



Accounting narratives and the narrative turn in accounting research: Issues, theory, methodology, methods and a research framework



Vivien Beattie*

Lancaster University Management School, Lancaster LA1 4YX, UK

ARTICLE INFO

Article history:

Received 18 November 2013

Accepted 6 January 2014

Keywords:

Accounting narratives

Content analysis

Corpus linguistics

Discourse analysis

Storytelling

Sensemaking

ABSTRACT

This plenary address paper traces the development of accounting narratives in external reporting practice and research, focussing on corporate-sourced financial communications to shareholders and analysts. It is written from the personal perspective of a researcher who began in the positivist tradition of disclosure research and is increasingly engaging with the more interpretive/critical tradition of socially-constructed narratives. Whereas early accounting narratives research existed at the margins, modern content-analytic work on disclosures rose to a position of prominence, alongside the rise of non-financial information in the practice domain. In recent years, large-scale linguistic studies have entered the mainstream positivist North American literature, supported by computerised natural language processing. Outside this community, accounting research has witnessed a 'narrative turn', similar to many other social science disciplines, marking a shift away from realism and positivism. This paper argues for the importance of both lines of research. Participants' actions in relation to accounting narratives may be understood in terms of, *inter alia*, both economic explanations based on utility maximisation and behavioural explanations based on psychology and the embeddedness of narrative in social practice. In terms of methodology and methods, the weakening of the deep-surface divide is exemplified by the common combination of corpus linguistics approaches with (critical) discourse analysis in other disciplines. Based on a discussion of key issues, theory, methodology and methods, a framework for thinking about research in accounting narratives is offered. The challenge is to better understand the role of narratives in the increasingly rich, complex information environment of external reporting.

© 2014 Elsevier Ltd. All rights reserved.

1. Introduction

It was a great honour for me to receive the 2012 BAFA Distinguished Academic Award, becoming the 18th recipient, especially as I am very conscious that there are many deserving individuals in our community of scholars. Delivering a plenary address at the following year's conference is the main task associated with the award. Following the tradition set by many

* Tel.: +44 (0) 1524 594334.

E-mail address: v.beattie@lancaster.ac.uk.

previous recipients (e.g. David Otley, Andy Stark and Bob Scapens), I am taking the opportunity today to review and reflect upon developments in an area of research of particular interest to me – accounting narratives.¹ In the title I use this term in a broad sense to include research in both the interpretive/critical European and positivist North American traditions, discussing the potential for linkage between them. Given the breadth of research in this area, the paper offers a selective overview, rather than a systematic and comprehensive review. The focus is on accounting narratives produced by companies and aimed at shareholders, although those produced by other market participants will be considered.

The financial reporting environment is increasingly rich and complex. There are many parties involved in the information supply chain (preparers, auditors, sophisticated analyst intermediaries, informed and uniformed investors, the media and business press) (for a recent review of the financial reporting environment see [Beyer, Cohen, Lys, & Walthers, 2010](#); the discussion by [Berger, 2011](#)). The behaviour of human actors in this environment is similarly complex, as multiple motivations of both an economic and social nature can co-exist ([Festré, 2010](#)). The literature on accounting narratives (European tradition) is related to the literature on voluntary disclosure (North American tradition). The different terminology (*disclosure* versus *narrative*) in part signals quite fundamental differences in researchers' philosophical beliefs, i.e. in the theories and methodologies that they use.² It has been shown that accounting is a local rather than a global discipline,³ with two competing research élites: a powerful, and dominant US élite centred around *The Accounting Review*, the *Journal of Accounting Research* and the *Journal of Accounting and Economics* and an emerging, mostly European élite centred around *Accounting, Organizations and Society* ([Ballas & Theoharakis, 2003](#); [Lukka & Kasanen, 1996](#)). These academic 'tribes' occupy distinct 'territories' within the accounting discipline ([Becher & Trowler, 2001](#)), adopting research approaches with distinctive philosophical assumptions.

