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Financial accounting for the common good – from a social economy perspective

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Financial Accounting for the common good - from a social economy perspective.

Maureen McCulloch

A thesis submitted in partial fulfilment of the requirements of
Sheffield Hallam University
for the degree of Doctor of Philosophy

August 2021

Candidate Declaration

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Abstract

This thesis is a pragmatic exploration of concepts to be found in social economy organisations with a view to improving the connection between financial accounting practice and organisational impact in the social and physical world. It approaches financial accounting from a social economy perspective.

The research draws on ideas from Aristotle, contrasting the pursuit of wealth for its own sake – chrematistics – with the pursuit of the wise allocation of resources towards a good society in which people can flourish – economics. It also uses Kantian concepts of creative agency and experience as essentially limited and emergent, to discuss the inevitability of diverse views of flourishing.

The study develops through three stages. First, there is a qualitative case study exploration of ideas of purpose found in a range of social enterprises. Second, there is analysis of the findings using theories drawn from development studies and sociology. Third, there is a discussion of the implications for current practice in accounting for financial resources, specifically contrasting not for profit accounting with for profit accounting.

The findings suggest that the social economy accommodates myriad possible purposes, both macro and micro, within and between organisations, with the organisational macro purpose acting as the internal orchestrator of other priorities. Our current not for profit formats and systems for financial accounting, if understood in non-philanthropic, multiple macro and micro purposes terminology, provide a starting point for the development of financial accounting as a tool for Aristotelian economics; for the allocation of resources to meet diverse needs and interests.

The study contributes to critical accounting research, particularly the strand focused on flourishing, from the perspective of the social economy. It shows that the multiple purposes approach, by accommodating choice of organisational macro purpose, can encompass profit as a macro purpose but the for profit approach is too narrow to accommodate any other purpose. It demonstrates that we already have in practice a broader, more flexible way of accounting for financial resources than for profit accounting, and suggests that this approach should be recognized and further developed.

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Acknowledgements

I would like to thank my Director of Studies, Professor Rory Ridley Duff, for his patient, generous support and inspiration, also for introducing me to international research networks in social enterprise and co-operatives which have greatly enriched my studies and my enjoyment of them. I would also like to thank Professors Gareth G Morgan and Nigel Garrow as part of the supervisory team, and particularly Dr. Martin Roberts, as well as the wider research community at Sheffield Business School, for their constructive criticism at several stages of the development of my thesis.

I would also like to thank Professor Emerita Laura Spira and Oxford Brookes Business School for support in the early stages, and Drs. Rebecca Warren and Elisavet Mantzari for support, inspiration and enthusiasm in the later stages. And my family for their support, particularly my son, Clem, for reference checking and proof reading.

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List of abbreviations

CERES -	Coalition for Responsible Economies (CERES)
CSR -	Corporate Social Responsibility
EMES -	Emergence des Entreprises Sociales
Fp –	for profit
FIL -	Finance Innovation Lab
GRI -	Global Reporting Initiative
IFRS-	International Financial Reporting Standards
IIRC -	International Integrated Reporting Council
MSV -	Maximization of shareholder value
NCC -	Natural Capital Coalition
Nfp -	not for profit
NGO -	non-governmental organisation
SAN -	Social Audit Network
SEA -	Social and Environmental Accounting
SEAR -	Social and Environmental Accounting and Reporting
SNA -	System of National Accounts
SOFA -	Statement of Financial Activities
SORP -	Statement of Recommended Practice
SROI -	Social Return on Investment
TEEB -	The Economics of Ecosystems and Biodiversity
TSI -	European Union Third Sector Impact project
TSO -	Third sector organisation
UNEP -	United Nations Environmental Programme
UNSDGs/SDGs	United Nations Sustainable Development Goals (SDGs)

Chapter 1 Introduction

What would happen, theoretically and analytically, if the focus of the literature were reframed from entrepreneurship as an economic activity with possible social change outcomes to entrepreneurship as a social change activity with a variety of possible outcomes? What kind of outcomes might these be? In making this move, we further ask, “What kind of theoretical insights can enable this reframing?” (Calas, Smircich and Bourne, 2009:553)

(A)ccounting has become perhaps the most powerful system of representation of social and economic life that exists today [...] (T)he roles that accounting plays within organizations co-emerge with the economized social relations that in turn provide its rationales and that shape the organization as an accounting entity (Hopwood,1986). (Miller & Power, 2013, p.561)

Ideology becomes hegemonic when it is widely accepted as describing ‘the way things are’, inducing people to consent to the institutions and practices dominant in their organisation (Consalvo 1998). Gramsci referred to this as ‘common sense’; an unquestioning belief that this is the way things are supposed to be, with no need for justification. (Cordery & Baskerville, 2005:17)

1.1. Financial accounting from the social economy perspective.

This thesis is a pragmatic exploration of concepts to be found in the social economy with a view to improving financial accounting practice. It takes a broadly social constructionist approach, seeing accounting as co-emerging with the social relations within the organisations studied, as in the Hopwood quote above.

Replacing entrepreneurship in the Calas et al. quote above with accounting, it takes the social perspective and asks what would happen if we approached financial accounting as a tool for decision making in pursuit of positive social and/or environmental impact, replacing profit with purpose. In this, the study is seeking to reclaim the perspective for social economy organisations from the financial orientation which is the dominant framework for understanding enterprise and accounting. It is questioning “common sense” as in the Cordery and Baskerville quote above, though not so much by questioning justification as by exploring alternatives.

The study analyses findings from conversations with a range of participants in social enterprises using tools derived from social rather than entrepreneurial or business studies. It then uses the concepts developed through the analysis to discuss how financial

accounting might be better connected with activities in pursuit of positive social and/or environmental impact.

1.1.1. Research questions

The main research question this thesis seeks to answer is:-

Can understandings of purpose found in social enterprises help to connect financial accounting with responsibility for the social and environmental impacts of organisational activity?

This question breaks down into three sub-questions:-

What understandings of purpose can be found in social enterprises?

How can these understandings be articulated in social economy terms rather than in terms of return on capital or not, or metaphors derived from capital?

How can these understandings connect financial accounting with responsibility for changes brought about in the world?

The third question rather assumes accounting is currently disconnected from responsibility. This assumption is addressed through the literature reviews in Chapters 2 and 3, but in summary, it would seem to be that quite a few scholars and practitioners currently believe that for profit accounting, and the developments of its commercialized approach in public and third sector accounting, is detached from the social and environmental impacts of the organisations which employ it, and thus disconnected from responsibility for their actions and behaviour towards people and things, or worse, implicit in their irresponsible behaviour (e.g Hines, 1991; Broadbent and Laughlin, 1998; Jackson and Lapsley, 2003; Dillard, Ruchala and Yuthus, 2005; Moneva, Archel and Correa, 2006; Bignon, Biondi and Ragot, 2012; Collison et al., 2016; Chiapello, 2017; Lapsley and Miller, 2019; Lowe, Nama and Preda, 2020).

The first question is addressed by the field work for the study which comprises an exploration of the understandings of purpose found in a range of social enterprises. The second by the analysis of the findings using tools taken from social science, specifically an evaluation model from development studies, structuration from sociology and theory of

change from community development. These tools are used to articulate the understandings of purpose in the findings without recourse to terminology or metaphors drawn from financial capital.

The third question is addressed by the application of the concepts developed through the analysis to financial accounting asking what sort of financial accounting could support activities framed by them.

Calas et al (2009) in the opening quotation, regarding changing the perspective on social enterprise, from the entrepreneurial to the social, ask

“What kind of theoretical insights can enable this reframing?” (Calas et al, 2009:553).

This research, starting its exploration from the social perspective on social enterprise and moving through that into accounting, asks what kinds of insights into possible accounting can be enabled from this reframing.

The logic of the exploration runs from examining what the organisations want to do, to the ways in which accounting is/ can be useful as part of, or support for, their social and environmental activities, exploring what sorts of accounting (understood narrowly here as information about financial resources) can facilitate these activities. The exploration is of how the activities might shape the accounting rather than how accounting shapes the activities. Although Dillard and Vinnari’s (2019) article concerning the need for an accountability driven accounting as opposed to an accounting driven accountability was published after the field research for this thesis was completed, this study can be seen as aligning with their call to replace the current system of adding a little bit more (social and environmental accounting and reporting) onto a financially driven model. This alignment is explored in further detail in Chapter 2.

1.1.2. Situating the research in the social economy

Social enterprises, and the social economy in which they operate and which they simultaneously create, fall between sectors which are usually described as for-profit and not for profit in the Anglo-American tradition. Accounting also traditionally falls into these two broad approaches, for profit (fp) accounting in organisations whose primary aim is to make a profit and not for profit (nfp) accounting in organisations whose primary aims are

something other than making a profit. Nfp accounting further divides into two types, accounting for public sector (governmental) bodies and accounting for private (non-state) public benefit organisations which are commonly seen as altruistic, philanthropic. The discussion in Chapter 2 compares the different accounting traditions.

The study questions this division of sectors, and of accounting, into for profit and not for profit. It suggests replacing the fp/nfp divide, often also expressed as market/philanthropy with the Aristotelian categories of chrematistics and economics (Cruz, Stahel and Max-Neef, 2009; Dierksmeier and Pirson, 2009; Max-Neef, 2010). Aristotle's classifications – chrematistics as the pursuit of financial wealth, the art of making money, and economics as the allocation of resources in pursuit of a good society – underpin Polanyi's theories (Polanyi, 1944 and Dale, 2010). Polanyi (1944) distinguishes economies into market (exchange), state (redistribution) and household (reciprocity). Social enterprise, taken initially here, following Peattie and Morley (2008), as enterprise which uses market mechanisms to pursue social and/or environmental impact, is a contested idea at least partly because of these different approaches (Nicholls, 2010). Polanyian ideas, including reciprocity, are widely used by academics in the European/international tradition (contrasted with the Anglo-American tradition which puts more focus on profit distribution, exemplified by Alter, (2007) in Table 1 below and discussed in Chapter 3) when exploring social enterprise and the social economy (Kerlin 2006 and 2010; Pestoff, 1998; Defourny and Nyssens, 2010 and 2017)

The research uses case studies drawn from a range across the fp/nfp divide but which all fall within the social economy if it is understood in Aristotelian terms, in order to explore potential commonalities which might be obscured by the fp/nfp divide. Because the definition of the social economy is contested and this study questions the division of organisations and accounting into for profit and not for profit, it is important to be clear at the outset about where the research sits.

The following diagrams (Figure 1 and Table 1) situate the research in respect of different approaches which are illustrative, without being exhaustive, of the complexity of defining the different sectors. Pearce (2003)'s pie chart (Figure 1 below) uses categories akin to Polanyi's (1944) to distinguish three separate types of economy. The first, private

companies (market, exchange), the second, governmental (state, governmental, redistribution) and the third, social, mutual, self-help (reciprocity). Pearce sees each sector as having several layers ranging from micro entities to multinational corporations/international non- governmental and intergovernmental agencies. Alter's (2007) spectrum which has been influential in Anglo-American classification of the social economy can be seen as a tangent across Pearce's circle (Figure 1). It is perhaps clearer but nowhere near as rich a picture as Pearce's diagram. Alter's (2007) spectrum ignores the layers and the governmental sector. It explicitly uses profit distribution as a dividing line.

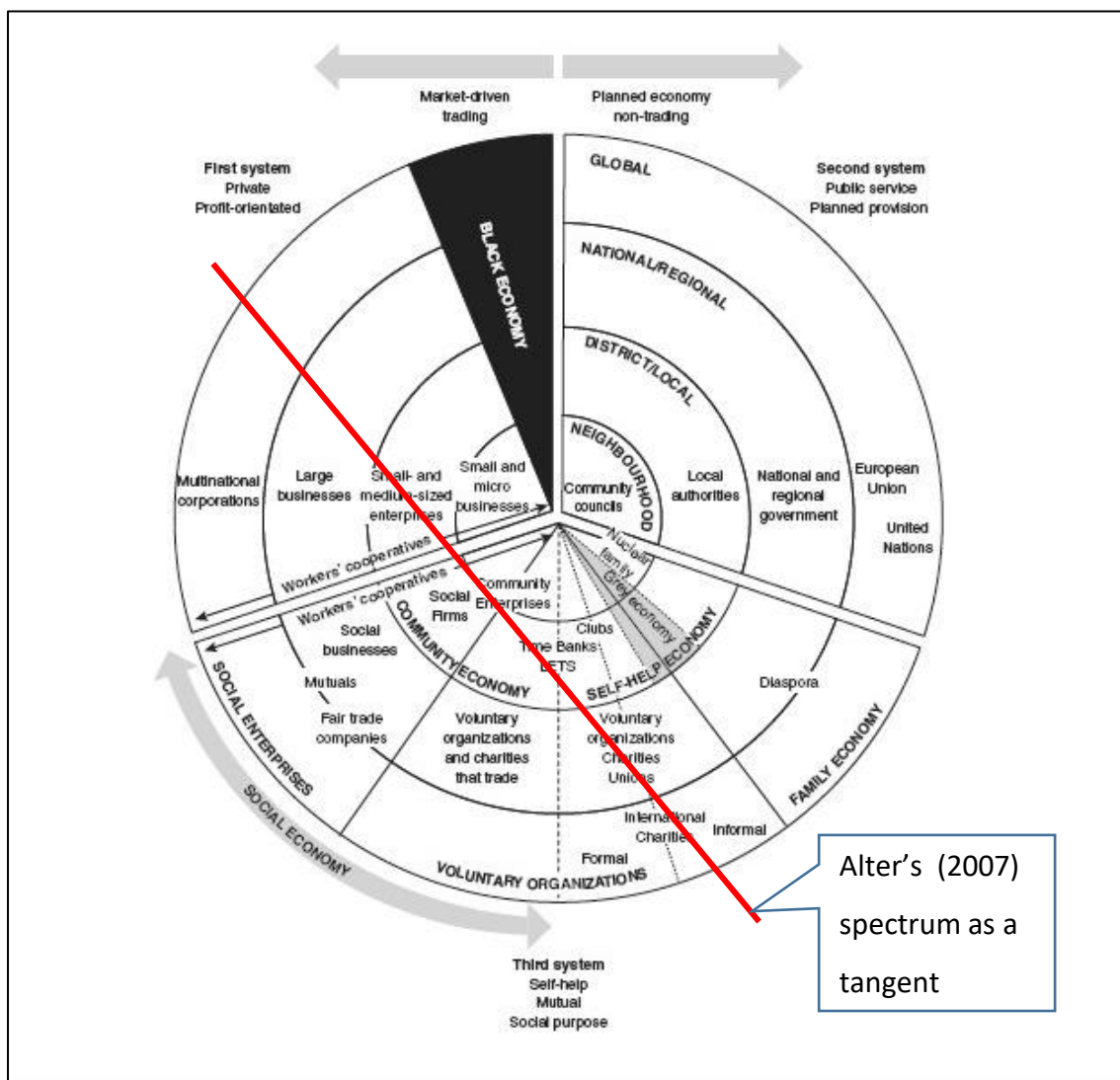


Figure 1. Pearce's three systems of the economy model (Pearce, 2003, p. 25) adapted.

If we think of Pearce's diagram as unfolded flat the governmental sector can be added to the not for profit end of Alter's spectrum, Table 1. His three sectors roughly correspond

with Alter's spectrum. Pearce sees workers' co-operatives as straddling the first/third system divide which is not the same as fp/nfp for Pearce. Co-operatives provide an interesting example of the tensions between the fp/nfp versus methods of classification which include reciprocity. This is discussed in the literature review in Chapter 3. Pearce (2003) includes some worker co-operatives and social business in the social economy.

Pearce includes the social economy in his third system. He sees voluntary organisations and charities which trade as part of the social economy, but other charities, although in the third system, fall outside the social economy.

Westall (2001) suggests that we should classify the social economy as a fourth system, arguing that it is not just a hybrid of the sectors between which it sits but is a distinct economy with governing principles which cannot be explained purely in terms of the three other systems. This separates the social economy from philanthropy more clearly than either Pearce or Alter. Westall's fourth sector classification ties in with the European tradition as exemplified by the Emergence des Entreprises Sociales (EMES) network, which sees social enterprise emerging from the tensions between three systems based on Polanyi's classifications, including reciprocity (Defourny & Nyssens, 2017). Arguments as to how to define the social economy, those based on profit distribution, or its limitation, versus those based on reciprocity, have important implications for policy and legislation, particularly for co-operatives, nationally and internationally. These implications are discussed in Chapter 3.

Wright (2006) notes that it often falls below the radar even of radical critics of capitalism. Gibson-Graham (2006) liken it to the submerged part of an iceberg which is ignored because submerged. This thesis seeks to develop ideas found in this social sector in order to address the apparent disconnect between financial accounting and social and environmental impact, discussed in Chapter 2.

			Area in which the research is situated					
Pearce (2003)	First Sector		Third Sector					Second Sector
Alter (2007)	Traditional for profit	Corporation practising social responsibility	Socially responsible business	Traditional for profit/not for profit/divide	Non-profit funded by market trading	Non profit with income generating activities	Traditional non profit	Public Sector
Max-Neef et al (2009)	Aristotelian chrematistics – pursuit of financial return as success, business case for CSR.		Aristotelian economics – pursuit of a good life in a good society, objectives primarily other than financial return, social case for business.					
My classifications		Corporate Social Responsibility	Social Enterprise/ Social Economy		Philanthropy		Public good	
Westall (2001)	First Sector		Fourth sector		Third sector		Second Sector	
	For profit accounting				Choice of for profit or not for profit accounting	Not for profit accounting	Not for profit public sector accounting	

Table 1. Situating the research.

1.1.3. Situating the social economy

Wright (2013) explores the interactions of the three systems, market, state and society; he recognises three power bases forming our economy (understood in the Aristotelian sense as the allocation of resources) and related institutions. These are economic power (not Aristotelian, understood here as financially driven markets), state power and civil society. He defines power as simply the “*capacity of actors to accomplish things in the world*”.

This definition has both an instrumental and structural dimension: it is instrumental in that it focuses on the capacities people use to accomplish things in the world; it is structural in that

the effectiveness of these actions depends upon the social structural conditions under which people act. (Wright, 2010:111).

He argues that the economies are hybrids derived from the influence of these powers and the way that they act upon one another, complex constructions. He argues that the power bases are in constant tension vying for power over the other domains. This argument ties in with the EMES network's (Defourny and Nyssens, 2006,2010,2017) understanding of the social economy as emerging through the push and pull of capital (market) interest, mutual (civil society) interest and general (state) interest, which is developed in Chapter 3.

He defines three types of economy (systems for allocating resources and controlling production and distribution) – capitalism where the economy is shaped by economic (financial) power, statism where the economy is shaped by state power and socialism where the economy is shaped by social power. Each of the power bases exerts influence on the others, not just on the economy. So the state can be shaped and influenced by economic (financial) power (e.g. through lobbying and sponsorship or through corruption) or by social power (e.g. democratic voting and a system of local government); economic power can be shaped and influenced by state power (through regulation and legislation) or by social power (e.g. through NGO activism or democracy in the work place); social power can be shaped and influenced by economic (financial, e.g. through indebtedness or long working hours) or by state power (legislation). Wright (2013) argues that one power base is never completely dominant but we categorise situations on the most powerful influence, even though it is very difficult to measure. So, within a capitalist system we could still have some regulation and economic legislation and some democratic political organisation, but the main thrust of power relations is from the economic base exerting influence on the others as well as controlling the economy.

Wright (2013) contrasts a system of capitalist empowerment with one of social empowerment. In the capitalist system the economy is controlled by financial interests and these exercise a strong influence on social power, civil society, as well as on the state. In the socialist system, civil society, social power exerts strong influence on the state which in turn legislates to control financial power. In a socialist economy allocation of resources is

according to need or participation, not according to financial power. The production and distribution of goods and services is socially rather than financially driven.

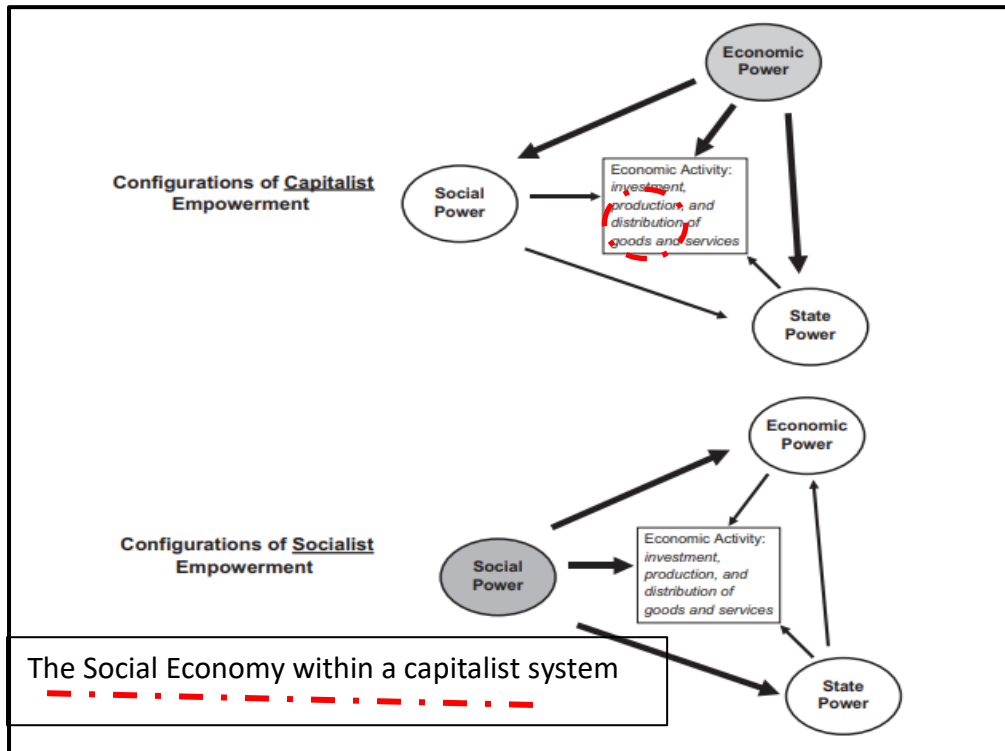


Figure 2. Configurations of Capitalist and Socialist empowerment, adapted from Wright 2013:14

We currently find ourselves in a pre-dominantly capitalist economy, the allocation of resources and the control of production and distribution of goods and services is largely financially driven. The dominant hegemony is capitalism. Our studies of the social economy (the dotted circle in the top diagram, not to scale) within a capitalist system risk being dominated by the financial perspective. Whilst this thesis is not a study of power relations, a fundamental contention is that we cannot understand the social economy using the dominant framework.

So, this study's aim is to understand the social sector in its own terms, replacing the framework or interpretive scheme of for profit or not (market/philanthropy) with Aristotle's chrematistics and economics. It explores ideas of purpose – what the organisations (as created by the people who act in and through them) want to achieve, what success and

failure look like to them. It seeks to articulate these ideas without recourse to the categorisations of for profit or not, or to metaphors drawn from the ideas of profit and accumulation.

It is “reclaiming the conversation” (Holloway, 2010:2). Holloway (2010), loosely following Gramsci, argues that counter-hegemonic movements operate by challenging power directly through confrontation but, he argues, refusing to be classified in the dominant hegemony’s terms, refusing the “common sense” terminology and classifications, is also a form of resistance.

1.1.4. Moving from the social economy to accounting

Aristotle describes economics as the art of the wise allocation of resources in pursuit of a good society. The concept of a good society and the common good is explored in Chapter 3. This study explores how organisations in the social economy prioritise the allocation of their resources in pursuit of what they consider to be societal improvement. And it then moves on to apply the concepts developed through this exploration to accounting. The contribution to knowledge is to demonstrate how we can see accounting in terms other than for profit or not, and, as a corollary, how we can see not for profit accounting in terms other than philanthropic, thereby opening the possibility of understanding an already existing model of accounting as a potential tool for the wise allocation of financial resources to activities in pursuit of a good society.

This study understands accounting as the means of analysing and communicating information on the generation and application of financial resources. Accounting is explored within the context of activities directed towards social (and/or environmental) amelioration (social enterprises). Accounting is understood here in a narrow way – only as concerned with decisions and reporting regarding the generation and allocation of financial resources. In basic economics (classical, not Aristotelian), the aspects of possible accountings this study is concerned with deal with financial resources as opposed to social and natural but, crucially, within the context of organisations concerned with social and/or environmental activities and their social and/or environmental impact, i.e. those classed as social enterprises.

1.1.5. Defining the social and situating it within ongoing conversations in scholarship and practice

McIntosh and Hopper (2005:399) define the social as

relationships of individuals to their communities and to society at large. So sociologists and political scientists attempt to understand how social systems such as organizations, institutions, professions, families function and change, particularly why and how individuals accept [or resist] social controls and their power effects. The interest for us, then, is in understanding the role of accounting as one of the many important bonding agents that hold social systems together, as well as acting as the catalyst for conflict and resistance to social controls and their power effects. (McIntosh & Hopper, 2005:399) Emphasis added.

As noted above, Holloway (2010), following Gramsci, argues that resistance can take the form of refusing to be categorised in the terms of the dominant paradigm. By exploring social enterprise without recourse to the categories of the dominant fp/nfp paradigm, this study initially explores the social economy's tacit resistance to the fp/nfp paradigm.

Holloway terms the self-sufficiency of this refusal to be dominated, autonomy. By applying the understandings derived from this social perspective to the accounting which could support social and/or environmental purposes, this research is exploring how accounting can potentially aid this autonomy. The study falls into Wright's (2010) emancipatory social science – that which seeks to build systems and societies within which people and planet can flourish. In accounting research it sits within the critical tradition focussed on flourishing (Dillard and Reynolds, 2011) and, to an extent, in the accounting research tradition which explores emancipation (Gallhofer and Haslam, 2019).

However, this research uses the term responsibility rather than emancipation or autonomy. Responsibility can be defined as the capacity to fulfil obligations and duties, to be trustworthy. It carries the idea of being accountable for something, but also that of

being the cause or originator of something (taking) the credit or blame for something. (Oxford English Dictionary, 2021).

