Accounting for sustainable organisations: where is the accountant and why it matters?

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Abstract
Sustainability Accounting has been observed to be gaining relevance for corporate performance. This has been reflected both by the critical and the managerial schools of sustainability accounting – both with their interpretations of the impact of the accounting profession on successful sustainability accounting. Yet, both schools appear to focus on the technical abilities of accountants and to neglect a more essential component of the accountant’s function in organisations.

The following paper investigates the role of the accountant from a promotorn theory viewpoint. By using recent studies on the involvement of the accountant in sustainability accounting, it investigates the reasons that explain the insufficient involvement of accounting professionals and suggests why such is necessary.

The results suggest that the involvement of the accountant is essential. However, as the paper argues, it is not his technical expertise that makes him essential for supporting sustainability accounting but his role as gatekeeper of sustainability-related information in organisations.

1. Why is the accounting professional’s support needed for corporate sustainability?

In recent years, the accounting profession has seen significant development in regard to tackling sustainability issues (Schaltegger 2011). Although many calls for engaging accountants in corporate sustainability management have been made, their ability has been questioned (e.g. Gray 1990, Gray 1995).

The change in accounting systems (e.g. Gray 1990), accounting education (e.g. Bebbington 1997), accounting thinking that has been called for has not been observed to have taken place. Is this because companies are not willing to (e.g. Gray 1990), since it is not worth it (Freedman 1970) or since accountants do not think beyond their accounting pragmatism (Gray 1990)? Does the accounting profession need to support the process and is it in a position to do so?

Whereas numerous publications observe the above challenges from a system perspective (Gray 1990; Gray 1995), the following contribution focuses on the people – whether accountants or not – who can contribute to disturbing the current balance of accounting customs, rules and thinking towards more sustainable business.

In order to do this, the analysis starts with an investigation of the barriers – willingness to support change and ability to do so. In order to overcome these barriers, two types of key people are identified – those who can support the transition process with their power and those who can support it with their professional competence.

This conceptual paper thus arrives at the conclusion that accountants need to be involved in corporate sustainability accounting. The argumentation goes on to argue that this involvement is necessary due to the accountant’s role as information gatekeepers and less so for their professional expertise.

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The next Section presents the research question by giving an overview of a) the discussion on the above issues and b) the current status of the discussion. Section 3 builds upon the Promotor Theory to arrive at the conclusion that the accounting profession is essential for establishing corporate sustainability management for reasons other than those that can be expected. Finally, a set of hypotheses is presented in Section 4.

2. The role of the promotor

Corporate sustainability management has been developing rapidly for the past two decades (Schaltegger/Burritt 2005). This can be observed by the number of publications – both scientific and practice-orientated. The role and the contribution of the accounting profession have been discussed widely in the context of the sustainability transition. One of the very first publications that focus on this problem – The Greening of Accountancy (Gray 1990) – raises a few concerns in regard to the extent to which accountants need to be involved. The main reason for this concern is, however, that “accountants probably […] under-rate their talents with information systems and evidence, as well as our potential communication, integrity, independence, etc.” (Gray 1990, p. 2). This statement obviously rests on the presumption that accountants are especially talented in these areas and ultimately, that this talent is what makes the accountant professional particularly needed for this challenge. Several empirical studies also focus on this (obtained) talent (e.g. Gray 1995; CICA 1993; Zvezdov et al. 2011; Bennett et al. 2011) to argue in favor of the need to engage sustainability accountants in corporate sustainability management.

Another concern raised in regard to accounting and corporate sustainability is the need for environmental and social aspects of business to be given priority (e.g. Schaltegger & Sturm 1992; Gray 1990, Hyrslova 2006). Giving priority has been defined in various ways, with various arguments ranging from ethical considerations (Mathews 1995, Reynolds & Mathews 2000) to the business case for sustainability (e.g. Schaltegger & Wagner 2006, Lohmann 2009). However, giving priority is hardly sufficient – as two question marks appear:

- How is this priority to be translated into action? A way to use the accountant’s expertise seems necessary, as so far accountants have not been trained to tackle sustainability issues.
- How to implement any changes, given the strong change resistance of various actors, from top management to lower management?

In order for sustainability accounting to take place, its barriers need to be identified. This has been done by several authors to date (Burritt 2004, Scavone 2006). However, related research has focused on the content of the accounting itself and are thus hardly related to the above two challenges.

3. Barriers to sustainability accounting

Rather than exploring the drivers of corporate sustainability accounting, I focus on the two barriers postulated by the Promotor Theory. I use the term barriers as opposed to challenge, obstacle or impediment to highlight the fact that they can be overcome. The Promotor Theory (Witte 1973) focuses on two sets of barriers: those related to the willingness of the actors to change and those related to their competence (or ability) to contribute to the change. In the context of accounting the two sets of barriers can be briefly analysed in detail, before proceeding with the approaches to overcoming these barriers and – ultimately – relating back to sustainability accounting.
The willingness barriers identified in regard to the adoption and implementation of sustainability accounting have not been subject to an extensive discussion. Yet, a few authors have called for a major transition. With some exceptions, the lack of willingness to support (or even lead such a transition) sustainability accounting has been attributed to accounting professionals. The reasons have been identified to be of various nature: from limited adaptability (or need to adapt) to too company-specific processes and objectives (e.g. Gray 1990). In other words, accountants are trained to deal with the same set and type of numbers independent of whether they work for a small not-for-profit organisation or a Fortune 500 company. Thus, they tend to avoid company-specific situations and focus on generic methods and tools of accounting, although these might not be in the best interest of the company at all times.

