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Social accounting and the co-creation of corporate legitimacy

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ABSTRACT

This paper explores how social accounting can generate legitimacy for a company within a local community, and reveals the essential role of the community itself in the process. We take an in-depth case study approach using interviews with both company and community actors, supported by analysis of a nine-year social accounting series. A Bourdieusian frame highlights the unarticulated nature of the roles played by various actors in the co-creation of a local account, and the way that increasing local participation in that accounting process gradually narrates the company into a position of authority. This has lasting impact on the community. Social accounting produces a narrative that acquires symbolic power, directing legitimacy and power to the company, while restructuring the community's social relationships, self-identity, and patterns of accountability. We conceptualise this social accounting process as analogous to mapmaking, iteratively drawing and redrawing the local social geography, prioritising the representation of the company over time in a process of thematic cartography which records growing local acceptance of, and deference to, the company. This has implications for our understanding of the power of account-giving and the impact of social accounting.

1. Introduction

A focus in this paper on community involvement in the social accounting process serves to highlight the potential of the co-creation dynamic in corporate legitimation. We understand social accounting and reporting, following Owen (2008), as a broad term covering the process by which a company accounts for and reports on issues beyond the economic. Social reports are one output of this process. Our study shows that the involvement of the community in the production of a series of social reports lends it a symbolic power which is effective at a tacit level in shaping the local doxa (Bourdieu, 1991). This is important, as it sheds light on the power and purpose of social accounting, and the processes by which it becomes effective.

There is a growing trend, as noted by Contrafatto (2014), of accounting researchers focusing on the actions and motivations of account-giving organizations to study different aspects of social and environmental reporting. This is partly as a response to calls for more in-depth studies of the practices of accounting (Gray, 2002; Owen, 2008; Hopwood, 2009). We addresss these concerns, as well as the need highlighted in Gray, Dillard, and Spence (2009) to address the dispossessed and excluded in social accounting research, by focusing on how the process of creating social reports impacts on the community reported upon. We follow Contrafatto (2014) in focusing in depth on a single case study and in engaging with the company to study the process of the production of social reports. We differ, however, in three key ways: first, the object of our study is the way social accounting legitimizes the company locally, rather than the internal corporate institutionalization of the accounting process; second, we engage with the community which is reported upon as well as with the company, highlighting the significance of its involvement in the social accounting process; third, we also address the impact of this on the community itself, maintaining a focus on the act of social accounting as distinct from the presence of the company or its deployment of economic capital within the community.

In extending our research focus beyond the company to include the community which is reported upon, we explore how both parties' involvement is needed to create corporate legitimacy, following the definition of this term in Deephouse and Carter (2005). We address a lacuna identified in Owen (2008:248) who observes that while legitimacy is a widely accepted outcome of social accounting within the literature, "little attention appears to have been paid as to how (or whether) the legitimisation process itself works or what its effects might be."

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In our analysis, we respond to the call in Unerman and Chapman (2014) to pay "greater attention to the development and refinement of focused, novel theoretical framings" by using aspects of Bourdieusian thinking which are not commonly applied in work on social accounting. Bourdieu, as noted by Malsch, Gendron and Grazzini (2011), has frequently been used in research on issues such as the profession and social spaces, most notably by Neu (Neu, Friesen, & Everett, 2003; Neu, Silva, & Ocampo Gomez, 2008; Neu, 2006), Everett (Everett, 2003, 2008) and others (Lee, 1995; Jacobs, 2003; Haynes, 2008). A Bourdieusian frame has also been used to research environmental reporting (Everett & Neu, 2000), and accountability in the broadest sense (Shenkin & Coulson, 2007; Killian, 2015). However, many of his concepts are less commonly applied in the area of social accounting. In this paper we draw on Bourdieu's ideas on doxa and the capitals, particularly symbolic capital, and also apply his work on corporate patronage of the arts, symbolic power and the *logic of the price*. We find these concepts useful in elucidating the unarticulated nature of complex relationships between the company and community.

