

# An institutionalist political-economy perspective on social and environmental accounting

Social and  
environmental  
accounting

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## Abstract

**Purpose** – The purpose of this study is to contribute to the discussion surrounding the definition of accounting proposed by Carnegie *et al.* (2021a, 2021b) and further elaborated by Carnegie *et al.* (2023) from/under an institutionalist political-economy (IPE) based foundation and to specifically extend this approach to the arena of social and environmental accounting (SEA).

**Design/methodology/approach** – By adopting an IPE approach to SEA, this study offers a critique of the use of the notion of capital to refer to nature and people in SEA frameworks and standards.

**Findings** – A SEA framework based on the capabilities approach is proposed based on the concepts of human capabilities and global commons for the purpose of preserving the commons and enabling the flourishing of present and future generations.

**Practical implications** – The proposed framework allows the engagement of accounting community, in particular SEA researchers, with and contribution to such well-established initiatives as the Planetary Boundaries framework and the human development reports initiative of the United Nations Development Programme.

**Originality/value** – Based on the capability approach, this study applies Carnegie *et al.*'s (2023) framework to SEA. This new approach more attuned to the pursuit of sustainable human development and the sustainable development goals, may contribute to turning accounting into a major positive force through its impacts on the world, expressly upon organisations, people and nature.

**Keywords** Social and Environmental Accounting, Capability approach, Global commons, Institutional political economy

**Paper type** Research paper

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## 1. Introduction

[Carnegie et al. \(2021a, 2021b, p. 69\)](#) recently proposed the following definition of accounting: “Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature”. According to this definition, accounting is conceived as more than techniques, concepts and procedures ([Tсахуриду and Carnegie, 2018](#)). Accounting is seen as an instrument of power and control rather than as a value-free body of ideas and practices ([Carnegie et al., 2021a; Carnegie and Napier, 1996, 2002; Gomes et al., 2008; Hopwood, 1983, 1987; Napier, 2006](#)).

The problems the world is facing are diverse, complex and wicked. By fostering this new definition of accounting, the authors aim to contribute to the solutions to these problems. As argued by the authors, “It is hoped that our call on accounting scholarship and practice may contribute, even in a modest way, to moving accounting’s capabilities and inherent influence to create a better world consistent with a more balanced perspective on planet, people and profit” ([Carnegie et al., 2021a, 2021b, p. 72](#)). This can be accomplished by a deeper consideration of accounting’s impact, and by a more proactive use of accounting in the development of broader societal missions and agendas, as is the case of the focus of this study – social and environmental accounting (SEA). [Carnegie et al. \(2023, p. 1\)](#), supported on the proposed definition, developed a framework of the Multidimensional Nature of Accounting, to help “to reset, inform and develop accounting education, professional practice and research, from tomorrow, for the purpose of shaping a better world”.

With reference to this new definition of accounting and some of the discussions that ensued, this paper has a twofold purpose. We attempt to offer a coherent theoretical underpinning for the definition, based on an “Institutionalist Political Economy” (IPE) approach (e.g. [Chang, 2002; Hodgson, 2000; 2002](#)), which we consider to be missing in the previous discussions. We also endeavour to develop the discussion by extending it into the SEA area, which we consider has not really been one of the focuses thus far and put forward as it should be. Based on the insights obtained from the theoretical framework we propose, we suggest that a reorientation of some of the basic concepts of SEA is in order. Thus, a perspective, based on IPE and Carnegie and colleagues’ new approach to defining accounting, and on how to proceed with it is offered.

Methodologically, this study adopts a deductive approach, by combining the theoretical assumptions of IPE with the new definition of accounting ([Carnegie et al., 2021a, 2021b, 2023](#)) to foster SEA beyond financial reasoning and financial reporting. The resulting SEA framework is based on the capabilities approach, aiming to foster a deeper development and implementation of SEA. Therefore, IPE conceptions and the new definition of accounting provide the background and a new paradigm for a move from SEA rhetoric to actual SEA standards and practices.

This paper argues that such an approach as IPE is particularly suitable for a critical analysis of accounting, accounting standards and their social role, given that integrates market analysis with political and ethical considerations of an economy ([Caillé, 2007](#)). This positioning contrasts with mainstream accounting research, where there is still a predominance of a positive approach, with the economic decision-making model playing a wide and deep influence in accounting research (see, [Brown and Dillard, 2014; Watts and Zimmerman, 1986; Gomes, 2008](#)). [Chang \(2002, p. 551\)](#) refers to IPE as “a development of the tradition found in the classic works” of authors, such as Marx, Veblen, Schumpeter and Polanyi. This researcher also expressly disassociates it from the “New Economic Institutionalism” (NEI) and associates it directly with the “Old Economic Institutionalism” (OEI), as we do in the following section.

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According to the approach we present in this paper, accounting is seen as contributing to the existence of socio-economic stability. This is so because, on the one hand, it offers the various agents common bases of reasoning by which to interpret the reality in which, and upon which, they act; and serves as a set of common practices to communicate and interact with each other and produce the information necessary to substantiate their decisions. On the other hand, accounting standards, in prescribing how agents should behave with respect to one another, in part guarantee the necessary consistency of expectations, which is a prerequisite for interaction. It contributes, in this form, to the necessary coordination of the activities of a multiplicity of independent agents.

Approaches inspired by OEI have been used by some authors to describe accounting practices as organisational routines (Burns, 2000; Burns and Scapens, 2000; ter Bogt and Scapens, 2019), focusing their attention on the processes of change within individual organisations. This use of OEI has been focused on the institutions (ways of thinking) present in organisations and the internal pressures and limitations moulding management accounting practices (Scapens, 2012). This paper proposes a perspective based on IPE, of which OEI is one of the foundations. Following Chang (2002, p. 551), IPE is understood here as “an approach that incorporates politics and institutions into its analytical core”. The adoption of this approach will contribute to the understanding of accounting, conceived as a technical, social and moral practice and as an instrument of knowledge, as a mechanism that influences the interaction of humankind in society, by either facilitating or constraining it.

