Available online at www.sciencedirect.com
ScienceDirect
Procedia - Social and Behavioral Sciences 164 (2014) 429 – 436
Procedia
Social and Behavioral Sciences

International Conference on Accounting Studies 2014, ICAS 2014, 18-19 August 2014, Kuala Lumpur, Malaysia

Broadening corporate accountability: An 'idealised' downward accountability model

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Abstract

The purpose of this paper is to provide discussion on competing but overlapping theorization of accountability with primary focus given to downward accountability. In this paper the conception of downward accountability is extended via development of an 'idealised' downward accountability model. The paper is primarily theoretical and conceptual, extending the conception of downward accountability with its three idealised hybrids. The paper finds downward accountability may interact and overlap with other forms of accountability. Consequently, dependent on the key elements, mainly motivation and intention, the organization's accountability practices can 'genuinely' serve a broad range of stakeholders. The model developed in this paper is an early attempt in understanding and assessing the effectiveness of different practices of discharging downward accountability.

Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.

Keywords: Corporate accountability; downward accountability; downward functional accountability; downward communitarian accountability; downward social/ holistic accountability

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1877-0428
Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.
doi:10.1016/j.sbspro.2014.11.099

1. Introduction

Demands for greater organizational accountability are regularly voiced, both in the academic literature (see, for example, Roberts et al., 2005, Buhr, 2001, Gray et al., 2006, 2002, 1996) and in public discussions (Messner, 2009, p.918). However, these calls are rarely accompanied with an explanation of what is meant by this or how it can be achieved (Blagescu & Lloyd, 2006, p.7) beyond a general conception of being called ‘to account’ by some authority or institutions (Mulgan, 2000, Robert & Scapens, 1985, Sinclair, 1995).

Research suggests that in the corporate sector there is a domination of upward, economic, individualizing accountability processes and practices (Munro & Hatherly, 1993, Shearer, 2002, Roberts, 1991, Roberts, 1996) underpinned by theoretical approached that assume that people (and by association corporations) are motivated by selfish and individualistic desires (Lehman, 1999). These accountability processes and practices privilege a limited range of economically and politically powerful stakeholders and make extensive use of financial and management accounting technologies. The dominance of these accountability processes and practices has contributed to a very limited understanding of (organizational) accountability as “the conventional language of accounting portrays human beings as purely economic agents who relate to each other through their self-interests alone...”(Messner, 2009, p. 919). However, there are also many other alternative theorizations of accountability (see, for example, Roberts, 1991, Roberts, 1996, Shearer, 2002, Gray et al., 1996, Lehman, 1995) that challenge the dominance of narrow, economic and functional accountability theories.

Typically these alternative theories of accountability attempt to understand and mobilize “the others” and their accountability rights and needs (Messner, 2009), but often under-specify the content, nature, direction or processes and practices associated with these accountability theories. Hence, this paper aims to address the gap in the literature, and to contribute towards the current debate about organization accountability, by extending the theorization or conception of downward accountability through the development of broad, ‘idealized’ downward accountability model.

2. Downward accountability: Broad and overlapping clusters

In general, downward accountability is considered to be related to felt responsibility (Christensen & Ebrahim, 2006) rather than as a response to external pressures (Fry, 1995). Felt responsibility is significantly influenced by the internal recognition and legitimation of multiple principles, interests, and organizational mission and values (Ebrahim, 2003a). Ebrahim (2003a) suggests that for some organizations the mission statements are a focal point from which to develop internal accountability as they provide “a verbal link between the presumably deeply held principles and the conduct of those representing the non-profit organisation” (Lawry, 1995, p.147). Organizations’ “missions add an ethical or value-based dimension to accountability since they emphasize the internal motivations of actors” Ebrahim (2003a, p.199) and as in Cornwall, Lucas, and Pasteur’s (2000, p. 3 as cited in Ebrahim, 2003a) terms accountability is not only about being “held responsible” by others but also about “taking responsibility” for oneself.

