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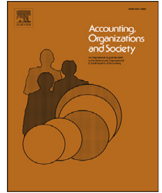

Comment on: Casting call: The expanding nature of actorhood in U.S. Firms, 1960–2010 by Patricia Bromley and Amanda Sharkey☆

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In their interesting and provocative paper, Patricia Bromley and Amanda Sharkey (in this volume) empirically examine "the changing nature and extent of actorhood among firms" through an analysis of firm displays of actorhood occurring within the pages of annual reports from 1960 to 2010. In drawing upon annual reports as empirical data, the authors recognize the significance of such reports in studying questions of interest to both organizational theory and accounting research. Further, by acknowledging the research contributions of assorted accounting authors and their interest in related issues, Bromley and Sharkey also contribute to existing efforts to establish meaningful research exchanges between these two areas. In their paper, the authors argue that shifts in firms' self-representations provide evidence of the expanding nature of firm actorhood and that this expansion requires firms to address more audiences and more issues in order to be considered as proper actors. Bromley and Sharkey associate the growth in, and expansion of, firm actorhood with cultural variables including the rise of managerialism and the explosion of hard and soft laws. Meyer (2009 38, 39) similarly argues that modern actors including organizations can only be understood by reconstructing "their practical embeddedness in taken-for-granted culture and relationships."

From this perspective, modern actorhood is not a condition or attainment but rather is an historical and ongoing construction. To be seen as a legitimate actor (one possessive of actorhood), requires the cultural construction of an entity's capacity and authority to act for itself (Meyer & Jepperson, 2000). Modern actors can be constituted not only as legitimate agents for themselves but also as agents for other actors, for nonactors (e.g., the poor and/or homeless) as well as for principles (e.g., sustainable development). In other words, financial interests are not the only legitimated interests for organizations as "modern agentic actors involve themselves in all sorts of efforts elaborating their agentic capabilities, efforts that often have only the most distant relation to their raw interests" (Meyer & Jepperson, 2000, p. 107). These agentic actors are expected to form "clear boundaries and purposes as well as effectively integrated sovereignty" (Meyer & Jepperson, 2000, p. 112).[1] Bromley and Sharkey similarly argue that organizational identity (a sign of actorhood) is constructed through defining boundaries and establishing autonomy and purposiveness (i.e., agency and the capacity for rational action).

The authors outline two roles for accounting in constructing firms as actors. First, accounting reports and practices help us to imagine firms as whole entities. Second, changes in financial reporting institutionalize an expanding conceptualization of what it means to be a proper organization. Accounting practices and policies do indeed help to construct the firm as an economic entity and actor. In part this construction is performed through boundary drawing work. Accounting policy (in particular consolidation policy) draws boundaries around a possibly disparate set of legal entities and thereby helps to construct them as a single economic entity that is then the focus of an annual report (see e.g., Arnold & Oakes, 1995; Kurunmaki, 1999). Within the pages of the annual report, the performance results and financial condition of dozens, if not hundreds, of legal entities (many subject to the laws and rules of different national, regional and local governments) are combined as though they comprise a single, cohesive unit. Throughout the report, this collective is referenced by name (e.g., 'Abbott' or 'Baker-Hughes') or by a collective pronoun, 'we'. Discussions of individual legal entities may appear in the annual report but such entities are mainly discussed in terms of how they contribute to some overarching strategy or goal of the constructed and bounded economic entity.

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[1] Meyer and Jepperson (2000) appear to regard raw interests as the built-in purpose(s) for an agentic actor. They (p. 107) note that organizations may also highlight their agentic capacities by pursuing actions such as the "development of improved information systems toward no immediate goal … or management training programs stressing individual self-development and organizational culture."

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As noted by Kurunmaki (1999 219), the concept of an economic entity implicit within annual reports presupposes a more or less common agreement that something concrete and bounded exists and that accounting numbers can reflect this objective existence. The professional literature also explicitly recognizes the significance of consolidated financial statements for drawing boundaries to permit the presentation of the financial information of a parent company and its subsidiaries as if these form a single economic unit (FASB codification SS810). Importantly, boundary construction is not a once and for all achievement. These boundaries require ongoing maintenance, as new organizational forms emerge that blur or erase "old" boundaries and/or redrawn boundaries help to facilitate changing programmes of government (Arnold & Oakes, 1995).[2]