Contrary to the literature mentioned above, our emphasis is on the interaction between organisations and the society of which they are part through corporate reporting. Our focus is on SEA with the use of the IPE approach as a background to better understand the consequences of some recent accounting and reporting frameworks. In addition, we will lay out the way in which accounting frameworks could be further developed for the pursuit of sustainable human development and the sustainable development goals (SDGs).

Therefore, this study contributes to accounting literature and practice in several ways. Firstly, this paper joins the discussion surrounding the new definition proposed by Carnegie and colleagues (Carnegie and Ferri *et al.*, 2022a; Masiero *et al.*, 2023; O’Connell *et al.*, 2023; Powell and McGuigan, 2023; Sidaway *et al.*, 2023; Twyford, 2023; Twyford and Abbas, 2023; Vesty *et al.*, 2023), and answers the call of the special issue (Carnegie and Gomes *et al.*, 2022b). Secondly, it contributes by offering an IPE-based foundation for such a definition and discussing how a SEA framework consistent with it could be developed. We argue that the approach of IPE is particularly suitable for such a task. According to this approach, the focus is on studying how the agents prepare their representations of their context reality, the opportunities that present themselves, and the rules that guide their decision-making. It is recognised that the institutional environment and culture shape and constrain individual behaviour. It allows one to analyse accounting as a technical, social and moral practice that influences the perception of reality that socio-economic agents have, how they reason about it, and, thus, how they act upon it. Maypper *et al.* (2005, p. 36) argue that “institutionalists do not view accounting favorably; they view accounting as fostering ceremonial behavior (focusing on pecuniary profit) rather than technological behavior (focusing on producing goods and services)”. The view of accounting presented in this paper is different and although acknowledging that accounting has had (and still has) this role, we argue that accounting also plays other roles that lead us to look at it in a more favourable but critical light.

Finally, given these roles of accounting, we put forward that when it comes to SEA one should eschew economics-based concepts such as natural capital and build on concepts that allow agents to speak the non-financial focused on social and eco-justice perspectives. We further argue that this could be done on the basis of the capabilities and planetary

boundaries approaches. Thus, this study contributes to the debate surrounding the recent developments regarding sustainability standards by the International Sustainability Standards Board (ISSB) and similar initiatives, and their future success. These initiatives promoted a replacement of the focus on corporate social and environmental impacts with a focus on enterprise value and the sustainability-related risks and opportunities that inform its estimation (Abela, 2022). So much so that several SEA researchers now establish distinctions between “investor-focused versus societal/stakeholder-focused standards” (de Villiers and Dimes, 2022, de Villiers *et al.*, 2022, p. 743; see also Luque-Vilchez *et al.*, 2023) and broad versus narrow interpretations of sustainability (de Villiers and Dimes, 2022). Since the objectives of such initiatives are still focused on prioritising the needs of investors, continuing to frame SEA in economic terms may put at risk SDG’s accomplishments (Maroun *et al.*, 2023). We question their conceptual positioning and propose a rather different conceptual positioning, which will force a more critical positioning from standards setters, accountants and organisations. In this way, we attempt to contribute to a broader understanding of accounting and its potential for shaping a better world.

Section 2 traces a brief description of IPE, in particular of its main foundation, the OEI. Section 3 analyses accounting as well as the social and moral role of accounting, including accounting regulation, from an “old” institutional perspective, defending this perspective as particularly appropriate to a conceptualisation of accounting, inasmuch as it allows us to emphasise those which we consider its most significant characteristics. In Section 4, we offer some comments and suggestions on the need to reorient SEA away from multi-capital views, and based on the capability approach, we extend Carnegie *et al.*’s (2023) framework to SEA. Section 5 draws some concluding observations.

## 2. The approach of the institutionalist political economy

When referring to economic institutionalism, one thinks first of the NEI, and the contributions of Ronald Coase, Oliver Williamson and Douglass North, among others. But in truth, there is an intellectual tradition that is much older – the OEI, which is one of the main foundations of IPE and, given the topic treated in this paper, lies at the basis of our analysis. This original institutionalism dates back to the end of the 19th and beginning of the 20th centuries and counts among its most notable founders Thorstein Veblen and John R. Commons. During the last century and the present one, authors such as John K. Galbraith and William Dugger, in the USA, and Gunnar Myrdal, Karl. W. Kapp and Geoffrey Hodgson, in Europe, have further enriched this tradition.

One of the important characteristics that distinguishes “old” from “new” economic institutionalism is the method of analysis. The fundamental distinction has to do with the fact that the “old” economic institutionalists and their modern-day heirs reject the neoclassical approach, namely, methodological individualism, proposing instead a holistic approach to institutions, whereas “new” institutionalists make use of the basic concepts of the neoclassical approach: methodological individualism and utility or profit maximisation.

Whatever the disagreements concerning the rationality of agents, the approaches of “new” economic institutionalism and of the neoclassical tradition share a common approach to information. Information is analysed as something that agents need to make decisions and coordinate actions. The main problem lies in minimising the costs of obtaining and transmitting the information and managing the risks that its absence presents.

These approaches are characterised by the fact that analysis begins with the evaluation of the opportunities available to individuals, among which they select that which allows them to maximise utility or profit. However, before an individual can make a choice, they need a conceptual framework with which to organise reality. This aspect is important to the

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understanding of the social and moral role of accounting, thus allowing questioning how accounting/SEA is done, but also what are the impacts of accounting/SEA in the world and what should accounting/SEA do (Carnegie *et al.*, 2021a, 2021b, 2023). However, it is not considered by these approaches.

