Using neo-institutionalism to advance social and environmental accounting

Amanda Ball*, Russell Craig

Department of Accounting and Information Systems, Private Bag 4800, University of Canterbury, Christchurch 8140, New Zealand

Abstract

Neo-institutional theory can increase understanding of an organization's general response to social and environmental issues and social activism. More particularly, it can frame an organization's accounting responses. The analytical schema proposed by Lounsbury (1997) is deployed to explore social and environmental accounting issues that occurred in two local government authorities—one in Canada, one in England. Our analysis highlights possibilities for better and more complete theories of organizational transformation, and social and environmental accounting. We stress the importance of ethical values and ecological thinking if change (including accounting change) is to help institutions behave in a way that is conducive to achieving a sustainable future.

© 2010 Elsevier Ltd. All rights reserved.

And the company takes what the company wants
And nothing's as precious as a hole in the ground
– Lyrics, Blue Sky Mine, Midnight Oil, Columbia Records, 1990

1. Introduction

Institutional theory, and particularly “new institutionalism”, represents “a major research paradigm in organisational sociology” (Lounsbury, 1997, p. 465). In this paper we develop and extend institutional analyses of organisations (henceforth referred to as “institutional theory”). Such analyses have been provided by Lounsbury (1997, 2008) and Dillard et al. (2004), among others. Our purpose is to advance normative perspectives of social and environmental accounting. We explore the roles that new accountings should play in change processes by assessing the capacity of institutional theory to provide a fuller understanding of change. In particular, we assess how institutional theory can enrich understanding of the changes organizations make in response to social and environmental issues. We make strong recourse to neo-institutionalism: that is, to a theory of organizational change that diverges from popular understanding of institutional theory as an explanator of similarity (“isomorphism”) associated with the “new institutionalism” of DiMaggio and Powell (1983) and Meyer and Rowan (1977).

Institutional theory emphasises the survival value of conformity with the institutional environment. Such conformity leads, for example, to increased stability, legitimacy, and access to resources. Institutional theory endorses adherence to
external rules and norms. So, socially responsible, ethically good environmental behaviour (reflected in "new accountings") is explainable by these new "external norms or practices obtain[ing] the status of social fact"; and by legitimacy arguments that organizations respond only when it becomes "obvious or proper" to do so (Oliver, 1992, p. 148).

A common current depiction of social and environmental accounting is that it is an outcome of processes of legitimation and social reproduction (Neu et al., 1998; Wilmhurst and Frost, 2000; Deegan et al., 2002; Campbell, 2003). By appropriating the theoretical language of institutional theory, we raise questions of whether proponents of normative models of social and environmental accounting have paid sufficient attention to the choices about accounting which are embedded in cultural and historical frameworks. For example, are organizational choices about accounting strategic, enlightened, and self-interested responses of the type implied by Gray's (1992, 2002) accountability model? The focus of this widely endorsed model is on an implicit assumption of a strategic or enlightened self-interested response by organizations to environmental (and social) pressures.

The tendency to focus on individual organization(s) as the level of analysis in social and environmental accounting research also raises the question of whether sufficient attention has been accorded to the broader institutional environment. An institution-based level of analysis (as here) has the benefit of emphasising organizational structures or processes that are industry wide, national or international in scope, and self-sustaining. Nonetheless, despite the insights of institutional theorists and the potentialities of institutional theory, social and environmental accounting research has been inconsistent (despite being greatly exercised) in its attempts to engage with practice, especially at an institutional level. This suggests the possibility that such engagement is beyond the wherewithal of a large cohort of researchers because it "requires new imaginings of new accountings which can be manifest through various practices . . . [and needs to be directed to] . . . engagement, committees, reporting awards, difficult field work with unsympathetic corporate managements, speaking engagements to indifferent or abusive accountants (Gray, 2002, p. 700)."

Limitations in approaches to the development of social and environmental accounting, identified by Gray (2002), thus indicate the appeal of appropriating alternative ways to explain findings about environmental accounting and change in organizations. One such alternative way is reviewed here: an institutionally-oriented schema or "tool kit" proposed by Lounsbury (1991). To illustrate how institutional theory can be invoked usefully in social and environmental accounting research, we draw on a grounding of empirical experience in fieldwork enquiry and observation in an important (but under-researched) institutional form (local government authorities). In doing so, we build on the analysis and insights provided hitherto by studies by Ball (2005, 2007) of two local government authorities—both were municipal councils (one in Canada, one in England). The institution of local government has had a long history of providing services in response to problems that have challenged the scope of the market economy. Historically, local governments have been stewards of the local environment: they offer social, environmental and community services capable of addressing different dimensions of the sustainability agenda. As a consequence, because local governments have the potential to be at the vanguard of the development of social and environmental accounting, we should not ignore them (Lewis, 2000; Morris, 2001; O'Riordan, 1998; WWF-UK, 2000).

