Ph.D. in Economics and Management – University of Trento

MANAGING AND ACCOUNTING FOR SUSTAINABLE BUSINESSES

CALL FOR PROPOSALS

For the past century, conventional economic and accounting theories have dominated global economic and social activity. The vision promoted by these theories suggests that the best way to trigger human progress is through self-regulated markets populated by rational agents. Consequently, history has considered the ideal organization to be the investor-owned enterprise, which pursues the production of goods and services in order to maximize the economic value for shareholders (Palmer and Vinten, 1998). However, after the economic and financial crisis in 2008 the ways in which business are conducted, managed and perceived from the collective understanding has dramatically changed (McNall et al. 2011, Willard 2012). In detail, new “forms” of business organizations have emerged as a new way to do businesses, i.e. sustainable business. Sustainable businesses break the old paradigm that view for-profit and non-profit companies as opposites and promotes a new thinking were both the economic and financial values are pursued together with an orientation to the social value.

An increasing interest in sustainability in the discourse on business models seems logical and essential in times of companies’ increasingly challenging quest for competitive advantage, in combination with more and more discussions about companies’ impacts on and responsibility for society, the environment, and multiple stakeholders (Wirtz et al., 2016).

As such, social business can be considered “double bottom line” organizations (Dart et al., 2010) that grapple with the dual challenge of producing both social and economic value: they have to maintain sustainability from a financial perspective while simultaneously serving a socially-oriented mission. Social and environmental purposes of social business do not have to be sacrificed for profits, and profits do not have to be sacrificed for social and environmental purposes, but that the two purposes can become a source of competitive advantage (Osterwalder and Pigneur, 2010). Therefore, social business face a daily tension between mission and margin (Chetkovich and Frumkin, 2003). A large body of literature deals with this tension with some scholars focusing on social implications and policy concerns (Simpson and Shin, 1998; Weisbrod, 1998). Other scholars analyze the role of social business from a strategic perspective by considering their role in the business world (Porter, 1996; Williamson, 1994). Still others investigate the role of accounting and accountabilities (Austin et. al, 2006; Unerman and O’Dwyer, 2006; Gray et. al, 2011; Tucker and Parker, 2013; Williams and Taylor, 2013).

Despite the growing importance of these new sustainable way to conduct businesses, there is much that remains to be understood in terms of their institutional mechanisms, governance rules, and accounting and accountability functioning (Benjamin, 2013).

In terms of accounting and accountability mechanism, many studies have pointed out the limitations of conventional accounting framework when applied to sustainable businesses (Reheul et al., 2014; Vermeer et al. 2009) by also highlighting the function and effects of accounting and reporting in such organizations. Palmer and Vinten (1998) detail three main approaches to accounting: i) positivist, according to which accounting is used to describe what happens in the real world (Whittington, 1986; Watts and Zimmerman, 1979); ii) critical, which embraces an historical, economic and policy context for accounting (Power and Laughlin, 1996) and finally, iii) interpretive, where accounting is seen as a symbolic mediator between various social groups in order to draw to a negotiated social order (Ryan et al, 1992). All of these approaches, in different ways and with different epistemic methods, question traditional conventional accounting for sustainable businesses, which remains too exclusively focused on financial measurements (Reheul et al., 2014). Financial measurements emphasize sustainable business financial performance and evaluate how the funds are acquired or spent. However, as highlighted by Maddocks (2011), financial measurements present only a partial picture of the organization; information regarding success, performance and impact are often missing or underdeveloped.

In terms of management and governance rules, the sustainable businesses perspective includes definitions of business models as representations that explain how companies work; the architectural design of organization structures, and descriptions of the business activity (Wirtz et al. 2016). From this point of view, sustainable business can be conceived as a competitive strategic objectives related to governance, corporate culture, products and services. Moreover, in order to face the sustainability challenge, many firms requires innovating on existing business models to create new ways of delivering and capturing value (Nidumolu et al., 2009). Innovating towards sustainable businesses requires developing new business models and strategic and organizational archetypes which go beyond an economic focus to one which generates and integrates economic and social value (Bocken et al., 2014; Willard, 2012). Finally, sustainable businesses are by nature multi-stakeholder and therefore require a strong focus on stakeholder and stakeholder engagement. The participation of different stakeholders in various ways of the life-cycle of a sustainable business implies an increasing complexity and instability (Mont, 2004) both in terms of managing different claims and in terms of governing different people.

Within this stream of research, possible research topics concern the exploration of different perspectives related to sustainable business:

(1) How are governance mechanisms and strategic decision making interconnected with new sustainable businesses and stakeholders' expectations (Seelos 2010)?
(2) How accounting and accountability mechanisms need to be re-designed and re-defined in order to truly represent the multifaceted-value of sustainable businesses? Since social businesses combine both economic/financial value and social value, they cannot simply be measured by traditional financial indicators or by market share. Therefore, economic and financial indicators fail to offer a comprehensive evaluation of sustainable organizational performance (Austin et al., 2006).

Proponents:

Ericka Costa
Michele Andreaus
Laura Frigotto
Caterina Pesci
Fabio Zona

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