Whither theory in social and environmental accounting research

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Outline

• What I mean by the term ‘theory’
• Interplay between theory, data and sound evidence
• Roles of theory in different research approaches
• Added complexity in social and environmental sustainability
• Examples of scope for greater theoretical sophistication in social and environmental accounting research
  – Consistency between theoretical understandings of reports and the research approach
  – Adding depth and insights to legitimacy theory
• Concluding comments

My personal starting point for this presentation
Primary motivation for my academic career is to contribute to improving policy and practice
  - Greater social and environmental sustainability in organizations
  - Reduction in unsustainability

Main channels for academics to make a difference:
  - Provision of a robust evidence base
  - Dissemination of evidence base
    - Teaching
    - Engagement with organizations and policy-makers

Danger of drowning out by weak consultancy findings
  - Thus need to actively engage through solid ideas and findings
    - Because we’re competing with ‘showmen’ who look good but don’t always have solid foundations

• Theory plays a vital role in the provision of a robust evidence base
• Theoretical frameworks and insights can be continually developed
  - Especially as new practices emerge
• Recent rapid developments in social and environmental accounting (SEA) practices require greater sophistication in theory
  - Several academics are developing and refining novel theories for new empirical situations
  - Using in-depth theory to transform data into robust evidence
  - But some studies still using rather unrefined theory

What do I mean by the term ‘THEORY’?
### Definition of the term ‘theory’

- There are many definitions of the term ‘theory’
- The definition of ‘theory’ used for this presentation is:
  - The way elements are believed to interact, or fit together, to explain how or why something in the empirical world works or operates in the way it is believed to:
  - “a statement of relations among concepts within a boundary set of assumptions and constraints. It is no more than a linguistic device used to organize a complex empirical world … the purpose of a theoretical statement is twofold: to organize (parsimoniously) and to communicate (clearly)” (Bacharach, 1989, p. 496)

### Theory as a tool to both understand and communicate ideas

- Good theory helps provide credible analysis and strong understanding of data
  - Inadequate use of theory leads to weak descriptive studies
- Good theory also provides an efficient way of communicating complex ideas and insights
  - We need different theories that enable us to:
    - Communicate our research insights effectively to other academics for them to then further develop the field
    - Communicate our research insights to practitioners and policy-makers to more directly impact practice

### Llewelyn (2003) five levels of theory

- **Communicating**
  - 1. “Metaphor”
    - Readily understandable and accessible way of viewing and thinking about practices and organizations
    - “linking the unfamiliar to the familiar”
  - 2. “Differentiation”
    - Comparing and contrasting
  - 3. “Conceptualization”
    - Links agency with structure to explain practice
- **Analysis and understanding**
  - 4. “Context-bound theorizing of settings”
  - 5. “Context-free ‘grand’ theorizing”
Interplay between theory, data and sound evidence

Theory and empirical interplay: My starting point is theory

Theoretical understanding(s) of aspects of SEA

• Theoretical grounding of much social and environmental accounting research to date has been fairly narrow
  – Reporting studies using stakeholder and legitimacy theory

• Scope for much more refined and nuanced theoretical developments as practice develops rapidly
  – Many SEA academics have risen to this challenge
    • But much greater scope for further theoretical plurality and depth
Abstracted theorization:
- Often informed by empirical observation
  - Indirectly affecting practice and policy-making when informing other academics

Weak empirical observations:
- Non-academic, consultancy type surveys
  - Limited/superficial implicit theorization
    - Poorly-evidenced flimsy changes to policy and practice

Explicitly theorized robust evidence, feeding directly into practice, policy and revisions to theory

Academic study limit
- Empirical feedback: changes in practice provide new empirical data to collect and then analyse

Theory feedback: context-specific theoretical insights feed into broader theoretical understandings

Evidence-based developments in social and environmental accounting policy and practice

Empirically refined theoretical insights into elements of social and environmental accounting

Context-specific empirical insights into aspects of social and environmental accounting practices

Academic analysis

Theoretical understanding(s) of aspects of SEA

SEA empirical raw data

Empirical feedback:
- Changes in practice provide new empirical data to collect and then analyse
Theory and empirical interplay: Continuum in use of theory

Abstractive theorization

In division of academic labour, real need for some academics who produce rich empirical detail

Academic study limit

Weak empirical observations

Empirical feedback: changes in practice provide new empirical data to collect and then analyse

Theory feedback: context-specific theoretical insights feed into broader theoretical understandings