Lounsbury's (1997) institutional tool kit is a two dimensional matrix of institutional approaches. It helps provide alternative explanations of environmental accounting and change by local governments. Despite some limitations of the analogically-based theorising this institutional toolkit utilises (Zald and Berger, 1978), it is useful in identifying significant gaps in understanding of organizational transformation. By deploying this tool kit, possibilities for a more complete theory of change are increased, and deeper questions are likely to arise concerning orienting principles for a normative social and environmental accounting agenda.

Building on Lounsbury (2008) as well, our analysis contributes to understanding of how institutional theory and accounting practice intersect. We draw attention to how institutional approaches can frame ideas about social change and accounting practice; and suggest some areas (such as social premises, power relations, values and interests, intentionality, and multidimensionality) that need to be developed to obtain a fuller and better understanding of change in the context of the environment and accounting. There seems good prospect that the institutional tool kit will help develop "a meta-theory for social accounting" and help engender recognition of the vacuousness of obsession with "stakeholder dialogue, in isolation" (Gray, 2002, p. 703).

2. Institutional tool kit

"Institutional theory is not usually regarded as a theory of organizational change, but usually as an explanation of the similarity (‘isomorphism’) and stability of organizational arrangements in a given population or field of organizations" (Greenwood and Hinings, 1996, p. 1023). However, DiMaggio and Powell (1991, p. 27) have noted that the goal of efforts to come to terms with politics and conflict "must be [based on] a sounder multidimensional theory, rather than a one-sidedly cognitive one."

Consequently, this paper is concerned principally with issues that arise from the intersection of an environmental agenda with accounting theory and practice. Lounsbury’s (1997, 2001) typology of institutional analysis in organizational sociology is attractive because it presents a partitioning, drawing on institutional theory, of ways of assessing issues concerning institutions and institutional change (Lounsbury, 1997, p. 466). Further, this toolkit helps us to discern, and respond to, the questions of change that arise from an environmental agenda. Our analytical approach is therefore located in the more recent development of neo-institutionalism which concerns change. This diverges from a “somewhat anachronistic understanding of
Lounsbury (1997) introduces a two dimensional matrix to explain institutional approaches. The two dimensions are theory of action and level of explanation, as depicted in Fig. 1.

Actions are conceived as arising from habits/routines or from interests/values. Explanations can be “big picture” ones (macro) or be more fine-grained (micro).

2.1. Theories of action

Institutional theory emphasises legitimation and the tendency for institutionalized organizational structures and procedures to be taken for granted and viewed as legitimate by the organizations adopting them. Legitimation can regarded as habits or routines in Lounsbury’s theory of action spectrum. In this context “behavior is understood as being carried out because that is what one does” (Goodrick and Salancik, 1996, p. 2).

At the opposite end of this spectrum are approaches whose explanations are based on values and interests. Thus, concern is still with the institutional lens as a shaper of actions by institutions. However, an important matter is how “institutional frameworks define the ends and shape the means by which interests are determined and pursued...” (DiMaggio and Powell, 1991, p. 28). In the language of institutional theory, for example, valuing engagement with practice is an attempt to introduce new “rules of the game” (Jepperson, 1991) and to leverage influence in organizational fields.

2.2. Levels of explanation

This dimension in Lounsbury’s schema reflects the different emphasis in research approaches on micro and macro explanations:

Micro explanations of institutional creation or change focus on how the interactions between people or organizations are the critical motors of causality. Alternatively, explanations may concentrate on how more macrostructural factors such as collective behaviour, social organization, cultural systems, and the state are key factors that drive institutional change. (Lounsbury, 1997, p. 466–467, italics applied)

Hitherto, attempts to theorise social and environmental accounting have centred on micro explanations and the organization/society nexus (Gray, 2002; Adams and Larrinaga-González, 2007). Whether social or environmental accounting interventions in organizational life can be effective in the absence of wider societal change is not often explored (Lehman, 1999. For divergent views see Puxty, 1986, 1991 and Tinker et al., 1991, as discussed in Ball, 2004).

The following section highlights the potential for the institutional tool kit to explain different perspectives of institutions and change. The circumstances of two local government authorities (one in Canada, one in England) are cited to show how these organizations responded to an environmental agenda and developed their environmental accounting. Our interest in drawing on Lounsbury (1997) is twofold: to highlight the alternative explanations and insights that the institutional tool kit can provide; and to enrich attempts to develop normative social and environmental accounting perspectives.

3. Understanding social and environmental accounting using an institutional tool kit

3.1. A tale of two local government authorities

For empirical support, we draw on the divergent experiences of two local government authorities in implementing waste management practices, and other sustainability practices, in the decade to 2004: one is a Canadian city
council, and the other is an English county council. The insights we provide are based on interviews conducted by the first author with employees and other stakeholders of both councils, and reported more fully in Ball (2005, 2007).

As is the case for most local government authorities around the world, the management of municipal solid waste was a critical issue for both councils. It involved the councils balancing ideological concerns about sustainability with sensitivity for their constituents’ “Not In My Back Yard-ism” (NIMBY-ism). The choice of these two councils was motivated by the possibility that their “grass roots” concerns for sustainability and the environment would provide a coherent alternative to the New Public Management mentality (Hood, 1991, 1995) and its totalising adoption of economic and instrumental rationalities.