So what is it that prevents the accountant from cooperating and collaborating on tackling sustainability issues? It can be argued that it is a two-fold reason. On the generic side of the problem is the issue that departments do not want to be told by other departments what they should do (Abraham & Reddy 2010; Chimhanzi 2004; Kahn 1996). On the specific case is the accountant’s image of someone whose language is not understandable and whose activities are not related to the one of other departments and functions (Schaltegger et al. 2010).

Accountant can thus be told to be the gate keepers of sustainability information in organisation. Corporate governance depends upon “gatekeepers” to protect the interests of investors and shareholders by monitoring the behaviour of corporate “insiders” and by reporting the financial results of corporate performance in an accurate and unbiased fashion that permits objective valuation of the firm. Although a well-known theoretical model posits that the gatekeeper is a reputational intermediary who will strive diligently to preserve its credibility (Kraakman 1989, Cox 2006).

On the other hand, the ability or technology required to address sustainability challenges by accounting have been largely discussed. And whereas this point has been central to the discussion, it seems to play less of a role. Hauschildt & Gemünden (1999) argue that technology promoters’ interest for a process does not need to coincide with their routine tasks – their interest can be the result of personal interest or inclination towards a certain topic. It can be argued that it is the various other positions that are the technological promoters of sustainability accounting in organisations, therefore the accountant’s role as technology promoter is not required at this stage. Similarly, the sustainability report of a company has not been prepared by the financial reporting team but rather often by communications or PR departments.

4. A process towards sustainability accounting: the role of promotors

Witte (1973) borrowed the term promotor from Latin to refer to the people who actively and continually boost a given innovation process. His model was based on the assumption that overcoming barriers energy needs to be input (Knight 1967, Lewin 1961).

Considering sustainability accounting (Milne 1996; Jasch 2006) as an evolution to conventional managerial accounting practice, the process of evolution needs to be boosted by various actors. Whereas accountants have been seen in this role for their expertise, several studies have revealed a minor involvement of the accounting professional in sustainability accounting. Instead, various other people such as sustainability managers, middle managers, etc. have been observed to be doing the sustainability accounting in organisations (Bennett et al. 2011). Thus, accountants have not been considered in the position of a technology promoter, i.e. those contributing to adopting and implementing sustainability accounting by means of their expertise. Interesting this is hardly necessary.

Albeit of a more scarce volume, there have also been publications on the need for managers to recognise the benefits of accounting and thus strive for integrating it into their sustainability management (Schaltegger & Burritt 2010). In a way, managers have been considered the so-called power promotors (Hauschildt & Gemünden 1999) of sustainability, i.e. the people who – by means of authority and power –
support and boost the implementation of or the transition to sustainability accounting. However, the role of accountants as power promoters seems to have been neglected to date.

As a result of the above analysis, two key hypotheses can be deduced:

\textbf{H1: Accountant’s involvement is essential for a successful adoption, implementation or transition to corporate sustainability management.} This argument, albeit intuitive, rests on the above argumentation that the process needs to be supported by those who are traditionally in charge of accounting, i.e. accounting professionals. Whereas various studies (e.g. Bennett/Schaltegger/Zvezdov 2011; Schaltegger/Zvezdov 2011) reveal that other functions such as sustainability or middle managers are in charge of sustainability accounting, these studies do not focus on the importance of the accounting professionals. Since, they argue, the accounting professions is a set of skills that can be gained, these skills can also be learned and applied by other functions with sufficient interest in the issues dealt with. However, these studies appear to neglect the role (i.e. the power) of accountants in corporate governance. Thus, it is not necessarily accountants who develop the sustainability equivalent to the complex ROI model, as accountants lack expertise in what constitutes good sustainability performance (cf. Schaltegger & Burritt 2000)

\textbf{H2: The accountant’s function as gatekeeper is likely to be more important than his expertise with numbers.} The few exceptions (Coffee 2001) the gatekeeping function of the accountant has hardly been attention to research. On the contrary, a few studies identify the necessity to involve management accountants in various emerging areas (such as sustainability management) precisely for their technical expertise (Wilmshurst & Frost 2001; Davey & Coombes 1996). Yet, as the above argumentation shows, it is likely that the accountant’s role in corporate governance raises the more essential need to engage accountants in sustainability accounting rather than their abilities, acquired during studies, training, etc.

5. Discussion

Whereas there seems to be no doubt that accounting expertise can provide decisive support in tackling corporate sustainability challenges, the most essential reasons for engaging accounting professionals in sustainability accounting appear to be falsely understood. Thus, the essential difference highlighted by this paper helps engage accountants in a way that effectively contributes to improving sustainability accounting practice.

Although this paper arrives at the same conclusion with regard to the importance of accounting professionals in the process of establishing corporate sustainability management, the reasons for this importance differ from those identified in previous research. This is particularly important for engaging accountants in a way that secures the effective transition to a sustainability accounting.

As opposed to previous attempts to conceptualise the role of the accounting professional in corporate sustainability accounting, the reasons identified here suggest that it is the gate-keeping function (Coffee 2006; Kraakman 1986) of accountants that is the true grounds on which their involvement needs to be considered.

The immediate implications for further research include the need to operationalize and test the above hypotheses. The question of how accountants can contribute to sustainability accounting needs to be tackled extensively in future research on both management accounting practice and sustainability management. If the above hypotheses can be supported by empirical evidence, considerable amount of corporate resources can be saved in an attempt to emphasise the technical expertise of accountants while underestimating their gatekeeping function.

The implications for practitioners are two-fold. On the one hand, sustainability accounting projects should seek to engage the sustainability accountant primarily for his gatekeeping role and less so for his technical ability. On the other hands, accountants can contribute significantly by not focusing on their ability to play with numbers but on their contacts with other departments, reputation, etc.
Bibliography