(Acting) under one's own control, at one's own risk; so as to be solely accountable; spec. without reference to a higher authority. (Oxford English Dictionary, 2021)

Responsibility shares autonomy's connotation of self-sufficiency and emancipation's connotation of freedom from the authority of others but it also carries the idea of

a moral obligation to behave correctly towards or in respect of a person or thing (Oxford English Dictionary, 2021).

The term responsibility is used also in preference to accountability because of this combination of meanings. Responsibility is taken to mean accountable to oneself for one's attitudes and behaviour in respect of people and things. There is large body of scholarship interested in accountability in governance covering all four sectors. There is also much scholarship covering methods of decision making within organisations. This study does not have the scope to contribute to those discussions except insofar as it is exploring accounting (as concerned with financial resources) as a tool for accountability and governance, as part of the information systems for decision making and reporting (Dillard and Vinnari, 2019). This is discussed further in Chapter 2.

McIntosh and Hopper (2005) suggest that the interest in the social and political aspects and dimensions of accounting should lead to research which is concerned with ethics and morality in the philosophical sense. Following Ricoeur, they argue that the term *ethics should be reserved 'for the aim of an accomplished life and the term "morality" for the articulation of this aim in norms characterized at once by the claim to universality and by an effect of constraint'* (Ricoeur, 1992:179 cited in McIntosh and Hopper, 2005:402).

Morality is the

obligation to respect and honor the socially constructed mores [norms] of one's community. Moral obligations come from outside oneself while ethics is internal and concerns the intention of aiming for what many traditional philosophers refer to as an accomplished life 'aiming at the good life with and for others in just institutions' [Ricoeur, 1992:180] This means living well for oneself and for the other. (McIntosh & Hopper, 2005:402). *Emphasis added.*

This study aims to articulate some of the norms of the community which can be found in the social economy. It is interested in, as McIntosh and Hopper (2005:400) put it, the culture of the social economy. They explain culture as

*what people live in, what they live for and what they live by. In today's rapidly shrinking world, however, culture as the bedrock of various distinctive communities of like-minded peoples seems to be giving way to a universal mass culture, energized by the commercialization of goods, services and images. (McIntosh & Hopper, 2005:400). *Emphasis in original**

This study explores the resistance in the social economy to the “commercialization of goods, services and images” by exploring understandings of purpose in social enterprise, what people in the social economy live for and by, what they are aiming for, articulating these in terminology which avoids using ideas drawn from commercialization. It then uses this understanding of the “culture” in the social enterprises studied to explore how accounting, understood as dealing with information about the generation and allocation of financial resources, can be connected with responsibility.

Ethics, as defined by McIntosh and Hopper (2005), the internal intention of aiming for the good life with others, can be understood as individual and collective responsibility for the world which is sought and that created (structures, systems and institutions) through individual and collective actions and behaviour towards people and things.

An interdisciplinary contribution is to bring the debates which are taking place concerning the social economy into discussions about accounting’s role in organisational social and environmental responsibility. The use of Aristotelian categorisations of chrematistics and economics, instead of fp and nfp, switches the emphasis to the social and environmental reasons for activities, the use of Anderson’s (1995) Kantian pluralist value theory allows for a wider range of attitudes as well as a wider range of things to care about. Responsibility here is understood as the autonomous choice of attitude towards people and things as discussed above. Through this, the research contributes to debates about accounting’s relation to the common good (the good life with and for others in just institutions, noted above) (Killian and O’Regan, 2020; Frémeaux, Puyou, and Michelson, 2020). The research also contributes to the discussions about how accounting might support negotiation and dialogue, in particular those discussions concerned with agonistics and dialogics (Bebbington, Brown, Frame and Thomson, 2007; Brown, 2009; Vinnari and Dillard 2016; Dillard and Vinnari, 2019) and pluralization and democracy (Broadbent, 1998; Gallhofer and Haslam, 2019).

It contributes to discussions about accounting for co-operative principles, a particularly neglected area for business and accounting research (Hicks, Maddocks, Robb and Webb, 2007; Lukka, 2010; McCulloch, 2019). A practical contribution from this research is the suggestion that co-operatives which cannot be accommodated within the fp/nfp

classifications, and which will be seriously impacted by the definitions based on fp/nfp in the *UN Handbook on Non-profit Institutions in the System of National Accounts* discussed in Chapter 3, should develop a specific co-operative system of accounting modelled on nfp accounting, understood as accounting for multiple purposes. This suggestion has been taken up by the International Co-operative Alliance which started an initial feasibility study for the project in early 2020 (Appendix 2).

1.2. Method.

The study adopted a qualitative case study approach to explore understandings of purpose. A range of organisations was chosen purposively along the spectrum identified in table 1 above. The interview questions (Appendix 1) directly ask what the purpose of the organisation is, and they allow participants to flesh this out by asking about success and failure and also who would want to see them succeed, and who would want to see them fail. This allows the researcher to place the understanding of organisational purpose in a wider context. The interviews were semi-structured for the same reason. The relative openness of the questions allowed participants to elaborate on their explanations and even go off on a tangent which added richness to the answers.

By asking about purpose, the researcher sought to investigate what the organisations aimed towards achieving, in McIntosh and Hopper's (2005:402, above) words, "what they live for", their *raison d'être*. In asking about success and failure, what they look like, who else is concerned, and how they can be/ are measured, the researcher is seeking to uncover more about the world(s) the organisations (as created by the actors within them) wish to create through their actions, their vision of what a good life in a good society would look like.

The first stage analysis of the findings used a model drawn from a review of evaluation literature in development studies – Lee and Nowell (2015). Development studies are concerned with conditions for human flourishing. The second stage used a structuration model (Giddens, 1984; Dillard, Rigsby and Newman, 2004; Busco, 2009) because structuration considers the ways in which norms and mores work with agency and resource allocation. Structuration allows for the development of concepts which deal with the ways these aspects of experience work together and shape one another. Structuration was used in conjunction with categories from the Finance Innovation Lab's theory of change (FIL,

2016), derived from Geels' (2002) transition theory, to recognise the desire for social change expressed in the interviews.

1.3. Theoretical framework and research philosophy

Structuration has clear roots in Kantian metaphysics. Although Kant did not develop a sociological theory, modern Kantians argue that his metaphysics is based upon intersubjectivity (Findlay, 1957; Anderson, 1995; Korsgaard, 1996 and 2009; O'Neill, 2013; Vandenberghe, 2018). Kant's arguments turn on the concept of active agency as escaping direct examination – the agent can be studied as can that which is created through agency but the active aspect cannot be studied, or known, either directly or through abstraction. It can only be studied indirectly through the study of its effects. It can be respected as that which escapes our grasp. Anderson (1995) builds upon Kant's arguments regarding respect to develop a theory of valuation which recognises the myriad ways of being towards people and things.

This research follows a Kantian epistemology and ontology which clarifies the idea of active agency in structuration as the pivot point between agent and structures. Kant's arguments see experience as emergent, a combination of interpretative schema and the material that is interpreted. Interpretive schema and experience are created simultaneously at this meeting point, and the experiencing, knowing agent is realised through this encounter.

(A)ctive contact with nature creates knowing man and nature at one and the same time (Kolakowski, 1969, p75 cited in Johnson & Duberley, 2003, p1283).

It is the active agency which creates the experience and the schema simultaneously in the process of self-realisation. We can study the agent – but only through the experience created (phenomenal) or through the schema used (transcendental). We cannot grasp the moment of active agency from which both experience and schema emerge but we can examine the consequences albeit in different ways. Kant's arguments demonstrate the limits of our understanding. There is always something which escapes us, indeed it is that very something which escapes us which makes experience possible. Experience depends on otherness. Kant's arguments also demonstrate the range of possible attitudes towards the elements of our experience. These arguments pave the way for a pluralistic theory of value (Anderson, 1995).

Giddens (1984) uses Kant's arguments about agency and applies them to develop social structuration – to the ways in which we build social systems through shaping the physical world and our experiences in it together. It expands on Kant's arguments about self-realisation of the agent through choices made whilst recognising the constraints that both the physical and the social world can exercise upon those choices.

Structuration is a framework which facilitates the exploration of social systems through the examination of interpretive schemes (signification), ways of understanding the world, and frameworks for behaviour, norms and mores (legitimation) governing but also through the use of resources and the ways in which these are negotiated (domination). Social enterprises can be seen as developing systems of organisational relations and systems for prioritisation of resource allocation which derive from and re-inforce interpretive schemes (ways of seeing and being in the world) which follow norms and mores (standards of behaviour) which are not shared by the wider predominantly capitalist society (legitimation). Stones (2005) develops Giddens' structuration theory by adding external and internal context to the three categories.

Structuration gives equal importance to resource allocation (domination) as to interpretive schemes, so it works well with Aristotelian economics which is defined as the wise allocation of resources in pursuit of a good society, whilst also taking into account the way that attitudes to resource allocation may be formed by the interpretive scheme employed.

Structuration specifically allows for the development of sensitising concepts which can be

useful for thinking about research problems and the interpretation of research results... (Giddens 1984:327 cited in Conrad, 2014:129)

Finally, structuration theory has been used in accounting research for more than thirty years (e.g. Roberts and Scapens, 1985; Dillard, Rigsby and Goodman, 2004; Englund, Gerdin and Burns, 2011; Conrad, 2014; Coad, Jack and Kholief, 2016). It has been used mostly in management accounting research. It is being used here to develop sensitising concepts which are then applied to possible formats for financial accounting. It is not being used to explore accounting systems directly; it is being used to understand the context in which financial accounting practice occurs and which accounting systems have a part in shaping, acting as either support or obstacle to activities in pursuit of organisational purposes.

Theory of change (FIL, 2016 and Geels, 2002) is used as the enveloping context for structuration, in order to pull out the vision of the worlds the organisations are seeking to build at micro, meso and macro levels.

Theory of change is increasingly popular as a practical tool in the social economy (Taplin, Clark, Collins and Colby, 2013). It is used here in conjunction with structuration to develop a richer interpretation of the purposes of the case study organisations; to explore the sorts of amelioration they seek to bring about in the social world and/or the environment. The use of theory of change categories of niche, regime and landscape allows the structuration categories to be seen at the organisational (micro), sector (meso) and wider social (macro) levels which takes the research beyond the organisations as separate entities and allows them to be studied as part of wider systems. The concepts thus developed when applied to accounting allow entity based accounting to be seen as a tool potentially to place the organisations within wider society, by seeing accounting as a thread that holds the micro, meso, macro and imagined/desired together (Jack, 2016).

1.4. Personal motivation for the study

The initial motivation for this study was my disquiet on moving from practice as a social economy accountant (trading charities and social enterprises, Westall's (2001) fourth sector) into teaching in the accounting department in a Business School. I had not, until that point, realised how far the two accounting traditions (fp/nfp) had diverged over the past forty years nor how profoundly my fourth sector fell into the gap created by this divergence. I was taken aback by how far the financialization of for profit accounting had progressed and how deeply the notions of return on investment and accumulation had been embedded in our "common sense" understanding of business, and increasingly, of wider society, including the public and third sectors, the commercialization observed by McIntosh and Hopper (2005) above.

I was also concerned by the definition of the third sector as not for profit because I had spent most of my career in practice working with organisations which cannot be understood properly in terms of philanthropy. I realised that I had been using nfp accounting to communicate something other than philanthropy or profit as justification for the generation and use of financial resources. This study is an investigation of quite what that might have

been, and how we might understand it without recourse to ideas derived from either profit or philanthropy.

So the line of investigation in the thesis moves from exploration of understandings of purposes in social economy organisations by applying the ideas uncovered to an articulation of how we can (and actually do) make decisions, and report on them, about the generation and application of financial resources to activities in pursuit of these purposes.

1.5. Findings and interpretation

The findings from the interviews, mapped against an evaluation framework, demonstrated that the case study organisations had multiple purposes and that these, although all classifiable as social and/or environmental amelioration, were different and pursued in different ways. Within the organisations the multiple purposes could be seen as micro purposes orchestrated under the umbrella of a macro purpose. The organisations could be seen as polycentric – all in pursuit of ways in which people and planet can flourish, social and environmental justice - but in different ways. From this it is argued that we need a form of financial accounting which can allow for organisational choice of purpose to pursue, for multiple purposes and for multiple attitudes towards these purposes and the financial resources needed to pursue them. From the current formats in use not for profit financial accounting would seem to offer a more flexible and negotiable system than for profit financial accounting can.

Seeing the organisation as having multiple purposes under an orchestrating macro purpose allows us to separate the pursuit of profit from the pursuit of financial viability. Financial viability is seen as an essential but not a sufficient criterion for success. From this it is suggested that we can replace profitability with financial viability for all businesses. We can then see that some choose to pursue profit as their macro purpose and this shapes their actions and systems and some choose to pursue social and/or environmental amelioration and this shapes their actions and systems.

Conflating the pursuit of profit (accumulation of financial wealth for its own sake) with the pursuit of financial viability elevates a means to an end (a micro purpose as a support for the pursuit of the macro purpose) and closes our thinking as to other possible ends. This, the pursuit of profit for its own sake, is Aristotelian chrematistics. The pursuit of the wise

allocation of resources (including financial) in pursuit of a society in which all can flourish is Aristotelian economics. If understood as financial accounting for multiple purposes, the nfp accounting format could be a basis to develop accounting tools which could support responsible decision making in pursuit of such a society.

1.6. Structure of the thesis.

Chapters 2 and 3 are literature reviews. Chapter 2 discusses the position of the research within emancipatory social science (Wright, 2006, 2010 and 2013) and within critical accounting research. It explores the two financial accounting traditions for entities other than governments which have developed over the past forty years (for profit and not for profit) and compares them. Chapter 3 discusses definitions of the social economy and how these are influenced by ideas derived from financial capital.

Chapter 4 sets out the research philosophy and theoretical framework, Chapter 5 sets out the methods used and Chapter 6 sets out the findings, as discussed above.

Chapters 7 and 8 analyse and interpret the findings in two stages, and apply the concepts developed to financial accounting. Chapter 9 concludes, sets out the contribution made to scholarship and practice and looks at avenues for future research.

Chapter Two Emancipatory Social Science and Critical Accounting research

This chapter is the first of two reviewing the literature and situating the study. This chapter situates the study within emancipatory social science (Wright, 2006, 2010 and 2013) and the critical accounting project focussed on flourishing. It explains the direction of the research. The next chapter explores the literature on the social economy to situate the study there.

The first part of this chapter explores emancipatory social science which Wright (2013) defines as that which generates knowledge which supports the creation of the conditions for flourishing. It does this through a discussion of the arguments that a perspective other than that of financial capital has to be adopted in order to understand non-capitalist activities. It uses the arguments of Purcell (2013) drawing on Lefebvre (1996, 2003) and those of Gibson-Graham (2006) as well as Wright (2006, 2010, 2013) to discuss why it is so difficult to adopt a different perspective to that of financial capital and to explore how this might be done.

The second part of the chapter situates the study within the field of accounting research. Accounting research is a wide field. This research falls into the critical accounting strand, which does not accept the current situation but criticises it, and into the strand of critical research which seeks to go beyond criticism of the current situation, not just of accounting but of wider society in which accounting takes place and which it helps to construct. The discussion of accounting research moves through criticism of the developments in mainstream for-profit accounting in the context of globalisation and the increasing influence of this sort of accounting in other sectors over the past fifty years, to critical accounting research which suggests how we might address the problems examined in the analyses of the current situation.

The third section situates the study within the strand of critical accounting research which is focussed on flourishing (Dillard and Reynolds, 2011). This strand of critical accounting research draws on the dialogic stream of accounting research – which argues for diversity and pluralism in accounting (Brown, 2009) – and has developed recently into work in

sustainable development (Bebbington and Unerman, 2020). The direction of the argument of this study fits into the framework suggested by Dillard and Vinnari (2019) to change the perspective from an accounting based accountability to an accountability based accounting. The final section discusses not for profit accounting research and compares not for profit accounting with for profit accounting using Dillard and Vinnari's (2019) framework.

The next chapter then moves to explore the difficulties of defining the social economy, the fourth sector (Westall, 2001), particularly the difficulties created by the binary for profit/not for profit categorisation.

2.1. Emancipatory social science

Emancipatory social science, in its broadest terms, seeks to generate knowledge relevant to the collective project of challenging human oppression and creating the conditions in which people can live flourishing lives. (Wright, 2006: 94).

Flourishing represents the central focus of the critical accounting project. (Dillard & Reynolds, 2011:492)

If we want to change society, we must stop the subordination of our activity to abstract labour, do something else. (Holloway, 2010:133) Emphasis in original.

This study falls into emancipatory social science as defined by Wright (2006, 2010 and 2013) and through this contributes to the critical accounting project focussed on flourishing (Dillard and Reynolds, 2011). It starts with an exploration of Holloway's "something else", examining economic activity from a social perspective.

The idea of flourishing can be seen in Macintosh and Hopper's (2005) idea of

an accomplished life 'aiming at the good life with and for others in just institutions' [Ricoeur,1992:180].(Macintosh & Hopper, 2005:402).

The field research explores ideas of purpose to be found in organisations within the social economy (discussed in detail in the next chapter) which Wright defines as constituting

an alternative way of directly organizing economic activity that is distinct from capitalist market production, state-organized production or household production (Wright 2006:118)

As such it can provide a very different perspective on accounting systems to the commercialized approach of for profit business or of government controlled public sector production or redistribution, donor driven philanthropy or even subsistence sharing.

Wright (2006, 2010, 2013) sees three ways in which social transformation is brought about – through revolutionary rupture, but also through interstitial and symbiotic activity.

Interstitial activity builds social empowerment through alternative ways of organising in the niches, cracks and margins of capitalism. It is embedded in civil society but

often falls below the radar of radical critics of capitalism. (Wright, 2006:122)

Symbiotic activity, whilst building social empowerment, also helps solve problems for the dominant classes and elites. But in the longer term it helps to shift the balance of power by making more space for interstitial activity to take hold. Gray, Brennan and Malpas (2014), using Wright, argue that social accounting research could benefit from more understanding of the interstitial and symbiotic perspective of social economy organisations.

Wright's interstitial transformations are similar to Gramsci's counter-hegemonic movements; they can appear fragmented. Gramsci argues that civil society can be coerced into alignment with the prevailing orthodoxy but that it is also the area where counter-hegemonies – movements against the prevailing orthodoxy where unorthodox norms develop – can arise (Katz, 2006). However, for Wright (2006, 2010, 2013), interstitial activities are less pushing back at the dominant hegemony than simply ignoring it, refusing to accept its terms and conditions, measuring by a different scale. It might be clearer to describe interstitial activities as non-hegemonic, more concerned with the power to act, to effect change in the world, than in taking power over others; the power to be or to do versus power over (Katz, 2006; Holloway 1995, 2002, 2010; Gibson-Graham, 2006; Escobar 2010; Patnaik 2012). Interstitial transformations develop in many different ways which is why they, and that which is common between them, can be overlooked relatively easily.

Purcell (2013), not using Wright's categorisations but rather drawing on Lefebvre's (1996) concept of transduction, gives an explanation which can illuminate the idea of interstitial activity and shed light on the aims of this study. Purcell describes transduction as

a way to cut a path that leads beyond the actual world already realised and toward a possible world yet to come. (Purcell, 2013:27)

Lefebvre (1996 and 2003) uses the example of two cities. He determines the "industrial city" as the actually existing city in which urban inhabitants are more consumers than citizens, a city organised by private property rights and exchange values, devoted to economic growth

through the production of standardised commodities, the neoliberal city. This is contrasted with “urban society” where urban space is not controlled by property rights and exchange, where people appropriate space and use it to meet their needs; where the purpose of the city is the development of human potential rather than capital accumulation (Purcell, 2013).

The industrial city is an actual, realized object in the sense of being physically built but also realized

as a set of normalised social relations, habits of action, thought and common sense. (Purcell, 2013:27)

Urban society is not so realized; it is a virtual or possible object, a horizon, a possible way of living together but not an ideal. It is an extrapolation from or an amplification of practices and ways of thinking that are already taking place but which are difficult to see clearly. We can look directly at elements of urban society, happening within the industrial city, without recognising them because we are using a lens that has been distorted by the industrial landscape (Lefebvre,2003 cited in Purcell, 2013:29).

Once the virtual object has been extrapolated in thought from practices and ideas that are already taking place, it can be used as a lens to help us to see more clearly ideas and practices which we could not see without it, the wider activities of urban society which are taking place within the industrial city. The virtual object is a kind of corrective lens, a “conceptual instrument”.

“Urban society” is a similar idea to the diverse economies examined by Gibson-Graham (2006); a way of thinking and talking about the non-capitalist ways in which people meet their everyday needs and aspirations.

We can take the industrial city to stand for the commercialization of organisational systems/ commodification of resources and production based on exploitation in any sector and urban society to stand for the non-commercialized, un-commodified relational networks that people create despite the wider context of commercialization and commodification within which they mostly live. However, both Wright (2006, 2010, 2013) and Lefebvre (2003) recognise that the social economy/urban society is not a solid entity but appears, emerges, in the gaps and the margins of the dominant system, through the cracks (Holloway, 2010). Gibson-Graham (2006) uses the metaphor of an iceberg for this diversity; capitalist

economic relations are the tip of the iceberg, the submerged non-capitalist part is much bigger and more diverse.

The field work for this study explores the “*something else*” (Holloway, 2010:133, above), through the virtual objects (the possible worlds) that social economy organisations pursue.

The next section explores the accounting research field to situate critical accounting research and then to situate this study within the critical accounting project focussed on flourishing (Dillard and Reynolds, 2011).

2.2 The critical accounting research field

Hussain, Liu and Miller (2020), classify the accounting research field into two broad schools of scholarship - a) positivist, taking a neoliberal classical economics perspective on accounting, and b) critical, interpretive and interdisciplinary (CII), taking perspectives drawn from a wide range of other disciplines.

Chua (2019) defines positivistic research less ideologically than Hussain et al. (2020), seeing it as seeking to explain the world and accepting current structures. Critical research assesses existing power structures.

Chua (1986 and 2019) sees the second school as split into interpretive and critical but sharing the assumption of social construction and taking inspiration from other disciplines. The interpretive school seeks to understand and explain how and why different interpretations of accounting have arisen or can arise. The critical school is more concerned with understanding and explaining the institutionalised power relations revealed through the interpretation. Part of this latter strand focusses on addressing the inequalities which are exposed through this analysis. This strand of critical research explores alternatives to the dominant institutions and, in this, can be seen as part of emancipatory social science, as articulated by Wright – seeking liberation from the dominant institutional perspective in order to make space for flourishing (Dillard and Reynolds, 2011).

2.2.1 Emancipation and Wright’s categories of transformation

Gallhofer and Haslam (2019) trace the construct of emancipatory accounting back to Tinker’s (1984, 1985) critique of accounting, arguing that Tinker’s Marxist construct is implicitly connected with the idea of grand revolution. According to Tinker’s argument,

liberation is only possible through revolutionary rupture. Gallhofer and Haslam (2019) argue that this is too harshly delineated. They argue that we need to move beyond Marxism, into post Marxist, postmodern, poststructuralist discussion which allows for complexities and uncertainties – to a new pragmatism.

Wright's (2010 and 2013) recognition that social transformation is possible through avenues which do not require revolutionary rupture allows us to see projects which seek to transform existing institutions as falling along a spectrum which ranges from revolution, through opposing and then ignoring the dominant institutions (interstitial), to suggesting alternatives to the dominant institutions, to changing the dominant institutions through collaboration (symbiotic), to questioning (without opposing) and then to accepting the status quo.

This study contributes to the new pragmatism discussions by articulating understandings of purpose found in the interstitial activities of diverse social economy organisations and bringing those understandings, those conceptual instruments, to bear upon the accounting and reporting which could support these activities.

The next section explores some of the debates within the field of critical accounting, in the context of developments in for profit accounting over the period during which critical accounting has become influential in the accounting research field.

2.2.2. Critical accounting as dynamic opposition to or constructive criticism of a moving status quo, conventional accounting practice.

Critical accounting research is a very broad field. It has been classified in many directions using different frameworks, (e.g. Baxter and Chua, 2003; Dillard and Ruchala, 2011; Chiapello and Baker, 2011; Jack, 2016; Chiapello, 2017). For the purposes of this study, following Gallhofer and Haslam, (2019), the field is divided into interpretation of the current state of things and responses which seek to address the problems revealed in the analyses. These are covered in the next section. The interpretation of the current situation is included as context for the ways which are being sought to address the problems articulated.

Accounting develops in response to social changes (Hopwood, 2007) but may also be seen as implicated in these social changes (Miller and O’Leary, 1987). Financial accounting has changed to reflect globalization over the past fifty years, or, as discussed above, can be seen as part of the engine of that change.

Globalization here is taken as the spread of capitalist production to almost every part of the globe. (Purcell, 2013:14). Capitalist production is here understood as financial capital driven, based on the concepts of commodification and exchange values for profit and accumulation, financial return on investment (Harvey 2006; Dicken, 2015), requiring and developing globalized capital markets. Globalization of capitalist production has happened largely through the activities of multi-national corporations (Harvey, 2006; Purcell 2013; Dicken, 2015), but also through the adoption by governments, locally and nationally, and international bodies (e.g. World Bank and International Monetary Fund) of programmes and processes based on commercializing ideas (Fine, 2018). Scholars from many different fields are critical of capitalist production, based on accumulation of profit, as destroying society and the environment (e.g. Putnam, 2000; Marglin, 2008; Jackson, 2009; Max-Neef, 2010; Raworth, 2017; Fine, 2018; Mazzucato, 2018).

Critical accounting interpretation and analysis of the developing situation as regards conventional accounting and globalization can be roughly (there are many areas of overlap between them) and non-exhaustively, for the purposes of this study, divided into several strands which are discussed separately below.