Institutional theory posits that organizations are built “through institutionalised practices and historical experiences that construct normative models of organizational legitimacy . . .” (Oakes et al., 1998, p. 259). We do not dispute that some of the externalities arising from obsession with economic growth are evident in particular local government practices: for example, in aspects of personal social service provision which arise because of commitments to waged work rather than kinship care. Externalities arise also because of practices redefining our relationship with the local environment—including the sustainable development function itself. These practices are a focus for the present study, together with the practice of social and environmental accounting.

3.2. English county council

This council was a Conservative Party-controlled (right of centre) local government authority that operated in an affluent part of England under a Labour Party controlled (left of centre) national government. The council was pressed to engage in the sustainability agenda by national government initiatives, dating back to the Local Agenda 21 initiative in the 1990s. Subsequent legislation introduced by the national Labour Party government for Well-being and Community Strategy (two policies linked to local sustainable development) provided the focus for understanding change in response to a sustainability agenda. The Community Strategy initiative enabled the mainstreaming of the council’s “quality of life” indicators. This was because the UK Government’s National Strategy for Sustainable Development (1999) recommended some quality of life indicators, for voluntary use, as accountability metrics in operationalizing sustainability. A list of these indicators was provided in recommendations for reporting on Local Agenda 21 and Community Strategy performance. These indicators were adopted widely by the local government sector, perhaps because of the sector’s long involvement in their development (Lewis, 2000; Ball, 2002). Nonetheless, they were not embedded in mainstream accounting and performance management systems, but were marginalised. Such environmental accounting in this council was ignored almost completely and was not linked to external financial reporting or performance reporting. When new legislation for Community Strategy and Well-being required a local response to sustainable development, the main effect was to exaggerate existing political divisions, rather than external political pressure for change. The outcome of the legislation was to sideline experiments with quality of life indicators in the council and to threaten the Sustainable Development Unit with disbandment.

The Labour party government also legislated for a National Waste Strategy (2000) which passed responsibility for phased recycling and composting targets to local authorities, including county councils. Pressured by the European Commission, the Labour Party government introduced a tax on landfilling, thereby placing immediate financial pressures on local authorities. There was a strong incentive for local government authorities (such as councils) to enter into Private Finance Initiative (PFI) agreements (a specific form of public–private partnership) to gain the financial capability to move away from dependence on landfill.

3.3. Canadian city council

In 2002, this local government authority hosted the annual conference of the Solid Waste Association of North America. Presumably, it did so, in part, to showcase its industrial-scale composting initiatives and the significant gains made in waste management. The council owned and operated a (self-proclaimed) world class Waste Management Centre (WMC). Since the establishment and success of the WMC, incremental change in linking other activities to the sustainability agenda became easier to implement; and the Canadian council developed quality of life indicators (environmental accounting) in parallel with these changes. The waste management practices adopted are pivotal in understanding the organization’s response to a broader environmental agenda.

Calculations of user fees for waste management services were gauged on perceptions of value for the tax dollar and the extent of political will, rather than any real evaluation of environmental costs and benefits, or linking to mainstream accounting and performance systems. However, there was a staged development of environmental accounting. This proceeded from initial engagement with the Federation of Canadian Municipalities (FCM), (when one councillor and one official contributed to the FCM’s development of ‘Quality of Life’ indicators) to ongoing development of a city council “Environmental Report” on a recent environmental strategic plan. This progressed to the development of a “State of the City” report linking a future strategy to the idea of a sustainable community. These developments in environmental accounting were not integrated with conventional accounting and performance reporting.
3.3.1. Exploring explanations of actions
3.3.1.1. Quadrant 1—Social organization.

3.3.1.1.1. Macro level explanation of how action is prompted by interests and values. Lounsbury (1997, p. 467) regards social organization as indicating “a research focus on how large-scale social systems are constructed and then shape future action within those systems.” A social organization approach implies asking how current changes in local government, in response to a sustainability agenda, are reflected changes in “the matrix of wider macro-structural factors” (1997, p. 471).

In the Canadian council, ecological thinking guided change processes in waste management, recycling, and conservation of natural areas in the city. Change occurred despite traditional values of the city council and the community regarding material matters such as economic prosperity, business and growth. A political crisis (the “landfill battles”) the council experienced in the mid-1990s was critical in promoting ecological values and in enabling alternative waste management solutions. However, dominant economic and anthropocentric values and interests at the council were difficult to counter, as the following quotations suggest:

…”people in [the Province] have sort of a sense of abundance…there’s lots of land still, there’s lots of water and lots of forests. So when we’re finished with this, we’ll just move on and do the next. . . . I mean we’re harvesting [the Province] forests, digging gas wells and oil wells and stuff like crazy still. (Manager, Parklands Services)

…”we have a lot of stakeholders who don’t want new [waste] plants near them.”

