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# Tomorrow's Accounting and Society's Future

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## Introduction

This book began by introducing you to the notion of accounting for society, the historical development of corporate social responsibility, accountability and ethics and its importance to everyday life. Unlike other mainstream textbooks which predominantly focus on large private sector organisations, we have explored the concept of social accounting, the role of business and accountability from the public sector, third sector, cooperatives and family business perspectives. By doing so, we demonstrate that social accounting and accountability equally applies to these sectors and that its application is just as complex and controversial as it is in the business world. Indeed, examples that demonstrate questionable ethical and moral behaviour within these areas and professional practice are threaded throughout the book. We have also noted that careful reflection and consideration are essential ingredients of a social accounting system when determining socially responsible investments, the role of tax in a fair society and global economy and ensuring professional integrity.

We have shown that accounting is an essential pillar of society, providing the foundations on which organisations and governments base their economic and financial decisions. It provides a mechanism whereby information relevant to stakeholders, managers, investors, etc. can be used to evaluate performance, regardless of the sector in which the organisation is situated. These foundations have come under critical scrutiny in recent years, particularly following the recent spate of global financial crises. Indeed, the reliance, accuracy and compliance of accounting information and the profession were heavily criticised alongside

organisations who had also not foreseen or reacted to the global financial crisis adequately. Consequently, the profession has turned its attention to how it can provide solutions that facilitate greater transparency, accountability, reporting, and fair value measurements. Greater attention has also been drawn to corporate accountability over the last couple of decades with increasing importance also being placed on the social impact of organisations' activities.

Despite the growing trend towards greater corporate accountability and increasing revival of social accounting there remains a significant gap between what organisations do, what they are willing to report, and the rights of society. In this concluding chapter, we consider the realities and myths of social accounting in relation to tomorrow's accounting and society's future. The chapter begins with a discussion of accounting as a social and institutional practice. It then moves on to consider the issues raised throughout the book and reflects on how the public sector, third sector, cooperatives and family businesses need to adapt and respond to demands for increased social responsibility and demonstrate this through a social accounting and accountability system. The chapter concludes with a discussion of the changing nature of accountability and social accounting, future directions and potential developments within the social accounting arena.

## Accounting as a social and institutional practice

In the past, accounting has been considered as a simple technique that can be used to provide, process and evaluate information and has been characterised as a 'technical topic'. However, accounting establishes a social dimension, since it is a 'more dynamic and sophisticated' discipline (Rudkin, 2007), and is thus not only an institutional but also a social practice (Potter, 2005). In recent decades we have witnessed an extraordinary transformation in the way organisations account for their activities and impact on society. This can be attributed to several factors. First, from an academic perspective, there has been a growing body of research that investigates the pervasive and enabling characteristics of accounting and its impact on organisational activity and consequently society and the environment. This research has not just been contained to the accounting discipline but has appeared within financial economics, psychology, organizational theory, sociology, political theory, anthropology, history, philosophy, linguistic theory, communication theory, theology, and critical theory, thereby creating an interdisciplinary project which furthers our knowledge and understanding of the far-reaching effects of accounting as a social and institutional practice.

Hopwood and Miller have been particularly influential in this regard. It is through their work that an extensive investigation into the socio-historical impact of accounting originated. From such works accounting is shown to be a calculative practice that infiltrates the contemporary world in a myriad of diverse ways (Hopwood and Miller, 1994). Indeed, it is through their work that we can appreciate the genesis of accounting's modern power, how influential accounting

has been in the politics of economic measurement and the changing relationship of the accounting profession and the state in regulatory terms.

Following Hopwood and Miller's pioneering work, several strands of research demonstrate the role of accounting: in management motivations for social reporting/disclosure; as a tool for ensuring securing/maintaining legitimacy and societal expectations; in demonstrating ethical and social accountability to stakeholders and the wider community; and as a social accountability tool. Indeed, such work demonstrates the continuing importance of accounting in so many spheres of social life that an understanding of the conditions and consequences of such a calculative technology is vital in an increasingly globalised and connected world.

## Accounting, ethics and the business world

The last two decades have witnessed the burgeoning social responsibility and accountability movement. Even organisations that produce questionable goods such as tobacco, alcohol and gambling have joined the bandwagon. As Chapter 2 demonstrates, this has been driven by the recent financial crisis and spate of business scandals in which accounting has been implicated. This has fuelled the perceived need for organisations across all sectors to demonstrate accountability and ethical behaviour in their business activity. However, the concept of accountability is rather a chameleon as it holds different meanings depending on the context and is not simple to define or identify. The question of ethical business behaviour is a subject that has troubled thinkers and policy makers for many decades. Indeed, the subject of business and accounting ethics has become substantially complicated as organisations conduct business across multiple national boundaries and cultural settings. The activities of organisations have the potential to impact on all aspects of society, which drives the need for organisations to demonstrate proper ethical and moral behaviour and accountability. A robust code of conduct/ethics is generally regarded as the hallmark of a profession. This has been recognised by the accounting profession and their implementation of a code, by adherence to which it is expected that members will behave well. Members are expected to comply not only with the letter of the code but also the spirit. Organisations demonstrate varying degrees of responsibility and compliance towards social accountability and ethical behaviour. Those with robust systems can achieve a reduction of unethical or illegal behaviour and can use this to their strategic advantage.

However, we need to recognise that social accounting and corporate social responsibility (CSR) practices have a long history. CSR practices, as Chapter 3 demonstrates, did not develop in a vacuum. Several factors and social actors influenced its development and shaped what it is today, in developed and developing economies. Yet, CSR practices and their implementation in developed countries and developing economies differ in significant ways. Though the broad aims of CSR in developed and developing economies are the same, the manifestation,