Roles of theory in different research approaches

- Appropriateness to addressing a compelling and substantive research question is the primary consideration in choosing a research approach
  - As an academy, we cannot afford to limit the research questions we address by narrow acceptance of only one research approach

- Role of theory differs between research approaches
  - Positivist studies tend to test grand generalizable theories
    - Suited for rule-governed relationships to provide generalized guidance
  - Interpretivist studies tend to use theory to help structure and make sense of complex data
    - Able to handle more ‘messy’ and uncertain research contexts and issues

Theory and different research approaches: Two key factors
Role and development of theory in many positivist studies

Theoretical understanding(s) of aspects of SEA

Academic analysis

Empirically refined theoretical insights into elements of social and environmental accounting

Context-specific empirical insights into aspects of social and environmental accounting practices

Evidence-based developments in social and environmental accounting policy and practice

Empirical feedback: changes in practice provide new empirical data to collect and then analyse

Theory feedback: context-specific theoretical insights feed into broader theoretical understandings

Role and development of theory in some Critical studies

Theoretical understanding(s) of aspects of SEA

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Role and development of theory in a range of interpretivist approaches

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Role and development of theory in a range of research approaches

- Theoretical understanding(s)
- SEA empirical raw data
- Academic analysis
- Empirically refined theoretical insights into elements of social and environmental accounting
- Context-specific empirical insights into aspects of social and environmental accounting practices
- Evidence-based developments in social and environmental accounting policy and practice
- Theoretically informed methods

Empirical feedback:
- Changes in practice provide new empirical data to collect and then analyse

Theory feedback:
- Context-specific theoretical insights feed into broader theoretical understandings

Critical theory

Range of other interpretivist approaches

Research approaches and complexity

- As noted earlier:
  - Positivism can be the ideal method to address some research questions and provide robust evidence about predictable rule-governed relationships in some areas
  - Interpretivism is usually better suited to addressing research questions in more messy, less rule-governed areas

- Incorporating social and environmental sustainability with economic sustainability introduces considerable additional uncertainty and unpredictability
  - From array of complex interrelationships

Added complexity and uncertainty in social and environmental sustainability
• One perspective is that traditional accounting aims to ensure the economic sustainability of the entity.

Traditional accounting is largely based on price mechanism, reliant on economic exchanges of property rights across the entity boundary.

Although complex and contested:
– Reasonable degree of intersubjective consensus for commensuration of material direct economic impacts
– Thus, reasonable level of predictability on some issues
– Can plausibly generalize on these issues
Economic sustainability

- This very basic economic model broadly reflects the issues that accounting traditionally addresses
  - A range of very complex accounting practices
- But sustainability is not limited to economic issues

Environmental sustainability

- Complexity of environmental impacts makes commensuration almost impossible to conceive
  - EG: CO₂ emissions vs. water use
    - CO₂ emissions have broadly a global impact and there are (contested) mechanisms to allocate a financial equivalent price (carbon markets)
    - Water stress varies geographically so the water embedded in products is difficult to commensurate

Environmental sustainability: Embedded water

- How much water does it take to produce 100g of beef?
  - Estimates vary, and depend on many factors for each cow
  - A common estimate is 1,500 litres per 100g
  - Equivalent to a 5 minute shower each day for a month
  - Or 375 flushes of a Japanese toilet or 150 flushes of a US toilet
- Opportunity cost of embedded water varies by location and type of feed used
  - The impact of this water will vary according to local water stress
  - Also depends on balance between ‘green’ and ‘blue’ water used
    - ‘Green’ water is in the soil and has low opportunity cost
    - ‘Blue’ water is surface or aquifer water easily captured for alternative uses
Social sustainability

- Similar to environmental impacts:
  - Impacts of social outcomes can vary locally
  - Complex array of impacts makes intersubjective consensus on commensuration all but impossible

Added complexity in accounting for wider sustainability

- Social and environmental sustainability adds considerable complexity and uncertainty compared to a focus on economic sustainability alone

Adding in some societal-level interactions: 2nd order impacts from organization-level impacts

- Adding 2nd order impacts leads to even greater complexity and uncertainty
SEA complexity and suitability of positivist v. interpretivist studies

- Very complex sustainability arena, with added uncertainty and unpredictability of outcomes, indicates positivism is not suited for most major SEA research questions
  - However some pioneering positivist SEA studies have provided major insights

- Robust insights to augment evidence base in this 'messy' area mostly require interpretivist studies

Two illustrations of SEA and theory

- Two examples to illustrate potential and need for more sophisticated use of theory in producing a robust evidence base from SEA research
  - Consistency in theoretical understanding of nature of sustainability reports and philosophical underpinnings of research approaches
    - Positivism
    - Interpretivism
  - Adding theoretical depth to legitimacy theory

Consistency between theoretical understandings of reports and research approach
Philosophical underpinnings of research approaches v. theoretical understandings of accounts

Wholly objective

Positivism

Philosophically contradictory position?