First, Inspired by Marx, conventional accounting systems/technologies by their nature are seen as establishing the spread of capitalist production and globalization. Accounting, following financial capital through the system and converting everything into its own terms, measuring the growth of that capital and success as the amount of growth (profit and accumulation), alienates both labour and nature (e.g. Tinker 1984, 1985; Dillard, Ruchala and Yuthas, 2005; Chiapello, 2007; Dillard and Ruchala, 2011; Richard, 2015; Tregidga, Milne and Kearins, 2018). Other approaches do not see double entry itself as the problem but still see the focus on profit as central (Camenisch, 1987; Toms, 2010; Bryer, 2012; Lowe, Nama and Preda, 2020).

Second, accounting is a “calculative” approach, based on the idea of science as a calculative way of controlling the world, spreading into all aspects of life (Miller and O’Leary, 1987; Sikka, Willmott and Puxty, 1995; Miller, 2008; Chiapello, 2008), reshaping mindsets to think about jobs in terms of economic efficiency (Jack, 2016) moving from the first, commercial, sector into the second, public sector management, sometimes with detrimental effects (Broadbent, Laughlin and Read, 1991; Broadbent and Laughlin, 2002; Lapsley, 2009; Pilcher, 2011; Brown and Carasso, 2013; Hyndman and Lapsley, 2016), and into third sector, non-government organisational management, even civic society (Tinker and Carter, 2003; Hyndman and McKillop, 2018; Boomsma and O’Dwyer, 2019).

This strand includes discussion about governability (Miller and O’Leary, 1987; Miller and Rose, 1990; Power and Laughlin, 1996; Mennicken and Miller, 2012), the “audit society” (Power, 2000; Jeacle, 2017; Power, 2019) and even the governable soul (Rose, 2016). Calculative thinking is seen as not only affecting people’s understanding of their economic activity but all aspects of their lives, even their understanding of themselves.

This strand can be seen as examining the relationships between economic power and the state and the effects of this relationship on wider civil society and people’s understanding of themselves. Based on theories mostly derived from Foucault (Mennicken and Miller, 2012), this research fits with the idea of our current wider society as being largely capitalist (driven by economic power) as set out in Figure 2 (Wright, 2013).

Third, the technocratic and political structures which govern international accounting are responsible for the spread of capitalist production and globalization (e.g. Biondi and Suzuki, 2007; Whittington, 2008; Sunder, 2011; Ramanna, 2013; Zhang and Andrew, 2014; Carter & Warren, 2018; Mantzari and Georgiou, 2019; Warren, Carter and Napier, 2019). This strand draws on ideas of accounting as an area of calculative expertise developed in the discussions covered above, and sometimes also draws on Laclau and Mouffe’s Gramscian discourse theory. The arguments put forward by Sikka and others, concerning corruption, money-laundering, tax evasion and the roles played by large firms of accountants in these areas align with this strand as they explore accounting regulation as political and hegemonic (Sikka, Willmott and Puxty, 1995; Mitchell, Sikka and Willmott, 1998; Sikka, 2003).

Fourth, accounting itself is being “colonised” or “territorialized”, in the same way as other aspects of life by increasing financialization based on financial economics (Biondi, 2011; Bignon, Biondi and Ragot, 2012; Ellwood and Garcia-Lacalle, 2012; Zhang and Andrew, 2014; Chiapello, 2015, 2016).

The Statement on Accounting (one of several statements as part of a project on the Modern Corporation undertaken at the Cass Business School, City University, London), signed by more than twenty prominent (mostly critical) accounting scholars, argues that the emphasis on providing information for capital markets has distorted the way we account for corporations and concludes:-

The way corporations are accounted for is tremendously important for shaping the way investors and other stakeholders see and assess them (Hines, 1988; Miller and O’Leary, 1987).[...] Financial accounting standards and soft-law initiatives like corporate governance codes thus powerfully define the domains of accountability of corporate management in ways that support MSV (the maximization of shareholder value). Such developments over recent decades can result in insidious changes whereby a highly contestable, accounting-based measure of business success can become an end in itself at the expense of more pluralist and socially accountable stewardship of companies. (Collison et al, 2016:2).

The next section explores initiatives and research which seek to include more pluralist and socially accountable stewardship concerns in corporate management and reporting.

2.3. Counter, social and environmental accounting and the danger of metaphors

The initiatives and research which address the problems rehearsed in the analysis of the current state of conventional accounting argue for a different perspective or type of accounting – by directly challenging the ways calculations are carried out and suggesting better ways to calculate, or by broadening the scope of what currently counts as accounting. This section explores shadow or counter accounting and then several initiatives in corporate reporting designed to broaden its scope beyond the financial to include socially and environmentally accountable stewardship.

2.3.1 Shadow and counter accounting

Counter or shadow accounts directly challenge the picture painted by official corporate, government or international bodies (such as the World Bank and International Monetary Fund) reports. These accounts create alternative representations of situations to catalyse intervention and represent marginalised interests. (Tredigda, 2017).

Counter accounts can take a narrow view of accounting as calculative, for instance reworking the calculations in an official report. Stiglitz and Bilmes (2008) rework the calculations of the cost of the Iraq war, demonstrating that the official expenditure figures were biased in order to support the war. Lanka, Khadaroo, and Böhm (2017) explore the effects of calculating costs of agricultural production in a different way, recognising the links between biodiversity and reduced demand for purchased inputs and labour. Rambaud and Richard, (2016) suggest a triple depreciation approach instead of a triple bottom line approach for social and environmental accounting.

Others challenge the bases of the calculations. Sullivan and Hannis (2017) explore geometrical (Pythagorean) rather than arithmetical approaches to nature which opens the possibility of valuing nature in non-monetary/ non-economic/non exchange, even non-use-value terms. Their arguments that the arithmetical double entry system leads to binary classification, abstraction and commensuration tie in with those discussed in the first and second strands above concerning the territorialisation/ colonisation of all aspects of life by calculative (arithmetical) practices. They align with other critical accounting arguments which argue for the inclusion of beauty and the sacred in our accounting (Gallhofer and Haslam, 2011; Lehman, 2017), and the need to place humankind within nature rather than outside it (Dillard, 2009; Lehman, 2017). These arguments recognise the need to include world views other than the efficiently economic in our accounting, such as the voices and cultures of indigenous people (Gallhofer, Gibson, Haslam, McNicholas and Takiari, 2000). They are revisited in the next sub-section about environmental accounting.

Counter accounts can take a broader view of what counts as an account – a story, an explanation, a re-framing rather than, or maybe including, calculations. For instance, Laine and Vinnari (2017) explore animal activists' use videos of factory farming to counter corporate publicity which glosses over the means of production. Denedo, Thomson and Yonekura, (2017) explore how non-governmental organisations (NGOs) use counter accounts of oil extraction damage in the Niger Delta to give a voice to local people directly impacted by the extraction process.

The next sub-section explores initiatives which seek to broaden corporate reporting, and thereby change management behaviour, to include social and environmental impacts, social and environmental accounting (SEA), and reporting (SEAR).

2.3.2 Social and environmental accounting and reporting initiatives

The march of a financial market-driven, financial reporting-enabled international capitalism leaves in its wake a planet barely able to continue supporting life (Gray, 2006, p. 797). (Atkins and Maroun, 2018:763).

Social and environmental accounting and reporting (SEAR)/ Corporate Social Responsibility (CSR) reporting/ sustainability reporting developed initially and remains focussed in the corporate field, *where the need for reform is most urgent* (Gaia and Jones, 2017 cited in Atkins and Maroun, 2018:760).

The critical arguments around SEA, SEAR, CSR, sustainability reporting are very similar to those discussed in the previous sub-section. They range from criticism based on fundamental disagreement with the capitalist model which is seen as capturing SEAR (Tregidga, Milne and Kearins, 2018) to arguments that engagement with business is necessary for any progress in improving corporate environmental and social behaviours (Adams and Larrinaga, 2019). Wider SEAR research is increasingly positivist in the sense of accepting the current state of SEAR and analysing the impacts of CSR/SEAR reporting on share price etc., and increasingly dominated by the business case perspective (Lehman and Kuruppu, 2017).

Gray, Brennan, and Malpas (2014), following Wright (2010) as discussed above, argue that we could see SEAR research which engages corporations with a view to improving corporate behaviour as symbiotic. It helps the current elite by improving the dominant system within which it operates but it also simultaneously creates space for more radical conversations, and interstitial activity, to take place.

The Global Reporting Initiative (GRI) is an example of a symbiotic initiative, at least in intention. It is currently the most influential CSR/ SEA reporting framework (KPMG, 2017). It was developed by a non-profit organisation, the Coalition for Responsible Economies (CERES) in collaboration with the United Nations Environmental Programme (UNEP) in 1997 (Brown, De Jong and Lessidrenska, 2009). CERES itself formed in response to serious

environmental damage caused by corporate negligence, Exxon Valdez in 1987 (Waddock and White, 2007).

GRI is a voluntary framework for corporate disclosure which builds on triple bottom line (Elkington, 1997) – profit, people, planet/economic, social, environmental – reporting. By including information about social and environmental impacts, GRI reporting allows more informed decision making by investors in the company. Through the stakeholder engagement and materiality requirements GRI can be seen as broadening the scope of accounting from the narrow financial perspective, and opening space for dialogue with potentially marginalised voices, but there is considerable debate about how effective stakeholder engagement under GRI is in practice. Some argue that it can be improved (e.g. Calabrese, Costa, Ghiron and Menichini, 2017). Some that GRI is simply a veneer which glosses over the damage for which reporting corporations are responsible, stakeholders are managed and the boundaries of what is reported are too narrowly drawn (e.g. Moneva, Archel and Correa, 2006; Boiral, 2013; Parsa, Roper, Muller-Camen and Szigetvari, 2018; Gatti, Seele and Rademacher, 2019; Miles and Ringham, 2019). Although its advent was heralded as a major development in sustainability accounting with potential for serious impact (Bebbington, 1999), GRI does not seem to have fulfilled that early promise (Marimon, del Mar Alonso-Almeida, del Pilar Rodriguez and Alejandro, 2012; Lewis, 2016). Even at the time CSR reporting was starting, some argued that the “middle of the road engagement” with corporations, advocated by Gray, Owen and Maunders, (1987), would be incapable of effecting real change (Tinker, Niemark and Lehman, 1991). Milne and Gray (2013), Gray having become somewhat disillusioned, argue that this is because GRI is based on the concept of profit, so irretrievably attached to the business case for CSR/SEAR.

The International Integrated Reporting Council (IIRC) six capitals initiative seeks to broaden the scope of corporate reporting through a balance sheet approach, arguing that corporate activity should be reported against the changes brought about in six different capitals rather than just financial capital. The aim of the IIRC initiative is to bring social and environmental considerations onto an equal footing with financial in corporate reporting by also considering social and environmental capitals - intellectual, manufactured, human, social and natural (Adams and Frost, 2008; Adams 2015).

Integrated reporting and the wider use of multiple capital metaphors open the possibility of debate about the importance of social and environmental “assets” which do not normally figure in corporate reporting (Owen, 2013). Initiatives such as The Economics of Ecosystems and Biodiversity (TEEB) and the Natural Capital Coalition (NCC), of which several professional accountancy bodies are members, seek to bring the values of biodiversity and ecosystems into decision making in order to change corporate behaviour towards conservation and enhancement of natural capital, rather than destruction. (Coulson, Adams, Nugent and Hayes, 2015).

The development of concepts of multiple capitals is largely driven by the movement to engage corporations with environmental concerns particularly the need for urgent action on fossil fuel consumption and climate change (de Villiers, Rinaldi and Unerman, 2014). As such it can also be seen as symbiotic. It aims to change corporate behaviour in order to limit the damage to the environment, thereby maybe opening the entire economic system to potential change. However, the multiple capitals initiative can also be seen to share GRI’s capitalocentrism (a term from Gibson-Graham, 2006, used in another context but which is appropriate here).

Coulson et al., (2015) recognise that capital is being used metaphorically and are aware of the potential pitfalls of using metaphors but also argue that metaphors can be used to draw together things which would otherwise be considered apart if they were even considered at all. They argue that putting the capitals alongside one another allows for the possibility of recognising inequalities in the way that they are treated. This can allow unequal power relations which would otherwise remain hidden to be brought to light.

Talking in terms of multiple capitals does not mean that we should be monetising (reducing to financial terms) the capitals other than financial, although the Natural Capital Coalition maintain that putting a monetary value on nature can make corporations and governments take it more seriously and thereby help to preserve it.

Coulson et al (2015) argue that the multiple capitals are stores of value.

Of course, like money invested in a business, other forms of capital can also be lost, depleted or used up, that is decreased, as well as increased or otherwise transformed. It is the process

of increasing, decreasing and transforming capitals that is at the heart of capitalism and of all other systems of economic organisation. (Coulson et al, 2015:294) [My emphasis].

Metaphors allow only a partial understanding of the things being compared because the comparison is pulling out the aspects that the things compared have in common and it is easy to lose sight of other aspects of the things being compared, particularly those aspects where they differ from one another. The privileged metaphor may harden into the inevitable interpretation (Walters, 2004), as illustrated by the part of the quotation from Coulson et al., (2015) underlined above which demonstrates Gibson-Graham's (2006) capitalocentrism. Accounting itself can be seen as metaphorical and hence partial and one-sided (Morgan, 1988). But we are asked to see all the capitals in terms of maintenance, or decrease/ increase. This way of measuring works well for finance (profit or loss leads to increase or decrease in financial value (net assets) of the organisation) but it is not necessarily the most appropriate way of measuring the wisdom of our resource allocations as regards society and the environment.

There were several objections to the use of the capital metaphor in this way during the consultation before the publication of the IIRC Background paper, on the grounds that describing relationships and resources as stores of wealth to be drawn on precludes discussion of their natures; it is an unnecessary abstraction which glosses over differences between relationships and resources. It generalises particulars which are not necessarily commensurate and puts discussions onto a transactional footing without examining the assumptions beneath (Adams, 2015).

We are told that this process of increasing, decreasing and transforming capitals is at the heart of all other economic organisation as well. This closes off the possibility of other ways of thinking about economic organisation and what we mean by that term. Gibson-Graham's diverse economies, Lefebvre's urban society, Holloway's something else, cannot be squeezed into this metaphor of capital classifications and increase, decrease, accumulation without distortion which renders them incoherent. For instance, Gibson (2000) shows how the nomadic Aboriginal world view, the Aboriginal way of being in the world, the culture, as Macintosh and Hopper, (2005) discussed above, put it, cannot be coherently squeezed into the conventional accounting framework based on entity, ownership and accumulation.

Aristotle (ca. 350 B.C.E./1925) argues that economics is concerned with the wise allocation of resources in pursuit of the good society; chrematistics is the art of making money, of accumulating financial wealth, for its own sake (Solomon, 2004; Stahel, 2006; Cruz, Stahel and Max-Neef, 2009; Dierksmeier and Pirson, 2009; Max-Neef, 2010; Kahya and Kim, 2018). A system of economic organisation in pursuit of the wise allocation of resources needs the vision of that wise allocation to guide it, going beyond itself for justification. The increase, decrease or transformation of capitals is the process by which the resources are allocated towards the end pursued but *it is not the end itself*. When we are balancing the increases and decreases in capitals against one another, are we aiming for an increase in all capitals and if not, why not, and how do we measure and balance them against one another? This argument is developed further in a mapping and comparison of the IIRC six capitals approach and the Emergence des Entreprises Sociales (EMES) definitions of social economy organisations in the next chapter.

This argument, about the failings of both the GRI and the IIRC initiatives because they are centred in the business case, aligns with the large body of criticism of CSR reporting within critical accounting research. Spence (2009) and Spence, Husillos and Correa-Ruiz, (2010) take issue with the entire SEAR project and the concept of accountability which it has promoted, arguing that it has allowed the dominant system to absorb criticism without changing, and thereby closed down the possibility of debate about what sort of economic system we want to construct, leaving only the question of what sort of capitalism's shadow we will live in.

Increasingly, demands are made of the system but do not challenge the system per se (Laclau, 2005). (Spence, Husillos and Correa-Ruiz, 2010:78)Emphasis in original.

The SEA “movement” has undergone a period of serious self-doubt over the past decade (e.g. Archel, Husillos and Spence, 2011; Brown and Dillard, 2013; Milne and Gray, 2013) and a body of research exploring approaches to accounting which can escape the dominance of the business case has developed. The critical accounting project focussed on flourishing is part of this body of research.

2.4 The critical accounting project focussed on flourishing

This project can be seen as developing from two different traditions – the critical accounting tradition, as discussed above, and the sustainable development tradition (Bebbington and Larrinaga, 2014). Bebbington and Larrinaga (2014) distinguish accounting for sustainable development from social and environmental accounting. Social and environmental accounting prioritises information for stakeholders, is based on an entity (usually a legal entity) and focusses on larger for profit corporations. Accounting for sustainable development focusses on stakeholders who are adversely affected by current arrangements, is based on a wider network than an entity, and encompasses public and third sector organisations as well as companies which are not larger corporations.

The initiatives (GRI and IIRC) discussed in the previous section focus mainly on limiting the social and environmental damage created in pursuit of the accumulation of financial wealth. This section explores initiatives which seek to have a positive effect; these initiatives could be seen as focussing on flourishing. The concept of flourishing is used in the sustainable development field but it is not a term in common use in accounting research, apart from Dillard and Reynolds (2011), though Bebbington, Russell and Thomson (2017) and Bebbington and Unerman (2020) discuss human flourishing within the context of the United Nations Sustainable Development Goals (SDGs), see below, and Lamberton (2015), explores Aristotle's concept of *eudaemonia* which is closely related. However, the better state envisaged by the critical accounting project can be seen as having the idea of flourishing at its base.

Wright's arguments as regards flourishing as the focus for emancipatory social science, draw on Sen's theories of capabilities and flourishing as the capacity to develop one's capabilities, which are widely used in development studies and the UNSDGs (Evans, 2002; Wright, 2013; Sharma-Brymer and Brymer, 2020). Sen's thought draws on Aristotle's idea of happiness (*eudaemonia*) (Ransome, 2010). Aristotle argues that the only rational pursuit for human beings is that of happiness, in the shape of a well ordered life and society (*eudaemonia*). Happiness as an abstract cannot be pursued in itself; it needs to be embodied in life and society, social relations in the physical (natural) world. Economics (*oikonomia*) is the allocation of resources (on a household or national level) towards this end. The pursuit of money (profit) for its own sake (*chrematistics*) is not rational as it is not the final end

towards which reason tends. It is reasonable to pursue money as an instrumental means to happiness, if it is applied wisely, but if it is pursued for its own sake it will lead to imbalance and excess because it has no inherent limit. Money is an abstraction; it is not the stuff of life (Aristotle ca. 350 B.C.E./1925). As Marx argued, based on Aristotle (Marx, trans. 1976) and Gibson-Graham (2006) highlight, exchange is not necessarily the problem; what the exchange is for is. Gibson-Graham (2006) argue that even commodification, in the sense of manufacture for market, is not the problem. Exchange within markets can be used to make a living not just to make a profit. Profit alone is an insufficient *raison-d'être*, reason for activity, object of desire; business needs to actively do some good (defined in terms other than financial returns) in order to justify its existence (Giavanola, 2009). This argument moves the perspective from profit and accumulation, the business case for social or environmental impact, to the creation of the conditions for people (and other creatures and the physical world) to flourish, the social or environmental case for business.

The SDGs are designed to directly address social and environmental problems rather than limit damage. The focus is on positive social and environmental impact, through 17 goals with 169 targets (Bebbington and Unerman, 2020). The SDGs switch the perspective from the GRI and the IIRC approach. The perspective is no longer financial with the social and environmental added on but a more complex holistic picture of a world in which people can flourish and no-one is left behind as the vision of a world to work towards.

Dillard and Vinnari's (2019) concept of critical dialogic accountability shifts the focus from what can be added on to the conventional for-profit accounting system to explore how the accounting system can be shaped by organisational objectives. They illustrate their comparison of the current state of social and environmental reporting, exemplified in the discussions of GRI and IIRC above, with the dialogic accountability based accounting they advocate, Figure 3 below.

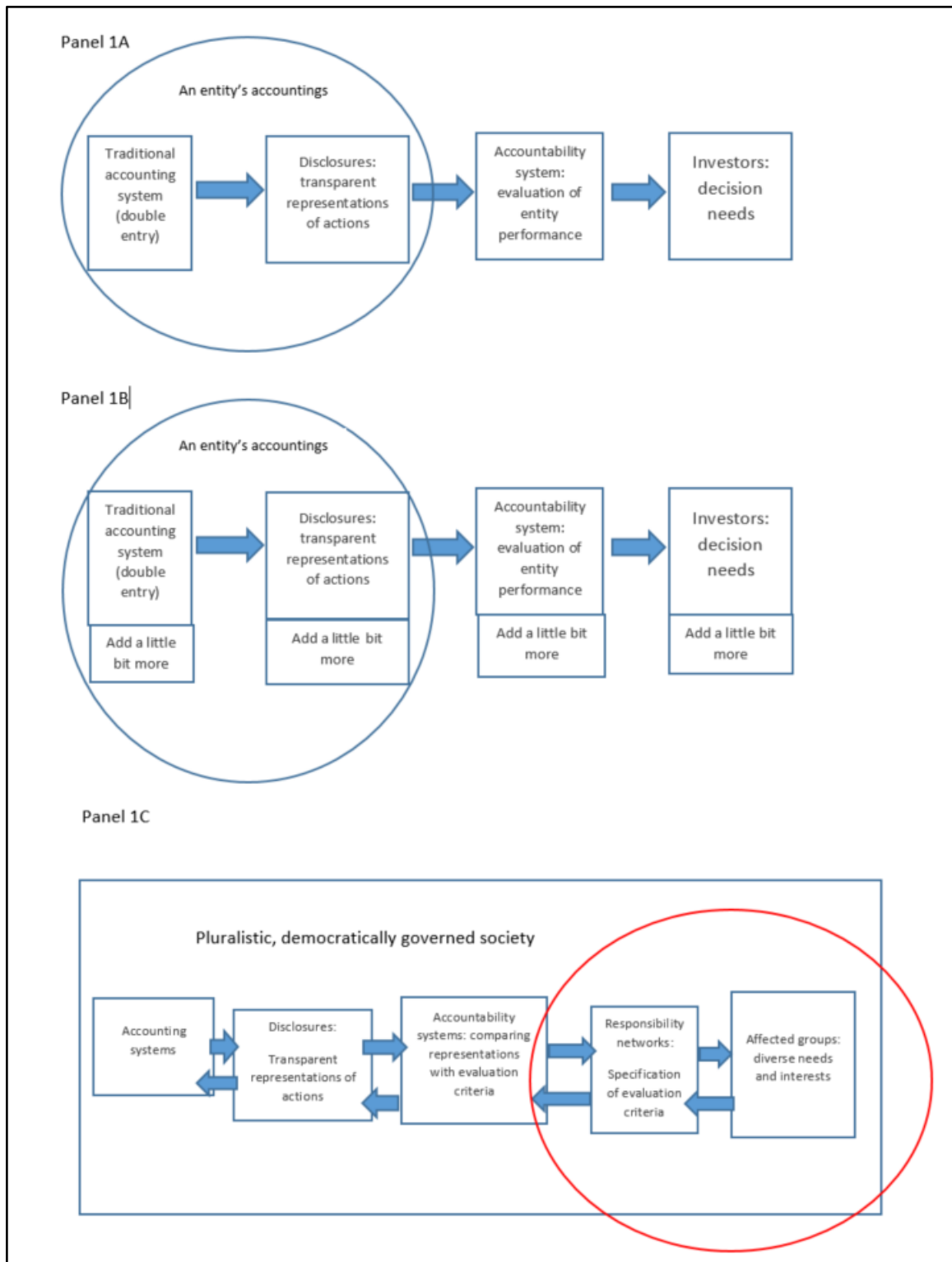


Figure 3: Views of accounting and accountability, adapted from Dillard and Vinnari, 2019:20

Panel 1A is accounting based accountability; the pattern which is examined in the research discussed earlier in this chapter. Panel 1B is how to extend accountability, social and environmental accounting (as exemplified by GRI and IIRC, here), the business case, financial

as central with social and environmental added on. Panel 1C is accountability based accounting. The difference between IB and IC is not just the two way influence so that accountability is seen to shape the accounting, nor the diverse stakeholder groups to whom the entity is accountable but the insertion of a new step in the iterative process – responsibility for setting the criteria for evaluation, marked on the diagram, and the change from information to meet investors’ needs to meeting the diverse needs and interests of affected groups. The evaluation criteria are drawn up with regard to how the diverse needs and interests are met, and they then feed back into the accountability system which impacts on the accounting system. Accountability has to be against a value set by which actions and consequences can be seen as effective or not. Responsibility sits in the choice of objective; accountability with how well the objective is met, how meaningful the consequences of actions directed towards the objective turn out to be.

We need to interrogate what is accounted for (Brown and Dillard, 2015:250). Brown (2009), Brown and Dillard (2015) and Dillard and Vinnari (2019) are part of the critical accounting project to develop dialogic accounting which can cope with pluralism, with different voices and perspectives, different cultures and worldviews (see also Dillard and Roslender (2011); Dillard and Yuthus, 2013; Gallhofer, 2018; Gallhofer and Haslam, 2011 and 2019). Brown’s (2009) seminal paper for this project explores how accounting technologies, using Bebbington’s (2007) Sustainable Assessment Model as an example, can be developed to support reflective, deliberative dialogue between differing viewpoints/interests in decision making. Brown argues that social accounting needs to create space for people to deal with problems critically and imaginatively. She draws on the agonistic theories of Laclau and Mouffe. Agonism sees conflict as part of the democratic process, recognising that consensus where everyone is satisfied is never achieved and dialogue is necessarily continuous.

The dialogic accounting for which Brown (2009) and Dillard and Vinnari (2019) are calling can be seen as interstitial (Wright, 2013). It resists the dominant hegemony not through direct confrontation but by creating its own framework. It rejects the understanding of the world upon which the dominant hegemony is based but it is not necessarily directly engaged with it. Gray et al (2014) argue that accounting for organisations other than for profit corporations could be a fruitful area for examples of interstitial accountings.