The macro/interests lens suggests that debates about the technical merits of various solid waste solutions (and more generally about ways of defining problems of sustainability) symbolise wider societal tensions between the State, large corporations, citizens and environmentalists (Lounsbury, 1997, p. 472). In Canada, the wider social environmental movement has been more successful in challenging the social organization of local government waste management services than in the UK.

A critical moment for the Canadian council was the mid-1990s, when a coalition of interests opposed the council’s siting of a new landfill dump. Such opposition enabled a wider discussion (“the landfill battles”) of alternative waste management solutions. The strong involvement of a mining company introduced additional interest in how the city’s solid waste management practices should be (re) defined. The council contracted with this mining company to build an industrial scale “co-composter” (capable of composting about 30% of the City’s municipal solid waste and treating variable amounts of sewage sludge). Prior to the landfill battles, the council had responded broadly to the increasing value its citizens placed on better waste management practices—thereby reflecting the influence of the wider environmental movement. According to one city councillor:

There was also a significant drive that had been going on for some years in the city to recycle and reduce the amount of garbage that we had, and had been actively embraced by citizens for some years. The notion of burning garbage was just anathema to citizens. . . . [who] would have had no part in it. Anyway, so I think once we decided, or it became evident that landfill was almost impossible, we were forced to look at . . .what else we could do then as a local solution to it . . . the pieces started to come forward as kind of a comprehensive program, and we realized the magnitude of what we meant by comprehensive programming. It really was going to change everything; both how we collect it and where, and what we did with it, and a number of things, the costs, and you know we were doing something that was going to fundamentally change how we were doing things.

In contrast, the English council was under legislative and financial pressure to improve recycling rates. It responded by agreeing to a PFI deal. Therefore, the external waste management companies, who were in partnership with local government authorities (such as councils), were introduced into the matrix of interests. However, detrimentally in terms of the environmental options, this resulted in a new incineration-based infrastructure that is expected to last for 40–100 years. The council’s response to environmental problems was developed at the micro-local level, with little evidence of recourse to a wider social movement. The interests of NIMBYists prevailed. According to a senior manager in the council’s Environmental Services Department, “. . . we have a lot of stakeholders who don’t want new [waste] plants near them.”

From a social organization perspective, the problem of waste management was more conflictual and value-laden at critical times in both contexts. The problem was institutionally constructed because of the profit-seeking behaviour of waste management firms in the UK, and the mining company in Canada. Even if local government officials pursued more environmentally conscious waste management solutions, they did so within constraints of existing partnership arrangements with profit-seeking private sector interests.

Canadian activists have been successful in galvanising a wider sense of environmental protection in the context of waste management. Since the landfill battles, the Canadian council has begun to address other critical environmental problems which reflect larger social tensions. It has introduced targets for reduction of energy consumption in relation to concerns about climate change; and has addressed problems of urban sprawl and public transport. Viewed through an institutional lens, these manifestations of a wider sustainability agenda occur only because they fit within the provision of services which constitute the institution of local government.
Managerialist environmental accounting developments within the Canadian council reflected changing perceptions of the council’s responsibilities to engage with a shifting environmental agenda: for example, land use management (urban sprawl) and energy use (global warming). In contrast, a recent critical external report, *State of the Province* (2000) advocated alternatives to the city’s values and measures of economic growth. It recommended that the extraction and export of the area’s natural resources should come from a “different social location” (*Lounsbury*, 1997, p. 472) to the dominant (business) interests in the city council.

3.3.1.2. Framing ideas about social change and accounting practice. From the perspective of developing normative social and environmental accounting theory, institutional approaches in the social organization quadrant offer potential to frame ideas about social change and accounting practice, as we explain in the five points below.

First, the social organization perspective underscores the possibility of research approaches that attend to wider societal interests, or to a social movement perspective (*Lounsbury*, 2002a,b). For instance, in the two councils, employees who were environment activists of the 1970s and 1980s increasingly were working with (or within) local government by the 1990s (Creed and Scully, 2000; Zald and Berger, 1978). One manager in a Sustainable Cities Team for the English council described how he had long been a Friends of the Earth (FoE) campaigner. He commented that FoE were finding it difficult to know whether to engage in the Local Agenda 21 and Community Strategy processes as a “genuine stakeholder, or whether to campaign against it on the Town Hall steps.” When using the macro/interests lens, it is helpful to understand the views of local government managers about their interactions with social movements; and also the perceptions of those engaged in these movements. Generally, social pressures such as these have been underspecified in existing accountability models. We need to redress this because the two council cases suggest that change is related to coalitions of interests which are galvanized into action on specific issues (e.g., waste management). Such a suggestion is consistent with the argument of Meyer and Tarrow (1998, p. 20) that “much of the contention in contemporary societies does not come from movement organizations as such but from campaigns organized by parties, interest groups, professional associations, citizens’ groups, and public servants.”

