

# APIRA - 2010

## Plenary Presentation

### Why Accounting is not Accountability: and why we keep imagining that it is

FACULTY OF  
ECONOMICS & BUSINESS

John Roberts



THE UNIVERSITY OF  
SYDNEY

# Accounting is not Accountability

## *The Argument:-*

- › Accountability as ‘the giving and demanding of reasons for conduct’ is critical in shaping us as subjects – it is what it is to be subject.
  - › ‘Socialising effects’ – to be asked to give an account of one’s conduct – drags me out from my self absorption, enacts the social bond of reciprocal responsibility and obligation, and informs me of the consequences of my actions for others.
  - › In the absence of accountability we are prone to fantasies of omnipotence and omniscience, with a concomitant denial of dependence and difference
  - › Accounting information is itself a vital resource *for* accountability.
  - › The trouble is that we are prone to take Accounting representations as themselves a form of accountability – to act as if the pursuit of an ever more complete *transparency* in itself constitutes accountability.
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# Accounting is not Accountability

## *Structure of Presentation:-*

- › Why Accounting is not Accountability
- › Accountability as Transparency (Accounting as Accountability)
- › Accounting as a resource for Accountability
- › Financial and Non-Financial Accounting and Accountability

# Accounting is not Accountability

## *Why Accounting is not Accountability*

- › Accounts as produced but not used
  
  - › Multi Divisional Organisation
    - Mock-divisionalization - Re-drawing of Organisation Charts and the production of Divisional Accounts.
  
    - M-Form Accountability
      - ROCE performance targets, cross divisional comparison of performance.
  
      - Enforced by the threat to divest either the divisional manager, or division.
  
      - Retains the external benefits of market power and large scale organisation, whilst creating internal efficiency.
  
  - › Globalization and the Disciplining of the Nation State
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# Accounting is not Accountability

*Regulatory competition impairs the accountability relationship between governments and TNCs, since it induces the principal to relax its demands on the agent and to abstain from punishment for fear that the agent will move to the jurisdiction of another principal. In a sense, the TNCs' opportunities for 'exit' turn the accountability relationship upside down by making governments accountable to the TNCs, or at least by increasing the bargaining power of TNCs vis-a-vis the governments'*

Koenig-Archibugi, 2005

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# Accounting is not Accountability

The triumph of hierarchical accountability in the interests of capital accumulation – made possible through the use of accounting information - and the rise of large multinational organisation that it allows and makes possible, then produces a much more serious political ‘accountability deficit’.

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# Accounting is not Accountability

## **Conceptualising Accountability**

### › *Accounting Systems and Systems of Accountability*

– *Accounting as producing and reproducing a particular structure of meaning, norms and power.*

### › *Accountability as Self-Discipline*

– *Accounting as a ‘field of visibility’ that creates an individualised preoccupation with how the self is seen by powerful others.*

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### › *Transparency as Accountability*

- *Accounting as simply laying bare or making visible.*

### › *Socialising / ‘Intelligent’ Accountability*

- *Accountability as ‘the giving and demanding of reasons for conduct’*

*(Being subject to others/ the Law).*

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# Accounting is not Accountability

## *Accountability as Transparency (Accounting as Accountability)*

- › Transparency – the ability of light to pass through something so that objects behind it can be seen.
- › Proliferation of transparencies, both financial and non-financial, within and around organisations in the name of enhanced accountability.

Belied by:-

- › The labour involved in producing transparency.
  - › What transparency ‘conceals’ – abstraction and de-contextualisation.
  - › Its perverse if unintended organisational consequences.
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# Accounting is not Accountability

## *The Perverse Organisational Effects of Transparency*

- › **Power** – ‘decoupling’ or ‘colonization’

‘creates forms of dysfunction for the audited service itself.’

*‘Management becomes tantamount to keeping up appearances, and fighting shadows: managing via league tables leads to managing the league tables themselves.’* (Tsoukas, 1997)

- › **O’Neill** – the pursuit of an ever more complete transparency involves a ‘fantasy of total control’ that actually produces ‘a culture of suspicion, low morale and professional cynicism’.
  - › **Hood** – ‘Blame avoidance’ e.g. ‘Agency’ strategies – scape-goating, ‘Presentational’ strategies – spin, Policy strategies – risk avoidance.
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# Accounting is not Accountability

*Our Ambivalent Embrace of Transparency as Accountability*

*(Ambivalence= simultaneous belief and disbelief)*

- › Identifying with the Ideal – Ethical Violence
- › Dis-identifying with the Ideal but still playing the game. – Moral Narcissism

‘To auditor and auditee alike, the language of assessment, in purporting to be a language that makes output transparent, hides many dimensions of the output process; as we have seen this, too, is standard (self) criticism. The rhetoric of transparency appears to conceal that very process of concealment, yet in so far as ‘everyone knows’ this, it would be hard to say it ‘really’ does so. Realities are knowingly eclipsed.’

