



Social Accounting and the Co-Creation of Corporate Legitimacy

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Synopsis

Unlike Financial Accounting, a regulated and standardised way for companies to report on their financial performance, Social Accounting can be understood to cover all the ways in which a company might report externally on its engagement with stakeholders. This includes, but is not limited to, the ways in which it might account for its local community engagement, both qualitatively and quantitatively. Financial accounting is widely understood as powerful, impacting on the price of shares or market perceptions of the firm. Social accounting is also powerful, commonly understood as a way of building legitimacy for the company. While this power is generally acknowledged, the way in which it is developed is less clear. Much of the research on social accounting takes for granted that social accounting will build legitimacy, and focuses the content of the reports, analysing the impact of different types of disclosures, implicitly framing the social accounting process as a one-way channel of communication from company to community.

Our research steps back from this, looking at the process rather than the content using a theoretical frame based on the work of Pierre Bourdieu. We find that it is not so much the content of social reports that matters for local legitimacy, but rather the way in which the local community actors have been involved in their production. We find that indeed it is the act of drawing in community actors into the social reporting process that builds corporate

legitimacy, and that the power of social accounting as a local narrative hinges on such co-creation. To paraphrase W.B. Yeats, it is the dancers as much as the dance.

Background and method

We analyse the case of Shell's social engagement in Erris in North West Ireland. When Shell initially located in the area it had no community engagement plan, and met with trenchant opposition to its plans to build a pipeline through a local village to connect a gas refinery to an offshore field, leading eventually to the imprisonment of local protestors who became known as the Rossport Five. At the time of their release in 2005, Shell abruptly changed its approach, seeking very overtly to engage with the community and generate some legitimacy locally. It invested heavily in community liaison officers, and set about a process of walking and talking, attempting to engage with local groups. In the relatively closed field of Erris however, it held only economic capital and, without local credibility operated in a Bourdieusian sense as "a fish out of water," unable to decipher the local norms or doxa. They had set about building a refinery as an engineering task, focusing on the legal rather than the social. In the words of one respondent to our research, "in 2005 we had all our permissions, but the [local] legitimacy wasn't there." This is echoed the local view that "community togetherness was one of the things that Shell never understood about here."

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Our research finds a focus in the four academic departments of the School as well as in themes (Work, Knowledge & Employment; The Services Economy & Tourism; Entrepreneurship, Innovation & Marketing; and Public Policy, Enterprise, Governance & Sustainability) and clusters (Accountability (ARC); Digital Marketing ; Emerging Risk Assessment & Underwriting; Interpretive Consumer Research; Psychological Science in Business; Privatisation & PPP; and Quality of Work).

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Our study of how the company iteratively used social accounting to win a measure of local acceptance for their presence used qualitative methods - in-depth interviews with people inside and outside of the company - as well as an analysis of a nine-year series of community-facing social reports. This has led to some new insights on how social accounting becomes powerful within a community.

Theoretical frame and implications

Bourdieu describes how symbolic power rather than economic power can have an impact on the social norms or doxa within a field, changing how people accept authority, and what they regard as natural or appropriate. This symbolic power operates at a level that does not need to be articulated to be effective. A narrative, for example, can have more power than quantitative data to change beliefs and behaviours, if it becomes accepted as a local story. We find that community-facing social accounting can, over time, develop this local symbolic power. This is contingent on the involvement of local people in the co-creation of the narrative. In the case we studied, there was initially widespread hostility to the company's presence, and a marked reluctance on the part of any community actors to be drawn into the social reporting process. However, over time, groups from all over the area were gradually and repeatedly drawn in. This in turn was reflected back to the community in a process not unlike map-making. Bourdieu speaks about the way in which outsiders, lacking the practical mastery of the native, depend on the power of cartography to understand local lines of authority and power. Social accounting functions both as a map and a narrative, gradually shifting the community's understanding of itself. As report follows report, the social accounting narrative becomes more layered and powerful, weaving in more and more local stories from community groups who then see themselves reflected back in relationship to the company. The symbolic power comes less from the individual accounts or types of disclosure, but rather from the drawing in of the local so that the overall social accounting series becomes a kind of local artefact. The symbolic power it acquires is like that of folklore, a story that it doesn't have to be literally believed in order to influence attitudes and behaviour.

This matters for how we understand social accounting, and also has implications for environmental accounting. These are less regulated and metric-based forms of account giving than financial accounting, and can change perceptions and attitudes in a way that is not constrained by standardised format, quantitative evidence, or formal analysis. Community-based social accounting can become accepted as a part of local culture,

relating directly to a sense of collective identity. This acceptance comes from the gradual and iterative process of local involvement and local reflection. The power is soft and irrefutable, and so social accounting as a co-created local story can become powerful and unquestioned in a way that financial accounting cannot.

The involvement of local actors allows social accounting to achieve a potency that is not attainable by the deployment of economic power alone. A company may have a community investment program which can win some limited support from the direct beneficiaries of the associated grants. However, the accounting for this engagement is far more powerful because it is not seen as originating from the company alone. It is not simply a way for the company to account to the community for its engagement. Rather it becomes a way for the community to account both to the company and to itself for how it operates under the patronage of the firm. Community groups freely offer accounts, images and stories to the company for inclusion in their reports. This is done spontaneously, framed as a response to the gift from the company, and contrasts markedly with the way in which the same groups might choose to account to other donors such as government agencies. The framing of the relationship with the company in terms of gift undermines what Bourdieu calls the logic of the price and allows symbolic power to be developed which transforms the way in which their relationship to the company is understood. As this is repeatedly inscribed in the social accounting narrative and disseminated across the community, it changes the local lines of power and authority. This "accounting to" the company for their everyday activities, changes not only how local actors view the company, but also how they view themselves in that frame. Activities which were seen as social and natural may become something to be accounted for and described, thereby deprioritising that which cannot readily be described. The social accounting series records those parts of the community which have narrated themselves into a relationship of trust and dependence with the company. This produces a partial map of the community, omitting those parts which are not in this relationship and placing the company in a central position.

Summation

In sum, social accounting has a legitimizing power which is achieved at some cost to the wider community of stakeholders, and is built up gradually in an iterative and largely unarticulated process. In contrast to financial accounting, its power is essentially symbolic, built on co-creation and process rather than on content, and is therefore far less open to challenge using traditional metrics.

A full copy of the paper can be obtained at:

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