Second, the macro/interests lens emphasises a need to sense the timescale involved in transition to a more sustainable way of life. We should not overlook the importance of an historical dimension in accounts of engagement with organizations in respect of a social and environmental accounting agenda (see Gray et al., 1995; Larrinaga-Gonzalez and Bebbington, 2001; Larrinaga-Gonzalez et al., 2001). Efforts to obtain a fuller understanding of change and how change intersects with social and environmental accounting, will be advanced if we examine degrees of change and the pace of change, rather than fixate on immediate success or failure.

Third, in the language of institutional theory, sustainability implies a process of “re-institutionalisation” or “exit from one institutionalisation, and entry into another institutional form, organised around different principles or rules” (*Jepperson*, 1991, p. 152). This invites analysis of how elements of institutions, or institutional fields (rather than institutions in toto) succumb to change, and how they shift their focus and change their social interactions. Some who are influenced by ecological thinking (Birkin, 1996, 2000) argue that institutions develop contradictions with their natural environments (*Jepperson*, 1991). Goodrick and Salancik (1996) contend that there is contested and incomplete institutionalism and that this creates ambiguity and discretion. Because of such ambiguity and discretion, vested interests have a role in selecting practice (including environmental accounting practice) within the constraints provided by prevailing institutions. The knowledge base for selection of practices is not clear cut in some contexts, echoing the idea of institutional contradiction with the natural environment (*Goodrick and Salancik*, 1996).

Local government has operated always in a context of conflicting societal goals and beliefs. The waste management cases explored here prompted new discussions by councils and communities on sustainability matters — including on urban sprawl and preservation of natural areas. But are “fracture lines” (*Lounsbury*, 2002a, p. 26) within institutions, and uncertainties about institutional beliefs and standards for practices, understood poorly? Hence, is the possibility of “ongoing change incremental or epochal”? The Canadian case illustrates that such a schism is an empirical possibility: incremental change was enabled by a fundamental shift in the way municipal waste was managed.

Fourth, DiMaggio and Powell (1991, p. 31) note that three case studies of institutionalism (Brint and Karabel, 1991; DiMaggio, 1991; Galaskiewicz, 1991) “are remarkably convergent in suggesting how power and interests shape the evolution of organizational fields.” If there is a process of re-institutionalisation in the context of the sustainability agenda, how do power and interests shape this change? For both councils, higher tiers of government are a source of funding and a powerful constraining institution. In the UK, central government expected local government to help them deliver national sustainability. In Canada the council was seen by the provincial government as a vehicle for delivering community services, attracting business, and maintaining economic infrastructure. However, institutional theory suggests that the relationship between governments is complex and distant. Consistent with such a view, environmental managers in the Canadian council developed strategies for sustainability that were defined locally and “in the context of structures and space” (*Brint and Karabel*, 1991, p. 346).

Fifth, change processes should be considered through an institutional lens. However, change in the context of a social accounting agenda has tended to be theorised in terms of environmental shocks (see for example, Gray et al., 1995; Larrinaga-Gonzalez and Bebbington, 2001; Larrinaga-Gonzalez et al., 2001). Brint and Karabel (1991) point to an alternative two-stage process based on the ideas of generation of interests within an institutional field, and the realisation of interests. They emphasise the beliefs and activities of administrators within organizations. They also focus on the organization and its relationship with the environment over time. The focus shifts to internal and external forces which facilitate or hinder implementation of a...
policy: that is, they shift to "the power structures and opportunity fields in the larger society that shape organizational possibilities and on the efforts of organizational elites to take advantage of the environment to further their own interests as well as those of their organizations" (p. 345). Perhaps, in the context of the macro/interests lens, the question should be conceived in terms of whether (and if so how) environmental accounting is part of this process of capacity building. Can it improve techniques? Can it provide the basis for a common account or cumulative experience?

3.3.1.3. Quadrant 2—Work and organization.

3.3.1.3.1. Micro level explanation of how action is prompted by values and interests. Lounsbury associates quadrant 2 with the ethnographic tradition in organizational sociology. As with quadrant 1, emphasis is given to explanations based on values and interests. However, rather than look to large-scale social systems and action within those systems, the purview is "on more localized activities inside organizations or between an organization and its immediate surroundings." This perspective looks to the "social values at stake" (1997, p. 472, emphasis in original) in conflicts over the definition and organization of practices at the local work level.

Such a perspective on "localized activities" inside organizations, or between an organization and its immediate surroundings, has been emphasised in the social and environmental accounting literature. Not surprisingly, several accounts of engagement with practice (Gray, 2002) are located readily in this quadrant. Dey (2002), for example, instances how an ethnographic lens provides "a detailed analysis of how institutional processes often involve consequential struggles that result in winners and losers. . . ." (Lounsbury, 1997, p. 472). Dey explains how political groupings at Traidcraft (a public limited company which seeks to promote fairness in world trade) came into conflict over changes to a social accounting system (see also O'Dwyer, 2002). Similarly, Larrinaga-Gonzalez and Bebbington (2001) analysed a private sector Spanish electricity generation and distribution firm in which environmental managers and conventional accountants had different influences on organizational responses to a changed environmental agenda.