As stated by Francis (1990, p. 10), the ability to understand the *real* economic events “is mediated through the specialised discourse that accounting creates”. Accounting is exercised by moral agents (Carnegie, 2021). In this sense, it is both a discursive and moral practice under which facts are not only reported but also a particular understanding of the “economic experiences” and of their meaning in the lives of the various agents is created (Francis, 1990, p. 5).

A better approach to the analysis of accounting, and more specifically SEA, and its social role begins with studying how agents prepare their representations of the reality in which they live, the opportunities before them, and the rules that govern their decision-making. In terms of SEA, it is important to consider the assumptions and concepts, the standards/rules/laws that underpin the financial and non-financial data, as well as the “big questions” and wicked problems concerning SEA. This is the approach of the OEI, in which the individual is not taken as given, and there is the acknowledgement that the institutional environment and culture shape and constrain individuals’ behaviour (Hodgson, 2000, 2002). It departs from approaches such as the NEI that begin their analysis by assessing the available opportunities to select the one that maximises utility or profit, thus taking the individual as given.

The “old” institutionalist approach sees institutions as key determinants of agent behaviour but also realises that the institutions themselves result from the behaviour of individuals in society. So, it is recognised that individuals shape the nature of institutions, being as they create and change them, but that the themselves and their behaviour are shaped and constrained by these same institutions. Institutions must be regarded as something more than the context. They should be considered as a decisive element in the evolution and transformation of socio-economic reality. Therefore, SEA as a social practice needs to consider its impact on the world, by focusing on human capabilities, the preservation of the natural environment (of the atmosphere, of land, of biodiversity [ . . . ], and also the structures of living together (the democratic ideal, sovereignty, the social link [ . . . ]).

Institutions can be defined, in the wake of Hodgson (2015, p. 501), as “integrated systems of rules that structure social interactions”. This researcher offers as examples of institutions “systems of language, money, law, weights and measures, traffic conventions, table manners, and all organizations” (Hodgson, 2015). The durable nature of institutions is partly attributable to the fact that they can “create stable expectations of the behaviour of others”, enabling “ordered thought, expectation, and action by imposing form and consistency on human activities” (Hodgson, 2006, p. 2). In addition to organisations, rules, values, norms and conventions, the concept of institution should also include methods of perceiving and pondering reality and communicating knowledge thereof, which are reasonably stable, though not immutable. What is common to all institutions is that they introduce order into the actions of individuals and into the relationships that they establish among themselves. This leads us to the need for SEA to question what it should do, that is its moral practice, aiming at pursuing sustainable human development, SDGs accomplishments and nurturing the world into better shape.

This “old” institutionalist approach jibes with the interesting perspectives of institutions as structures of living together (Deneulin, 2008; Deneulin and McGregor, 2010; Ricoeur, 1992) and of institutional contexts as irreducibly social goods (Gore, 1997; Taylor, 1995). In effect, we consider that accounting can be profitably depicted as a structure of living together, which is how Ricoeur (1992, p. 194) defines institutions. This philosopher offers the

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following definition of institution: “the structure of living together as this belongs to a historical community – people, nation, region, and so forth – a structure irreducible to interpersonal relations and yet bound up with these”.

In his critique of methodological individualism, Taylor (1995, pp. 135–136) acknowledges that “perhaps all acts and choices are individual”, but argues that they are only significant when they oppose the background of shared practices and understandings. He correctly notes that “something is common when it exists not just for me and for you, but for *us*, acknowledged as such” (p. 139, emphasis in the original). Moreover, “that we have a common understanding presupposes that we have formed a unit, a ‘we’ who understand together” (Taylor, 1995). Against this backdrop, he proposes the notion of irreducibly social goods, which encompasses the goods of a culture that enable valued actions, feelings and ways of life, as well as goods that embody shared understandings of their value. Language codes and culture are central examples of irreducibly social goods (Deneulin, 2008; Gore, 1997; Mormina, 2019; Taylor, 1995).

Gore (1997) develops further Taylor’s arguments and argues that institutional contexts are also irreducibly social goods. He specifically refers to “systems of moral norms”, “interpretative schemes and modes of discourse” and “modes of government” (p. 244). Moreover, this researcher views these institutional contexts as constraining and enabling human activity, and, at the same time, they are being constituted throughout that activity.

In the wake of Deneulin (2008), we view these concepts of structures of living together and irreducibly social goods as referring to the same reality. We also prefer the former as it directly implies that such goods emerge from the fact that individuals live together and that this condition is crucial for individual human flourishing. Translating to accounting, and more specifically to SEA, there is a need to focus on the purpose of preserving the commons, safeguarding humanity and enabling present and future generations to live fulfilling lives, as further developed in the next sections.

### 3. Accounting as an institution

Individuals must use conceptual frameworks and categories and assign meaning to them to use information effectively (Hodgson, 1999). The language and symbols through which we perceive the world are acquired through learning and social interaction. Therefore, the “acquisition of knowledge about the world” is in its very essence a “social act” and not merely an individual act (Hodgson, 1999, p. 78).

Traditional approaches are characterised by the fact that analysis begins with evaluating the opportunities available to individuals so as to choose that which maximises utility or profit. But, as mentioned earlier, before an individual can choose, he needs a conceptual framework to organise reality, what applies to SEA, among other areas. A better approach for the analysis of accounting and its social role is one that begins by studying how actors prepare their representations of the reality in which they live, the opportunities available to them, and the rules that govern their decision-making, that is the technical dimension of accounting. Only thus can we recognise that, as with any practice, accounting influences the perception socio-economic agents have of reality, how they reason about it, and, thus, how they act upon it, that is the social and moral dimensions.