2.4.1. Where this study sits in the critical accounting project focussed on flourishing.

The logic of the argument in this thesis moves from right to left in Dillard and Vinnari's panel 1C, from the needs and interests to be met to the accounting needed to support the cycle. The first research question explores the organisations' understandings of their purposes (objectives); the second explores how to articulate these in terms other than profit or metaphors drawn from it and the third examines what sort of accounting could support the pursuit of these objectives.

This study focusses on *what* the organisation is accountable for, a key question for Dillard and Vinnari (2019:35), the diverse needs and interests addressed and how the accountings can support their pursuit. This study joins the conversations about the other stages of the process only tangentially; the focus is on the two ends of Dillard and Vinnari's (2019) line, the objectives and the financial accounting systems which can support their pursuit.

Nicholls and Cho (2006) argue that without examination of the ends being pursued

the study of social entrepreneurship becomes an analysis of means oriented towards ends that remain wholly unclear..... (Nicholls & Cho, 2006:105)

So this study starts with an examination of the ends pursued, the diverse needs and interests above, approaching the financial accounting systems from the social perspective. This is explained in more detail in Chapter 5.

Picking up on Gray et al. (2014, above), and their call for more attention to be paid to nfp organisations, the next section describes not for profit accounting in the UK. The following section uses Dillard and Vinnari's (2019), framework to compare and contrast the financial reporting formats, of not for profit accounting (as developed in the UK over the past forty years) and for profit accounting.

2.5. Comparison of not for profit and for profit financial statements

A specific format for charity accounting in the UK has developed over the past forty years, initially driven by the accounting profession; the Statement of Recommended Practice, Accounting and Reporting for Charities (SORP). Financial reporting is recognised as dependent upon non-financial explanations of how effective the charity has been at achieving its objectives. Charities are established for public benefit. They enjoy

considerable tax concessions and some are in receipt of public money. It is therefore important that they can demonstrate what the public benefit is and how they are achieving it (Connolly, Hyndman and McConville, 2013; Morgan and Fletcher, 2013). The concept of public benefit will be discussed in more detail in the next chapter.

The narrative requirements stem from the 2006 Charities Act (Morgan & Fletcher, 2013). US Generally Accepted Accounting Practice and the FASB Not-for-profit update, issued in 2016, are broadly in line with the 2015 SORP (FASB, 2016). There is a movement for an internationally recognised format for not for profit accounting which would be based around a format similar to the SORP and FASB standard (Breen, Cordery, Crawford and Morgan, 2018; Crawford, Morgan and Cordery, 2018). For clarity, this study is concentrating on the UK SORP.

2.5.1. Comparing the Income statement and the Statement of Financial Activities

This section takes the Income Statements of UK two organisations – a for profit public limited company BAE Systems plc and a charity, the National Trust, to compare the two formats. The examples have been chosen because they are both relatively large organisations within their sectors. Their financial statements provide clear examples of the format available to them.

2.5.1.1. BAE Systems plc Income Statement 2018

	Notes	2018		2017 (restated) ¹	
		£m	Total £m	£m	Total £m
Continuing operations					
Sales	1	18,407		18,487	
Deduct Share of sales by equity accounted investments	1	(2,812)		(2,534)	
Add Sales to equity accounted investments	1	1,226		1,271	
Revenue	1		16,821		17,224
Operating costs	2		(15,514)		(16,043)
Other income	4		158		131
Group operating profit			1,465		1,312
Share of results of equity accounted investments	1		140		107
<i>Underlying EBITA</i>	1	1,928		1,974	
<i>Non-recurring items</i>	1	(154)		(13)	
<i>EBITA</i>		1,774		1,961	
<i>Amortisation of intangible assets</i>	1	(85)		(86)	
<i>Impairment of intangible assets</i>	1	(33)		(384)	
<i>Financial expense of equity accounted investments</i>	5	(13)		(34)	
<i>Taxation expense of equity accounted investments</i>	6	(38)		(38)	
Operating profit	1		1,605		1,419
<i>Financial income</i>		228		416	
<i>Financial expense</i>		(609)		(762)	
Net finance costs	5		(381)		(346)
Profit before taxation			1,224		1,073
Taxation expense	6		(191)		(216)
Profit for the year			1,033		857
Attributable to:					
Equity shareholders			1,000		827
Non-controlling interests			33		30
			1,033		857
Earnings per share	7				
Basic earnings per share			31.3p		26.0p
Diluted earnings per share			31.2p		25.9p

Figure 4. BAE Systems plc. Income Statement 2018. Annual Report 2018:144

The fp Income Statement is designed to calculate the profit attributable to the shareholders – the return on their investment in the company. It comprises revenue less cost of sales without specifying where the revenue comes from, i.e. what is sold. The financial statement is interested in the sales as abstract commodities – in exchange value rather than value in use. Revenue less cost of sales, operating expenses, interest and tax gives the profit for the year attributable to shareholders, the owners of the company.

Treating the sales as abstracts means that we can compare the financial efficiency of companies without considering what it is they are selling. This ties into Dillard and Vinnari's (2019) arguments about the difficulty of grafting social and environmental concerns on to the financial statements. They are designed to examine the financial aspects of companies' operations by abstracting from other concerns so it is not surprising that it is difficult to graft the other concerns back onto them.

BAE Systems reports on the social and environmental impact of organisational activities within the Annual Report and also has a separate Corporate Social Responsibility report on the website. The areas covered are supply chain management with regard to social and environmental impacts, greenhouse gas emissions, gender balance, modern slavery and corruption, roughly in line with GRI but not formally following GRI, with assurance from Deloitte LLP. However, although they are part of the Annual Report, they are not formally connected with the Financial Statements. The Financial Statements stand alone. The increase in shareholders' equity, the earnings per share ratio of the return on shareholders' investment, is the measure of success. The social and environmental information is separate and supplementary. It is added on, as Dillard and Vinnari, (2019) note.

The first few pages of the Annual Report give key performance indicators (KPIs) relating to sales - the domains where they are sold air, land, maritime, cyber and the sales revenue from geographical sectors. Pages four and five list the products which slightly goes against the point made above, but pages 6 and 7 are devoted solely to financials and their ratios.

2.5.1.2. The National Trust Statement of Financial Activities 2018

The National Trust follows the charity accounting SORP; it produces a Statement of Financial Activities instead of an Income Statement.

Consolidated Statement of Financial Activities for the year ended 28 February 2018						
	Note(s)	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	2017 £'000
Income and endowments from:						
Donations and legacies						
Appeals and gifts		1,815	11,366	-	13,181	11,525
Legacies		33,944	17,876	118	51,938	61,693
Operating grants and contributions	2	115	5,706	-	5,821	6,144
Other trading activities						
Enterprise and renewable energy income	5	73,412	-	-	73,412	72,852
Hotel income	5	-	8,368	-	8,368	8,135
Investments	19	6,962	8,291	13,914	29,167	25,540
		116,248	51,607	14,032	181,887	185,889
Charitable activities						
Membership income	3	219,765	-	-	219,765	200,741
Project grants and contributions	2	-	12,214	-	12,214	11,770
Direct property income	4	142,818	36,959	-	179,777	170,904
		362,583	49,173	-	411,756	383,415
Other						
Other income	7	631	531	70	1,232	22,438
Total income		479,462	101,311	14,102	594,875	591,742
Expenditure on:						
Raising funds						
Fundraising costs	11	3,601	-	-	3,601	3,315
Enterprise and renewable energy costs	5, 11	52,642	-	-	52,642	53,832
Hotel costs	5, 11	-	8,226	-	8,226	8,066
Investment management costs	11, 19	1,798	1,974	3,523	7,295	5,522
		58,041	10,200	3,523	71,764	70,735
Charitable activities						
Property operating costs	11	208,506	69,722	-	278,228	255,611
Expenditure on property projects	11, 12	83,758	54,586	41	138,385	139,304
Acquisitions	11, 18	8,031	3,434	-	11,465	10,030
Internal conservation and advisory services	11	50,993	1,536	-	52,529	46,183
Membership costs	11,13	52,883	205	-	53,088	45,543
		404,171	129,483	41	533,695	496,671
Total expenditure	15	462,212	139,683	3,564	605,459	567,406
Net (expenditure)/income before gains on investments	15	17,250	(38,372)	10,538	(10,584)	24,336
Net gains on investments	15, 19	15,103	17,252	30,722	63,077	190,302
Net income	15	32,353	(21,120)	41,260	52,493	214,638
Transfers between funds	15	4,341	17,710	(22,051)	-	-
Other recognised gains/(losses):						
Actuarial gains/(losses) on defined benefit pension scheme	15, 25	83,592	-	-	83,592	(94,864)
Net movement in funds		120,286	(3,410)	19,209	136,085	119,774
Fund balances brought forward	15	189,720	473,665	581,495	1,244,880	1,125,106
Fund balances carried forward	15, 16	310,006	470,255	600,704	1,380,965	1,244,880

Figure 5. National Trust Statement of Financial Activities 2018 (NT Annual Report 2018:28)

In the Statement of Financial Activities (SOFA) income is divided into two types, income raised from charitable activities, i.e. activities in direct pursuit of the charitable aims, and other income, from donations and from trading to raise funds and investments. The SOFA recognises different income streams; it also recognises different ways of and reasons for trading – activities in pursuit of non-financial aims (classified as charitable activities) and trading in order to raise funds (other trading). Trading in order to raise funds can be likened to trading in commodities in order to make a profit but trading in pursuit of charitable aims cannot be understood in this way – the aim is not to generate a return on financial investment, the aim is to deliver certain sorts of goods and services.

The SOFA is often described as a way of reporting on the *use* of resources. Charity law requires all charity funds to be applied to charitable aims (Sayer Vincent, 2016). *How*, in the sense of what for, the resources have been used is the basic question the report is designed to answer. The justification as to how the resources have been applied is explained in the narrative report which accompanies the SOFA. There is criticism of charity narrative reporting (Morgan & Fletcher, 2013; Connolly and Hyndman, 2013), but the point here is that the SOFA, by indicating the activity the charitable expenditure supports, sends the reader to the narrative report for more detail and discussion of the effectiveness of the activities. On Dillard and Vinnari's (2019) diagram, Figure 3 in Chapter 2, adapted in figure 7 below, the financial statements can be seen as a support for the organisation's accountability because they show the financial resources which have been applied to the chosen activities. The activities are explained in the narrative and justified by how well they meet the objectives, answering Dillard and Vinnari's (2019:35) key question – Accountability for what?

The National Trust uses the first pages of the Annual Review to set out the future strategy covering four main areas – looking after property in the Trust's care, playing their part in *restoring a healthy, beautiful environment* working in partnership with tenants, creating *experiences of place that move, teach and inspire* and helping *look after the places where people live*. (National Trust 2018:4). They also cover their KPIs for the year being reported on, and the past four as well as the next year. The KPIS cover strategy headings and add in growing support.

Measures of success	14/15 Actual	15/16 Actual	16/17 Actual	17/18 Target	17/18 Actual	18/19 Target
Looking after the places in our care						
CPI – properties reporting a static or improved score (%) ²	83	87	87	rebaselined	n/a	85
Energy reduction (%) ³	7	6	8	11	5	11
Creating experiences that move, teach and inspire						
Overall service (%) ⁴	n/a	n/a	67	68	61	62
Emotional impact (%)	n/a	n/a	n/a	20	16	17
Visitor numbers (m)	21.3	22.5	24.5	24.8	26.6	27.4
Growing our support						
Membership numbers (m) ⁵	2.09	2.22	2.31	2.38	2.46	2.55
Membership retention (%)	85.71	86.3	85.4	85.6	85.4	85.5
Fundraising income (£m)	85.3	81.7	91.1	91.5	83.2	94.3
Volunteer recommendation (%) ⁶	64	64	64	65	61	61
Resources and skills						
Operating Margin (%) ⁷	17.2	19.0	19.9	18.7	20.7	21.4
Overall staff satisfaction (%) ⁸	58	59	61	61	59	59
Restoring a healthy, beautiful natural environment						
Improve ASSI/SSSI/Priority Habitat condition ⁹					baseline	43%
Priority Habitat created or restored (ha) ¹⁰				baseline	3,709	4,775
National Trust land meeting High Nature Status (%) ¹¹				baseline	37	38
Number of minimum standard failures ¹²				baseline	119	106

Figure 6 Measures of Success, National Trust Annual Report 2018:5

The bottom line for the SOFA is not profit for shareholders but funds to be carried forward. The SOFA is interested in showing resources that the charity can take into the future to support continuing activities. The National Trust notes the operating margin in the KPIs under the heading of Resources and Skills. It is not unconcerned with financial return; it seeks a financial return in order to be able to continue the activities measured in the other KPIs.

The SOFA also splits in a vertical direction. Funds are split according to the conditions attached to their use – into Unrestricted Funds which have no restrictions (other than those imposed by charity law) and Restricted Funds which have conditions attached by external donors. Unrestricted Funds can be used in pursuit of charitable purposes as the organisation sees fit. Restricted Funds can only be used as agreed with donors. Funds might be given for a particular project and their use will be restricted to that project; they cannot be used for other projects even if the other projects are closer to the charitable aims of the organisation.

So, the SOFA can accommodate reporting across a variety of activities and projects for multiple purposes – some to make surpluses. This flexibility ties in with the idea of diverse economies (Gibson-Graham, 2006; Gritzas and Kavoulakos, 2016).

The next section explores these differences through Dillard and Vinnari's (2019) accounting/accountability/responsibility framework.

2.5.2. Charity accounting compared to for profit accounting on Dillard and Vinnari's (2019) accounting/accountability/responsibility framework.

Taking Dillard and Vinnari's (2019) observations further and applying their diagram incorporating responsibility for the evaluation criteria to both charity and for profit accounting, we can compare them on the same basis, Figure 7. Applying this diagram to for profit accounting and accountability allows us to see the iterative process at work in for profit organisations. Figure 7 allows us to see the accounting system as shaping but also as shaped by the evaluation criteria which feed into the accountability system and thence back into the accounting; a self-feeding loop where the organisation learns how to use the accounting system to help the pursuit of its objectives.

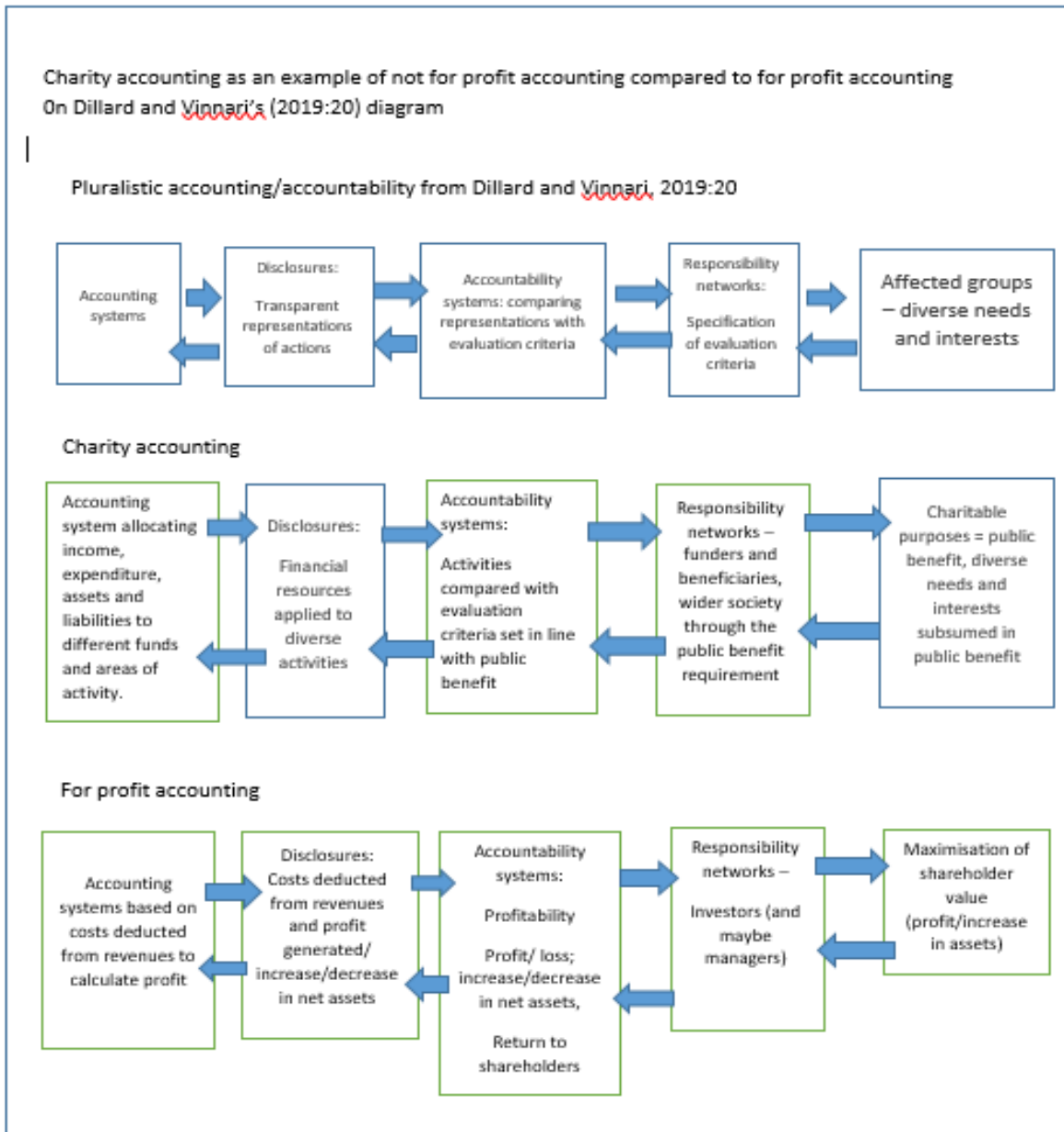


Figure 7. Adapted extract from Figure 3, adapted from Dillard and Vinnari, 2019:20

The for profit line of the diagram sees the accounting system based on costs as a reduction of revenue income in the calculation of profit or increase in net assets, feeding into the accountability system – where success is measured through return on investment. The evaluation criteria are seen as set by investors and maybe by managers. This is an over-simplification which will be discussed further below. The ultimate objective is the maximization of shareholder value (MSV) and this then feeds back into the system, through the evaluation criteria into accountability, honing the accounting system to give the necessary information to those responsible so they can see how well the objectives have been met and change their criteria or their actions if required. This ties in with the criticisms

of accounting as a calculative technique which shapes corporate behaviour, as discussed above, but also allows for accounting to be shaped by that behaviour. It allows for accounting to be becoming more financialised whilst also financialising corporate attitudes and wider society. And, to some extent, it clarifies why this has been such a powerful cycle because it makes the iterative process clear. It also illustrates the business case for CSR/SEAR. Any accounting which increases the organisation's ability to pursue its objective of MSV fits neatly into this process, the evaluation criteria can be expanded to encompass it, and more easily if the new accounting is based on the same concepts of profit and capital accumulation, such as the GRI and IR. CSR/SEAR are seen as adding on a little bit more to the accounting and accountability process without changing the final objective (MSV). This diagram also clarifies why these initiatives are so vulnerable to capture by the financial accumulation perspective, as discussed above.

Dillard and Vinnari (2019) argue that this iterative process in a pluralistic system directed to meeting diverse needs and interests can build democracy. However, it would seem that the same iterative process directed towards the maximization of shareholder value can become a capitalist "juggernaut" (Marcuse, 1964 cited in Spence et al, 2010:78). Adding the step of responsibility for setting the evaluation criteria in the for profit line, allows us to, or perhaps makes us, conclude that the investors (and maybe the managers) are responsible for the ways in which corporations behave. Whilst this is undoubtedly true, it is also not the whole picture. The idea of responsibility networks includes the context within which decisions as to evaluation criteria are being made. Responsibility networks are made up of agents but also of structures and wider systems within which the agents operate. The system of accounting within which corporations operate, through legislation and financial systems such as international banking and stock exchanges, can be seen as limiting the choices available for those responsible for setting the evaluation criteria for corporations. This ties in with the arguments of the Statement on Accounting (Collison et al., 2016) above.

Turning to charities (as the example of not for profit accounting), charities set their own objectives by deciding which needs to address and interests to pursue. The range of objectives charities can choose to pursue is as wide as unmet needs, unlike MSV. The only criterion for charities under UK law is that the needs addressed and interests pursued

should have public benefit. This concept is problematic and is explored further in the next section.

Choice of objectives provides the context for setting the evaluation criteria, which shapes the accountability and accounting systems. As shown in the example of the NT above, charity accounting recognises this. The accounting system allocates expenditure against activities which are seen as pursuing targets set by reference to evaluation criteria which refer to the social and/or environmental objectives (the needs addressed and interests pursued). But charity accounting allows for multiple strands within accountability/accounting systems which work together in pursuit of the final objectives. The accounting allocates financial resources against activities and can accommodate different attitudes towards different sorts of income and expenditure. Commercial evaluation criteria can be used on income and expenditure arising from activities in pursuit of surpluses (or profits) which are then applied to support charitable activities; other criteria, such as impact achieved per unit of expenditure, or much less quantifiable such as the emotional impact of an experience (figure 6 above), are used for non-commercial activities. Because each charity chooses its own objectives the sector is diverse, with charities addressing a wide range of needs and interests. So, there is flexibility and diversity within individual organisations and within the sector.

This is recognised by some nfp accounting research which may seem to be positivist in Chua's (2019) sense, accepting the status quo, but which can be seen as interstitial in the sense that it is accepting a status quo which is not predicated on profit or capital accumulation, and in that sense it is exploring part of the submerged part of Gibson-Graham's diverse economies iceberg, Holloway's "something else", and how we account for it and report on it (e.g. Connolly, Hyndman and McConville; Morgan, 2013; Cordery and Sinclair, 2013). Much nfp research recognises the pressures that the nfp sector is under to conform to the norms of the fp sector and, in many cases, calls for resistance (e.g. Coupet and Berrett, 2019). Vinnari and Dillard (2016) and Dillard and Vinnari (2019) argue that alternative perspectives are hard to articulate because they are outside our normal framing.

This comparison of fp and charity accounting goes further than Dillard and Vinnari (2019). It recognises the problems with conventional accounting and CSR/SEAR as being added on,

but suggests that the problems arise not from the absence of responsibility in the fp process but from the choice of end to pursue. It suggests that the iterative process is the same for both fp and charity accounting / accountability / responsibility; the fundamental difference lies in the ends pursued. Fp accounting, caught up as its name acknowledges in the cycle of MSV, can be seen as accounting for Aristotelian chrematistics, the art of making money. Charity accounting can be seen as accounting for Aristotle's economics, the wise allocation of resources in pursuit of a good society. As Aristotle (ca. 350 B.C.E./1925) and Gibson-Graham (2006) argue, the problem lies in making money the end in itself.

It is the contention of this study that the flexibility of charity accounting is insufficiently recognised because it is seen simply as "not for profit" rather than as a flexible system which can accommodate multiple purposes. Part of the problem is that "not for profit" is a negative definition, framed in terms of the dominant hegemony. This acts as an obstacle to understanding the "something else" being accounted for (Gray, Bebbington and Collison, 2006). Using the wrong lens to examine the "something else" obscures our understanding of it. But a further obfuscating complication is caused by charity being defined in terms of public benefit which subsumes Dillard and Vinnari's (2019) "diverse needs and interests" into an abstract concept based on the absence of private interest, another negative. Profit is often taken as the proxy for private interest – so the idea itself can be seen as relying on the fp/nfp divide.

This chapter has reviewed critical accounting research situating this study in the project focused on flourishing, approaching the accounting project from an exploration of the aims and objectives of a range of socially and environmentally oriented organisations operating in Gibson-Graham's (2006) diverse economies. Dillard and Vinnari's (2019) accounting /accountability/ responsibility diagram was used to compare and contrast fp and charity accounting and to demonstrate the areas of focus of the study, the objectives. Whilst charity accounting can be seen as flexible and capable of accounting for diverse objectives, it is often overlooked because of the fp/nfp divide.

The next chapter explores research on the social economy – Aristotle's sector which is seen as trading in pursuit of use values rather than in pursuit of exchange values as manifested in the accumulation of financial returns. This study starts with an exploration of the purposes

pursued by organisations with social and/or environmental aims which use trading mechanisms (at least partially) to raise income (first research question). So the study also sits within the conversations about the social economy, particularly those concerned with the common good, as opposed to the public interest. Conversations about the common good ignore the conceptual divide between profit and its absence, between public and private interests on which the division between commercial and philanthropic activity turns.

Chapter 3. Public interest and the common good, the third sector and the social economy.

3.1 Public benefit and the common good – the problem of co-operatives

3.1.1 Public benefit

It is a requirement for charitable registration that the purposes of the organisation should be for public benefit (Charity Commission PB1, 2017); there must be a clear public benefit related to the aims of the organisation, the beneficiaries must be the public or a section of the public, and not unreasonably restricted. Any private benefits must be incidental.

(Charity Commission (2008a) cited in Morgan, 2012:21). "Public benefit" *encompasses a central obligation to put others first.* (Morgan, 2012:68).

"Beneficial" is understood as doing more good than harm, so the effect of the organisation's actions is intended to be beneficial change and any harmful consequences of these actions would be less than the good brought about by them (Morgan, 2012). This recognises that some detrimental effects may arise from activities that are otherwise beneficial, requires the organisation to be aware of them and do the rough cost/benefit calculation when setting objectives. It leads to the organisation monitoring the effects of its actions in pursuit of the charitable objectives to ensure that more good than harm actually does come from them.

"Public" is more fraught. It will be argued here that this is due to fundamental inconsistencies in the way that we think about public benefit and the common good.

Although it was first introduced into UK legislation in the Statute of Charitable Uses of 1601, Morgan links the idea of charity back to 1400BC, Leviticus 19.18:-

'You shall love your neighbour as yourself' (Morgan 2012:68). My emphasis.