Accounting research has also noted the contribution of the annual report to the construction and active management of corporate identity (see e.g., Benschop & Meihuizen, 2002; Davison, 2015; Graves, Flesher, & Jordan, 1996; Lee, 1994; Preston, Wright, & Young, 1996). Much like Bromley & Sharkey, these papers focus on the annual report "surround" or the contents of the annual report other than financial statements and accompanying footnotes.[3] Indeed, Bromley and Sharkey argue that displays of actorhood are conveyed via emphases on mission and vision and that the expansion of financial reporting diminishes these emphases. However, they potentially underestimate the significance of the financial statements within the annual report (and the institutions required to maintain them) in constructing the economic entity as an actor with both a past and a future that exercises sovereignty (power and control) and is capable of acting on its own behalf. Although financial statements tend to emphasize the results of past performance and (by the time issued) past resources and claims on such resources, the footnotes to the annual report may include forward-looking information on various items (e.g., future commitments and contingencies). Indeed, in preparing financial statements, accountants presume that the entity will continue its performance into the future as a "going concern" with an indefinite life. The financial statements also construct the entity as an actor that has control over specific resources called assets.[4] By reporting on "performance," the income statement suggests that the entity actor can undertake purposive actions on its own behalf – actions such as the selection of markets, product lines and other decisions associated with reported revenue-generating activities. Income statements also include expenses many of which (or at least those classified as operating) are associated with costs incurred to generate revenues – costs that economic entities often claim can be reduced through purposeful cost-cutting actions and other measures.

The footnotes to financial statements further act to construct the entity as an actor capable of planning and managing not only its revenue and cost-generating activities but also assorted risks including financial risk through disclosures about the use of derivatives, hedging and other means. Changes in the required footnotes provide insights into the increasing (and sometimes decreasing) responsibilities of the corporate actor for other actors and/or principles including responsibilities for the environment (e.g. asset retirement obligations, disclosures of environmental remediation liabilities), to customers (disclosures regarding product warranties and recalls) and to the public more generally (disclosures of lawsuits, penalties, fines, etc.). These disclosures help to construct the economic entity as an actor that has some (albeit quite limited) responsibilities beyond those suggested by its raw interests.

The discussion above outlines how the elements of required accounting reports provide displays associated with actorhood. These paragraphs also illustrate the role of accounting in drawing boundaries that help to define the economic entity and, equally importantly, help to distinguish between the roles/responsibilities that the economic entity should or need not undertake. However, footnotes in annual reports (and other corporate displays) do more than communicate information about an extant reality in which societal expectations are taken as given (Hines, 1988). Early research on corporate and social responsibility reporting implicitly assumed that disclosures could influence and even alter corporate actions. These displays were conjectured to encourage the substitution of more desirable for less desirable corporate behaviors by helping to reconstruct the corporate values underpinning decision-making. This early literature expected accounting disclosures to help construct a new reality, one in which corporations more closely conformed to societal expectations.[5,6]

A separate research stream explicitly rejects the docility of corporations in adopting societal expectations. This stream recognizes a constitutive role for corporate disclosures and displays dismissing the notion that corporate words or actions simply communicate messages containing true or false information.[7] At times, corporate actions may not mirror corporate words and the words contained in voluntary corporate communications may attempt to manipulate perceptions about entity actions as well as to obscure past actions and future plans. Indeed, some accounting researchers have described various voluntary disclosures and reports as self-serving and biased (e.g., Vinnari & Laine, 2017). Perhaps more importantly, the corporate words and disclosures contained in voluntary sustainability and other corporate and social responsibility reporting may be used to rework and revise societal expectations in ways that drain these expectations of their critical and transformative potential (see e.g., Archel, Husillos, & Spence, 2011; Tregidga et al., 2014). Gray (2010 48) similarly argues:

> … most business reporting on sustainability and much business representative activity around sustainability actually have little, if anything to do with sustainability. . . . these accounts might most easily be interpreted as how organisations would like to understand sustainability and how, in turn, it would convenience them if the body politic would accede to such a view.

[2] Professional standard-setters indicate the importance of ongoing boundary maintenance for the economic entity noting that a conceptual definition of the reporting entity is insufficient and "many issues will remain to be addressed at the standards level" (IASB/FASB, 2008, para. 3).

[3] As the paper is currently written, I am uncertain whether the various word or page counts include or exclude words and pages contained in the SEC and GAAP required portions of the annual report. This uncertainty arises as the quotes in the Baker-Hughes 2010 annual report appear in the proxy materials included in this annual report. Economic entities subject to SEC regulatory jurisdiction are required to file the proxy statement.

[4] Statement of Financial Accounting Concept No. 6 contains the following definition of an asset: "Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events" (FASB, 1985 para. 25).

[5] As noted by Gray (2002) this research has been subjected to significant critique. See e.g., Cooper, 1992.

[6] The more mainstream accounting research on signaling behavior has focused on predicting when corporate entities would voluntarily choose to disclose (or display) information and assumed that differences between corporate displays or words and corporate actions could be detected by market forces. Further, these market forces were assumed to punish or discipline instances of dissonance between words and actions. See Cho, Laine, Roberts, & Rodrigues, 2015 for a brief overview of this literature.

[7] See Cho, Roberts, & Patten, 2010 for brief overview of this literature.

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