Interpretivism

Wholly subjective

Ontological continuum

Reality reflected in accounts

Uniform socially constructed reality

Individual understanding of accounts

Multiple understandings of reported reality

Multiple discursively constructed realities

Uniform socially constructed reality

Contradictory, or unstable intersubjective consensus reliant on hegemony

Single reported reality

Reality constructed through accounts

Adding depth and insights to legitimacy theory
Example of theoretical development potential:
Legitimacy theory

- Lindblom (1993) is a very broad theory, so many observed behaviours can seem to fit its explanations
  - This could be why it has been so popular!
  - But it does limit its explanatory power
  - Definition of legitimacy (from Suchman, 1995):
    - "A generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions"
    - This is potentially much more nuanced than Lindblom’s summary of ‘legitimacy theory’ as used in most social and environmental reporting research studies
### Suchman's (1995) Typology of Legitimation

<table>
<thead>
<tr>
<th>Type of Legitimacy</th>
<th>Broad Strategies of Legitimation</th>
<th>Conform</th>
<th>Show How New Practices Meet Instrumental Demands</th>
<th>Show How New Practices Produce Socially Desirable Outcomes</th>
<th>Conform to Established Models or Standards</th>
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<tbody>
<tr>
<td>Pragmatic</td>
<td>Pitch Practices at New Audiences</td>
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<td></td>
<td>Select Auditorship and New Legitimating Beliefs</td>
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<tr>
<td>Moral</td>
<td>Manipulate New Audiences and New Legitimating Beliefs</td>
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<tr>
<td>Cognitive</td>
<td>Strategic Communication to Persuade Key Audiences to Value, and to Believe They Can Influence, the New Practices</td>
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<td>Collective Action by Many Organizations to Socially Construct an Honourable Image for the Outputs of the New Practices; Establishing a Record of Technical Success for New Practices Indicating How They Embrace Socially Accepted Techniques and Procedures</td>
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<td>Encouraging Isomorphism through Standardisation of Practice; Action to Enhance Comprehensibility of New Practices (through Lobbying, Research etc.).</td>
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**Summary**

Suchman's typology has much more depth and therefore potential contribution than Lindblom

- Can be used to provide in-depth understanding of much more than just motivations underlying reporting
- EG: O'Dwyer, Owen & Unerman (2011) used it to help provide an in-depth understanding of how practices of sustainability assurance gained traction via different nuanced internal and external legitimation strategies with different audiences
- As internal management control practices around social and environmental sustainability become more prevalent and sophisticated, need greater theoretical variety and depth to draw valuable robust insights from data
- And thereby enhance evidence base
Need for greater theoretical sophistication in social and environmental accounting research

- Theory plays a vital role in development of a robust evidence base
  - As social and environmental accounting practices develop, scope and need for greater theoretical sophistication increases
  - A key area of development is internal control around social and environmental policies and practices
  - Increasing recognition of need to embed broader sustainability considerations into organizational decision-making at all levels
- Social and environmental accounting researchers can draw on interdisciplinary management accounting and control research studies to help provide relevant in-depth theory for further development

Further developing theories from management accounting research

- From Parker (CPA, 2012, p. 62), some examples of theories in management accounting that could be drawn upon to a greater extent by more researchers in social and environmental accounting research:
  - Neo-institutional theory
  - Contingency theory
  - Structuration theory
  - Actor network theory
  - Labour process theory
  - Latourian theory
  - Foucauldian theory
  - Grounded theory
  - Naturalistic schools of thought
- "Each of these theoretical 'lenses' has offered unique and varied ways of seeing, understanding and critiquing ... practices as contextually grounded phenomena, replete with multiple dimensions and characteristics" (Parker, 2012, p. 62)

Greater theoretical sophistication in accountability studies

- Also need greater theoretical sophistication to support robust work and insights on accountability
  - Need a greater number of academics to move beyond fairly basic formulations of legitimacy and stakeholder theories
  - Capital market based studies provide only a tiny part of the highly complex sustainability picture
  - It is regrettable these studies dominate in some regions, almost to the exclusion of evidence about other, more contextually rich, aspects of SEA
  - This limits the role of the academy to help develop practice
- Broader and deeper theorization in social and environmental accounting research should therefore enhance the impact of the academy on policy and practice

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