The emphasis in this quote contrasts with the earlier quote where Morgan defines charity as based on an obligation to put others before oneself. This difference highlights a fundamental problem with the idea of charity. Loving your neighbour as yourself is not equivalent to putting others before yourself. The biblical command is an exhortation to treat others as equally important as oneself, to not favour yourself; it is not a command to favour others, to put others before yourself. This might seem like semantics but it is the

argument on which definitions of the third sector rest, leading to the exclusion of self-help (in particular co-operative) organisations on the basis that mutual or common interest is not compatible with prioritising the interests of others (altruism). Charity is altruism rather than reciprocity; the definition of charity above excludes reciprocity. Charity, based on altruism, divides society into beneficiaries and donors, into those whose interests are being prioritised by those who are downplaying their own interests in order to benefit others, into “haves” and “have nots”. By dividing society in this way, and thereby defining inequality between participants into the social equation, charity blocks the possibility of an egalitarian community where participants are equals.

The concept of charity, based on altruism, as the “most ethical” way of interacting with our fellow citizens weakens the possibility of thinking seriously about reciprocity and democracy, even if, as seems to be the case at least sometimes, donors to charities cede prominence to beneficiaries, by recognising that the interest of the beneficiaries is the most important element of the charity activities and that donors’ views should be based on the beneficiaries’ understanding of priorities. (Connolly and Hyndman, 2013 and 2017; O’Leary, 2017; Agyemang, O’Dwyer and Unerman, 2019).

3.1.2 The common good and co-operatives

This section explores the concept of the common good as opposed to that of public interest, initially using the example of co-operatives, because they illustrate the problems arising from trying to fit socially oriented organisations into the binary fp/nfp division.

Although their focus is on meeting needs and aspirations, co-operatives are also focussed on mutuality and democracy. Some co-operatives (member-controlled rather than owned) do have charitable status but it is additional to their co-operative form rather than integral. A co-operative is defined as an:

autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise (ICA, 2020).

Co-operatives are based on the values of

self-help, self-responsibility, democracy, equality, equity, and solidarity.(ICA,2020)

The co-operative movement was founded by people who were concerned for social justice but not through philanthropy. They aimed to create successful business enterprises which address social needs and aspirations through mutual benefit, reciprocity. (ICA GNOCP, 2016:18)

The concept of “public benefit” as excluding private interest (except as incidental) rules out reciprocity understood as mutual interest. This is one of the reasons why it is so hard for us to categorise co-operatives – they are not simply private interest organisations as they are also community oriented; but they are not altruistic (in the charity law sense) as they are based on the principle of self-help. According to Birchall (2011), co-operatives see their economic activity as being socially driven and oriented; their trading, and the way they trade, is an integral part of the way in which they seek to improve the world. Being democratically governed with benefits distributed on the basis of participation rather than financial investment means that they create markets which do not aim to maximise profit (return on financial investment) but rather to meet human needs and aspirations (Max-Neef, Elizalde and Hopenhayn, 1992; Max-Neef, 2010 ; Birchall, 2011; ICA GNOCP, 2016). The distribution of profits by co-operatives could be (and most often is) described as refunds or deferred payments to participating members, local economic benefit rather than profit extracted for investors (e.g. Hicks, Maddocks, Robb and Webb, 2007; Levi and Davies, 2008; Novkovic, 2008).

Benefits to members are more than incidental to co-operatives. So co-operatives do not qualify as contributing to public benefit as defined above. However, they can be seen as contributing to the common good if that is understood in the Aristotelian way as building a thriving community in which individuals can flourish, and to Gibson-Graham’s (2006) diverse economies where market exchange can be pursued in order to meet needs and aspirations rather than to maximize financial returns – to make a living rather than a profit.

The concept of the common good which underpins co-operative principles has a layered understanding of the individual as being part of society, interdependent with other members, participating in building community which supports all, and benefitting as an individual from being a participant. This concept aligns with the community economies school of social science which looks at social movements (Gibson-Graham, Cameron and

Healy, 2013; Dellaporta, 2015). It can also be seen in holistic approaches to understanding society such as the Latin American philosophy of *buen vivir*, *sumak kawsay*, which sees the individual as part of the social system and the social system as part of the natural world, and both individual and society as incomprehensible out of context (e.g. Gudynas, 2011; Radcliffe, 2012; Acosta, 2013). The *buen vivir* approach has much in common with Schumacher's arguments about human society's place in nature, the interdependence of people and the need to develop wisdom as opposed to instrumental science (Schumacher, 1973), and with Lehman's arguments for a sense of humanity's place in nature (Lehman, 2017).

The March 2020 volume of *Critical Perspectives on Accounting* is devoted to discussion of the common good. Richard Spencer, Head of Sustainability at the Institute of Chartered Accountants in England and Wales (ICAEW) notes that public interest is not as useful a concept as the common good. He suggests that the SDGs provide a vision of the common good through the 17 goals and their associated 169 targets (Spencer, 2020). The SDGs set out what a world in which all can flourish would look like. It is a shared vision (all members of the UN signed up after extensive consultation) of a world to work towards, Purcell's (2013) horizon as discussed in Chapter 2; a world which can be seen in the submerged part of the diverse economies iceberg (Gibson-Graham, 2006) but which cannot easily be made out using eyes distorted by Lefebvre's industrial city. The SDGs can be seen as one possible version of Dillard and Vinnari's (2019) diverse needs and interests (Figure 7), possible objectives for organisations in a pluralist democracy. Perkiss and Moerman (2020) use Boltanski and Thevenot's Sociology of Worth to suggest that there are as many common goods as human projects. Annisette and Richardson (2011) also use Boltanski and Thevenot's concept of orders of worth suggesting that value is ascribed within a hypothetical model of a good society. These arguments tie in with those of Lefebvre and Purcell (2013) discussed in Chapter 2.

Killian and O'Regan (2020) use Thomas Aquinas to develop Aristotle's theories of the common good, arguing that Thomist thought allows us to go beyond the idea of the greatest good as the sum of individuals' goods (utilitarianism) to a concept of the greater good being more than the sum of the parts. The special issue calls for research concerning the space into which accounting should expand, particularly calling for empirical examples of diverse,

collaborative forms of accounting in social and financial spheres. Although the field work for this thesis was conducted before the articles in the special issue were published, the thesis can be seen as aligned with this call. Although Dillard and Vinnari's (2019) article was also published after the field work was conducted, their framework can be used to illustrate the direction of the argument.

The next section explores the debate over the definition and boundaries of the third and fourth sectors, the difficulties in situating the social economy.

3.2 Third Sector and social economy.

3.2.1 Emergence des Entreprises Sociales' wide, dynamic definition of the diverse social economy

Defourny and Nyssens (2017) argue that it is not possible to define the social economy in simple terms unless they are very broad. But the complexity of the sector is a strength, not a weakness. They suggest that we need to go back to Gui (1991) to understand its non-capitalist nature. Both of these arguments align with Gibson-Graham's (2006) arguments about diverse economies. Defourny and Nyssens (2017)'s examination of the context of social enterprise based on the work of the Emergence des Entreprises Sociales (EMES) international network, set up in the 1990s to examine the emergence of social enterprise in Europe and then internationally, uses a framework of interests derived from Karl Polanyi's economic sociology which was heavily influenced by Aristotelian thought (Dale, 2010). The EMES project network covers all continents so brings into account the perspectives of many different cultures.

Defourny and Nyssens (2017) use a triangle (based on Pestoff, 1998) rather than a circle or a line. Their labels for the angles, interests - general, mutual and capital interest - broadly align with Pearce's (2003) sectors, market as private, general as public benefit and mutual as mutual, self-help, social. So, they expand the binary spectrum approach – market to mission, private to public benefit (exemplified in Alter's spectrum, Table 1) – to introduce reciprocity, mutual interest. They mark out the social economy in the middle of the triangle. They also look at resources along the general to capital interest side, market or non-market, or a hybrid mix, how the organisations raise their income. This allows for how the sectors from which the enterprises are emerging shape their attitudes and actions.

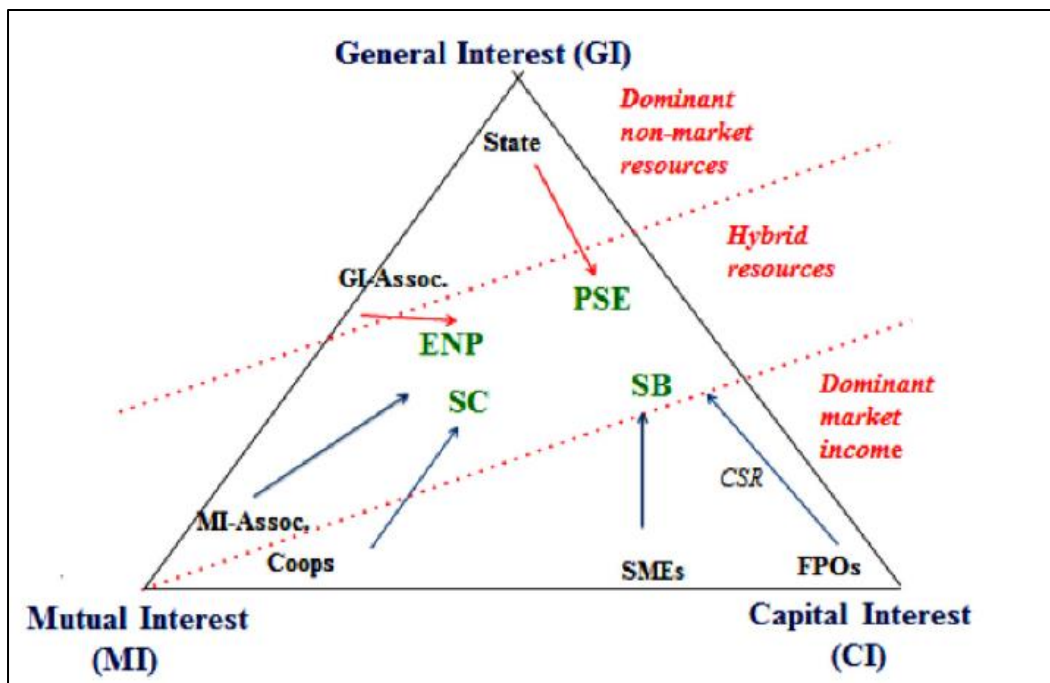


Figure 8. Institutional trajectories and resulting SE models (Defourny & Nyssens, 2017:2479)

Defourny & Nyssens recognise ENPs, Enterprising Non Profits, general interest associations developing enterprise activities; PSEs, Public Service Enterprises, state agencies moving towards enterprise activities; SBs, Social Businesses, For Profit Organisations moving towards general interest activities; SCs, Social Co-operatives, Mutual Interest organisations moving towards general interest activities.

We can see organisations as situated on several axes and the points of the triangle as exerting different sorts of “pulls” on the organisations, giving them direction which influences their position but not necessarily in a linear fashion because of the interplay of the different forces. This allows us to think about the tensions within organisations not as caused by polar opposite logics but as aspects of complexity within a general direction.

Westall (2001) suggests that we should see social economy organisations not as hybrids of other perspectives but rather as having their own social economy perspectives, as a fourth sector distinct from the other three. On the Defourny and Nyssens triangle, figure 8 above, this would mean that we would see organisations emerging from the central part of the triangle (requiring another layered dimension) not only as moving into the centre from the axes. This adds another layer of complexity to an already diverse sector by opening the

possibility of understanding some of the organisations in this sector from a distinct perspective of their own.

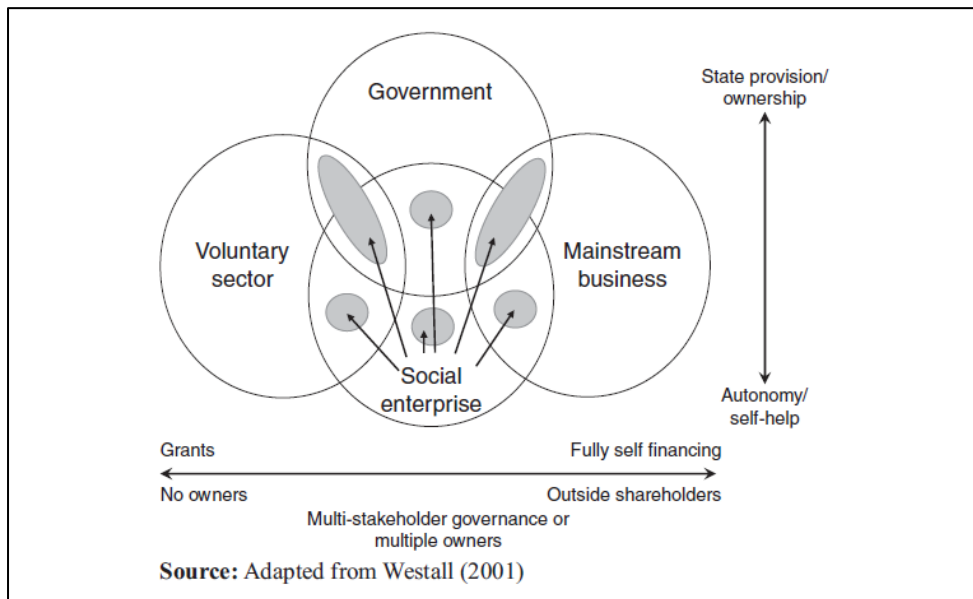


Figure 9. Westall (2001) four sectors adapted, from Bull (2018:594)

Whilst both Westall (2001) and the EMES project recognise different sources of income for social enterprises, neither definition turns on fp/nfp as the essential pivot. Both can accommodate co-operatives as a recognisable sub-group within social enterprise. The next section explores the debate which is currently taking place concerning the way in which the definition of the third sector in the United Nations *Handbook on Non-profit Institutions in the System of National Accounts* splits the co-operative sector into two irreconcilable parts.

3.2.2 For profit or not for profit divide in the Systems of National Accounts

This section examines the underlying ideas in the European Union's Third Sector Impact Project's (TSI) proposals to broaden the concept of the third sector. Whilst recognising how important this project is from a policy and governmental point of view, questions are raised regarding the fundamental assumptions upon which the arguments are built.

An international collaboration, focussed mainly on Europe but co-ordinated by Johns Hopkins University, USA, has re-written the definition of the third sector so that statistics on third sector activities can be included in a comparable way in the statistics which comprise

the System of National Accounts (SNA). This project was undertaken in order to make the invisible third sector visible within the SNA so that it would then be taken into account by policy makers and government rather than ignored or excluded as too difficult to capture (Salamon & Sokolowski, 2018). Inclusion in the SNA demonstrates the importance of the sector and makes it easier for policies to be developed to support rather than hinder third sector activities. The project was quite controversial through the consultation stages (e.g. Defourny, Gronberg, Mejis, Nyssens and Yamamuchi, 2016) and it acknowledges how difficult it is to encompass the immense variety of organisations and activities within the sector and to establish which of those organisations on the boundaries fall within the scope of the third sector and which do not.

The TSI project surveyed a range of European countries uncovering three core defining characteristics of organisations to be included in this re-written definition of the third sector. They are i) privateness, i.e. non-governmental; ii) public purpose,

undertaken primarily to create public goods, something of value primarily to the broader community or to persons other than oneself or one's family, and not primarily for financial gain; exhibiting some element of solidarity with others;

and iii) freely undertaken (Salamon & Sokolowski, 2018:25).

Whilst the project recognises the myriad legal forms even within single countries that organisations which might be included under these three criteria adopt and notes that many organisations within the sector are not overly concerned with legalities, it aims to find a consensus definition which can be used internationally, particularly for National Accounts. The authors contend that this has been done for the business sector so it should be possible to repeat for the third sector (Salamon & Sokolowski, 2018:24).

However, it is a contention of this study, and of much of the literature about diverse economies and flourishing, discussed in Chapter 2, that the primary way scholars, policymakers, statisticians and economists understand the business sector – basically as for profit, pursuing the maximum return on financial investment - is far too narrow and this narrowness of vision leads to the inability to connect business with genuine social and environmental responsibility. In Aristotelian terms, business is understood as the pursuit of

wealth for its own sake (for profit before any other purpose) rather than a method of wisely allocating resources to build good lives in a well-balanced society.

This narrowness of vision can be seen at work in the next step of the argument about the second criterion above – public purpose. The definition above is wider than the definition of “public benefit” discussed above because it allows for individual private benefit and even individual profit, but these must not be the primary aim of the activities. It allows for the more layered approach which can encompass mutual interest, recognising that the interest of the individual might align with the wider public interest. This definition of public purpose is closer to the idea of the common good than it is to the idea of public benefit as administered by purely altruistic donors.

However, the next step in Salamon and Sokolowski’s argument is to suggest that an adequate proxy for public purpose (which is difficult to prove) would be a limit on the distribution of profits on the grounds that if the purpose is not profit distribution, it must be public good. This sleight of hand shuts down the possibility of examining the notion of what is good for the public, what we mean by a good life, the possibility of fleshing out the diverse needs and interests pursued.

Salamon and Sokolowski’s argument, with this one step of equating public benefit with no distribution of profits, slips back into the binary either/or approach of the “public benefit” arguments above and the altruistic-individualistic diagonal, defining the social in terms of capital. Reverse this argument and we find that the pursuit of profit precludes public good – the only responsibility of business is to make profits.

The UN *Handbook on Non-profit Institutions in the System of National Accounts* includes a limit on profit distribution as a criterion but this is because it is concerned with non-profit institutions. Including this criterion, when trying to broaden the conceptualisation from non-profits to the social economy, leads to the exclusion of organisations which are using the market for social or environmental impact. These include “profit distributing” co-operatives and socially or environmentally driven business which raises money from investors and shareholders. These organisations are operating with a different view of the purpose of the market – they are trading but not primarily for profit. As noted above, co-operative markets are needs and aspirations not investor driven. Socially and/or

environmentally driven business can be seen as a vehicle for investors to have impact in the social and physical world rather than a vehicle for financial returns (Hebb, 2013). These organisations allow for a blending of social/ environmental and financial values which cannot be encompassed by conceptualisations built on the fp/nfp divide.

Using the limit on distribution of profit as a proxy for public purpose moves our attention away from the real world – the diverse needs and interests, the social and/or physical repercussions of organisational action, the complex and contested fields of the social – back into the abstract financial world. It unquestioningly assumes that market activity must be in pursuit of a financial return on investment to the exclusion of social and/or environmental aims insisting that an organisation cannot be understood as pursuing a public purpose unless it is seen as not pursuing distributable profit without considering *how* the profit is raised or *to whom* it is distributed. It is using the dominant mission-market axis framework and as such can be seen as part of the dominant hegemony's capture of wider society.

This is not to argue that there is no merit in the project to broaden the conceptualisation of the third sector and to raise its profile with statisticians and policymakers. However, claiming that this definition, based on the mission/market, non-profit/for profit divide, can hold for the third sector including the social economy tries to draw a firm boundary in an area where the boundaries appear to be blurred and where, as Nicholls puts it, the paradigms are currently fighting it out (Nicholls, 2010). The social economy straddles the divide, and the co-operative sector demonstrates this. It cannot be conceptualised in binary terms of for profit/non-profit, even when couched as market/mission. Partly in response to these arguments (McCulloch, 2019), the International Co-operative Alliance is pursuing a project to explore the feasibility of an international SORP for Co-operative Accounting and Reporting (Appendix 2).

Nicholls and Cho (2006) argue that much research into social enterprise and entrepreneurship is vague about the social dimension of organisational objectives even though the social enterprise field only makes sense in the comparison to “mainstream” enterprise because of the focus on the “social”. We need to examine what we mean by “social” otherwise *the study of social entrepreneurship becomes an analysis of means oriented towards ends that remain wholly unclear* (Nicholls & Cho, 2006:105).

This leaves a substantive gap in our understanding of the field because the social is complex and contested. The next section compares the IIRC multiple capitals, discussed in the previous chapter, approach with Defourny and Nyssens' (2017), two different perspectives on this complexity.

3.2.3 IIRC multiple capitals and emerging social enterprise

The IIRC argues that we need to see six strands of capital in organisations – natural, social and relationship, human, intellectual, manufactured and financial – and we need to give equal prominence to them all, rather than focussing on financial (IIRC, 2013). Figure 10 below shows how the IIRC sees them fitting together. It was included in the consultation document but dropped from the final report.

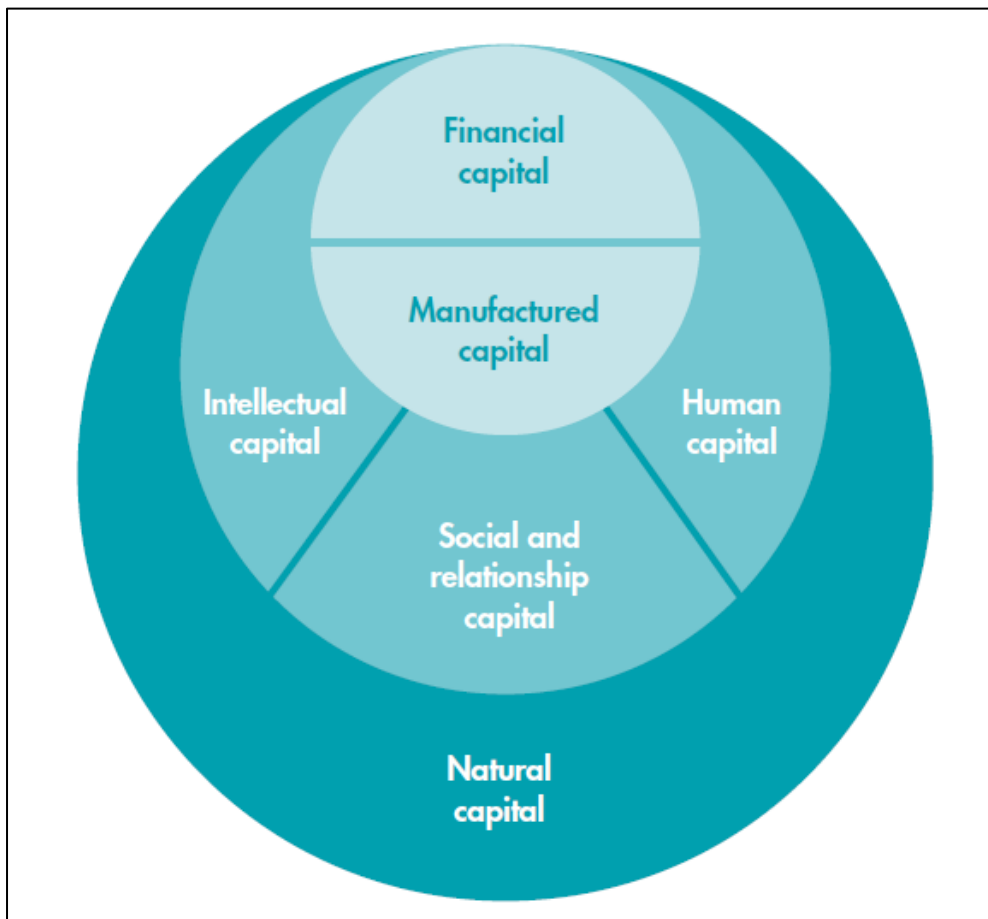


Figure 10. Six capitals. (IIRC Consultation Draft, 2012:13)

As noted in Chapter 2, the IIRC has been subject to criticism for seeing the other capitals through a financially based metaphor which obscures aspects not amenable to that configuration. Using the financial capital metaphor encourages us to see the capitals as interchangeable, misunderstanding their characteristics – particularly natural, social and human. Even financial capital itself is subject to different interpretations.

Chiapello (2008:13) argues that there are three understandings of financial capital within accounting – a) the amount of a loan as separate from the interest on it; b) the amount invested in an entity; c) the amount invested in equipment, as opposed to the equipment itself. The equipment is not capital; it is an asset of the entity, something which is of value because it can be used to generate income in the future. The IIRC definition of capitals as stores of wealth differs from the accounting definitions as set out by Chiapello. The IIRC approach sees the different capitals as akin to the assets of the entity – of value because of their income generating potential. Neither Chiapello nor the IIRC specifically address the irreplaceability of some of the capitals. The IIRC framework nods once at the concept (IIRC 2013:31) but sees it as a business risk for the entity rather than an existential risk for humanity.

Schumacher is credited with coining the term natural capital (Coulson et al, 2015). He understands it as an asset, so explicitly not in Chiapello's (2008) accounting terms, but not as an asset belonging to or controlled by an entity, more like a common good. Schumacher applied the term to the irreplaceable resources not made by man which industrial processes are consuming at ever increasing rates (Schumacher, 1973). Schumacher identifies three types of natural capital, assets which are being used up rather than maintained, understood here as – i) fossil fuels and minerals extracted from the earth, ii) the margins of nature being the balance of ecosystems which protect biodiversity, and iii) human life in the sense of the time (as part of the time span of a mortal creature) and well-being of individual human beings, which could be likened to the substance of labour in Marx (trans. 1976). Schumacher takes issue with Marx's concentration on labour, arguing that the surplus in industrial commodity production is extracted from all three types of natural capital – material from the earth creating pressure on the margins of ecosystems and time and health, well-being, from the life span of workers. Crucially, Schumacher sees human life as a type of natural capital – people are themselves part of nature.

Tantram (2014), following Schumacher, argues that we must recognise fundamental dependencies.