*Strathern – the Tyranny of Transparency*

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# Accounting is not Accountability

- › Transparency as Accountability possibly works to constrain wrong-doing for fear of being exposed and humiliated.
- › But is *deficient as a form of communication*.
  - Its categories of relevance are ‘known in advance’.
  - We can manage the mere appearance in place of the substance.
  - We have incentives to tell the boss what s/he wants to hear rather than what s/he needs to know.
  - I am preoccupied with how I am seen.
  - I present my self as if I know what I am doing – as already perfect.
  - I am keen to project any inadequacy onto others.

With Accountability as Transparency: ‘*realities are knowingly eclipsed*’.

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# Accounting is not Accountability

## *Accounting as a Resource for Accountability*

### › Intelligent accountability-

*‘active enquiry extended over time by talking and asking questions, by listening and seeing how well claims to know and undertakings to act hold up.’ (O’Neill)*

### › An ethic of ‘humility’ and ‘generosity’ on the basis that no-one ever can know quite what it is that they are doing.

*‘Precisely my opaqueness to myself occasions my capacity to confer a certain kind of recognition on others. It would be, perhaps, an ethics based on our shared, invariable, and partial blindness about ourselves.’*

Butler, 2005

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# Accounting is not Accountability

## The Reality

- › For the Powerful:-
    - ‘New Economic Citizenship’ – being subject to the ‘law’ of competitive markets and consumers who must be served.
    - Shareholder value
  
  - › For those who would speak ‘Truth to Power’:
    - NGOs, SMOs, SEA researchers seeking to hold the powerful to account in relation to non-financial outcomes of economic activity.
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## *Financial Accounting as a Model for new but 'immature' Accountings:-*

<i>Accounting tools</i>	<i>Economic Accounting</i>	<i>Social/ Env. Accountings</i>
Reporting Standards	Established	Emergent Normative Ideals
Reporting	Legally Required	Voluntary
Assurance	Legally Required	Desirable but weak
Reporting to whom	Shareholder/Principals Powerful institutional investor agents	Stakeholders (ether)

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# Accounting is not Accountability

‘ Such reporting has some potential to give a greater degree of visibility to corporate environmental activities and consequences, casting light on what is often invisible. But having said that, it is also important to recognise that visibility is not the only possible consequence of corporate reporting in this area (Milne and Gray, 2007). .. Companies are also interested in the possibilities for environmental reporting to increase their legitimacy in the wider world. Not only that, they can also have an interest in using reporting to facilitate the construction of a new and different image of the company. ***It is as if the report serves as a corporate veil, simultaneously providing a new face to the outside world while protecting the inner workings of the organization from external view.***’

Hopwood, 2009

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<i>Accountability</i>	<i>Economic</i>	<i>Social and Environmental</i>
Accountability for	Shareholder Value	(Un)intended consequences of pursuit of shareholder value
Accountability levers	Jobs/ Share price/ incentives	Reputation Risk (threats to corporate narcissism)
Visibility	Profit/return on capital	Social and environmental impacts (repair of corporate image)
Accountability mechanisms	Analyst presentations Meetings with investors	Media Campaigns Engagement
Abstraction	Indifferent to non financial outcomes	Seeking to add back contextual detail (externalities)
Mobility Durability Combinability	Mobile Durable Combinable	Loses detail with mobility Lack of historical data Loses detail with combinability



# Accounting is not Accountability

## *The ‘Antimony of Accountability’ – Pellizoni*

*‘To be fruitful, accountability must circumvent self reference and address alterity: it must be opened up to unexpected questions and unforeseen claims.’*

*‘The problem is that the logic of contract is intrinsically self referential, preventing any account to and for whatever lies outside the world produced by the contract itself. ‘*

*‘Usable fruitful accountability seems to demand more than information, competence and independence. It requires access to the framing of issues. The accountable actor’s self-definition of issues and goals dramatically narrows the scope of deliberation about choices or verification of their implementation.’*

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# Accounting is not Accountability

## Conclusions

- › SEA arises from a political accountability deficit.
  - › Should be wary of the project that accountability can be realised by simply creating non-financial Accounting in the image of financial Accounts.
  - › SEA is not in itself accountability but at best a resource *for* accountability.
  - › Threats to corporate narcissism seem strangely powerful.
  - › Voluntary nature of reporting then suffers hugely from being self referential.
  - › The problem is not corporate, but rather the opposition between individualised self absorption within and impotent responsibility without.
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