As Roberts and Wang (2019, p. 6), we take the view that “reality does exist but is only accessible to us only through the structure of (accounting) representations”. Notwithstanding, our take on accounting is that it is more than an instrument of communication. It is also, and primarily, an instrument of knowledge; a system of concepts capable of affecting the way one conceives reality and, consequently, acts upon it. It makes thought possible by offering a frame of reference of the reality one intends to represent, but by selecting and limiting the domain of discourse and truth that can be known. It is an

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institutional system, not only because it governs our usual forms of communication and social interaction but also because it governs the perception of reality and the development of knowledge about this reality.

As already argued, accounting influences the way agents perceive the reality in which they live, as well as how they act in and upon that same reality and mediates social actors' abilities to understand the *real* economic events that are represented (Francis, 1990, p. 10). As both a discursive and moral practice accounting is not just the reporting of facts. Ruth Hines's research has been particularly important in developing this line of thought: "But what is the full picture? There is no full picture. We make the picture. That is what gives us our power: people think and act on the basis of that picture! Do you see? Are you beginning to see?" (Hines, 1988, p. 254).

Thus, accounting also participates in the constitution and reconstitution of the reality in which we live, by shaping the world we live in and impacting organisations, people and nature. An important aspect is related to the ability of accounting to translate complex processes into financial data (sometimes into a single number, such as a key performance indicator – KPI), which frequently makes it possible, due to the objectivity and neutrality attributed to it (even if these characteristics are debatable), to legitimise decisions without recourse to other systems of meaning (e.g. Carnegie and Kudo, 2022; Chiapello, 2017; Hoang, 2023; Hopwood, 1990, 1992; Miller, 1994, 2001; Miller and Power, 2013).

This influence of accounting derives from how it represents and describes the workings of reality and the phenomena that together constitute the object of its analysis, as well as from what it excludes from its representations and descriptions. The accountant chooses what (not) to communicate, to whom, and how to communicate it. Moreover, the accountant has the power to give greater visibility to certain aspects, while deemphasising or making invisible others, thus affecting the vision people have of the reality in question and their resulting decisions and behaviour. In fact, as one of the most important and widespread means of quantifying in contemporary societies, "accounting accords a particular form of visibility to events and processes, and in so doing helps to change them" (Miller, 1994, p. 2; see also Carnegie and Kudo, 2022). This is why the accounting profession cannot ignore the big questions and wicked problems of the world. It must be an agent of change.

An example of the importance of accounting at this level concerns the transformation that double-entry bookkeeping represented in terms of cognitive abilities and its impact on the forms of socio-economic rationality and its evolution. This aspect was rightly highlighted by Schumpeter (1942), one of the classic authors whose works IPE may be thought of as representing a development of. We now need some sort of tool that possesses the capacity for having these same types of implications concerning the sustainability problems with which we are faced today, namely, those of environmental degradation and inequality. The approach presented in Section 4 will allow us to better understand and lay out how this could be done regarding SEA.

Accounting knowledge is doubly contextualised: on the one hand, by the community of specialists, which includes professionals and researchers in accounting; on the other hand, by society. In this respect, it is particularly important that accounting, including financial accounting, be subject to social regulation. That is, to be governed by rules and conventions that are socially accepted, as evidenced by their incorporation into law or provenance from professional associations legally recognised as experts. However, this regulation must adopt a broader conception of accounting as a technical, social and moral practice (Carnegie *et al.*, 2021a, 2021b).

Accounting information plays a role in facilitating the establishment and enforcement of contracts. It is often used as a tool to support reaching agreements and drawing up contracts

between different social agents, imposing itself as a common reference in the dialogue so that said agreements and contracts materialise. Moreover, accounting information is used to legitimise choices made by each side in response to the demands of others or justify these in relation to the actions or intentions of others.

Particularly relevant to the issue of accounting standards are the ideas of John R. Commons, one of the founders of “old” economic institutionalism. Back in 1931, he emphasised the role of institutions as “collective action in control, liberation and expansion of individual action” (Commons, 1931, p. 649). The set of rules, coming from collective action, establish the limits and possibilities of individual behaviour when transacting with one another. They are necessary because the transactions are between individuals whose interests are in conflict, but who are also in a state of *de facto* interdependence and are, therefore, obligated to cooperate. In other words, they stabilise the contradiction between the two fundamental dimensions of interaction between individuals: conflict and cooperation. Nonetheless, to accomplish the 17 SDGs, SEA has a myriad of parts with interests and/or influenced by sustainability standards – organisations, people and nature – increasing the need to create a coherent theoretical background to avoid conflict and enable the flourishing of organisations, people and nature.

For Commons (1931), the central unit of analysis is the transaction, which is to say social interaction. As part of the social framework, a transaction is limited by a set of rules (legal, economic and moral) that determine what is allowed and what is forbidden, the rights and obligations of participants and the freedoms and risks associated with the freedom of others. Such rules should not be understood merely as constraints imposed on individuals, but first and foremost as a framework that enables the action. In fact, invariably associated with a given obligation (a constraint on the action) is a right (an assurance), and the control not only defines limited areas of action exposed to the freedom of others but also protection of this freedom by the existence of constraints on others and the allocation of powers.

In this sense, rules do not merely mean the control of individual action, but also, through the very act of control, the liberation of individual action. This is because they allow for some assurance as to the expectations of individuals, without which no interaction would result in most instances. That is, they extend the possibilities of individual action by guaranteeing that other individuals with whom one interacts behave within the standards established by collective action [1].

It is well known that there are conflicts of interests and objectives between the various agents involved in a company, particularly among those who contribute resources for its operation and the managers, who are responsible for the use of these resources. Accounting is also a way for managers to give an account of their activities and the resulting consequences to those agents, enabling them to monitor and control said activities, evaluate their consequences and determine whether they are aligned with objectives. On the other hand, accounting information is often used as a support instrument in the negotiation of agreements and contracts between them. Since managers control the company’s system of information, accounting regulation emerges as an important mechanism in ensuring that they do not deceive those agents and that they act for the betterment of society.

