Commentary

Making Social and Environmental Accounting Research Relevant in Developing Countries: A Matter of Context?

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There has been growing interest over the past decade in the extent and nature of, and motivations for, social and environmental accounting (SEA) in lesser developed country (LDC) contexts. Yet, much of that research uses theory, constructs and measures that have been found to be relevant for understanding the phenomenon in developed economies. In particular, the role of regulation, the take-up of reporting frameworks such as the GRI, and the influence of company characteristics such as size, ownership structure and industry affiliation, have been studied extensively (Liu and Anbumozhi, 2009; Liu et al. 2010; Weber 2014). While some papers may talk about the social and political 'context' in which the companies being examined operate, this is often not well defined and little consideration is given to what this means.

Calls have been made for greater study of the contextual factors in these countries for some time (Islam and Deegan, 2008; Belal, et al., 2013; Tilt, 2016). Adams (2002, p.244) classified studies of social and environmental reporting into three groups, one of which being "contextual factors, such as country of origin, time, specific events, media pressure, stakeholders and social, political, cultural and economic context", and points out the need for additional investigation of these aspects. This has led to more authors acknowledging contextual factors but, while I do not suggest that their findings are unimportant, what many papers lack is a nuanced *analysis* of how these factors, that are very specific to the situational context of the country under examination, relate to outcomes for a more sustainable future.

Many studies assert that they provide a 'comparative' analysis, comparing and contrasting different countries' reporting output, but even these studies leave one to ponder why we are being alerted to such a comparison; how does this increase our chances of improving the social and environmental outcomes of the country or countries being studied? Thus, this commentary provides some critique of current literature set in LDCs, adds a further call for greater consideration of the contextual distinctiveness of LDCs and suggests some potential areas for future research.

The importance of such research, that better facilitates our understanding of social and environmental issues in the less developed world, cannot be understated because the majority of the world's population lives in developing countries that have unique social, political and environmental problems (Fifka, 2013; United Nations 2013). Specifically, these countries are "often characterised by unstable governments, higher levels of unemployment, limited technological capacity, unequal distribution of income, unreliable water supplies and underutilised factors of production" (Tilt, 2016, p.2). Only via nuanced understanding of both the problems *and* the context within which these problems occur, can better policy be developed, greater support provided, and appropriate guidance be given, in order to promote improved social and environmental outcomes.

Early work in the SEA literature promoted an 'open systems' approach to investigation of the phenomenon as noted by Gray (1992). An open systems approach "regards organizations as organisms that process inputs from the environment back as outputs" (Hopper & Powell, 1985, p.438), something that is essential to consider contextual factors appropriately. However, the notion seems to have been lost in a lot of the more recent work on LDCs and a closed, or semi-closed, systems approach appears to be the default (although I posit that this is not necessarily

always done consciously). This means, however, that many contextual factors are, at best, cursorily acknowledged or at worst overlooked.

There are a number of possible reasons for this. An obvious one is that much of this work is undertaken by PhD students, who often want to research their own country and contribute to knowledge about that country. Yet, it is some of these very studies that tend to only superficially consider the local context. This may be because they feel the need to conform to more common approaches and methodologies, and this leads them to feel that these issues need to be downplayed in order to claim a contribution beyond the given context. That is, 'generalisability', and the ability to make comparisons to western studies, is seen as more important than a deeper understanding of the country under study. Ultimately, it is up to supervisors to educate these students, who are often driven by a sense of western expectations, that more specific contextual factors are as important and that they need to be open to the impact of these if the work is to inform policy and practice in that country.

Unfortunately, the observed lack of depth in considering context may also be due to our current publishing processes. Reviewers often ask authors why they haven't considered variables in their analysis that have been found to be relevant elsewhere, thus reinforcing the idea that comparability is paramount. However, this has the effect of promoting simplistic replication of similar studies, rather than consideration of the nuances of individual contexts. This is apparent in some journals more than others and reflects a seeming obsession among accounting academe with the 'mainstream'. There are, of course, notable exceptions as seen by the special issue of *Accounting, Auditing and Accountability Journal* (*AAAJ*) on accounting, auditing and accountability in Africa (2017), and the coming special issue in the same journal on the very topic of incorporating context into social and environmental accounting in developing nations[1]. But for the emerging researcher and PhD student, seeking to build a career, the lure of the 'mainstream' approach is yet another pull in the opposing direction of this kind of research.

This also elicits the question of who is best placed to do this kind of work. The majority to date seems to be by researchers that originate from LDCs, often from their PhD theses, as noted above. This is appropriate as local people have valid knowledge and understanding of complex cultural systems (Greenwood & Levin, 2007). While there is also room for non-local researchers to provide an outsider's view, issues of access and trust can often arise, such as when researching indigenous peoples (Smith, 2012). These concerns may also contribute to the lack of depth in considering context.

