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Vulnerable and exploitable: The need for organisational accountability and transparency in emerging and less developed economies

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ABSTRACT

The aim of this paper is to provide an overview of the papers which appear in this special issue of *Accounting Forum*. The paper sets out the background and rationale for this special issue, introduces the papers contained within it and discusses their contributions to the literature on social and environmental accounting and accountability in emerging and less developed economies. This discussion is informed by the notions of vulnerability and exploitability. The final section of the paper provides conclusions and directions for future research in this under-researched area.

1. Introduction

The aim of this paper is to provide an overview of the papers which appear in this special issue of *Accounting Forum*. The special issue focuses on the need for corporate accountability and transparency in emerging and less developed economies. There is an incredible diversity in these economies, some, more commonly known as BRICs (Brazil, Russia, India and China) (Wilson & Purushothaman, 2003), have seen significant economic growth in recent times and this will inevitably have social and environmental effects. Others, for example eastern European and other less developed smaller ex colonial countries, are confronted with massive problems that include those related to the effects of climate change, poverty, human rights violations, child labour, corruption and social exploitations. Our premise is that business organisations, as the 'engines of economic growth' and as powerful institutions, should be held responsible and accountable for the related social and environmental consequences of their actions (Belal, 2002, 2008; Owen, Swift, & Hunt, 2001; Pachauri, 2004, 2006; Unerman & Bennett, 2004) and given the contentious nature of the issues in emerging and less developed economies the need for accountability is greater still. Complete and transparent social and environmental disclosures could be a mechanism to hold business organisations to account for their impacts within these economies.

Despite this, however, research on social and environmental accounting in emerging and less developed economies is scarce (Belal & Owen, 2007; Islam & Deegan, 2008), although there are a number of exceptions such as a small, but increasing, knowledge base with regard to India (Batra, 1996; Hegde, Bloom, & Fuglister, 1997; Singh & Ahuja, 1983) and Bangladesh (Belal, 2008; Belal & Owen, 2007; Belal & Roberts, 2010; Islam & Deegan, 2008). Nevertheless it is still true to say that we know very little about social and environmental accounting practices in many of the emerging and less developed economies. It is important to increase our understanding of why and how social and environmental accounting is, or is not, evolving in these

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emerging and less developed economies for the 'vivid challenges' it can provide '. . . to the presuppositional baggage with which Western researchers typically approach issues' (Kisenyi & Gray, 1998, p. 16). The socio-economic realities of these countries are different and, moreover, the corporate motivations for undertaking social and environmental accounting also appear to be different with 'outside forces' driving the agenda. Such driving forces include international agencies like the World Bank and International Monetary Fund (Rahaman, Lawrence, & Roper, 2004), international market pressures on export oriented companies (Belal & Owen, 2007; Islam & Deegan, 2008) and parent companies' instructions on the subsidiaries operating in these economies (Belal & Owen, 2007).

The purpose of this special issue is to provide a forum to explore social and environmental accounting and accountability from the under researched context of emerging and less developed countries. Two features that bind this group of countries are the notions of vulnerability and exploitability. We have used these notions to develop an analytical framework for this paper and this is introduced in the next section. This is based on the relevant literature in this field of study. We then discuss the papers in this special issue and their contributions by drawing insights from this framework. The final section of the paper provides conclusions and future directions for research in this area.

2. Analytical framework: vulnerability and exploitability of emerging and less developed economies

2.1. Vulnerability, development and the role of business

"The country classification in the *World Economic Outlook* divides the world into two major groups: advanced economies, and emerging and developing economies. This classification is not based on strict criteria, economic or otherwise, and it has evolved over time" (IMF, 2012, p. 177). This classification identifies 150 emerging and developing economies, which account for 48.9% of the world's GDP, but has 85.1% of the world's population. IMF (2012, Table A, p. 179) regionally groups the emerging and developing countries as follows: (See Table 1 below).

There are massive contrasts between these economies and Brazil, China, India, Mexico and Russia are included, but account for more than half (57.3%) of the total GDP from these 150 emerging and developing economies. Others have drawn on the World Bank's classification of countries according to their Gross National Income per capita. Those economies that have been defined as low or middle income are also considered to be less developed or emerging. Less developed economies are usually associated with poverty, relatively lower income per capita, and an economy that is primarily agricultural, less industrialised, in nature (see also Visser, 2008). In contrast, emerging economies are often perceived as those that are experiencing growth through industrialisation and are strengthening financial and informational infrastructure.

These definitions imply that low income and poverty are key features within emerging and less developed countries, but, moreover, we contend that these countries are particularly vulnerable. There is a relatively long established relationship that has been identified between poverty and vulnerability (see for example Blaikie, Cannon, Davis, & Wisner, 1994). This relationship is evident in a number of measures of vulnerability that include "Vulnerability to Expected Poverty" and "Vulnerability as Threat of Future Poverty" (Montalbano, 2011). The second of these approaches specifically refers to poverty and risk, as the two features that constitute vulnerability, whereas Montalbano (2011) argues that the World Bank's "Social Risk Management" approach to vulnerability contains three key aspects, namely: risk; resilience/responsiveness; and a minimum level for the relevant outcome. An alternative "Sustainable Livelihood Vulnerability" approach is adopted by UNDP and this approach "incorporates an evaluation of sensitivity to negative shocks ("livelihood sensitivity") as well as the endogenous ability to respond and recover ("livelihood resilience")" (Montalbano, 2011, p. 1492). It is this combination of risk and resilience that resonates with recent climate change discussions. This is to say that certain developing countries (such as Bangladesh) (Belal et al., 2010) have been identified as particularly vulnerable to climate change given their physical exposure to climate events and their lower ability to respond to such events and climate stress (Bowen, Cochrane, & Fankhauser, 2012). In contrast more developed countries tend to have lower risks and/or higher resilience and 'adaptive capacity' (Ward & Shively, 2012). It is their sensitivity to risks and limited ability to respond, due to limited technological and financial resources, which makes a large proportion of the populations of developing countries particularly vulnerable.

Development can help reduce vulnerability and it is widely acknowledged that international non-governmental organisations (INGOs) and national governments have a key role to play in helping to achieve progress towards development

Table 1
IMF (2012) emerging and developing economies by region.

Regions	Number of countries	% of world GDP	% of world population
Central and Eastern Europe	14	3.5	2.6
Commonwealth of independent states	13	4.3	4.2
Developing Asia	27	25.1	52.3
Latin America and the Caribbean	32	8.7	8.4
Middle East and North Africa	20	4.9	5.7
Sub-Saharan Africa	44	2.5	11.9
Total	150	48.9[a]	85.1

Source: Adapted from IMF (2012).

[a] Difference due to rounding.