The focus of downward accountability is to organization’s clients, users, or beneficiaries, members, communities, partners, staff, and supporters (Hudson, 2000 in Taylor and Warburton, 2003, Dixon et al., 2006, Christensen & Ebrahim, 2006, Edwards & Hulme, 1996). In the context of NGO downward accountability to clients refers primarily to relationships with “groups to whom NGOs provide services,” although it may also include communities or regions that are indirectly affected by NGO programs (Najam, 1996, p.354 in Ebrahim, 2003a, p.198)

Downward accountability can be seen as part of broader notions of accountability by emphasizing accountability at the grassroots (Dixon et al., 2006, p.409). Downward accountability is often associated with substantial accountability “an enabling rather than as a monitoring process” (Fry, 1995, p.186) in order “to meet and stay true to the needs of clients, as well as itself” (Dixon et al., 2006, p.407) as opposed to procedural accountability (Gray et al., 2006). In order to operationalize downward accountability appropriate accountability processes and practices are required. This requires a critical consideration of the appropriateness of different accountability practices. Christensen and Ebrahim (2006) observed that downward accountability processes and practices tend to be less formalized or institutionalized and consequently it is not always clear of how organizations realize downward accountability (Christensen & Ebrahim, 2006, p.196). In order to investigate the actual giving of downward accounts it is necessary to embrace more diverse accountability processes and practices (Munro and Mouritsen, 1996), including "spoken" or unrecorded accountabilities that perhaps lack formal rules and wider relational commitments (Dixon et al., 2006, p.409). It is likely that downward accountability will require different account production and exchange procedures (Roberts, 1991, 1996, 2001, 2003, McKernan & MacLullich, 2004) in order to allow individuals and organizations to engage and account to and for each other (Messner, 2009, Munro & Mouritsen, 1996). This reflects Gray's et al. (2006) suggestion of the importance of considering the existence of less obvious and informal systems of accounts in order to properly understand organizational accountabilities and their discharge.

These other forms of accountability mechanisms could include qualitative feedback systems, debate, and dialogue with the relevant stakeholders (Taylor & Warburton, 2003). Ebrahim (2003b) argues that these processes and practices are not in themselves sufficient for downward accountability and that participation mechanisms that address unequal power relations between actors in accountability relationship are essential. The mechanisms could involve enabling communities to share in programmatic and financial decision-making as well as participatory evaluation (Ebrahim, 2003b, p.819). Downward accountability clearly incorporates accountability in the form of action and often the activity itself will be the account of that action (Ahrens (1996). In the context of downward accountability substantial accounting processes and practices appear more appropriate as they emphasize course of actions rather than a distinct account (Ebrahim, 2003b, Gray et al., 2006).

In achieving downward accountability an organization should embrace accountability processes and practices that allow relevant stakeholders to plan and participate in accountability activity, events or practices rather than to have these organized for them. An organization regardless of context should be always looking for channels that enable engagement, debate and authentic dialogue between the organization with the relevant stakeholders based on their needs not on their formal powers (Thomson & Bebington, 2005). Roberts (2003) argues that the motivation for (downward) accountability should not be "a new form of organization self-presentation" as part of a public relations agenda where there are no changes in actual conduct (Roberts, 2003, p.250). Downward accountability is associated with a concern for others rather than how others see the organization. In many ways the intentions behind downward accountability processes and practices are as important as the form of the accountability processes and practices (Ebrahim, 2003a, Christensen & Ebrahim, 2006).