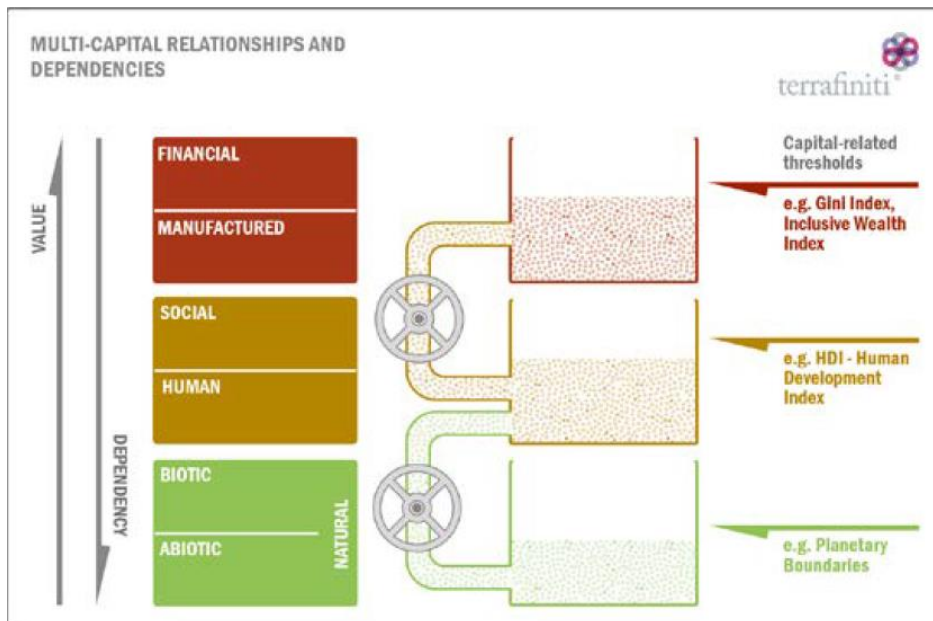


Figure 11. Multi-capital relationships and dependencies. (Tantram 2014:3)

Tantram’s arguments follow Schumacher’s in recognising levels of existence – the foundation being mineral (abiotic) on which animal (biotic) life depends. The planetary boundaries set a limit to the level of biotic life which can be supported. Human society depends on biosystems and individual humans both create and depend on society. Manufactured and financial capitals are products of humans within society and would not be possible without the underpinning capitals. This is recognised in the IIRC discussions of multiple capitals but implicitly rather than explicitly because the concentration in those discussions is on increase, decrease, maintenance or transformation rather than dependencies.

If we take Tantram’s idea of dependencies and apply it to the IIRC’s multiple capitals illustration, figure 10 above, we can see how social capital can be seen to emerge from natural, and how manufactured (including intellectual) and financial emerge from social, allowing for how the base capitals are broader than those they support – nature is wider than society and society is wider than finance and manufacture.

If we turn the Defourny and Nyssens triangle on its side so that capital interest is at the top, it can be overlaid on the cross-section of the IIRC six capitals. See below, figure 12.

Two observations can be made from this exercise. The first is that the Defourny and Nyssens triangle does not stretch to cover natural capital. Most debate within and about the social economy/definitions of the third sector are concerned with social issues; environmental concerns are largely assumed or ignored. On the other hand, the drive towards Corporate Social Responsibility has been largely environmentally driven (see discussion of GRI and IIRC in Chapter 2), with social issues secondary (Palakshappa and Grant, 2018).

The second is that mutual interest and general interest are both situated within social capital – relationships between people – at different levels. Social capital operates at the micro level in informal associations, at the meso level in organisations and networks and at the macro in political, legal and institutional environments, state and international levels, bringing together states, businesses and communities. (Grootaert and Bastelaer, 2002). It is a useful concept because it allows for *a structural dimension (networks)*, *a behavioural dimension (participation)* and *a cognitive dimension (norms)* (Field 2008:161). Ferragina (2010) argues that it is a multi-dimensional concept. Fine (2018) that this complexity is frequently ignored by researchers rendering it a dangerous concept. Fine echoes the arguments of Law and Mooney (2006)

Social capital is one of those elusive terms that provide think tanks, academics, journalists, politicians and policy-makers with a way to speak as if something meaningful is under discussion. Talk of social is permitted so long as it is accompanied by an orthodox emphasis on capital". (quoted in Ridley-Duff & Bull, 2011:85).

Mapping the EMES triangle against the six capitals allows us to think about society as embedded in nature and markets as embedded in society as in the figure below.

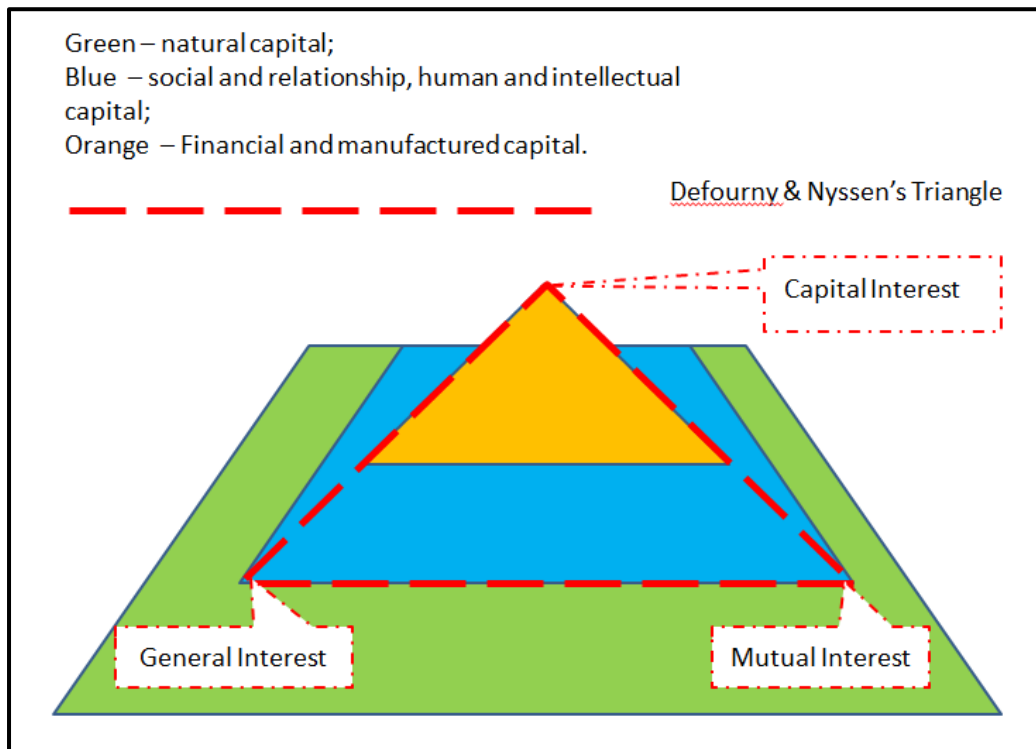


Figure 12 Defourny & Nyssens' triangle overlaid on IIRC Six Capitals.

If we take Westall's diagram, figure 9 above, and flip it so that the self-financing, outside shareholders point is at the top, matching Defourny and Nyssens' capital interest we can place the diverse organisational forms within the EMES triangle and the IIRC capitals, figure 13 below.

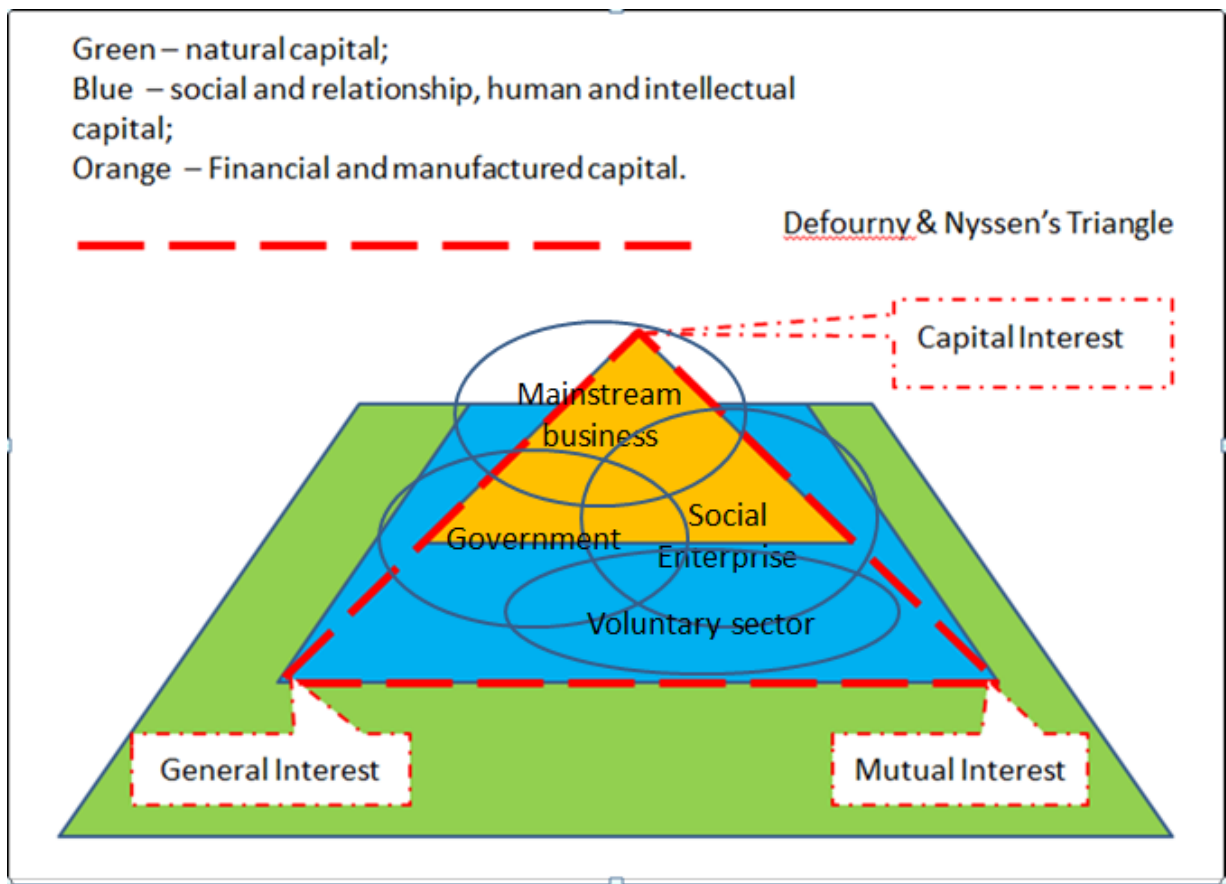


Figure 13. Westall's four sectors, Defourny & Nyssens triangle and multiple capitals mapped against one another.

This allows us to consider how financialized markets might escape social and natural limitations, how financialized markets might become disembedded (Polanyi, 1944). Cooper (2015) discussing the involvement of accounting in the financial crisis of 2008/9, uses Marx's concept of fictitious capital to characterise financial capital which is the product of speculation rather than human labour. Fictitious capital would be at the point of the triangle which stands proud of social and natural capital in the diagram.

Some critical accounting researchers, as discussed in Chapter 2, argue that financial ideas are in danger of colonising all experience. Translating those arguments into the diagram above, we are colonising all experience (and even that which goes beyond our experience) in terms set by the extreme upper point of the small triangle of financial and manufactured capital.

Bull, Ridley Duff, Foster and Seanor (2010) argue that we need to switch the conceptual axis from individualistic/altruistic based on the idea of society as an aggregate of atomised self-interested individuals to a more collective, social axis. The next section discusses Bull et al.'s (2010) concept of ethical capital in the context of the overlap between Corporate Social Responsibility (CSR) and Social Enterprise (SE).

3.3. Ethical capital, CSR, SSE and SE

3.3.1 Ethical capital

Bull et al (2010)'s arguments concerning ethical capital were inspired by the CEO and founder of the nfp environmental Eden Project, Tim Smit's discovery that the top eight people at Eden had all left well paid jobs in successful organisations because they did not want to work

*for corporations where there is no **ethical capital** (Smit cited in Bull et al, 2010: 252).*

Bull et al., (2010) argue that ethical capital should be considered along with the other capitals, but that it is not possible to analyse ethical capital properly without recognising the possibility of a perspective other than that of profit maximization. Modern business theory's moral code is based on efficiency and efficiency is assumed to link to self-interest.

The result is markets as the arbitrators of ethical outcomes, and profit-maximization as the ultimate moral code. (Keller, 2007:159 quoted in Bull et al, 2010:255)

They define the various capitals in terms of the resources mobilised, so are to that extent in line with the way that the IIRC approaches multiple capitals as stores of wealth to be drawn down, though their description is more dynamic using the idea of mobilisation of resources rather than increasing, decreasing or maintaining stores of wealth.

Using Tsukamoto (2007), Bull et al (2010:256) outline three levels of ethical capital, and add a fourth:-

a) passive, unintended moral agency where an organisation plays by the rules and stays within the letter of the law, complies with legislation but goes no further;

b) passive, intended moral agency where an organisation recognises that it operates within a community and certification can influence customer loyalty and happy employees may perform better, so the organisation goes a bit beyond the minimum required by legislation;

c) active intended moral agency and the creation of ethical capital where business recognises the benefits of ethical thinking in the market place, based on a wider understanding of stakeholders than the other two levels, engaged Corporate Social Responsibility. These three levels all use the business case perspective.

d) active intended moral agency where the main purpose of the organisation is the creation of social (or environmental – my addition) value. This moves the perspective into that of the social/ environmental case for business activity.

They place these levels of ethical capital on Alter’s spectrum, arguing that business has to become social enterprise in order to move to level four of ethical capital. They also recognise a further level – five – the altruism which underpins traditional non-profit organisations.

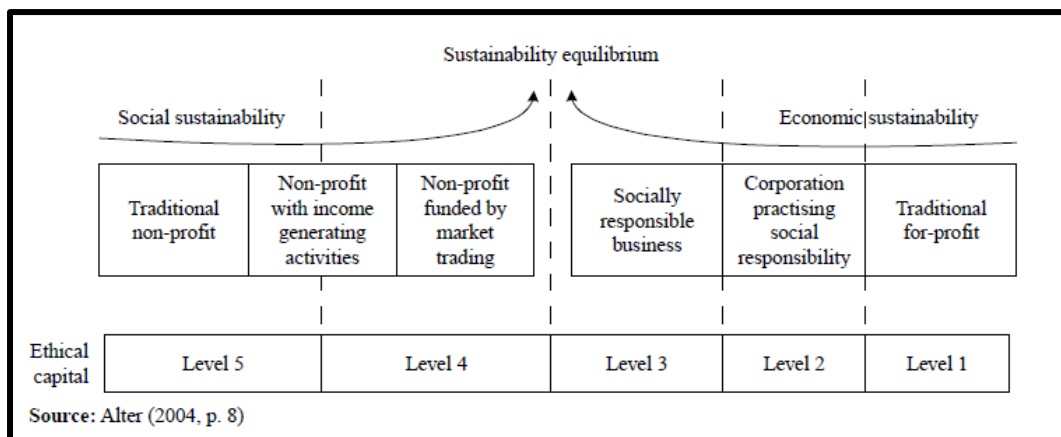


Figure 14. Sustainability spectrum and ethical capital, Bull et al. (2010:256).

3.3.2 Ethical capital at the overlap between CSR and Social Enterprise

Bull et al., (2010) raise these arguments from a social enterprise perspective. Palakshappa and Grant (2018) call for research into the links and overlaps between social enterprise and corporate social responsibility, noting that they have developed from different sectors.

Social enterprise is normally seen as developing from the non-profit sector, CSR as

developing within the commercial sector and this different provenance can obscure similarities.

Bennett (2011, cited in Palakshappa and Grant, 2018) observes that the CSR pyramid (Schwartz & Carroll, 2003; 504, used in Palakshappa and Grant, 2018:611) could be updated by changing the fourth level from “philanthropy” to “social justice” (Figure 15, below). We can map Bull et al.’s (2010) levels of ethical capital against Schwartz & Carroll’s pyramid very easily if we do this, table 2 below. This exercise adds to the argument that we do not need a level of ethical capital beyond the fourth, if philanthropy is replaced with social justice. A fifth level is a distraction from the co-construction which is inherent in Bull et al.’s (2010) definition of the fourth level. Philanthropy could be seen as one of the ways people search for social justice. However, there is a body of research which argues that philanthropy is a way of protecting the status quo, that at best philanthropy is a sticking plaster on the social and environmental wounds brought about by the structural inequalities in our social institutions, and as such it is a tool of the current dominant hegemony; other routes lead more easily to social justice (e.g. Nickel and Eikenberry, 2009; Max-Neef, 2010; Morvaridi, 2012).

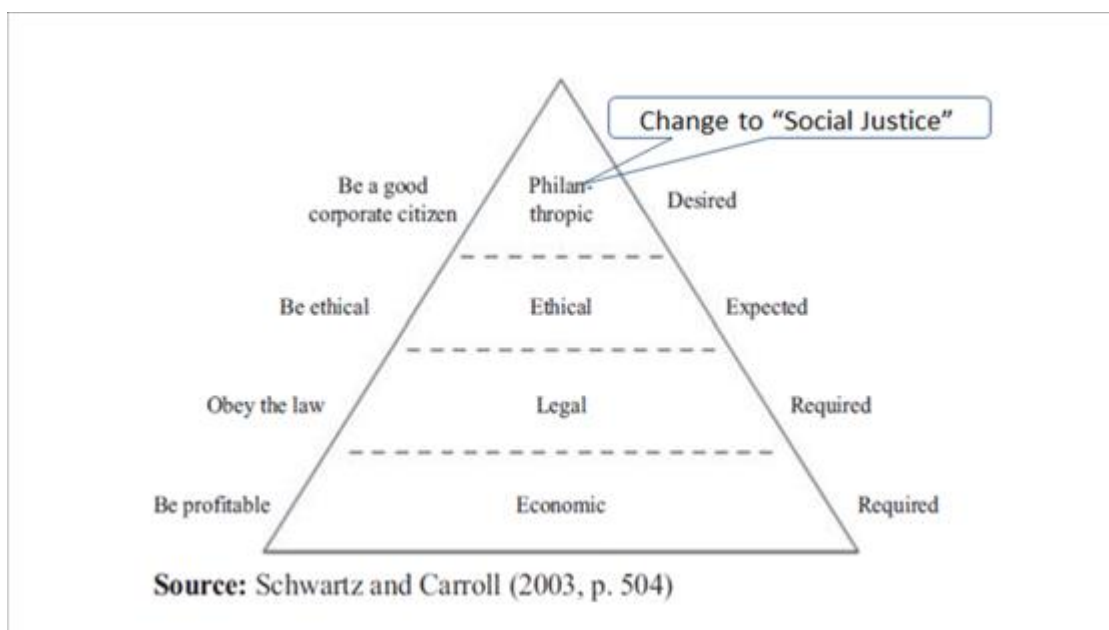


Figure 15. Adaptation of Schwartz & Carroll’s CSR Pyramid (Palakshappa and Grant, 2018:611)

Griffiths, Benn and Dunphy (2007) map the development of corporate social responsibility in corporations over the past forty years. They argue that corporate responsibility has developed through two waves, from hostility to the idea of corporate social responsibility, for example Friedman's arguments popular in the 1970s, that the only responsibility of business is to make profits for shareholders (Friedman, 1970) through grudging acceptance as legislation has been brought in at international and national levels, through the gradual adoption of voluntary social and environmental reporting (GRI etc. discussed in Chapter 2) followed by the growing recognition of possible advantages to be gained from environmental efficiency and then to some businesses recognising the competitive advantage to be had from being seen as an ethical business. Many businesses remain in the first wave, many in the early phases of the second wave. Griffiths et al. (2007) see a further, third, wave of CSR which is the transformation of the business into a socially or environmentally driven business. This is the transformation from justifying actions through the business case for social and/or environmental responsibility to justification through the social and/or environmental case for business, a quantum leap (Visser, 2011).

Whilst some businesses are transforming into genuinely social businesses, the CSR field is politically contested because so many companies are still in the earlier waves and resisting, overtly and covertly, pressure to become more socially responsible (Utting, 2005). CSR is often a diversionary tactic, as discussed in chapter 2 above.

The levels of ethical capital discussed in Bull et al (2010) can be mapped against Griffiths' et al's (2007) waves of CSR development, and Palakshappa and Grant's (2018) adaptation of Schwartz and Carroll's CSR pyramid, table 2 below. It is worth noting that Griffiths et al do not use the for profit/ not for profit divide, and do not include philanthropic organisations.

First Wave		Second Wave			Third Wave
Opposition	Ignorance	Risk	Cost	Competitive Advantage	Transformation
Rejection	Non-responsiveness	Compliance	Efficiency	Strategic Proactivity	Sustainable Corporation
Highly instrumental perspective on employees and the natural environment Culture of exploitation Opposition to the government and green activists	Financial and technological factors have primacy More ignorant than oppositional Seeks business as usual Environmental resources seen as a free good	Focuses on reducing risk of sanctions for failing to meet minimum legal and community standards Little integration between HR and environmental functions Follows route of compliance plus proactive measures to maintain good citizen image	HR systems seen as means to higher productivity and efficiency Environmental management seen as a source of avoidable costs – efficiency savings	Focus on innovation Seeks stakeholder engagement to innovate safe, environment friendly products and processes Advocates good citizenship to maximise profits (short or long term) and to increase employee attraction and retention	Re interprets the nature of the corporation to an integral self-renewing element of the whole society and its ecological context
Value destroyers	Value inhibitors	Value conservers	Value creators		Sustainable business
Bull et al. (2010) levels of ethical capital					
No ethical capital		Ethical Capital Level 1 to 2	Ethical Capital Level 2	Ethical Capital Level 3	Ethical Capital Level 4
Schwartz & Carroll (2003: 504) in Palakshappa and Grant (2018:611) adapted					
Economic		Legal	Ethical		Philanthropic changed to social justice
Be profitable		Obey the law	Be ethical		Be a good corporate citizen

Table 2. Waves of CSR mapped against levels of ethical capital – adapted from Griffiths et al (2007:17) using Bull et al (2010) and mapped against Schwartz and Carroll’s adapted CSR pyramid from Palakshappa and Grant (2018:611).

3.3.3 Ethical capital and the six capitals

It is interesting to note the difficulty in mapping Bull et al's (2010) capitals against the IIRC six capitals, particularly when allowing for consideration of dependencies. Ethical capital not only does not map but it is difficult to envisage where one would put it in the circles. It could be seen as part of social capital but only if we allow social capital to be much more multi-dimensional than the IIRC definition does.

The IIRC definition of social capital could be interpreted as multi-dimensional but only if the business is seen as a connecting institution at meso level for the individuals within it (micro) and the wider society (macro) within which it acts. This would require the IIRC view of the process of value creation through use of multiple capitals to focus more on impacts rather than outputs – to see the business as an *“integral self-renewing element of the whole society and its ecological context”* as Griffiths et al., (2007:17 above) put it. The IIRC project is trying to move corporate behaviour in this direction – towards a more ethical way of engaging with society and the physical world – but it is limited by remaining within the business case for social or environmental action (Flower, 2015; Thomson, 2015)

Alternatively, ethical capital could be seen more as a framework - as the thread that holds together the ways in which the other capitals are mobilised or used. If it is seen as the thread which holds the other capitals together, it could be argued that it is too weak at levels one to three (where the business case prevails and profit maximization gives the moral order, Keller quoted above) to do this coherently with the result that economic/financial capital seems divorced from and exploitative of the other capitals.

This thesis argues that abstracting to consider capitals in terms of increase, decrease, maintenance and transformation can only coherently take place within a framework which allows discussion of the reasons for the utilisation of the capitals in the first place. The concept of ethical capital opens the possibility of discussing multiple capitals in a framework that allows for discussion of what a good society would look like and what version of it we, as individuals and as a community and society, might want to pursue. We can then consider the many diverse needs and interests we will address, balancing and mobilising our resources to do so. Ethical capital aligns with Dillard and Vinnari's (2019) responsibility. It moves us towards a position where we can formulate a justification for why we want this

particular capital to increase and another to decrease, moving the discussion from chrematistics (the art of accumulation) to Aristotelian economics (wise allocation of resources in pursuit of a good society).

3.3.4. Hybrid organisations with multiple logics, blended values

Bull and Ridley Duff (2019) analyse the conceptualisation of social enterprise and the social sector in contrast with the commercial sector over the past twenty years along the mission market axis, developing the arguments regarding ethical capital to look at the “substantive back” behind the idea of social enterprise. They examine the social drivers and political frameworks behind the emergence of a wide range of social enterprises, from charitable trading organisations through mutual to socially oriented commercial businesses.

They seek to address the diversity within the field without collapsing and narrowing it. They explore the different perspectives and motivations which make the field seem fragmented, as comprising a collection of small counter perspectives to the dominant hegemony of market driven business and mission driven philanthropy. In doing this they are expounding a theory of social enterprise ethics, of diverse social economies, which can unite the field without collapsing the different perspectives and trajectories of the organisations within it.

Bull and Ridley Duff (2019) use Polanyi’s (1944) categories – redistribution, reciprocity and market. It is important to note that Polanyi’s categories are fundamentally social categorisations. The economies are characterised by the different relationships which constitute them. Redistribution concerns the movement of resources in line with social and political priorities; reciprocity concerns mutual exchanges found in family and communities and; the market concerns relationships based on depersonalised exchange of commodities.

Bull and Ridley-Duff (2019) augment this categorisation by including rationalities which range from self-interested, through mutual interest to altruism. The combination of different rationalities and legal foundations produces a range of different ethical outcomes in different sorts of social enterprises.

The *formal* rationality which charitable trading activities follow is rule based (Weberian) and driven by authority. The *social* rationality of mutual and co-operatives is based upon the collective decision making of the members (Ostrom). The *substantive* rationality of socially

responsible business is practice based, pragmatic (Dewey, James) (Bull and Ridley Duff, 2019). The field of social enterprise can accommodate a range of rationalities and ethical approaches. This ties into the arguments concerning diverse economies and the range of common goods discussed above.

Busco, Giovannoni and Riccaboni (2017) argue that the balancing of multiple logics is a fundamental characteristic of hybrid organisations. They call on institutional theory to explore how hybrid organisations use accounting controls to maintain multiple logics which is achieved through negotiation amongst stakeholders. Institutional logics are seen as rules and beliefs shaping the cognition, decision-making and behaviour of actors

as well as their conception of ends and means within fields of activities (Dunn and Jones, 2010; Scott, 1987). (Busco, Giovannoni & Riccaboni, 2017:192).

The co-existence of multiple logics is an enduring central characteristic of hybrid organisations (Battilana and Lee, 2014; Pache and Santos, 2013, cited in Busco, Giovannoni and Riccaboni, 2017:192).

Nicholls (2009) following Emerson (2003) argues that social enterprises adopt a pragmatic approach to legal forms, accounting and reporting, often combining different ways of reporting within one organisation as well as across the range of social organisations (using different rationalities to support them), because social entrepreneurs are motivated to try to communicate their activities and results in any way they can in pursuit of their wider social objectives, which are broadly to develop a more just and equal global order.

