understand the ongoing interrelationship(s) between SEAR and management accounting, in the context of broader organisational and extra-organisational developments. We present a longitudinal case study of why, and particularly *how*, an Italian multinational organisation's (MARIO, hereafter) SEAR practices evolved over time, and the organisational effects of such developments. We present this evolution as complex (change) processes over time, highlighting the cumulative interplay between accounting tools and both organisational and extra-organisational change.

We observe a growing importance for management accounting, as SEAR practices (and sustainability issues more generally) assume a more significant position in an organisation's strategic planning. However, we also highlight limits to such developments, as profit-seeking ways maintain their institutionalised status as 'the way we do things around here'. In our case study we observe the establishment of multiple SEAR-related tools and techniques and, importantly, that such practices were (at least assumed to be) consistent with dominant corporate objectives for earning economic profits.

Our case study highlights complexity in the development and effects of SEAR practices over time, and stresses how such complexity needs to be understood in its broad organisational and external context. We offer insights into whether (and how and when) SEAR practices might be developed in a manner that mobilises change in organisational behaviour within a broader sustainable development agenda (Larrinaga-González and Bebbington, 2001; Bebbington, 2007). More specifically, we are drawn

[2] In much of the corporate environmentalism literature the debate about sustainable development has been framed around the 'environment-development' dichotomy (Milne et al., 2009). At one extreme, there is a more 'economic-business-grounded' position which professes the centrality of economic growth; the prominence of technological and scientific progress; and the pivotal role of business and corporations in identifying solutions to social and environmental problems (see Milne et al., 2009 for further discussion). Alternatively, there is an 'eco-bio-grounded' perspective whose central values are the supremacy of 'nature'; the existence of ecological limits to economic growth; and the fundamental unsustainability of corporations. Within these two extremes, several scholars (see for example Colby, 1991 and Olsen et al., 1992) have sought to identify a "middle ground" or "in-between" perspective as an attempt to synthesise the "fundamental conflict between anthropocentric and bio-centric values" (Milne et al., 2009, pp. 1215–1216). It is in this unresolved and ongoing 'conflict' that much of the current debate about sustainable development, and the role that business and corporations play, can be positioned.

[3] In this paper we use the term 'sustainability accounting and reporting' in a loose sense to indicate the range of topics and issues that are normally included in the SEAR literature. For a more detailed discussion and critical understanding of whether corporate sustainability reporting is achievable or even possible, and what it should look like, refer for example to Gray and Milne (2002) and Bebbington (2007).