When seeking to empirically investigate downward accountability practices it is difficult to envision an acontextual pristine form of downward accountability (or for that matter any form of accountability). Figure 1 attempts to represent the interactions and overlaps amongst different typologies/theorisations of accountability. Downward accountability can be seen to potentially overlap with other theories of accountabilities creating three broad hybrids with functional accountability (DFA), communitarian accountability (DCA), social & holistic accountability (DSHA). Unlike Gray et al. (1996) this paper, via the extended downward accountability, is not only recommending the provision of 'critical and substantive' social and environment reports but argues that means to discharge accountability to a broader range of stakeholders may encompass actions-based 'accounts' as well. On the hand, while this paper, through the model developed here, subscribes to the same argument of Gray et al. (2006) that accountability of organizations may occur through some combination of personal contact and the visibility of the activities the focus of this paper is on ways the corporate entities may discharge, whether symbolic or 'authentic', accountability downwardly to a broad groups of stakeholder. The following sections will briefly discuss the motivations; processes and practices, and the implied stakeholders associated with these three hybrids.

2.1 Downward Functional Accountability (DFA)

Functional accountability is a form of accountability for selected functions of organizations (O'Dwyer and Unerman, 2008) usually associated with upward accountability processes and practices to shareholders, regulators or donors as opposed to clients, service beneficiaries or communities. However, given the complexity and messiness of organisational practices there is a possibility that an organization may appear to be discharging accountability downwardly in order to further the interests of the organisation. DFA may appear to downwardly accountable yet its concern is restricted to 'giving account to the self' (Shearer, 2002) or enabling the organization to function as usual (Roberts, 2003) and avoiding change.

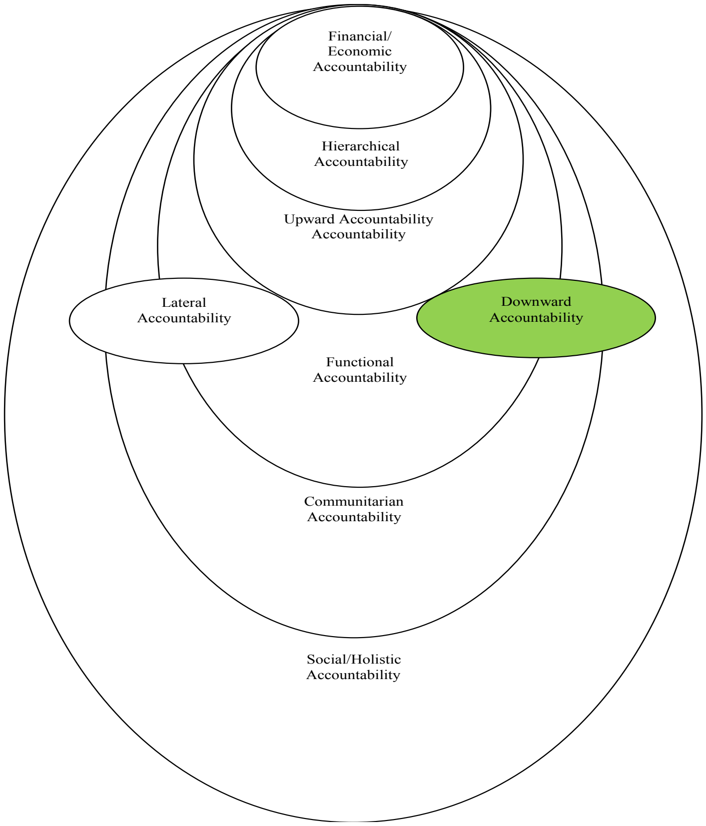

Fig. 1. Forms and interactions among different conceptions of accountability

It is difficult to determine whether an organization is genuinely motivated to discharge its downward accountability; however, it is possible that the accountability processes and practices, and target stakeholders will give some initial clues about the nature of specific DFA hybrids. How and to whom an organisation downwardly accounts to will allow some inferences on motivations. For example, by examining the potential of different accountability processes and practices to downwardly account may provide evidence of DFA (but not necessarily positive evidence of the existence of downward accountability). It is argued that many of the accountability processes and practices associated with functional accountability are incompatible with genuine attempts to downwardly account.