From this perspective, the social and moral importance of accounting and of the rules that govern it also lies in the fact that these constitute an important mechanism in mediating the relationships established – or which may come to be established – between firms and the various agents. The need for accounting regulation arises primarily from the existence of potential conflicts regarding the content and form of accounting information between its stakeholders (including human and non-human) and the management of the firms that produce it. From the perspective of impression management (Goffman, 1959; Martins *et al.*,



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2020; Gomes *et al.*, 2023), there may be an interest on the part of corporate management to conceal information or provide wrong information to legitimise its action or deceive users/stakeholders into maintaining an existing relationship or establishing a new relationship with the company, suggesting that such relationships will be favourable.

From an institutionalist perspective, accounting standards are not simply technical instructions to produce and present economic information. They also prescribe how agents should act in the relations they establish. On the other hand, because accounting is a means of controlling the activities of managers, who alter their behaviour depending on the content of the information disclosed, the knowledge that their actions and the resulting consequences will be evident in the disclosed information causes them to act differently from how they otherwise would.

For all these reasons, accounting and the rules governing its social practice control, liberate and expand the actions of individuals by ensuring that other individuals with whom they interact behave within the standards established by collective action. Thus, one of the important social functions provided by accounting is to contribute to the existence of the confidence that the various socio-economic actors ought to have in themselves, and to the trust they ought to have in others, to act within and upon their reality and to the existence of the fundamental dialogue that must be established between these agents.

#### 4. A perspective on how to reorient social and environmental accounting

Most of the discussions around the importance of accounting and accounting information for society are predicated on the notion that efficient markets will lead to the common good. As noted by Christophers (2017) regarding climate change, the notion is that markets can maintain stability through their disciplinary mechanisms with appropriate risk disclosures. As long as regulators ensure that necessary risk information is being disclosed, the market will take care of the rest (Christophers, 2017). We consider that these assumptions must be problematised if not even abandoned altogether. Referring to carbon accounting systems, Martineau and Lafontaine (2020) suggest that if one does not believe that the interplay of opportunistic market players on its own is sufficient to save nature, one cannot consider that such systems will contribute to this purpose. Instead, they are likely to increase the possibility of nature being overlooked (Martineau and Lafontaine, 2020).

We put forward that nowadays, with the sustainability problems we are faced with, it is not the good functioning of the markets according to traditional views about how markets should function that must be stimulated, namely, through accounting information. We believe that accounting today should focus on providing “discursive ‘ammunition’ to contest, reform, and/or resist prevailing institutional behaviour” (Dey and Gibbon, 2014, p. 109) both to market participants, such as workers, and non-market ones, such as NGOs, as well as other more critical citizens/actors in society. This is the way forward instead of trying to push towards information for market participants such as investors and creditors and waiting for them to be aware of environmental and social impacts and act accordingly.

In what follows, we offer a critique of the notion of natural capital arguing that it tends to make us look at nature as a mere instrument of production (Martins, 2021). We focus on natural capital for the sake of brevity, but the arguments can surely be extended to other similar notions such as human capital. If SEA’s purpose is the provision of “a means whereby the non-financial might be created, captured, articulated, and spoken” (Gray and Laughlin, 2012, p. 240), as we consider it should be, we question the use of the term capital to refer the non-financial. We do not believe that the non-financial can be adequately created, captured, articulated and spoken using the language used to do the same regarding the financial.

Relatively recently, several SEA standardisation initiatives adopting the often-implicit notion that it is through well-functioning markets that the common good will be achieved and that the purpose of accounting is to make sure this happens have been developed. Probably the most prominent examples are the Climate Disclosure Standards Board (CDSB), the Task Force on Climate-related Financial Disclosures, the Sustainability Accounting Standards Board (SASB), the [International IR Council's \(IIRC\) \(2021\) International <IR> Framework](#) and the IFRS Foundation's ISSB [2].

These frameworks have as their purpose “making environmental issues ‘meaningful’ for investors”, as [Maechler \(2023, p. 421\)](#) put it. The adoption of the notion of “natural capital” is an important part of the process to achieve such purpose and it features prominently in some of these initiatives, such as the CDSB and the IR framework. The monetary translation of environmental issues, crucial for making them useful for investors, “has been partly realised through ‘natural capital accounting’ methodologies” ([Maechler, 2023](#)).

There are also several SEA initiatives, some of them claiming to be stakeholder-oriented, that adopt the notion of natural capital (and other similar ones). This is the case of, among others, the Capitals Coalition (formerly the Natural Capital Coalition), which very recently issued a document called “Towards a Conceptual Framework for Sustainability Reporting” based on the notions of natural, social, human and produced capitals (e.g. [Capitals Coalition, 2022](#)), [McElroy and Thomas's \(2015\) MultiCapital Scorecard](#), the KPMG's (2014) report “A New Vision of Value: Connecting Corporate and Societal Value Creation” ([Barter, 2016](#); [Cooper and Senkl, 2016](#); [Coulson, 2016](#); [Hendriksen et al., 2016](#); [Taibi et al., 2020](#)), or the Triple Depreciation Line (TDL) model ([Rambaud and Richard, 2015](#); [Taibi et al., 2020](#)). Most of these frameworks are similar to the IR framework in that they purport to integrate “environmental and social aspects into corporate value assessment” ([Cooper and Senkl, 2016, p. 496](#)). However, some of them (e.g. KPMG's True Value framework and the TDL model) explicitly call “for the combination of traditional company financial figures and ‘monetized externality data’”, while according to the IR framework understanding the business's value creation requires both qualitative and quantitative information ([Cooper and Senkl, 2016](#)).