The micro/interests lens, with its emphasis on struggles over values and meaning at the micro-level, helps to distil the ideological implications of social and environmental accounting for organizational life. This is despite ideological influences not having been subject to thoroughgoing analysis by institutional theorists. In developing a normative outlook on social and environmental accounting it is important to ask how ideological interests work within organizations. To what extent do they exert pressures for change? What is the role of the new accountings in any ongoing struggle for meaning in processes of change (Ball, 2003; Dey, 2002; O'Dwyer, 2002)? It seems worthwhile to contemplate whether social and environmental accounting has a substantial contribution to make to the development of institutional theory, especially given the latter's emphasis on values.

Empirical work that has deployed a micro/interests lens evidences many conflicts in developing social and environmental accounting (Ball, 2002, 2003; Dey, 2002; Larrinaga-Gonzalez and Bebbington, 2001; O'Dwyer, 2002, among others). Dey's (2002) study of Traidcraft indicates how his social accounting experiment helped precipitate a crucial intervention by managerial and economic interests. This intervention led to a wider organizational conflict that was against the interests of the broader stakeholder group that Traidcraft's social book-keeping system was intended to serve. At the Canadian council, some environmental indicators were mobilized in an attempt to win carefully gauged arguments for existing resources. However, in exercising such a mobilization, there was a danger that interventions might simply exacerbate underlying problems involved in balancing social and economic dimensions of organizational life.

Another issue is how much “frame-bending” (Greenwood and Hinings, 1996) is required to counter the [ir]rationality of the New Public Management that the problem for local government (and social organizations like Traidcraft) is a crisis of funding and efficiency? This issue needs to be addressed before the world becomes irreversibly addicted to economic growth and the ensuing effects of growth on landscapes and our social world. In the Canadian council, the external report State of the Province (2000) on the consequences of the province’s apparent addiction to economic growth, represents such frame-bending or “holistic logic” (Lounsbury, 2002a, p. 24). However, a cynical view is that few people, apart from some proactive environmental managers at the council and some committed ideologues, had actually read the document, and took notice of such “frame-bending.”

3.3.1.4. Quadrant 3—Interactionism.

3.3.1.4.1. Micro level explanation of how action is prompted by habits. Here the main interest is in how institutions are built up microprocessually and become taken for granted. Although the approach acknowledges broad shifts in a cultural system, the principal activity is to delve behind seeming convergence to explore changes in terms of reproduction and habits. Dey (2002), for example, recognises that many of Traidcraft’s business practices (including fair trade and social corporate responsibility reporting) were generated within the organization and have been reproduced subsequently by other organizations.

Lewis (2000) and Telford (2002) reported a growing uptake of environmental accounting by local government authorities in the UK. Lewis (2000) adopted a micro level approach to suggest that adoption was a matter of compliance with a mix of normative and coercive environmental factors. Thus, through the micro/habits lens, environmental accounting appears as an embedded practice. However, variation in the extent to which environmental accounting is employed and developed, and the extent to which it is taken for granted and merely ceremonial, can be explained also. Through this lens we can conceive the micro processes of institutionalisation as struggles for meaning in response to issues of environment and sustainability. As such, organizations become “important sources of institutionalisation of new action” (Zucker, 1987, p. 446).
The “new action” implications for ongoing development in the Canadian council were manifest in the establishment of new departments (an Office for the Environment); new practices (Eco-Stations); and new work roles for some employees (Zucker, 1987). However, a key question is whether new institutional elements (including the accountings) are linked to unperceived possibilities; or whether preference for habits and reproduction of institutional elements will block better solutions and approaches.

The *micro/habits* lens of quadrant 3 suggests that we move away from a focus on systems and/or formal outputs, to an inwards focus on the processes whereby meaning is created within emergent, negotiated systems. At the Canadian council, initial attempts to engage environmental accounting represented only relatively narrow dimensions of sustainability; “greening” council services, and drawing together otherwise disparate environmental initiatives (waste management, wilderness preservation, climate change initiatives, and noise and light pollution abatement). Initial developments reflected the win-win *instrumental* managerialist initiatives in social and environmental accounting (Gray, 2002). They did this by emphasising “good” (i.e. commercial) environmental or social behaviour. However, a more critical, visionary and holistic view of the city’s environment has evolved. This has been informed by a perceived need by the council’s Office of the Environment to present a vision of a sustainable community. This latter development, according to Townley (2002, p. 167), is akin to a “substantive rationality” that informs a “value-rational action” in which “behaviour is valued for its own sake, independently of its prospects of success.”

The sensemaking objective of the *micro/habits* lens suggests that we explore the degree to which environmental accounting developments represent new cultural elements. Are such developments perceived as accounting? Can they be linked to practices in the organization? Are new accountings connected to the experience of those not engaged in producing the accounting?

