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Discourses of transparency in the intellectual capital reporting debate: Moving from generic reporting models to management defined information

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ABSTRACT

In the last decade, transparency has become a necessary mantra for both publicly listed companies and government institutions. Intellectual capital reporting is often related to this goal of enhancing the transparency of business and public institutions. In this paper we emphasize that a movement is seen in the intellectual capital reporting debate, which we argue can be approached as two different discourses of transparency, namely one discourse based on generic reporting versus a second discourse based on management driven information. In other words, one discourse highlights as much information to stakeholders as possible, but seems to be in the process of being substituted by another, which emphasizes reporting what is seen from the perspective of management, namely the "right" information, and only that. The argument for the latter discourse is that it will make intellectual capital reporting more transparent, because of users' bounded rationality and other constraints such as time. This, however, has the implication that users of intellectual capital reporting may become victims of management's selected "right" information, by [Strathern, M. The tyranny of transparency. British Educational Research Journal 2000;26:310–32] designated as the "tyranny of transparency". Also, we emphasize the problems of perceiving transparency as a goal and not a means.

1. Introduction

The idea of transparency is a societal mantra that draws support from a wide array of stakeholders and thereby also interests. Stakeholders can be defined as all conceivable actors who can affect or be affected by the activities of the company. From the company's perspective, there is an interdependent relationship between itself and its stakeholders. As such the interplay can be seen as a socially grounded relationship which involves responsibility and accountability. Top management thus has a great interest in satisfying all the interested parties. Such notions are very much in line with the idea of transparency aired in the social and environmental accounting (SEA) debate in the 1990s (cf. Gray, 2002), which sought to expand the realm of corporations' reporting to ensure the disclosure of information to society concerning "the use of its resources and the burdens/(benefits) it has been obliged to bear" (Gray, 1992, p. 415).

From this work, we can deduce two key points. First, transparency in terms of providing sufficient information for society to be able to evaluate the activities of corporations must be directed towards society as a whole. Second, transparency is mobilized as a means and not a goal in itself.

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According to Van Riel (2000), transparency has for some corporations become a central corporate value, something which is not unproblematic, because transparency in essence is in the eyes of the beholder, i.e. the receiver and not the sender. As a consequence, Strathern (2000) argues that we must be conscious of multiple stakeholders with diverse interests when reflecting upon organisations' deliberate striving for transparency. Because the concept of transparency is difficult to objectify, it comprises a problem that companies, consultants and academics alike use this concept of transparent business reporting in whichever way is appropriate for them, at the same time presenting transparency as an objective condition by which they live. Thus, we must be weary when corporations mobilize transparency as a goal. Here we must contemplate what their intentions are.

In the words of Llewellyn and Milne (2007, p. 806), accounting can be perceived as "the language of business" thereby taking "a specialised form of discourse, in part, because it relies, primarily, on numerical representations but also, and relatedly, because it is codified". The need for studying the social and institutional aspects of accounting has been accentuated by "lacks of innocence" (Strathern, 2000) exemplified by the recent years' major accounting scandals, such as Enron and Parmalat. These "mishaps" have illustrated flaws of accounting, and the fragility of basing investment decisions solely on accounting information.

It can be argued that the goal and moral duty of financial accounting is to achieve transparency. From an accountability perspective this will advance closeness and reduce inequality in society, while the same goal from an agency theory perspective is to reduce information asymmetry. A broader representation of the company and its value creation logic, than that which is conveyed through financial reporting, has been raised as a possible solution to seemingly increasing transparency problems. Among other things, it is argued that users need information that is able to represent an organisation's identity and image (see e.g. Gioia et al., 2000) at the same time in an abbreviated and understandable fashion.

Moreover, there has been some discussion in recent years of whether or not both accounting standards and firms' reporting to the business environment are appropriate in relation to transparency. This discussion is often coupled with the emergence of the knowledge society and the new economy where intangible assets are gaining importance (cf. Stewart, 1997; Goldfinger, 1997), and where intellectual capital, rather than physical capital, is often seen as the pivotal factor underlying value creation (Eustace, 2001; Blair and Wallman, 2001). Gelb (2002) accentuates this viewpoint, arguing that supplementary disclosure is an important communication medium for firms with significant levels of intangible assets.

Some of the most acknowledged work within the field of business reporting comes from the research conducted under the auspices of the Institute of Chartered Accountants of Scotland (ICAS) and the Institute of Chartered Accountants in England and Wales (ICAEW), the most notable reports being Beattie et al. (2004), Beattie and Pratt (2002), Fincham and Roslender (2003) and ICAEW (2004). Common to these reports is that they rely heavily on the classifications of the Jenkins report (AICPA, 1994). In this respect it can be argued that the Jenkins report may have at least earlier gained a dominant discursive status.

In contrast to this stands another more recent viewpoint in which only the most relevant and reliable information, seen from a specific sender namely management, should be disclosed. Among some of the most notable intellectual capital reporting models that take their points of departure in this discourse is the Meritum guideline (Cañibano et al., 2002) and the Danish guideline for intellectual capital statements (2003). In these models, designated by Fincham and Roslender (2003) as "narrative-based" reporting models, management's perception of strategy, key management challenges and key performance indicators form the basis of company disclosure.

This paper studies such intellectual capital and business reporting texts. The aim of this paper is, within the fields of intellectual capital and supplementary business reporting, to identify and discuss the discursive practices that mobilize the idea of transparency. At this time it is also important to note, that although intellectual capital reporting is our point of departure and therefore our empirical focus, it is a part of a broader discourse that historical accounts may not be sufficient for decision-making, both within organisation and within financial markets studying organsations. Hence, intellectual capital reporting and related voluntary business reporting texts, such as those drawn upon in this paper, are to a large extent set within a broader sustainable development discourse. Our reasoning and thoughts on applying discourse analysis are described in Section 2. The following sections concern the mobilization of transparency in the field of intellectual capital reporting, and description of the initial discourse that views transparency as a generic information set and suggests that providing lots of information is the best way of ensuring transparency. Next, we introduce a new discourse that views transparency as a limited-information set that is constructed according to management's perception of appropriate information. The insights generated through inspiration from critical discourse analysis (Dijk, 1993) are discussed in Section 6, where the discourses are problematized. Mostly we problematize the management driven discourse, and its sender approach. In Section 7 we try to explain possible future directions in relation to the transparency discourse and thereby also for intellectual capital reporting.

2. Methodology

Research in some parts of social science has to an increasing extent focused on the production and consumption of texts in specific contexts (Phillips and Jørgensen, 2002; Dijk, 1993; Fairclough, 1992). Different analytical methods have been introduced under the umbrella of discourse analysis. A central argument in discourse analysis is that the only way subjects can relate to the world is through words and text. It thus becomes central to study the way discourses are negotiated, contrasted and changed partly through spoken language, and partly through written texts. Discourse analysis is concerned