There are also many scholars who while contesting the notion that well-functioning markets will allow us to solve or mitigate most sustainability-related problems, eventually for pragmatic reasons, uphold that one must introduce into the established frameworks the consideration of social and environmental issues. For example, [Taibi et al. \(2020\)](#) criticise the use of the term “capital” but only if it equates nature with assets to be managed. But these researchers are perfectly fine with the usage of the term to refer to natural capital as a liability, which, according to them, allows the depiction of nature as “an element ‘to be maintained’” (p. 1226). Another example is [Cuckston et al. \(2022\)](#), who see no problem with what they call “natural capital thinking and valuation”, arguing that valuation need not be only quantitative, it can be qualitative and that besides economic value or value to the company or its shareholders, value can have other meanings, such as ecological value or social value (p. 4).

We put forward that the depictions of people and nature offered by these accounting frameworks, even when they do not propose to use only quantitative information, are not consistent with the purposes of SEA presented above. We agree with [Chiu's \(2022\)](#) argument that measuring or expressing environmental impacts in terms of natural capital degradation contains an implicit assumption that natural capital can be appropriated and monetised as private property. This approach is not consistent with the sense of the common good in promoting sustainability-related goals ([Chiu's, 2022](#)).

In their feminist critique of KPMG's true value framework (KPMG, 2014), Cooper and Senkl (2016) argue that the symbolic logic of accounting appears to have only one function in introducing the difficult and complex social and environmental problems we currently face, which is to reduce them into financial debits and credits. They further argue that under the neoliberal agenda, "capital is defined as that which makes a future income possible", which entails that, "once anything is cast in terms of capital (for example, nature), it must produce a profit" (p. 501). In light of this perspective, the researchers view KPMG's approach to managing externalities as geared towards safeguarding organisational cash flows rather than making "the world a better place" (p. 502). This criticism can be extended to many of the other SEA initiatives mentioned above.

We entirely agree with Lehman's (2017, p. 32) view of the "business case for sustainability" as having the "potential to undermine the environment by looking at sustainability through a super-ordinate lens of profitability which seeks to romanticise the false hope implicit in the" idea that it is possible to pursue profit maximisation strategies while enhancing sustainability-related performance. This view prioritises the financial performance of the company over the community and its interplay with the natural environment (Lehman, 2017). However, we believe that the focus should be on strengthening these relationships instead.

Considering that "[n]ature could be given prominence in accounting reports without reducing it to a number", Hines (1991, p. 29) cautioned against quantifying the environment, explaining that it may alienate people from the natural world. She did not refer to the issue of using the term natural capital, but we argue that conceptualising nature as such is a first step towards that of valuing it.

Barter (2015) cautions against using the term "natural capital", arguing that it activates an economic frame of reference that promotes the commodification and monetisation of nature (p. 366). We agree with Barter's (2015) argument that the concept of natural capital enables the discussion of nature-related issues in boardrooms, which is useful, but it also hinders radical approaches to addressing environmental degradation. This terminology may lead to the treatment of natural capital management as a purely economic issue, handled through asset management principles (Barter's, 2015). Based on their analysis of "the metaphors employed within the sustainable development arena", such as natural capital, Painter-Morland *et al.* (2017, p. 308) offer an even more grim appreciation. The authors conclude that "we have allowed the 'dead matter' of capital to replace a concern for the 'living matter' of nature/ecology in all of our equations, even if this had not been the original intention" (p. 308).

Setia *et al.* (2022) analyse the IIRC framework as a comprehensive framework that facilitates organisational engagement with and reporting on the SDGs. They examined stakeholders' opinions as expressed in responses received by the IIRC for its 2013 and 2020 Consultation Drafts. Regarding the issues of the language and concepts used, based on the findings of their analysis, Setia *et al.* (2022) argue that for it to be "an 'umbrella' framework for non-financial reporting" the framework should "use terminology, language and concepts consistent with the sustainability discourse" (Setia *et al.*, 2022).

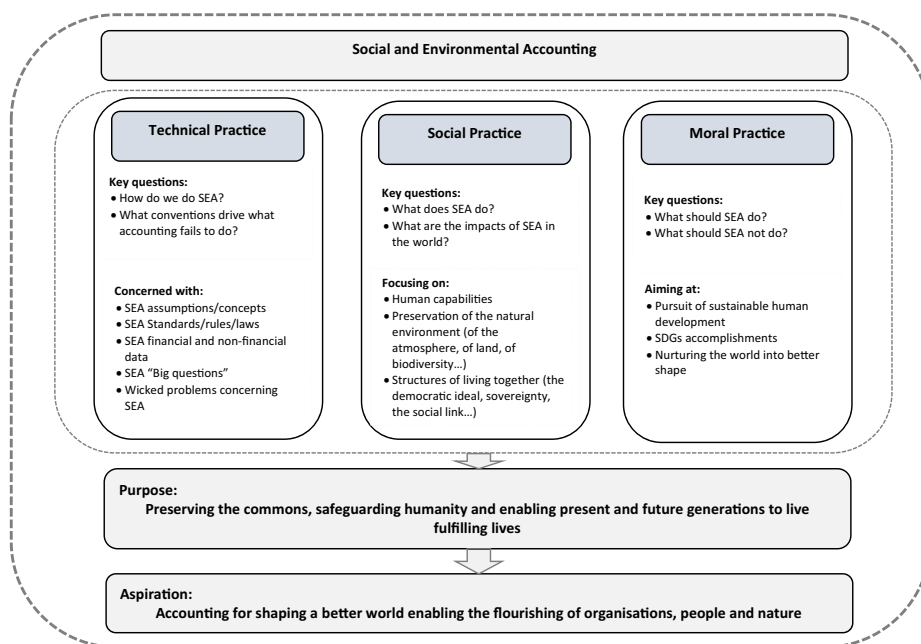
These researchers put forward that the use of the term "capital" to describe phenomena related to nature, people and society fosters a mindset that all these are at one's own disposal and can be used to obtain economic gain. Such usage also has as an implication to restrict "the readers' ability to appreciate organisations' impacts on the environment and society" (p. 437). These researchers conclude that "the commercial orientation of the terminology used in the <IR> framework contributes to another incompatibility, limiting reporting on the SDGs as they are grounded in social and eco-justice perspectives" (p. 438).