The case examined involves Royal Dutch Shell's Irish subsidiary, Shell E&P Ireland Ltd. (hereafter: Shell), and the community of Erris, a remote area in the northwest of Ireland with a particularly strong sense of history and tradition. Following a major crisis of local legitimacy three years after establishing in the area (Garavan et al., 2006), Shell embarked on a painstaking process of building relationships within the local community (Killian, 2010; Siggins, 2010). Over a nine-year period, the local element of the company's social accounting initiative became a key element in this strategy. The participation of community groups was pivotal in establishing the symbolic significance of the social accounting series and its power to shape the local doxa. The process was iterative, repeatedly accounting for, and in this way creating, a subtly altered understanding within the community of its own relationship with the company. Over time, the reports (described in more detail in Section 3) included stories and pictures supplied by various community groups, articulating this changed relationship. We frame the series of social reports as a form of artefact, a "practical euphemism" (Bourdieu, 1991; 1998) co-created by the company and the community. The act of participating in the creation of the reports shaped the community on a number of levels beyond the economic impact of corporate investments, affecting issues of social structure and power patterns. The entire cycle of production of the social reports constituted a process of inscribing and embedding corporate-community linkages. Community involvement in providing content for the series of social reports lent it the authenticity of a local story. Report by report, social accounting incrementally redefined the local doxa over a nine-year period, gradually drawing power away from traditional leadership structures and embedding Shell's legitimacy in the locality.

The accumulation of corporate legitimacy is achieved through the community joining the social accounting process, shaping its own local stories around the reporting company, co-creating a combined narrative which maps the locality with the corporate in a central position. Social accounting therefore both describes and changes the reported-upon community, and in that process gradually draws power and authority towards the company. Our focus is on the power of social accounting, rather than on the impact of the company's financial engagement in the region. A Bourdieusian frame enables us to see how it is the process of social accounting which configures the shared doxa, placing the company in a position of acceptance and legitimacy. The wielding of economic power alone, for example through a community investment programme, if not used to trigger a shared social accounting process, could at most win limited support. Social accounting, however, can have a far more profound effect. By accumulating stories and images from the community and weaving these into an account that centres on the corporate, social accounting can acquire symbolic power, "that invisible power [that] can be exercised only with the complicity of those who do not want to know that they are subject to it, or even that they themselves exercise it" (Bourdieu, 1991:164).

Social accounting builds local legitimacy gradually, gathering and serially reiterating accounts that tie the company to the community. The narrative that social accounting creates is not neutral, and its structuring impact on the community is not separable from its symbolic power. We find that the process of reporting demands that local structures "accept" social engagement with the company which can then be described in the series of social reports. The prioritisation of these reports through social accounting is in turn structuring of the wider community, including those parts of the community which have not engaged with the company. The social accounting process excludes and alienates those actors, and obscures and ultimately usurps tacit and unarticulated lines of local authority. It formalises accountability in relationships that hitherto were characterised by the informal and the familial.

The paper seeks to contribute to the literature in a number of ways. First, in response to Unerman and Chapman (2014), we seek to conceptualise in some detail *how* social accounting contributes to corporate legitimacy, with a specific focus on the local level. We distinguish between the impact of economic corporate-community engagement and the more subtle and powerful impact of the process of accounting for that engagement. We find that it is social accounting itself, and not the deployment of economic capital, that embeds and perpetuates corporate legitimacy. Over time, and in an iterative process, a series of social reports can acquire symbolic significance through the participation of community groups, creating a shared understanding of relationships that both legitimizes the company and alters the community.

Second, our focus on the role of the community reveals the impact of the participatory role of sections of the community in the company's social accounting process. We find that the way in which community groups engage as part of the accounting process, contributing their own accounts to the social report, is essential to imbuing the series of social reports with the symbolic power to generate legitimacy for the firm. This contributes to a new local doxa, placing the company in a position of authority in the field. It is the community input into social reports that lends them symbolic power as a narrative of local significance.

Third, Bourdieu helps us to understand the legitimising process as necessarily tacit, and to see how social accounting provides a covering narrative which both generates and obscures changes to local lines of power and authority. The social accounting narrative, once accepted, can shape a common, if not universal, understanding of accepted relationships between the community and the corporation. The process of building and ceding legitimacy depends on a "shared silence" about how it is achieved, and social accounting functions as a practical euphemism which contributes to this silence and cements its effect.

Finally, we examine the structuring impact of the legitimizing process on the community, which manifests in several ways. The building blocks of social reports are positive local–corporate interactions. As such, social accounting becomes a map of the local that is incomplete. By excluding aspects of community life which do not involve the company, social accounting obscures other relationships, and as the account created becomes significant locally, it blurs and devalues traditional authority lines unless these align with the corporate narrative. As the community provides content for the social reports, a sense develops that this is a way for them to be accountable to the company.

The remainder of the paper is structured as follows. The next section references the literature on the legitimising function of