At the outset, it is worth making clear how various terms are to be used in this paper. 'Disclosure' research draws upon economic information asymmetry arguments and agency theory, dealing with objective economic 'facts'. A strong stream of analytical work continues as more aspects are considered (reviewed in [Verrecchia, 2001](#)). Empirical work is largely 'archival'⁴ (for a review, see [Healy & Palepu, 2001](#) and the discussion by [Core, 2001](#)). 'What' is disclosed is viewed as information. It may be quantitative and numerical in nature (as in a point estimate management earnings forecast or a non-financial key performance indicator) or comprise qualitative text. Disclosure is viewed as a rational trade-off between costs and benefits – a strategic managerial decision involving complex interdependencies. Information asymmetry reduction sits at the heart of economic disclosure models, with voluntary disclosure providing managers with the opportunity to increase their transparency to capital markets, reducing information risk, leading to a lower cost of capital, increased share price and increased liquidity ([Beyer et al., 2010](#)). In addition to these capital market incentives, voluntary disclosure also facilitates monitoring by shareholders to reduce agency costs. However, various economic costs act as disincentives to full disclosure: loss of competitive advantage, litigation exposure, and direct costs of collecting, processing and disseminating ([Elliott & Jacobson, 1994](#)).⁵

'Narrative' research outside North America since the 1980s has generally grown out of the widespread recognition in the humanities and social sciences in the fundamental role of narrative in creating subjective meaning for human actors. Narrative refers to words (e.g. chronicles, emplotted stories and interview transcripts) and can include pictures and other visuals. The 'narrative turn' refers to the interest in narrative in literary studies that spread to many disciplines. This general approach encompasses a broad range of perspectives from a range of foundation disciplines; in particular, literary theory, which draws upon continental traditions of sociology and philosophy to study how humans create meaning. A related term is 'discourse', which refers either to the everyday conversational use of language or to a high-level societal concept that (critically) considers the linkages between language, power and society ([Alvesson & Kärreman, 2000](#)). The term 'linguistics' can be used broadly to refer to the positivistic scientific study of human language (e.g. corpus linguistics) as well as more meaning-oriented approaches (e.g. sociolinguistics) and critical approaches based on close reading of the text (e.g. critical discourse analysis).

Thus, research into accounting narratives broadly defined covers a broad spectrum from the large-scale positivist economics-rooted quantitative analyses, more recently assisted by computerised linguistic techniques (discussed in Section 3.3 below) (e.g. [Li, 2010](#)), to quantitative content analysis supported by theory from the social sciences (e.g. [Aerts and Cormier, 2009](#); [Merkl-Davies & Brennan, 2011](#)), to rich qualitative case studies, using discourse methodologies and methods from the humanities (e.g. [Davison, 2008](#)). Recent NLP studies have focussed on readability, tone and markers of deception; traditional content-analytic studies have focussed on topic, quantity and quality, while recent qualitative case studies have examined impression management, storytelling, sensemaking and sensegiving. The paper offers a reflective commentary on key features of research into accounting narratives. I see myself as a researcher with a foot in both the disclosure and narrative camps (if that is epistemologically possible). I will look at *how* the literature has developed and also offer some explanations as to *why* this field of scholarly knowledge has developed in the way that it has. Based on a discussion of key issues, theory,

¹ [Otley \(2003\)](#) reflects on management control research, [Stark \(2004\)](#) reflects on the estimation of economic performance using accounting data and [Scapens \(2006\)](#) reflects on management accounting research.

² [Miller and Power \(2013\)](#) also identify two 'intellectual histories' in the accounting literature.

³ The localised nature of research is indicated on the basis that 77% of academic papers show congruence between the origin of the researcher, the data, and the journal. Asian researchers are found to hold views similar to North American researchers, while Australian/New Zealanders are more in agreement with Europeans.

⁴ The term 'archival' is here to mean research that draws upon secondary data. This is the usage adopted in the North American positivist literature; it does not align with how a historian would define an archive.

⁵ Survey and archival evidence generally find proprietary costs to be a crucial consideration (e.g. [Beattie & Smith, 2012a](#); [Ellis, Fee, & Thomas, 2012](#); [Graham, Harvey, & Rajgopal, 2005](#)), although recent evidence indicates that this finding is not fully generalisable ([Arya & Mittendorf, 2013](#)).

Download English Version:

<https://daneshyari.com/en/article/1004073>

Download Persian Version:

<https://daneshyari.com/article/1004073>

[Daneshyari.com](https://daneshyari.com)