We consider the view of people and nature as capitals present in most of the frameworks mentioned above (e.g. International IR framework, MultiCapital Scorecard, Capitals Coalition's proposal for a conceptual framework for sustainability reporting) must be replaced by a different one for this type of accounting to really contribute to the flourishing of organisations, people and nature. We consider that the multi-capital view that is the basis of these frameworks should be replaced by one that focuses on a different view of sustainable development and that allows a better articulation with already well-established initiatives towards sustainable development, such as the SDGs and the Human Development Reports (HDR) initiatives. The only way to create an accounting language to be used in such a way that can adequately create, capture, articulate and speak the non-financial (Gray and Laughlin, 2012) is to make it consistent with the parlance used in such well-established initiatives. It is the only way to ensure its diffusion. It is the only way to make it a contender that can be used by stakeholders interested in the non-financial in their dealings with corporations and those stakeholders who focus on the financial. We do not believe that the non-financial can be adequately created, captured, articulated and spoken using the language used to do the same regarding the financial. If one uses the language of the financial to address the non-financial, one will surely "promote beliefs and values congenial to legitimating the prevailing power groups in society by making the basic principles which sustain their power the framework for thinkable thought rather than the objects of rational consideration" (Chwastiak and Young, 2003, p. 534). Rather than using the economics-based conceptual framework grounded on the multi-capital view, an approach consistent with Carnegie and colleagues' vision for accounting, as well as our own, should probably use a different view. We believe that such an approach can be developed on the basis of the capability approach (e.g. Deneulin, 2021; Deneulin and McGregor, 2010; Deneulin and Shahani, 2009), its application to defining and articulating CSR (Renouard and Ezvan, 2018) and the planetary boundaries framework (e.g. Rockström *et al.*, 2009; Steffen *et al.*, 2015; Richardson *et al.*, 2023; Whiteman *et al.*, 2013).

Adapting Figure 1 developed by Carnegie *et al.* (2023) and based on the discussions offered above and these two well-established frameworks, we propose a framework for the reorientation of SEA that deliberately eschews any reference to the notion of capital that allows us to speak the non-financial focused on social and eco-justice perspectives (Figure 1).

While the planetary boundaries framework has already begun to be explored as a foundation for SEA (e.g. Antonini and Larrinaga, 2017; Coulson *et al.*, 2015; Erlandsson *et al.*, 2023; Jabot, 2023; Veldman and Jansson, 2020), the capability approach has not. This is a pity because such engagement of accounting researchers, in particular SEA researchers, with this latter approach would allow them to engage with the HDR initiative of the United Nations Development Programme (UNDP) with which the development of the capability approach is inextricably associated (Alkire and Deneulin, 2018; Anand, 2021), and also contribute to it.

While noting that Rockström *et al.* (2009) and Steffen *et al.* (2015) do not explicitly refer to capital, Coulson *et al.* (2015) argue that the discussion of planetary boundaries emphasises the connection between capitals and could aid in defining natural capital elements. Additionally, they observe that planetary boundaries and multiple capitals are currently being discussed together. Unfortunately, there is a wealth of recent studies that do discuss them together (e.g. Barbier and Burgess, 2017; Small *et al.*, 2023; Sureth *et al.*, 2023). We consider that this is not beneficial for democratising the framework and guaranteeing the ongoing and engaged involvement of those with an impact, as well as those who are impacted by the framework, as Jabot (2023) call for. Similar to this researcher, we consider that dialogic accounting is the way forward. It can forestall the co-option of the discourse by dominant groups, enable marginalised voices to be heard without bias towards any



**Figure 1.** Social and environmental accounting – a capability approach

**Source:** Adapted from Carnegie *et al.* (2023, p. 12)

particular stance, and prioritise pluralism (Jabot, 2023). We put forward that these purposes will not be met by using a multi-capital view, by casting relevant issues in terms of capital and using a language to speak the non-financial based on that which is used to speak the financial.

Grounded on the capability approach, human development is viewed as being “about enabling people to lead long, healthy, educated and fulfilling lives” and sustainable human development as being “about making sure that future generations can do the same. Human development, if not sustainable, is not true human development” (Klugman, 2010, p. 19). It is the perspective of “development as freedom”, put forward by Amartya Sen, and the capability approach, whose main proponents are Amartya Sen and Martha Nussbaum, that underpin this view of sustainable human development (see Nussbaum and Sen, 1993).

Another important issue is that of the connection between the SDGs and these approaches. We agree with Alkire and Deneulin (2018, p. 30) that the SDGs should “be grounded in a ‘capability approach’ – where ‘success’ is measured not by economic indicators but by people leading meaningful, fulfilled lives”, and believe that SEA may assist in that by offering a representation of the company which is consistent with it. This would be a representation that eschews altogether representations of people and nature as capitals.

With Renouard and Ezvan (2018), we view CSR’s purpose as that of safeguarding humanity and focusing on human capabilities. As these researchers, we include ecosystems among the stakeholders towards whom/which such responsibility can be directed and consider taking care of global common goods and human capabilities, those of present and future generations, as a criterion to use when deciding and acting. Global commons are both material and immaterial and both are indispensable for sustaining human life (Bommier and Renouard, 2018). The former pertains to the preservation of the natural environment (the

atmosphere, the land, biodiversity, etc.), while the latter concerns the structures of living together (the democratic ideal, sovereignty, the social link, etc.). The concepts of human capabilities and global commons seem to us crucial to an accounting framework based on the capability approach and the planetary boundaries framework.