### 3.3.1.5. Quadrant 4—Cultural system.

#### 3.3.1.5.1. Macro level explanation of how action is prompted by habits.

Quadrant 4 draws attention to macro level explanations of actions characterised by habit and routine (Lounsbury, 1997, p. 468) and reflects the dominant contemporary understanding of institutional theory (*new institutionalism*). Research approaches and studies located in quadrant 4 emphasise “wider knowledge systems” (Lounsbury, 1997, p. 468) such as culture, ritual and ceremony, and higher level frameworks that shape the reality of organizational life.

For the two councils, this cultural-systems lens helps identify variations in practice “based on political–cultural distinctions across nation-states …” (Lounsbury, 1997, p. 474). Because Canada represents a more individualist polity than the UK, national and provincial governments in Canada have taken a more passive role with respect to the development of environmental accounting at the local government level. For example, one of the Canadian councillors expressed the hope that

...we’ll get some further assistance, both in regulation and direction, and finances from the other orders of government. We have been getting a bit now from the Federal Government. The Province is just really bad on this [environmental] strategy. I think in desperation people in the City, and even as the local politicians have kind of given up on the province. I think if we wait for them it will, you know we’ll all be dead and buried for a long time, and so I think probably in some ways its [the City Council environmental strategy and Environmental Report] helped spurred us on a little bit to say well let’s keep moving.

This variation in political outlook can help us to understand how the timing, organization, and acceptance of environmental accounting initiatives are likely to differ according to national context (Lounsbury, 1997). For example, the kind of interventionism in the UK at national (and sometimes local) level (e.g., legally binding targets on national greenhouse gas emission reductions; and the London congestion charge) would seem unthinkable in North America (Lounsbury, 1997, p. 474).

Zucker’s (1987) identification of the defining processes in neo-institutionalism can aid analysis. Zucker explains organizational structure and change by the idea that individuals prefer reduced uncertainty and that institutional processes resolve uncertainty. Imitative or mimetic processes (that is, adopting others’ successful elements) therefore are a defining process (DiMaggio and Powell, 1983). Zucker (1987) draws attention to the “normative transmission of social facts, generally from external sources such as the professions.” This observation seems consistent with the Canadian case, at least as far as the waste management issue is concerned, because there was evidence of an iterative learning process involving external sources. The Federation of Canadian Municipalities played a leading role in creating sustainability indicators for Canadian municipal government authorities; and the Institute for Improvement and Development in the UK offered consulting advice on issues of climate change and community strategy. As DiMaggio and Powell (1991, p. 10) note, the corollary of the taken-for-granted expectations model of institutions is that “individuals face choices all the time, but in doing so they seek guidance from the experiences of others in comparable situations and by reference to standards of obligation.”

Zucker (1987) also identifies the State as central to legitimation in a process that is de-institutionalising and coercive. Because local government in the UK plays a residual role in public service provision a template for environmental accounting is likely to be adopted if it is perceived to be supported by government policy. Accordingly, isomorphism explains the rise of quality of life indicators in English local government generally (Lewis, 2000). In the English council case environmental values were precarious. One senior Environmental Services Manager at the council commented:
We don’t use the label SD [sustainable development] ...What needs unpacking is how far the SD agenda is non-party political... given the Tories [Conservatives] ... There’s a drive to take on board Community Strategy. The question is how do you use what central government are setting to [the County Council’s] advantage? That’s always been the thing about a Labour Government. That’s what needs unpacking...

The new institutionalism idea of decoupling (or “unpacking”) suggests that whilst organizations are influenced by normative pressures, sometimes these arise from external sources, such as the State.

Under some conditions, these pressures lead the organization to be guided by legitimated elements, from standard operating procedures to professional certification and state requirement, which often have the effect of directing attention away from task performance. Adoption of these legitimated elements, leading to isomorphism with the institutional environment, increases the possibility of survival (Zucker, 1987, p. 443, italics applied).

The dichotomy between institutional rules and technical rationality is useful in explaining the ineffectiveness of public sector NPM reforms (Edwards et al., 1999; Lewis, 2000). This dichotomy is potentially useful too in explaining how public sector organizations subject to rationalization or reform operate strategies of resistance to protect core activities through decoupling. Notably, in the English council case, environmental accounting (through quality of life initiatives) operated parallel to, and decoupled from, mainstream accounting.

4. Discussion and conclusions

The preceding exploration supports contention by Greenwood and Hinings (1996) and Lounsbury (1997, 2008), among others, that institutional theory can help in developing explanations of change. We now highlight several areas in which we can develop a fuller understanding of change in the context of environment and accounting, by engaging Lounsbury’s four dimensional tool kit.

Quadrant 1 highlights how social and environmental accounting literature under-specifies social pressures. The suggestion is that there have been taken-for-granted assumptions about the direction of public pressure; that is, whilst interests and agency are a cornerstone of accountability models, there has been little empirical work attending to this dimension. Indeed, the focus has tended to be applied to what are assumed to be fixed stakeholder interests. Future research using the macro/interests lens should pay greater attention to how political interest groups are mobilized.