Nicholls (2009) and Busco et al. (2017) see the simultaneous employment of multiple logics as a characteristic, a peculiar feature, of social enterprise. Pache and Santos (2013:973), whilst recognising the body of literature that sees the different logics as in conflict within hybrid organisations, explore how they can be reconciled through “selective coupling” rather than compromised or de-coupled, as standard institutional logics theory would have it. Echoing the EMES project, Pache and Santos (2013) argue that the origins of the hybrid organisation influences how and which logics are prioritised.

Bull and Ridley Duff (2019) argue that we need to switch our conceptual axis from individualistic/altruistic based on the idea of society as an aggregate of atomised individuals to a more collective, social axis which allows for complex rationalities and multiple logics.

Vandenberghe (2018) argues that sociological theory in the past century has become divorced from its heritage as moral philosophy and lost the ethical dimension. He quotes Chanial that sociology should follow the Ancients to

grasp, against every form of reductionism, Man [sic] in his unity; to interrogate the ends that we [sic] collectively want to assign to social life and, thus, to judge socio-historical forms of inter human relations and types of humanity – Menschentum as Weber would say' (Chanial, 2011: 13, quoted in Vandenberghe, 2018:79) Emphasis added.

social theory, when it is properly conceptualized as a theory of social practices that are regulated by principles, norms and values, offers an alternative to the utilitarian conception of individuals as self-interested actors and to the atomistic conception of society as an aggregate of such interacting individuals. It is only if individuals are connected to each other via symbolic representations that offer them normative visions of self, others and society that the social synthesis of heart and minds can be conceived of in non-utilitarian fashion as an institution that is not imposed from without, but regulates from within the social practices that compose the social world as a human world (Vandenberghe. 2018:78) Emphasis added.

This study explores the diverse needs and interests (Dillard and Vinnari, 2019), addressed by a range of socially and/or environmentally oriented organisations within Westall's (2001) fourth sector, itself situated in Gibson-Graham's (2006) diverse economies, recognising the possibility that these organisations might display multiple rationalities or logics (Busco et. al, 2017; Bull and Ridley Duff, 2018). The first research question – concerning the understanding of purpose – directly addresses the question of which needs and interests are addressed. The second addresses the possibility of expressing these in terms other than atomistic individual self-interest or its absence and the third asks what sort of accounting can support the pursuit of these ends.

Returning to Dillard and Vinnari's (2019) diagram as adapted in the previous chapter, figure 7, this study focusses on the choice of needs and interests to address and the accounting which can support activities in their pursuit. So, it is not directly concerned with *how* performance measurements are used by social organisations but rather with the choice of *what to account for*. Nonetheless some of the literature concerning accountability and evaluation within third sector accounting research is relevant as it clarifies and supports Dillard and Vinnari's (2019) separation of accountability from responsibility for setting evaluation criteria which is the pivot for "regulation from within" (Vandenberghe, 2018:78, above). On Dillard and Vinnari's (2019) argument, accountability is exercised within the

context of the choices made in the next two steps – choice of needs and interests to address and criteria for measuring the effectiveness of the organisation in addressing them.

The next section explores third sector accounting literature about accountability and evaluation.

3.4. Accountability and evaluation

Cordery and Sinclair (2013), reviewing research on accountability in third sector organisations (TSOs), note two main reasons for performance measurement. The first is externally focused – to demonstrate performance to funders, to which we could add, for charities and community interest companies, to the regulators by complying with registration requirements. The second is internally focused, to improve performance by learning from evaluation of its services and from comparison with others. (Cordery & Sinclair, 2013:198).

The authors note that these are separate but not necessarily independent aims. Resource providers are often interested in the organisation’s capacity to learn and improve its effectiveness because they are interested in the changes the organisation is aiming to bring about in the social and/or physical world. They also note that most research looking at accounting and accountability focuses on the external pressures, reporting to external stakeholders and managing the organisation’s reputation with them. Internal pressures and organisational learning tends to be covered in research into evaluation which derives from development studies rather than business.

Lee and Nowell (2015), reviewing the literature in the evaluation field, identify seven focal perspectives within non-profit performance measurement deriving from different traditions. Like Cordery & Sinclair (2013, above), they note that these perspectives are not exclusive or independent of one another.

The table below sets out Lee and Nowell’s review of the literature which underpins their logic model.

Performance Dimension and Contributing Scholars	Definition/Main Focuses	Performance Measures or Criteria
Inputs: Bagnoli and Megali (2011); Beamon (1999); Cutt and Murray (2000);	The ability of a nonprofit to acquire necessary resources (financial and nonfinancial)	– Increase in revenue from year to year; – diversity of revenue streams; – net surplus of financial reserves;

Kaplan and Norton (1996); Kendall and Knapp (2000); Median-Borja and Triantis (2007); Moxham (2009b); and Newcomer (1997)	and efficiently use those resources to achieve resiliency, growth, and long-term sustainability	<ul style="list-style-type: none"> – ability to acquire and manage human resources (e.g., employees, volunteers); – strength of the relationship with resource providers (e.g., funders, volunteers)
Organizational capacity: Kaplan (2001); Moore (2003); and Sowa, Selden, and Sandfort (2004)	Consists of human and structural features that facilitate an organization's ability to offer programs and services	<ul style="list-style-type: none"> – Employee satisfaction; – employee motivation, retention, capabilities, and alignment; – employee education/ counselling; – staff and executive perspective on operational capabilities; – operating performance (cost, quality, and cycle times) of critical processes; – information system capabilities; – capacity to innovate
Outputs: Bagnoli and Megali (2011); Berman (2006); Cutt and Murray (2000); Kendall and Knapp (2000); Moxham (2009b); Newcomer (1997); Poister (2003); and Sawhill and Williamson (2001)	Entails a specification of the scale, scope, and quality of products and services provided by the organization; focuses on organizational targets and activities that have direct linkages to organizational mission accomplishment	<ul style="list-style-type: none"> – Frequency and hours of services provided; – on-time service deliveries; – achieved specified goals in relation to services; – number of participants served; – client/customer response time; – quality of services provided (physical and cultural accessibility, timeliness, courteousness, and physical condition of facilities)
Outcomes: behavioral and environmental changes; Bagnoli and Megali (2011); Berman (2006); Greenway (2001); Lampkin et al. (2006); Moxham (2009b); and Penna (2011)	<ul style="list-style-type: none"> – State of the target population or the condition that a program is intended to affect; – focuses on the differences and benefits accomplished through the organizational activities 	<ul style="list-style-type: none"> – Increased skills/knowledge (increase in skill, knowledge, learning, and readiness); – improved condition/status (participant social status, participant economic condition, and participant health condition); – modified behaviour/attitude (incidence of bad behaviour, incidence of desirable activity, and maintenance of new behaviour)
Outcomes: client/customer satisfaction; Kaplan (2001); Median-Borja and Triantis (2007); Newcomer (1997); Penna (2011); and Poister (2003)	Extent to which the organization satisfied and met the needs of the population the non-profit intended to serve	<ul style="list-style-type: none"> – Market share; – client/customer satisfaction; – client/customer retention; – new client/customer acquisition
Impact: Public value accomplishment: Hills & Sullivan (2006); Greenway (2001); Lampkin et al. (2006); Land (2001); Moore (2003); and Penna (2011)	The ultimate value/impact the organization hopes to create for the community/society	<ul style="list-style-type: none"> – Quality of life, well-being, and happiness; – social capital creation, social cohesion, and social inclusion; – safety and security; – equality, tackling deprivation, and social exclusion; – promoting democracy and civic engagement; – citizen engagement and democratization; – political advocacy; – individual expression
Impact: Network/institutional legitimacy: Bagnoli and Megali (2011); Herman and Renz (2008); Moore (2003); and Talbot (2008)	Focuses on positive relationship with other organizations, reputational legitimacy within the community and field, compliance with laws, and best practices	<ul style="list-style-type: none"> – Funder relations and diversification; – funder/stakeholder satisfaction; – cases/activities of successful partnership/collaboration; – credibility with other civil society actors; – compliance with general/ particular laws; – institutional coherence; – coherence of activities with the stated mission; – strength of the relationship with public legitimaters, authorizers, and regulators; – image of the organization on the mass media

Table 3 Lee and Nowell's evaluation literature review table, (adapted from Lee & Nowell 2015:302/303) Emphasis added.

Both reviews use the logic framework central in Figure 17 below, for structure, but Lee and Nowell add several dimensions to the input-output-outcome approach which Cordery & Sinclair (2013) recognise is inadequate. Cordery and Sinclair (2013) note that many TSOs do not measure or report on impact because it is so complicated and difficult to attribute to an individual organisation as it can be due to the activities and interactions of several different organisational actors. Lee and Nowell's (2015) model incorporates this complexity, placing the organisation within a wider context.

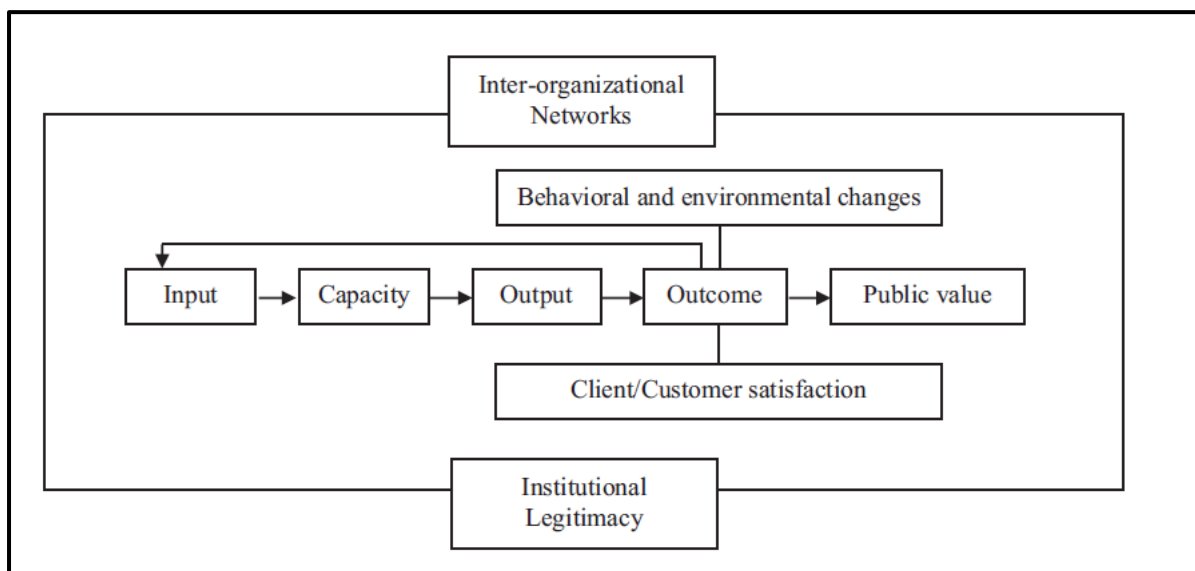


Figure 17. Perspectives on non-profit performance measurement, (Lee & Nowell, 2015:304).

For the purposes of this thesis the most important difference between Lee and Nowell's approach and that of the accountability discussed by Cordery and Sinclair is the inclusion in Lee and Nowell's review of the public value impact which is concerned with quality of life, well-being, social capital, democratization and civic engagement as well as with alleviating poverty and inequality.

Cordery and Sinclair (2013) note that we need to turn to the evaluation literature to find a path beyond outcomes. The evaluation tradition has grown from development studies whilst the accountability tradition has grown from and is influenced by commercial performance management thinking. Their arguments here align with Dillard and Vinnari's

(2019) approach of adding in the step of setting the evaluation criteria in the accounting/ accountability process to introduce responsibility for choice of needs and interests to address and against which to measure the effectiveness of organisational actions.

Performance and evaluation operate together, *inputs* of resources increase the *organisational capacity* necessary to undertake the activities which give rise to the *outputs* which in turn will give rise to different sorts of *outcomes* such as *behavioural change in the target population and client satisfaction*. This leads to increased *institutional legitimacy* usually within *inter-organisational networks* and ultimately to *impact, public value*. Public value is expressed as *quality of life, well-being, happiness, social capital creation, social cohesion, civic engagement*; common goods, as discussed above. At each stage of the process from outputs to impact it gets harder to quantify and grasp the change effected. Activities are often undertaken, either formally or informally, in networks and partnerships so attribution is complicated if not impossible and impact can be qualitative and long-term so measurement can be challenging. The evaluation model broadens the perspective beyond the entity to the wider responsibility network.

Organisations whose primary aims are not profit adopt a myriad of methods to measure and monitor the various stages of the value creation process from the perspectives of the wide range of stakeholders involved with or impacted, directly or indirectly, by the organisation's activities. As noted by Lee and Nowell (2015), they include measures of efficiency in obtaining and using resources as well as evaluation of the effectiveness of the activities.

Action which obtains the greatest impact from the least use of resources is the most efficient (Schumacher, 1973). This can be seen applying to actions in pursuit of MSV to drive down costs to increase profit, but it can also apply to the use of financial and non-financial resources in pursuit of non-financial objectives. Efficiency can be seen in the use of resources; effectiveness in the results of their use.

The next section explores some of the measures social organisations use to evaluate the effectiveness of their actions.

3.5 Evaluation and effectiveness.

3.5.1. Performance management and evaluation

In a systematic review of the literature on third sector performance management system design, Moxham (2014) cites Forbes (1998) who notes three main approaches to performance measurement - goal attainment, system resource and reputational. To these Moxham adds (following Lecy et al., 2012) multidimensional, simultaneously using several different ways to measure performance. Moxham's survey indicates that the most prevalent approaches are reputational and multidimensional. This finding ties in with arguments about social organisations' pragmatism (Nicholls, 2009) and multiple rationalities and logics (Busco et al., 2017; Bull and Ridley Duff, 2018) discussed above.

Although she is working in the accountability tradition, Moxham's classification of approaches can be seen to tie in with Lee and Nowell's model. Goal attainment would map against achievement of **outcomes** and **public value impact**, system resource against **inputs** and **capacity** and reputational against **network/institutional legitimacy impact**, with the proviso that we must be clear what is meant by legitimacy. Lee and Nowell's **legitimacy impact** sits within an understanding of the networks (formal and informal) of which the organisation is a member comprising partner organisations and communities as well as funders. Moxham's is much more funder oriented although she does draw on the work of Amirkhanyan (2008) on public/third sector partnerships in service delivery. Moxham's Multidimensional would cover all or at least several of Lee and Nowell's categories.

Moxham (2014) notes that the methods she explores are mostly retrospective, only programme evaluation is seen as concurrent as well as retrospective. She notes that the review has not covered Social Audit. Although not noted, it also omits Social Return on Investment and Theories of Change. Even though some methods of performance measurement and management are not covered in her review, Moxham concludes that there is a proliferation of methods in the sector and little clarity about *why* and for whom the measurement is being done (Moxham, 2014: 718).

The next section covers some evaluation methods which are not covered by Moxham.

3.5.2. Social audit and social return on investment

Carroll and Beiler (1975) define social audit as the concept of monitoring, appraising and measuring social impact. Social audit is the process of verifying social accounts through stakeholder and wider society engagement (Gray, Dey, Owen, Evans and Zadek, 1997). It is now part of most evaluation practiced in the field of corporate social responsibility and social enterprise and third sector impact assessment. There are two main perspectives on social accounting, as discussed in Chapter 2, and these can be seen in social audit as well. From the business point of view there is accounting for social impact where mitigation of damage is uppermost; the Corporate Social Responsibility perspective as discussed in Chapter 2, where the social/environmental audit is similar to a financial audit, external verification of claims made. From the social point of view, the emphasis is on the creation of social value and the audit is used to benchmark progress against objectives from the perspectives of multiple stakeholders.

Social Return on Investment (SROI) is a particular type of social accounting, a method of measuring the socio-economic benefit of an organisation's activities through the impact (transformation) it achieves over a period of time. It is based on simple investment analysis from the financial world. It calculates the internal rate of return on proposed investment. It is a planning tool as well as a performance measurement and/or marketing tool.

Where SROI differs from conventional investment analysis is in the inclusion of the social (and increasingly, the environmental) dimension and the attempted measurement of the element of transformation brought about by the organisation's activities. In order to include the social in the calculations, social benefits (and the absence of social harms) need to be expressed in monetary terms. So, for instance a scheme to rehabilitate offenders and help them into employment on release from prison would take into account the money saved by the government if the offender does not go back to jail as well as the wages and taxes earned through employment. This would be a straightforward cost-benefit analysis. But SROI goes further. It takes the views of stakeholders in the activity, and those impacted by it, into account when assessing the social benefit and attempts to measure that (Nicholls, 2017). So, in this case the SROI analysis might also pick up the social benefit to the offender in terms of mental health, and to the offender's family and wider community. One of the criticisms of SROI is that it is based on estimates and stakeholders' perceptions of what is

important which will differ from case to case (Muyambi, Gurd, Martinez et al., 2017). However, seen in the context of the complex diversity of the social economy, this potential weakness might be seen as a strength.

SROI ties in with the Triple Bottom Line approach and corporate social responsibility reporting discussed in Chapter 2, but SROI has developed from the not for profit and social enterprise sector. The emphasis in SROI is on the transformation for the better (Emerson & Cabaj, 2000).

Nicholls (2017) notes that new approaches such as SROI have developed because the viewpoint of financial accounting is so narrow, echoing the criticism rehearsed in Chapter 2. He further argues that this narrowness is a political choice, our socially constructed accounting rules could be changed if society, through public policy, decided to change them. In this context, SROI can be seen as much more than an evaluation or performance management tool. It can be seen as an attempt to transform the way in which accounting is done, to broaden it out and open it up to include the social and environmental as well as the financial, based on an understanding of interested parties which is much wider than the economically rational investor pursuing individual interest; as a symbiotic, and maybe even interstitial, technique.

SROI is based on developing a theory of change through engagement with a wide range of stakeholders, particularly those directly impacted by the organisation's activities. SROI shares this centrality of stakeholder identification and engagement with social and environmental reporting tools such as GRI discussed above. The centrality of stakeholders for SROI can be seen as an attempt to wrest power from the source of funds (financial capital) and return it to the people involved in the organisation and impacted by its actions, to move from a capital to a relational perspective. So SROI could be seen as symbiotic and also as interstitial.

3.6 Summary

Building on the research discussed in Chapter 2, this chapter discussed the need to broaden our conceptual framework for economic activity from the fp/nfp, market/mission axis to a many layered, dynamic understanding which allows for diversity of origins, rationalities and logics. It demonstrated the problems caused by the binary definition for categorisation of

social economy organisations, particularly co-operatives, in national and international policy arenas, arguing that we need to think more in terms of the common good than public benefit (defined as the absence of private benefit). This aligns with Aristotelian economics and allows us to move into thinking about social relations rather than thinking in abstractions based on returns and accumulation. A comparison of the IIRC capitals and the EMES approaches shows that they are potentially not incompatible although coming from different perspectives (CSR and SE). Neither seems to include ethical capital, which was discussed as a potential conceptual instrument holding the other capitals together, setting direction, objectives and evaluation criteria, aligning with Dillard and Vinnari's (2019) discussions of responsibility, discussed in Chapter 2.

The next chapter sets out the research philosophy and theoretical framework for the research.

Chapter 4 Research Philosophy and Theoretical Framework

(H)uman agency and the limitations imposed by perspective are fundamental in the generation of knowledge [...] - our knowledge always falls short of the ideal state which philosophers from Plato to Hegel have encouraged us to achieve. (Morgan, 1988:480)

Morgan (1988) arguing for a new epistemology for accounting, claims that all knowledge is partial. Further, he claims that the limitations imposed by perspective are fundamental in the generation of knowledge. Knowledge is not something outside us to be accessed; it is generated. This study follows the same epistemology as Morgan. The justification for this study's position can be traced back to Kant and an epistemology and ontology which avoids the binary division of real/ideal into which it is very easy to slip and which many philosophers since Kant, particularly Hegel, rely on.

As explained in this chapter, this research adopts a position between radical structuralist and interpretive on the Burrell and Morgan (1979/2019; 2017) classifications, in the intersubjective area of Morgan and Smichirch (1980), using structuration (Giddens, 1984; Stones, 2005) because it combines interest in structures, agency and resources, and Geels' (2002) transition theory frameworks for interpretation of the field work findings after initial analysis.

4.1 Kant's epistemology and ontology and the implications.

4.1.1. Phenomenal, transcendental and noumenal

The arguments expounded in the following sections are taken from Kant's own writings (1781, 1783, 1788, 1790 and 1797) and several interpretations (Beck, 1960; Anderson, 1995; Korsgaard, 1996 and 2009; Muthu, 2003; Longuenesse, 2005; O'Neill, 2013).

Kant distinguishes three types of experience – the phenomenal, the transcendental and the noumenal. The phenomenal is our experience of the physical world. We cannot experience the world “in itself” but only through our physical senses mediated through sense-making frameworks. These frameworks allow us to make the world coherent. We can think our way from phenomenal experience to these frameworks but to do so we need to abstract from

the physical experience. Consequently, these frameworks can only be understood as schema which shape our experience of the world. We can think about them but we cannot experience them directly. By abstracting from experience, we can articulate the frameworks that underpin it. Kant argues that space and time seem to be the only frameworks which are given to us a priori; the only frameworks which seem, from abstracting over and over again from the phenomenal, to be unavoidable. This does not necessarily mean that space and time are fundamental properties of everything possible, only that we cannot imagine experience (the phenomenal) uninformed by them.

My interpretation of Kant here is that we are spatial and temporal creatures. For all the other frameworks we can think our way to, we can imagine experience without them. They are a posteriori. These frameworks, even space and time, are ideas – they cannot be seen to have an existence separate from the events, things and people that we abstract from to reach them. Kant describes them as transcendental – they transcend experience even whilst informing it.

Kant's arguments here see experience as emergent, a combination of interpretative schema and the material that is interpreted. Interpretive schema and experience are created simultaneously at this meeting point. The experiencing, knowing agent itself emerges through this encounter.

(A)ctive contact with nature creates knowing man and nature at one and the same time (Kolakowski, 1969, p75 cited in Johnson & Duberley, 2003, p1283).

It is active agency which creates the experience and the schema simultaneously. We can study the active agent – but only through experience created (phenomenal) or through the schema used (transcendental). We cannot grasp the moment of active agency from which both experience and schema emerge. Kant classifies the element which escapes us as the noumenal. It is a vital part of experience but it cannot be examined directly; nor can it be discovered and examined by abstracting from experience in the way that the transcendental schema can be. Kant calls the noumenal the “thing in itself”, the unknown, that which is beyond our interpretive schemas.

Beyond is used in a metaphorical sense. All the metaphors used to talk about that which we cannot know “underlying” our experience, “escaping” our grasp etc. are spatial and imply a

separate independent existence in space. This is not because we know that there is something spatial “out there” but because we cannot discuss experience and schema without using ideas with which we are familiar. Here, as in the earlier discussion of the different sorts of capital (Chapter 3), it is vital that metaphors are recognised as simultaneously useful (or at least unavoidable) and potentially misleading.

4.1.2 Agent and experience as emergent

The noumenal is that which we cannot grasp in our experience, the “thing in itself”. Active agency would seem to escape our grasp because we are always one step behind it – we cannot simultaneously experience and examine the experience. The agent which examines itself is not examining the current examiner; it is examining something slightly previous. We can examine the results of the active agency (the experience itself and the structures and schemes that emerge from it) but the act of creative agency itself escapes our examination. Kant’s metaphysics is based upon the recognition of our understanding as limited, of there always being something which escapes us, of the impossibility of not having a perspective, an interpretive lens, on experience. Experience itself is emergent, dependent on schema which are themselves developed through experience. We can only examine that which has emerged.

Experience seems to be of a world of which I am a part which I know as a series of (temporal) encounters with things and people. I know the world and I come to know myself through these encounters. I can know things as objects, predictable, following scientific rules which are reached and posited by abstraction from phenomenal experience. I can know people and myself as physical objects, following the same sort of scientific rules. I can know people and myself as psychological subjects following scientific rules. Different sciences interpret the world in different ways. Morgan (1988) argues that scientific knowledge is not all knowledge; there is a wide range of possible knowledge. Schumacher (1973) that we need to distinguish between instrumental knowledge, with predictive, manipulative characteristics, and wisdom which is more concerned with how to value.

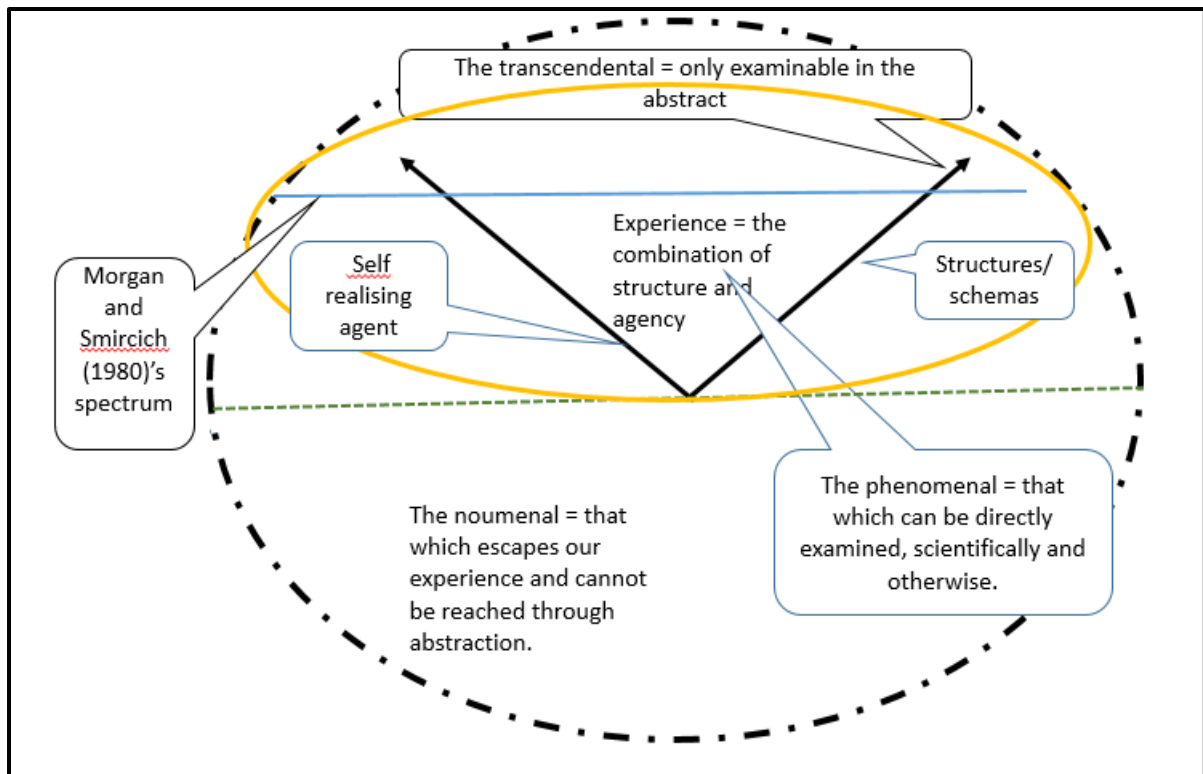


Figure 18. Kant's tripartite epistemology and ontology and Morgan and Smircich (1980) spectrum.