It is likely that an organisation seeking to discharge its downward accountability will use a combination of formal and informal processes and practices. This may involve integrating new material/accounts into existing financial reports, enhancing existing disclosure reports for clients, new stand-alone CSR reports or web-based disclosure for other stakeholders. However, research suggests that these reports tend to function in addressing what the organisation perceives to be the needs of stakeholders in a non-dialogic function (Thomson & Bebington, 2005), are ineffective in facilitating engagement (Bebbington et al., 2008) and do not address unequal power relations Ebrahim (2003b). Ebrahim's (2003b) notes that while reporting and disclosure enable a degree of upward accountability they are of limited use for enhancing downward accountability and therefore a predominance of these accountability processes and practices could be associated with DFA rather than DCA or DSHA.

It cannot be assumed that all informal accountability processes and practices will enable effective engagement (Bebbington et al., 2008). Many informal accountings can be dominated by organizational intentions and may be cosmetic attempts at downward accounting that fall within realm of public relations (Roberts, 2003). These processes and practices may include, for example, web-blogs, codes of conduct, customers' codes and citizen charters, CEO's speeches, public meetings, site visits (see also Georgakopoulos & Thomson, 2008). The mere existence of informal accountability practices is not evidence of downward accountability and therefore requires investigation into the nature of these practices to uncover what Bebbington et al. (2008) refer to as the motifs of engagement.

It would be expected that the target stakeholders for downward accountability would include clients, users, or beneficiaries, members, communities, partners, staff, and supporters (Hudson, 2000 in Taylor and Warburton, 2003, Dixon et al., 2006, Christensen & Ebrahim, 2006, Edwards & Hulme, 1996). It is possible through analyzing accountability practices to identify the extent to which stakeholder groups are excluded and which groups are favored over others. How the stakeholders are identified by the organization is important to distinguish the extent of downward accountability as the extent to which the organization believes the interplay with each group needs to be managed in order to further the interests of organization (Gray et al., 1996). The more important the stakeholder to the organization more effort will be exerted in managing the 'accountability' relationship. DFA may be evidenced by a concentration of accounting to powerful stakeholders and an absence of accounting to stakeholders without power or influence.

2.2 Downward Communitarian Accountability (DCA)

Pallot (1991) argues that through a communitarian lens a commitment to shared values is emphasized rather than the pursuit of self-interest where "accountability might be seen as a voluntary obligation in the public interest rather than a mechanism for constraining self-seeking behaviour and protecting rights" (Pallot, 1991, p.206). Here, the relationship between an organization and community is more of a 'partnership' which requires authentic communal bonds between them (Lehman, 2007). In downward communitarian accountability it is expected that the desire to genuinely address the interests of the community will be the main motivation for the organization to discharge its accountabilities.

From this perspective accountability involves "the art of making judgements and is moulded around the idea of fairness, which involves doing the right thing in the community" in any appropriate or relevant process or practice (Lehman (1999, p.230). It is important to note that the 'right thing' include quantitative and qualitative accountability, with a clear emphasis on authenticity in fully recognising and taking responsibility for the impact of corporate actions on the community in which they operate (Taylor, 1992 as cited in Lehman, 2007).It is crucial for the organization to understand and accept "the genuine impact of their corporate actions on the community, and conduct itself in a fashion that is seen to be empathetic, authentic and productive socially as well as financially" (Lehman, 2007, p.174) in an attempt to create authentic social change. Hence accountability processes and practices employed by the organization, such as social responsibility programmes, should be seen by the community as authentic attempt rather than merely window-dressing or public relation exercise (Lehman, 2007).

Other accountability processes and practices could include social and environmental reporting and disclosures to the community not only to provide decision-useful information (Williams, 1987) but to allow the community to critically assess the value of corporate activities (Schweiker, 1993), such as involvement external social and environmental auditing, community participation in decisions, feedback, debate and dialogue, as well as regular conversations (Lehman, 2007).