Additionally, there would be considerable merit in engaging the macro interests lens to situate an organization within its field of power relations. This would enhance thinking about “fracture lines” (Lounsbury, 2002a,b) within institutions, and be conducive to the emergence of a more nuanced understanding of social pressure in closely specified situations. Importantly, as well, is the use of the macro/interests lens to draw attention to the possibility of a perspective based on “social movements in organizations” (Lounsbury, 1997, 2002a,b). One implication of this is that researchers should pay greater attention to the interests, beliefs, and activities of managers in organizations under scrutiny; and that they should recognise the pursuit of distinctive interests by employees despite conditions of powerful institutional constraint. If there are processes of re-institutionalisation in the context of the sustainability agenda, attention should be directed to determining which power and interests are shaping the change, and whether we can locate the processes involved historically.

Desirably, the main thrust of research efforts examining the efficacy of social and environmental interventions should be located in Quadrant 2. Thus, there would be greater attention to values and interests. Quadrant 3 offers the benefit of being a means whereby change in the context of environment can be progressed. From the perspective of normative agendas on environmental accounting and change, the micro/habits lens suggests we direct attention to how organizations make sense of sustainability through new service offerings and accounting practices. Consistent with Townley (2002) (among others), what is needed is a sense-making engagement, or understanding of different rationalities within a sphere. Thus, those involved in attempts to develop social and environmental accounting research should themselves make better sense of sustainability and all that it entails, both conceptually and practically. The new institutionalism of quadrant 4 helps provide the basis of a much-needed critique of managerialist environmental accounting interventions (Gray, 2002), and of the UK Labour Party’s agenda of national standards and performance indicators for local government (Ball, 2002; Morris, 2001).

Attempts to develop social accounting normatively have had a distinctive structural position based on a fundamental concern with social change. They have tended to be influenced by Marxist intellectual tradition and a radical critique which has challenged capitalistic hegemony strongly. However, there is considerable merit in departing from critical theory to consider whether environmental accounting interventions are successful or not (Gray and Tinker, 2001). Viewing those developments in terms of macro and micro perspectives and from a theory of action perspective has many potential benefits too. Adopting the comprehensive approach advocated by Lounsbury offers a way of addressing the problems of understanding processes of institutional change and highlighting possibilities for future research.

Efforts to grapple with the problems of a theory of change are notable for their abstracting processes. Nonetheless, they develop causes of variation in institutional development. From the perspective of social and environmental accounting, these are alarmingly acontextual. Two important limitations arise: first, much literature on institutionalism is set at too great a distance from social and environmental accounting; and second, decentring concerns about class and conflict are not addressed adequately. Another important issue is whether institutional theorists have accorded social and environmental
accounting an air of surrogacy: that is, does the arena of social and environmental accounting simply generate just another set of questions through which to improve organizational analysis?

4.1. Lessons for a theory of action

A combination of insights would produce a more complete theory of change. This is important because explanations of actions to develop social and environmental accounting normatively have not made their understanding of action explicit. Thus, there is merit in reflecting, in a more thoroughgoing way, on what the “action” is that we are seeking to advance. In this respect, we can learn from the stocktaking accounts of “action” in the new institutionalism proposed by DiMaggio and Powell (1991) and Jepperson (1991). A benefit of embracing new institutionalism is that it brings the cognitive dimension of action to the fore and encourages focus on “pre-conscious processes and schema as they enter into routine, taken-for-granted behaviour…” (DiMaggio and Powell, 1991, p. 22). This prompts questions of whether people in institutional and organizational contexts value routine; and whether the choices and preferences of persons within institutions are capable of being understood outside the cultural and historical frameworks of institutions.

However, the fusion of ethnomethodology and phenomenology embodied in new institutionalism does not lead to a satisfactory theory of action (DiMaggio and Powell, 1991) because it fails to answer several central questions about people in institutions, and about social order. For a more thoroughgoing analysis, we need to incorporate developments in wider social theory which have affinities with institutional analysis of organisational sociology. We also need to assess the place of “intentionality” and interest in the institutional order (DiMaggio and Powell, 1991), and be alert to multi-dimensional frameworks (such as that developed by Giddens, 1979, 1984) for insights to the “practical consciousness” of people. We need to foster an evaluative orientation, consistent with the central tenet of Gray’s (1992, 2002) accountability theory and attempts to understand social and environmental accounting interventions in organizational life (O’Dwyer, 2002).

Analysis of actual or desired social and environmental accounting interventions would benefit by drawing more strongly on new directions in the institutional analysis of practice. Neo-institutional theory offers researchers a potentially valuable and instructive sensemaking tool kit that can help them develop commitments to an ethical life and ecological thinking; and thereby, promote a pathway to a sustainable future.

Acknowledgements

The authors are grateful to Jane Broadbent, Royston Greenwood, Michael Lounsbury and two anonymous reviewers for their helpful comments.

References