We consider that, if one wants not to have the discourse taken over by dominant groups, ensure that minorities' voices are heard and promote a pluralist approach (Jabot, 2023), it is much more adequate to approach accounting as a social and moral practice that focuses on the preservation of the natural environment – of the atmosphere, of land, of biodiversity, etc. – and on human capabilities and the structures of living together – the democratic ideal, the social link, etc. – and refer to all these as commons whose boundaries must be respected and which must be preserved (see Figure 1).

### 5. Concluding observations

The realities that accounting intends to represent do not simply, irrepressibly impose themselves; they are not facts, but rather, at least in part, formed by their observers. It could even be said that there are as many realities as there are observers. However, herein lies the importance of accounting, the reality modelled by it serves as a common reference point that enables the sharing of knowledge about this reality, and thus, action on this reality with relatively stable results.

It can, therefore, be said that accounting, with its standards and conventions, is a social and moral mechanism that contributes to the stable functioning of socio-economic life. This is so because, in particular, it offers the various agents a common basis of reasoning by which they can understand the reality within which and upon which they act; further, it serves as a common practice to communicate and interact with each other and produce the information necessary to substantiate their decisions.

Moreover, accounting standards, by prescribing how agents should act in the relations they establish among themselves, also contribute (or should contribute) to guarantee the necessary stability of expectations to enable them to interact. Accounting standards are important to ensure an adequate degree of belief in the veracity of the representation of reality and the information provided by accounting, but also to guarantee that the interest of society and the natural world is safeguarded. This belief is not only important for there to be an adequate degree of mutual trust in building relationships between the various agents but also for there to be an adequate degree of confidence by the agents in their reasoning and actions when these are based on accounting representations and information.

If one views accounting as a technical, social and moral practice whose main goal is enabling the flourishing of organisations, people and nature, one has to see SEA as one of the most important aspects of such endeavour. Given the crucial role of accounting in how agents perceive reality and reason about it, and, hence, in how they act upon it, we argue that to pursue the goal mentioned above, the non-financial cannot be created, captured, articulated and spoken by using concepts such as “capital” to refer to phenomena pertaining to nature, people and society. Such an approach is likely to lead to ways of thinking about nature, people and society as being at the disposal of certain organisations and individuals to be exploited for their own benefit.

Rather than referring to human, natural, social, etc., capitals, we suggest that a framework depicting how corporations draw from the commons and contribute to their preservation, bettering or deterioration would be a preferable one to create, capture, articulate and speak the non-financial adequately. Such a framework for SEA should make it explicit that what is at stake is corporate responsibility towards the preservation of the commons and enabling present and future generations to live fulfilling lives.

We believe that such a framework would turn accounting into a major positive force through its impacts on the world (the accounting as social practice in Carnegie and colleagues'

new definition of accounting). Since accounting is “a key ingredient in the world views of people”, conditioning “the way we think, and what we do” (Carnegie *et al.*, 2023, p. 13), an accounting framework more attuned to the pursuit of sustainable human development and the SDGs would be a crucial addition to the accounting instruments arsenal. This would surely be “a development of accounting, moving from its technical origins into using accounting forms [. . .], as a means of nurturing the world into better shape, to a less aggressive, less KPI-driven and, arguably, less mean-spirited place to becoming a more inclusive, caring and compassionate place”, as accounting as a moral practice should do (Carnegie *et al.*, 2023, p. 13). Regarding the technical aspect of Carnegie and colleagues’ definition, what we have proposed above addresses the need for accounting “to answer questions and solve problems by devising and using new tools, in possible combination with the old tools” (Carnegie *et al.*, 2023). Given the need to integrate two distinct frameworks (one from the natural sciences and another from the social sciences), our proposed project necessitates the implementation of creative thinking and novel approaches, informed by interdisciplinary perspectives and facilitated by multidisciplinary teams (Carnegie *et al.*, 2023).

This paper has important implications for policymakers, standard setters, the accounting profession as well as accounting and SEA researchers. Firstly, it echoes earlier research, which concluded that most of the initiatives to inform the development of sustainability standards are “business case framings” of SEA that “privilege the interests, perspectives and values underpinning mainstream accounting” (Brown and Dillard, 2014, p. 1134). We firmly believe that for this not to happen, a SEA framework must be adopted based on the concepts of human capabilities and global commons and having as goals the preservation of the commons and the flourishing of present and future generations. We are also convinced that the set of rules (standards) developed on the basis of such a framework by way of collective action would allow the establishment of the limits and possibilities of individual behaviour coherent with SEA’s goals. Secondly, we argue for transformative action. We are living in challenging and uncertain times. Understanding and solving complex problems requires being open to challenging current approaches to SEA research. The accounting profession and academics can play a key role in this transformation and develop a more critical view of accounting, accounting standards, and their social role. We offer an alternative framework that also enables a better critical reflection on conventional SEA’s own grounding. The accounting community is called for urgent sustainability action and for shaping a better and more liveable world. The proposed framework allows the engagement of the accounting community, in particular SEA researchers, with and contribution to such well-established initiatives as the Planetary Boundaries framework and the HDR initiative of UNDP.

## Notes

1. Also, to Hodgson (2006, p. 2), institutions “both constrain and enable behavior”. This constraint may widen the panorama of possibilities by enabling “choices and actions that otherwise would not exist” (ibid).
2. Recently, the SASB merged with the IIRC to create the Value Reporting Foundation, which was subsequently consolidated into the IFRS Foundation.

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