



Using neo-institutionalism to advance social and environmental accounting

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ABSTRACT

Neo-institutional theory can increase understanding of an organization's general response to social and environmental issues and social activism. More particularly, it can frame an organization's accounting responses. The analytical schema proposed by Lounsbury (1997) is deployed to explore social and environmental accounting issues that occurred in two local government authorities—one in Canada, one in England. Our analysis highlights possibilities for better and more complete theories of organizational transformation, and social and environmental accounting. We stress the importance of ethical values and ecological thinking if change (including accounting change) is to help institutions behave in a way that is conducive to achieving a sustainable future.

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And the company takes what the company wants

And nothing's as precious as a hole in the ground

– Lyrics, Blue Sky Mine, Midnight Oil, Columbia Records, 1990

1. Introduction

Institutional theory, and particularly “new institutionalism”, represents “a major research paradigm in organisational sociology” (Lounsbury, 1997, p. 465). In this paper we develop and extend institutional analyses of organisations (henceforth referred to as “institutional theory”). Such analyses have been provided by Lounsbury (1997, 2008) and Dillard et al. (2004), among others. Our purpose is to advance normative perspectives of social and environmental accounting. We explore the roles that new accountings should play in change processes by assessing the capacity of institutional theory to provide a fuller understanding of change. In particular, we assess how institutional theory can enrich understanding of the changes organizations make in response to social and environmental issues. We make strong recourse to *neo-institutionalism*: that is, to a theory of organizational change that diverges from popular understanding of institutional theory as an explanator of similarity (“isomorphism”) associated with the “new institutionalism” of DiMaggio and Powell (1983) and Meyer and Rowan (1977).

Institutional theory emphasises the survival value of conformity with the institutional environment. Such conformity leads, for example, to increased stability, legitimacy, and access to resources. Institutional theory endorses adherence to

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external rules and norms. So, socially responsible, ethically good environmental behaviour (reflected in “new accountings”) is explainable by these new “external norms or practices obtain[ing] the status of social fact”; and by legitimacy arguments that organizations respond only when it becomes “obvious or proper” to do so (Oliver, 1992, p. 148).

A common *current depiction* of social and environmental accounting is that it is an outcome of processes of legitimation and social reproduction (Neu et al., 1998; Wilmshurst and Frost, 2000; Deegan et al., 2002; Campbell, 2003). By appropriating the theoretical language of institutional theory, we raise questions of whether proponents of normative models of social and environmental accounting have paid sufficient attention to the choices about accounting which are embedded in cultural and historical frameworks. For example, are organizational choices about accounting strategic, enlightened, and self-interested responses of the type implied by Gray's (1992, 2002) accountability model? The focus of this widely endorsed model is on an implicit assumption of a strategic or enlightened self-interested response by organizations to environmental (and social) pressures.

The tendency to focus on individual organisation(s) as the level of analysis in social and environmental accounting research also raises the question of whether sufficient attention has been accorded to the broader institutional environment. An institution-based level of analysis (as here) has the benefit of emphasising organizational structures or processes that are industry wide, national or international in scope, and self-sustaining. Nonetheless, despite the insights of institutional theorists and the potentialities of institutional theory, social and environmental accounting research has been inconsistent (despite being greatly exercised) in its attempts to *engage* with practice, especially at an institutional level. This suggests the possibility that such engagement is beyond the wherewithal of a large cohort of researchers because it “requires new imaginings of new accountings which can be manifest through various practices . . . [and needs to be directed to] . . . engagement, committees, reporting awards, difficult field work with unsympathetic corporate managements, speaking engagements to indifferent or abusive accountants (Gray, 2002, p. 700).”

Limitations in approaches to the development of social and environmental accounting, identified by Gray (2002), thus indicate the appeal of appropriating alternative ways to explain findings about environmental accounting and change in organizations. One such alternative way is reviewed here: an institutionally-oriented schema or “tool kit” proposed by Lounsbury (1991). To illustrate how institutional theory can be invoked usefully in social and environmental accounting research, we draw on a grounding of empirical experience in fieldwork enquiry and observation in an important (but under-researched) institutional form (local government authorities). In doing so, we build on the analysis and insights provided hitherto by studies by Ball (2005, 2007) of two local government authorities—both were municipal councils (one in Canada, one in England). The institution of local government has had a long history of providing services in response to problems that have challenged the scope of the market economy. Historically, local governments have been stewards of the local environment: they offer social, environmental and community services capable of addressing different dimensions of the sustainability agenda. As a consequence, because local governments have the potential to be at the vanguard of the development of social and environmental accounting, we should not ignore them (Lewis, 2000; Morris, 2001; O’Riordan, 1998; WWF-UK, 2000).

Lounsbury's (1997) institutional tool kit is a two dimensional matrix of institutional approaches. It helps provide alternative explanations of environmental accounting and change by local governments. Despite some limitations of the analogically-based theorising this institutional toolkit utilises (Zald and Berger, 1978), it is useful in identifying significant gaps in understanding of organizational transformation. By deploying this tool kit, possibilities for a more complete theory of change are increased, and deeper questions are likely to arise concerning orienting principles for a normative social and environmental accounting agenda.

Building on Lounsbury (2008) as well, our analysis contributes to understanding of how institutional theory and accounting practice intersect. We draw attention to how institutional approaches can frame ideas about social change and accounting practice; and suggest some areas (such as social premises, power relations, values and interests, intentionality, and multi-dimensionality) that need to be developed to obtain a fuller and better understanding of change in the context of the environment and accounting. There seems good prospect that the institutional tool kit will help develop “a meta-theory for social accounting” and help engender recognition of the vacuousness of obsession with “stakeholder dialogue, in isolation” (Gray, 2002, p. 703).

2. Institutional tool kit

“Institutional theory is not usually regarded as a theory of organizational change, but usually as an explanation of the similarity (‘isomorphism’) and stability of organizational arrangements in a given population or field of organizations” (Greenwood and Hinings, 1996, p. 1023). However, DiMaggio and Powell (1991, p. 27) have noted that the goal of efforts to come to terms with politics and conflict “must be [based on] a sounder multidimensional theory, rather than a one-sidedly cognitive one...”

Consequently, this paper is concerned principally with issues that arise from the intersection of an environmental agenda with accounting theory and practice. Lounsbury's (1997, 2001) typology of institutional analysis in organizational sociology is attractive because it presents a partitioning, drawing on institutional theory, of ways of assessing issues concerning institutions and institutional change (Lounsbury, 1997, p. 466). Further, this toolkit helps us to discern, and respond to, the questions of change that arise from an environmental agenda. Our analytical approach is therefore located in the more recent development of neo-institutionalism which concerns change. This diverges from a “somewhat anachronistic understanding of

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