2.3 Downward Social & Holistic Accountability (DSHA)

In hybrid downward social and holistic accountability it is expected that the desire to genuinely address the interests of a broad range of stakeholders (O'Dwyer & Unerman, 2007, O'Dwyer & Unerman, 2008) will be the main driver for the organization to discharge its downward accountability. The focus of DHSA should be on substantial as opposed to procedural accountability (Gray et al., 2006) with accountability is experienced as "an enabling rather than as a monitoring process" (Fry, 1995, p.186) in order in order "to meet and stay true to the needs of clients, as well as itself" (Dixon et al., 2006, p.407)

Downward accountability has been recognised as one of central tenets of social & holistic accountability (O'Dwyer & Unerman, 2007, O'Dwyer & Unerman, 2008). Similar to Ebrahim's (2003a) it is a sense of obligation to missions and values rather than a sense of anxiety regarding the power of external stakeholders that drive the organization (O'Dwyer & Unerman, 2008) to downwardly account. Downward accountability therefore must incorporate the desire to genuinely address the interests of a broad range of stakeholders. In term of accountability processes and practices there will be a tendency to employ less formalized and institutionalised methods (Christensen & Ebrahim, 2006). In addition the organisation is likely to define their accountabilities in a broad, plural and holistic fashion and give many accounts designed for the needs of many stakeholders, including 'accounts' in form of actions (Dixon et al., 2006) that enable authentic engagement between the organization and stakeholders, regardless of their power (or lack of it) over the organisation.

DSHA will normally be associated with substantive accountability processes and practices that emphasize a course of actions to bring about change (Ebrahim, 2003b). Drawing on Roberts (1991, 1996, 2001, 2003) and McKernan and MacLullich (2004) it is likely that novel accountability processes and practices will emerge in organisations that attempt to downwardly account and therefore empirical investigations should explore a wide range of possible accountability processes and practices (see Georgakopoulos & Thomson, 2008) as well as investigating conventional accountability processes and practices. How organizations operationalize DHSA is not always straightforward (Christensen & Ebrahim, 2006) and may include CSR initiatives, social and environmental reports, social and environmental auditing, participation, qualitative feedback, debate and dialogue, conversation as well as gestures, everyday artefacts and symbols. DSHA will include a wide holistic definition of stakeholders (Hudson, 2000 in Taylor and Warburton, 2003, Dixon et al., 2006, Christensen & Ebrahim, 2006, Edwards & Hulme, 1996) without a tendency to favour or bias toward certain group of stakeholders that the organization assumes might help to further its own (particularly economic and political) interests.

3. Conclusion

Attempts to broaden corporate accountability, mainly involve theorizations or conceptions of alternative and different forms of accountability. This strand of accountability literature, however, does not always specify the direction, content, means and practices that could be associated with these accountability theories and how the corporate sector could or should address these forms of accountability (but see, for example, Munro and Hatherly, 1993). Through appropriate accountability processes, practices and mechanisms this paper proposes that corporate accountability could be broaden downwardly. Drawing upon prior theorizations on downward accountability and other forms of accountability the extended downward accountability model developed in this paper is a normative model which attempts to provide an explanation on what downward accountability practices may look like in practice given the complexity of organizational practices and interactions.

The theoretical model proposed in this paper to prescribe how organizations' accountability processes and practices could enable (in) effective downward accountability has certain limitations. This normative model was developed based on different broad prior theorizations of accountability which include mainly functional, communitarian, social, holistic and downward accountability as an attempt to partial understand corporate accountability. Drawing upon the framework presented in this paper, future studies could add to our empirical understanding of the nature of corporate accountability and its mechanisms beyond the general conception of being called to account by authority or external parties (Mulgan, 2000, Sinclair, 1995) mainly through conventional, mandatory reports and disclosure. The downward accountability model developed in this paper could also be applied in understanding and assessing the effectiveness of different practices of discharging downward accountability of organizations in different contexts.

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