The work that has been done is also patchy in terms of geographical coverage. There has been a series of papers considering Bangladesh (Islam and Deegan, 2008; Belal and Cooper, 2011; Momin and Parker, 2013; Belal et al., 2015), but only a smattering of papers on other countries. In SEAJ, for example, only 10 developing countries have been the focus of published papers in the last 15 years. Over the same period, in a sample of five top accounting journals that regularly publish SEA research (*AOS, AAAJ, BAR, CPA, APP*), a similar number of countries is covered by only 21 papers, with 6 of these reporting on SEA in Bangladesh. Notwithstanding the growing

[1] see: http://www.emeraldgrouppublishing.com/products/journals/call_for_papers.htm?id=7822

interest, there are some clear areas that stand out as being in need of more in-depth consideration. Examples (although by no means the only ones) include China, India, South America, Small Island Developing States (SIDS), the Middle East and Africa.

While there are a number of studies on China, this work has predominantly focused on State Owned Enterprises (SOEs), but there is increasing evidence that this does not adequately represent the full picture of how Chinese firms respond to growing pressure, both internally and internationally, to improve environmental outcomes (Situ et al. forthcoming). The complexity of the Chinese regulatory system alone is an aspect often overlooked or mis-represented, and a paper in this issue of *SEAJ* attempts to untangle notions of what is mandatory and what is not when it comes to environmental disclosure requirements in China (Situ & Tilt, 2018).

Possibilities may also exist to utilise political power in China to improve company behaviour (Lieber, 2013) or to harness internationally driven reform to influence regulatory regimes. Stronger evidence than can be gleaned from simple content analysis of Chinese reporting, or modelling of influential factors on that reporting, is needed to understand the ideological roots of behaviour and use that evidence to determine different courses of action. Though challenging methodologically, engagement with those involved in SEA in China is the only real way to contribute more insight to current knowledge.

In contrast, there are very few studies on the Middle East, yet there is some evidence of a growing awareness of social and environmental issues by managers in the Arab region (Marios & Tor, 2007). However, in this context there is a mixture of religious ideology that promotes charity and responsibility, along with an increase in market driven focus on business outputs (Visser, 2008). This, combined with a lack of civil liberties and free press, means that mechanisms for promoting social and environmental accountability need to harness these complex, and often conflicting, drivers. Doing so, requires greater understanding of the region and its context.

Similarly, in Africa, particularly in sub-Saharan regions, there is very limited knowledge about reporting generally and the drivers of, and barriers to, SEA more specifically. While there has been increasing work done on South Africa, especially as integrated reporting has been made mandatory in the country (Marx & van Dyk, 2011; Sampkin, 2012; Haji & Anifowose, 2016), the rest of the African continent has been largely ignored. Even in the special issue of *AAAJ* referred to earlier, papers considered governance and accountability in Africa (Nyamori et al, 2017) which are important contextual elements, but there was little relating this specifically to SEA.

Due to cultural, political and language differences in Africa, the only way to understand, and improve, SEA is to undertake fieldwork that engages with local report producers, managers and practitioners, as well as with stakeholders. Such grassroots investigation could potentially lead to knowledge that can facilitate better policy and incentives for firms to both engage in, and report on, social and environmental programmes. In such a unique setting with vast natural capital that is subject to the greatest levels of degradation (Kwansah-Aidoo, 2007), accounting and reporting is an essential tool for policymakers.

The list could go on, but countries with largely differing economic or geographic circumstances are also underrepresented in the literature. For example, some countries or communities are

vulnerable due to their small size and susceptibility to environmental impact, such as SIDS (Briguglio, 1995), which in addition tend to rely on verbal communication. As such, research that combines western and indigenous knowledge may contribute to solving some of the environmental issues they face (Mercer, et al., 2007). At the other end of the scale, countries like India have only rarely been considered, especially recently (see Sahay, 2004). India is so large and diverse that a single study may not be feasible, rather, the contextual factors could be localised to specific regions or sectors.

What is common among these LDCs however, is that, at present, many governments in these countries do not have the means to deal with the significant social and environmental problems they face. Rather, due to rapid industrial development, those in charge pursue policy that aims to increase economic growth and attract more foreign investment, relying on growth as a means to improve the lives of their citizens. Such policies lead to an influx of investors keen to take advantage of fiscal incentives and cheap labour, but "while these strategies make economic sense, they have adverse social and environmental effects, including the use of child labour, low or unpaid wages, unequal career opportunities, occupational health and safety concerns, and increased pollution" (Tilt, 2016, p.2). The debate about economic growth versus sustainability, the balance between improving the lives of human beings and preserving the natural environment, and the impact of the potential conflict between the two, are important elements in the labyrinth of factors that need to be considered within the context under study.

Such issues are hugely complex and require more than accounting to solve. They also require a broader, more holistic, 'systems' approach to thinking. As accounting researchers, we have a role to play in helping to solve problems around transparency and accountability, bringing to the fore aspects of corporate behaviour that may need to change, or that highlight performance that promotes sustainable practices. Only through transparency can stakeholders gain the relevant knowledge to make informed choices, thus, accounting provides a part of the mechanism for the development of better laws, policy and guidelines. Thus, together with law makers, governments, NGOs and citizens, accountants can contribute to improving the environment in developing nations but can only do so if they understand the nuanced context of those environments. Therefore, this highlights a dire need for interdisciplinary work, beyond just drawing on theories from other areas, but to work in interdisciplinary teams that work to help to 'solve' SEA issues in different contexts, not just 'examine' them.

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