Objectivist approaches to sociological research are more concerned with the structures and schemas, deriving rules which allow us to predict from experience, than with the experience of the agent itself which is the domain of more subjectivist approaches. The focus of the research determines the point on the spectrum and that in turn determines the appropriate methods to undertake the research.

Morgan and Smircich's (1980) subjectivist/objectivist spectrum is based on Burrell and Morgan's (1979) analysis of social science research. It unpacks into four dimensions, each with a spectrum of its own. Ontology – the objectivist end of the spectrum holds that the objects being studied, society and institutions, are external like the physical world studied by the physical sciences, whilst the nominalist holds that society is constructed through human naming and labelling, so society and its institutions are not real like the physical world. Epistemology – the objectivist end of the spectrum, positivism, holds that knowledge of external reality is achievable; anti-positivism that it is not, that all knowledge is subjective. Human nature – this spectrum moves from complete determinism, people's actions and natures are determined, predictable and subject to rules, to voluntarism which

sees actions as the product of free will. The methodologies adopted to study social phenomena are determined by the place on the spectrum, ranging from completely quantitative dealing with large scale laws and rules (as physical science does), nomothetic, to idiographic, qualitative, based on subjective experience and interpretation.

Burrell and Morgan's (1979) framework has been very influential in social science and organisational research. Combining the subjectivist/objectivist axis with another – regulation to radical change – allowed them to posit four paradigms of research, based on different world views – functionalist (concerned with how the institutions and systems of society work), radical structuralism (concerned with power relations and conflict and how the institutions and systems can be changed), radical humanism (concerned with understanding subjective experience of the power relations at play in the institutions and systems) and interpretive (concerned with understandings of the institutions and systems).

Although criticised as too narrow and reliant on binary classifications right from the outset (e.g. Willmott, 1993), the framework has proved useful in categorising differences in research approaches based on differing world views. However, it does not allow us to dig beneath the paradigms. Burrell and Morgan's (1979) framework falls into the relativist conundrum – describing the competing paradigms does not help us rank them one against the other, nor does it help us bridge the differences between them. Morgan's (1988) declaration that knowledge is partial and perspectival stands against the view that objective and complete knowledge is possible – but does not give us the tools to demonstrate the flaws in the extreme objectivist logic. This same argument continues to play out in the IFRS project where financial statements are described as trying to provide investors with information which is objective, complete and neutral (IFRS, 2018). The criticisms of this argument (as discussed in Chapter 2) turn on it being too narrow a perspective. Morgan (1988) argues that knowledge is inevitably perspectival, that the ideal of objectivity is a myth, not only unachievable but also illogical because it denies the nature of knowledge itself. But we have to go below the paradigms for this argument's justification ("below" being metaphorical).

4.1.4 Kant's explanation of why knowledge is partial and perspectival

This is what Kant's triple classification allows. It allows us to think about experience and the experiencing agent as emerging, knowledge being possible only of that which has emerged or is emerging, knowledge of that from which experience emerges as impossible because experience emerges through interpretation and the noumenal is the uninterpreted.

The phenomenal (the interpreted noumenal) can be examined and rules and structures can be abstracted from these examinations; the schema (or structures) which we deploy in our interpretations can also be abstracted from experience (transcendental). Kant holds that the only schema we seem to have *a priori* are space and time – we are physical, mortal creatures; we experience spatially and temporally. We can think about multiple dimensions but we live in space and time, although we can only think about them in the abstract.

Kant was concerned with epistemology and ontology but not just as questions to be answered for themselves, rather as the underpinning for further arguments about action and hope. Kant has three key questions he is trying to answer in the Critiques, “what can I know?”, “what ought I to do?” and “what can I hope?” (Muthu, 2003). His answer to the first question leads to several key points.

I cannot know everything, not just because I am a mortal being, but also because of the nature of experience. Experience is a process of interpretation, even the physical world. I am part of that which is interpreted as experience. Although I stand apart from the experience when examining it, I do not stand apart from that which is interpreted when experiencing. Both experience and the experiencing self are emergent. I can experience the process of emergence but when I turn to examine it I am examining the effects rather than the cause – the agent as realised in experience, and the structures used to inform the world experienced. I can know the phenomenal, in the sense of experiencing it; I can think about the transcendental through a process of abstraction from the phenomenal; and I can respect the noumenal as both escaping the grasp of my knowledge and as being the root of my experience. Kant argues that this noumenal agency, which creates both agent and structures, is the only independent causal agency I can encounter rather than abstract towards (infer from experience).

Burrell and Morgan's (1979) framework, and all the epistemological attitudes within it, can be seen as the result of a cross section of the experience produced between self-realising agent and the structures and schema applied. Figure 19 below illustrates this argument. Kant's arguments can be classified with philosophies seeking the prime cause of everything. They are partly a reaction to Hume's scepticism about causality; an attempt to address both relativism and determinism.

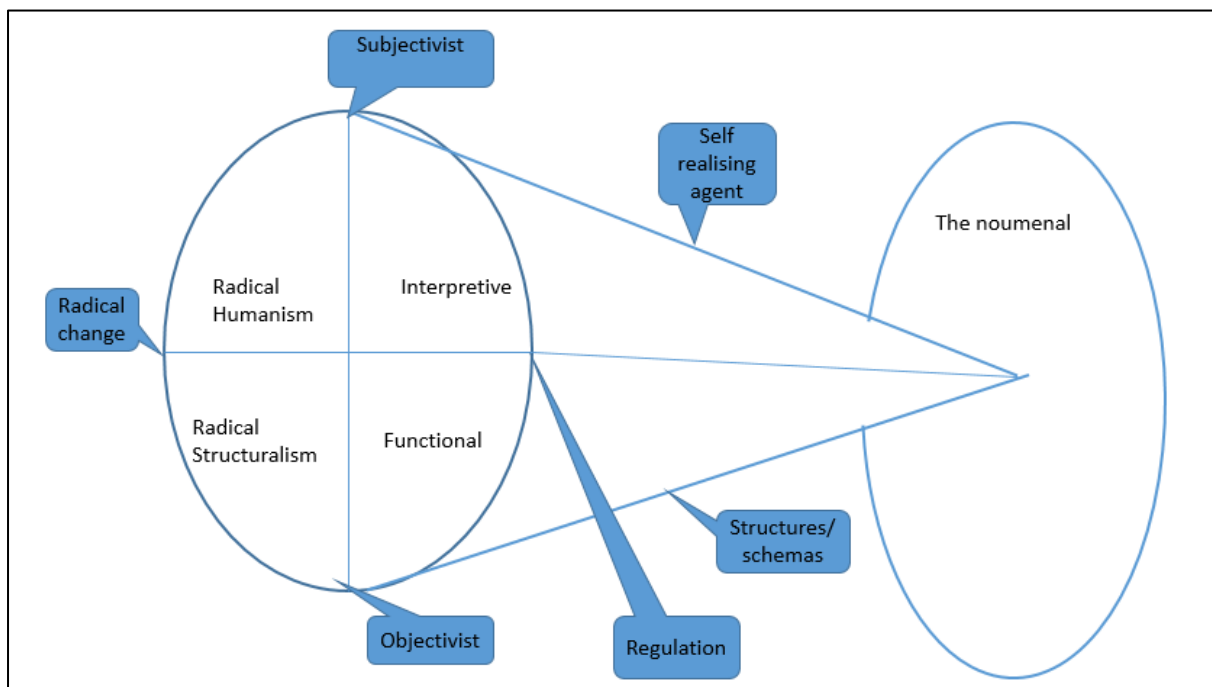


Figure 19. Burrell and Morgan's (1979) paradigms as a cross-section of Kantian experience emergent from the noumenal.

Cunliffe (2011) develops Morgan and Smircich's (1980) framework through the addition of intersubjectivism between objectivism and subjectivism, blurring the boundaries between the parts of the spectrum. Whilst Cunliffe's elaborations enrich Morgan and Smircich's spectrum, they still describe rather than justify approaches to social science research. We still need to dig below the cross section for justification. The arguments developed by Bull and Ridley Duff (2019) discussed in Chapter 3 could be seen as digging below the social enterprise cross section, as can those of Boltanski and Thevenot, referenced by Perkiss and Moerman (2020) indicating the wide range and diversity of needs and interests which might be seen as composing the common good.

As illustrated above, Kant's triple classification of phenomenal, transcendental and noumenal requires us to dig below the cross section. It can accommodate almost the entire range of approaches to the study of experience, agent and structure because within this framework the object of attention determines attitudes. The only position that is not accommodated by Kantian epistemology is the one which claims objective, complete and neutral knowledge, which Cunliffe (2011) classifies as naïve realism. Scientific knowledge on the Kantian approach is that which looks for predictive rules - but which recognises that these rules might be disproved (Popper, 2005) and that our understanding of the object of study might always be developed. The ideal of complete knowledge cannot be achieved but this does not mean our partial understanding cannot be improved. This understanding of scientific knowledge sees it as pursuing a moving target – our understanding of what the ideal knowledge itself might be expands as our understanding of the object studied expands. This understanding of scientific knowledge aligns with arguments about polycentricity discussed below, and with Lefebvre's horizons discussed in Chapter 2.

4.2 The noumenal agent as creative agency

The only instance of causal agency which we encounter (rather than infer through abstraction from experience) is that of the noumenal agency orchestrating our experience. "Encounter" is used here rather than "know" because we cannot know this agency as we can experience itself, ourselves as experiencing agents and the structures which can be abstracted from that experience. Kant argues that noumenal agency escapes the grasp of our interpretative knowledge but can be seen through its effects. We can see it in the way that we orchestrate our own worlds and, in a different way, through the worlds we can see others orchestrate as well. Our encounters are where our "worlds" intersect, overlap and work together or clash. My perceptions of the world change, I can learn, through my interaction with others. The application of my interpretive schemes enables me to make my experience coherent and is a process of self-realisation. (Piaget, 1955; Findlay, 1957; Beck, 1960; Anderson, 1995; Korsgaard, 1996 and 2009; Longuenesse, 2005; O'Neill, 2013).

Recognising other people's perspectives as different from mine is to acknowledge others as the authors of their worlds, recognising the noumenal in their agency. Kant argues that this is the reason we should respect both ourselves and other people. We can set our own ends, set our own valuation criteria. Others, like me, are the authors of their own worlds, of their

own interpretive schemes which shape their experience and inform the ways in which they themselves emerge as a person. We can see the results in their self-realisation as people and through the worlds they (we) create together. We do not need to agree with the values which are expressed through a person's character and the perspective they bring to bear on the world but we do need to respect their creative agency in realising it. We cannot "know" this agency in the same way as the phenomenal (analysable experience from which we can develop rules) or the transcendental (conceptual knowledge) but we can live it in ourselves and recognise its effects in others. We are acquainted with and respect it rather than "know" it.

We encounter the noumenal agency as our power to set evaluation criteria, as our power to set our own priorities, to decide which needs and interests we pursue, how we will flourish and thereby realise ourselves as well as our worlds (Korsgaard, 2009). This argument connects with Dillard and Vinnari's (2019) framework as will be discussed below.

Kant's second question (Muthu, 2003) is "what ought I to do?". His answer is that we ought to respect the creative agency at the root of emergent experience – in oneself and in others. Recognising knowledge as inherently perspectival and limited, recognising the creative agency beneath both the agent and the structures of knowledge leads to respecting oneself as a creative agent and respecting others as creative agents as well.

Muthu (2003) argues that Kant's philosophy is not an abstract individualistically oriented exploration of knowledge but rather an attempt to distill systematically, from thought and experience, the limits of what rational subjects may know, do and hope for.

The finitude of knowledge, but also of experience, the boundaries of possibility are important concepts in Kantian thought. Kant himself describes the noumenal as a boundary object – of which we can only see (forgive the spatial metaphor) one side. Experience is seen as emergent from the interaction of agency and structures; the agent itself is emergent from these encounters, self-realised through them. The individual is not just embedded in society – it emerges from it. Piaget (1955), applying Kantian thought to child development, demonstrates this by mapping the development of the child's emerging sense of self and the world. The individual agent emerges from the social setting through reflection and imagination (Milstein, 2013). The agent is knowledgeable within limits; there is always an

individual perspective, an objective overview of reality is not possible; there is always a context which brings with it frameworks and inherited attitudes. Within this context individuals can develop their particular skills and capacities.

Only experience can teach us what brings us joy. Only the natural drives for food, sex, rest, and movement, and (as our natural predispositions develop) for honor, for enlarging our cognition and so forth, can tell each of us, and each only in his particular way, in what he will find those joys; and, in the same way, only experience can teach him the means by which to seek them. (Muthu 2003:158) My emphasis

Humanity consists, a least in part, of consciously reflecting on experience and determining how to control, transform and satisfy natural needs. As we develop in the course of our natural lives we can also draw on the enlarged experiences of our surroundings and the societies into which we are born. (Muthu, 2003:159).

This aspect of Kant's thought aligns with the arguments about flourishing discussed in Chapter 3. It also aligns with the concept of polycentricity (from a different perspective), discussed below – with each person seen as its own value centre. We recognise a person through their interests, the culture they adhere to, the choices that they have made within the contexts within which they found and find themselves. We recognise whether their (and our own if we turn our gaze on ourselves) personal positions are coherent or not – whether their (and our own) interests and choices align well, always given the context within which they are expressed, or whether there are fundamental clashes within them.

4. 3. Valuation as structured deliberation

Anderson (1995) argues that we have to distinguish between valuing and evaluation.

In evaluation, people determine how far something meets the particular standards that have been set for it. In valuing something, people meet certain standards for caring about it. (Anderson 1995:5). Emphasis added.

Importantly, there are a great many ways to care about people and things. Fundamental to Kant's arguments is the recognition that each person has their own perspective on everything; people, acting as agents, create their own worlds based on what they care about and how they care. Autonomy, in the sense of responsibility for one's attitudes and choices, within the limitations of the social and physical context in which one finds oneself, is fundamental. It is the basis of Kant's injunction that we should always treat humanity in

ourselves and others as an end in itself rather than a means. It is that within us which resists objectification/commodification (Muthu, 2003).

Respect for others as the centre of their own universe, which by definition is not mine, entails respect for difference, for a different position, a different perspective, for a different (maybe only infinitesimally or maybe hugely or maybe somewhere in between) *structuring deliberation* than my own. The structuring deliberation by which we each organise our valuations can be seen as an ideal figuration to which we aspire (Anderson, 1995). The answer to Kant's third question – "what can I hope?"

There is a diversity of worthwhile ideals, not all of which can be combined in a single life. Different ideals may require the cultivation of incompatible virtues or the pursuit of some projects that necessarily preclude the pursuit of others. Individuals with different talents, temperaments, interests, opportunities, and relations to others rationally adopt and uphold different ideals. Since ideals direct a person to specially value some worthwhile projects, persons, and things over others, they distinguish from among all goods those that are particularly important for the individual [...]

There are far more potentially worthy objects of valuation than could occupy any one person's concern. (Anderson, 1995:7). Emphasis added.

Anderson is considering individuals and their differences, and the finite lifespan we each have to cultivate our talents. On this argument, the good society would be one where each individual could cultivate their particular talents as they choose and so one where people can flourish in many different ways. This ties in with the discussions in Chapter 3 about the possibility of multiple common goods.

If we could align our views in pursuit of a world where our attitudes and actions were rational, in the sense of our feelings, judgments, conduct, sensitivities etc. all being coherent, we could achieve the Kingdom of Ends (Findlay, 1957; Korsgaard, 1996). The Kingdom of Ends is so called because it is based on the reciprocal recognition of creative expressive rationality between people. Each recognises the other as a noumenal agent, the creator of themselves and their world simultaneously, and respects them as such. The Kingdom of Ends is not built on agreement about what and how to value, but on respect for autonomous agency and, as such, entails the possibility, the inevitability, of difference. Some differences will lead to antagonism which is an unavoidable aspect of individual and collective autonomy. The differences give rise to continuing negotiation about the

boundaries of individuals' autonomy vis a vis others, and to compromise between negotiators.

4.4 The centrality of resource allocation

Muthu (2003) draws on Kant's later anti-imperialist writings considering the differences between cultures in the sense of communities sharing ways of life (as discussed by McIntosh and Hopper, 2005, Chapter 1), to make the point that the Kingdom of Ends might be difficult to achieve when we take the use of physical resources such as land, exemplified by attitudes to agriculture, into account. There is, he argues, a fundamental incommensurability between hunting, pastoral (nomadic) and settled agrarian ways of life. Societies pursuing different ways of life based on using the same piece of land in different ways (hunting and settled agrarian, for instance) are incompatible.

Kant developed the idea of cosmopolitan right to address the problems thrown up by early globalisation (Muthu, 2003), and particularly European colonisation of non-European lands by force. Cosmopolitan right is that of every person to be respected as autonomous without recourse to a sovereign law. It is a development into the political sphere of the concept of persons as ends in themselves, not just as citizens or subjects of a particular state, and can be seen in some human rights legislation current today (e.g. Ruggie, 2008). Muthu (2003) argues that Kant developed the concept of cosmopolitan right in an attempt to counter arguments about European cultural superiority and the duty to "civilise" nomadic indigenous peoples which were being used as a justification for violent conquests and settlement of foreign lands in the 1700s.

Kant was trying to rebut the argument that the European settled agrarian way of life is superior to the hunting or pastoral ways of life of indigenous people being displaced in the territories that Europeans were colonising by direct force and with commerce backed up by violence. This argument is still being played out today, even within the debates about democracy which inspire the critical accounting project concerned with pluralism and flourishing. Singh (2019) takes issue with Mouffe's (1996, 2005 and 2008) pluralist radical democracy for glossing over the issue of incompatible practices and attitudes as regards land use between indigenous people and settlers, central to debates within decolonisation movements. Singh (2019) argues that the ideal of democracy that Mouffe espouses imposes

a European ideal on indigenous structures because it does not recognise the impossibility of using the same land in conflicting ways. This argument echoes and extends Gibson's (2000), discussed in Chapter 2, that indigenous nomadic world views cannot be understood through frameworks based on property rights and to some extent, Lefebvre's arguments, also discussed in Chapter 2, about the difficulties of understanding urban society through the lens of the industrial city. But it goes beyond understanding between world views to disputes about the use of physical resources.

The main points of this argument for this study are the central importance of the use of finite resources and the different attitudes possible towards them. These lead to the need to acknowledge antagonism between attitudes towards actual resource use, not just world views. Anderson's arguments open the possibility of not only considering the use of resources but also of different attitudes towards resources. Her Kantian arguments open the possibility of considering different attitudes towards different resources, different people having different perspectives on the same resources, different choices of what to care about and of how to care.

Structuration theory is often discussed in terms of duality of structure. It is a useful tool for this study because it takes both creative agency and the structures and systems which it forms and by which it is informed into account. But there is a third aspect of structuration, which is also important for this study. This is a concern with the allocation of resources. Structuration theory has been used in this study because it explicitly allows for the interdependence of structure, agency and resources.

4.5 Structuration as a methodology which addresses structure, agent and resources

4.5.1 Structure and agent

Kant's three levels of experience and epistemology open the way for levels of existence as well. The structures of society influence the way we behave towards one another and the wider world of things and are in that sense real. They are material in the accounting sense of the word: they need to be taken into account if we are to have any understanding of the situations on which they have an influence. They are also real in the sense of existing separately from me but they are not real in the sense of existing separately from us. They

take on “a life of their own” but they are created and maintained by collective agency. We have the power to change them collectively, to create alternative shared worlds. However, just as it is almost impossible to talk about experience without employing spatial and temporal metaphors it can be very difficult to think or work our way out of the dominant frameworks of our cultures.

The noumenal agent cannot be known as an active agent in the way phenomenal experience can. It can however be analysed through the results of its actions. The world and the self, created through agency – through constant choices in the phenomenal realm informed by frameworks – stand as evidence of that agency.

In Giddens’s structuration theory (1984) which derives from a Kantian position, the structures of society shape the world which knowledgeable agents create together – and which they maintain or change together. And the agents create themselves as well through their collective creation of social systems but they can only be objects of study in retrospect.

Giddens’ structuration theory gives a central role to knowledgeable actors as the creators of the social structures and systems that are the main subject of social science study. This research takes the individual within the organisation as the initial unit of investigation. It assumes that the individuals interviewed are knowledgeable actors who have made choices and reflected upon them. It then moves to analysis of the organisations within wider networks – as reflected in the interviews and in published reports. It treats the organisations as knowledgeable because they are made up of and created by knowledgeable individuals working together. The organisation is a collective construction which is maintained by the actors within it, and can be dismantled by them too. The analysis examines the possible world-views, Lefebvre’s horizons discussed in Chapter 2, which can be seen as the frameworks for the choices made by the individuals, organisations and their networks in the case studies, thereby developing “sensitising” concepts” to work towards understanding these different ways of seeing their economic activities and the systems in which they take place. And from there to consider how accounting systems might support decisions about economic activities.

In terms of capitals, as discussed in Chapter 3, structuration could be used as a tool to try to understand how human capital (as part of natural and social capital) can shape and maintain

the networks of relations and products which make up social, intellectual, manufactured and financial capitals, all of which act on human capital to empower, shape or constrain action. Structuration theory can be seen as a way of investigating social capital as a synergy of individual, community and institution, seeing social capital as having “*a structural dimension (networks), a behavioural dimension (participation) and a cognitive dimension (norms)*”, (Hooghe & Stolle 2003, quoted in Field 2008:161).

Understood in this way, structuration theory can facilitate the investigation of accounting as a potential tool in the creation of alternative systems as well as a support for existing systems. The criticisms of for profit accounting covered in Chapter 2 can be seen through the lens of regarding accounting as a structuration tool maintaining and developing the current dominant system, helping the proliferation of the way of seeing the world (interpretative schemes), the rules and allocation of resources (accounting as supporting the legal and taxation systems) and the acceptable codes of conduct, both the means of achieving and the ends pursued.

The duality of structure allows Giddens to separate structures from systems and to see systems as the products of agency acting within structures. In Kantian terms structures are transcendental. They shape experience but cannot be experienced themselves except through the shaped experience (social and physical life within ordered systems) which itself is a product of the agent’s actions using the structure and applying it to the world through those actions. More precisely, the structures are products of the agents’ actions (collectively); the system being either continued or modified through their collective actions. The agent (as active) is noumenal; the structure is transcendental; the system is experienced in the phenomenal world as the context for action. The system is the network of rules and relationships within which agents act and the system can therefore constrain or empower action. Giddens differentiates structures and systems but the boundaries become blurred when we think of systems also as part of the context for action. They are part of the framework but a part that persists through time and can be changed through the action of agents.

4.5.2 Structuration in accounting research

Englund, Girdens & Burns (2011:495), analysing twenty five years of structuration theory in accounting research, pull out five key notions. Structures and systems are distinct. Systems are the spatial and temporal manifestations of structures; structures can be analysed through the rules and resource allocations of social systems; structure works as the context for and the result of social systems; agents are knowledgeable about their systems, both consciously and unconsciously; social interactions always involve power as they change relations or resources; structuration involves the “ongoingness” (maintenance or change) of social systems.

Giddens distinguishes three dimensions of structure which can be analysed separately but which are inextricably linked – signification, domination and legitimation. He identifies three modalities that agents use in their interactions as set out in the table below.

Structure	Modality	Interaction	Result
Signification	Interpretive schemes i.e. “the core of <u>mutual knowledge</u> whereby an accountable universe is sustained” (Giddens 1979, p. 83; emphasis added).	Communication – within a frame of mutual meanings – is possible	Institutionalisation of a socially constructed order
Domination	Facilities i.e. “reproduced relations of autonomy and dependence in social interaction” (Giddens 1979, p. 93). Based upon authority and allocation of resources.	System of authority and power established	
Legitimation	Norms i.e. “the actualization of rights and enactment of obligations” (Giddens 1976, p. 86).	Code of conduct recognised (Busco says “moral code of conduct”)	

Table 5. Giddens’ dimensions of structure adapted from Busco, 2009:251.

Busco (2009) notes that power (through the exercise of facilities – use of social relations and physical resources is understood in structuration in a broad and a narrow sense. In the broad sense it is the power to get things done, to make a difference in the world, understood here as the power to allocate resources and act to change the social and physical world. In the narrow sense it is seen as domination, the power to get others to act. The role of facilities – the use of resources, financial, social and physical – is pivotal (Busco, 2009).

Structuration theory has been criticised for not recognising the power of inherited social relations, historical materialism from a Marxist perspective (e.g. Wright, 1997) and also, in accounting research, for not taking the agency of accounting seriously enough (which ties in with not seeing accounting as a potential tool for social empowerment), and sharing with accounting a lack of ethics (Roberts, 2014). Stones (2005) develops Giddens' structuration theory by adding external and internal context to the three categories. To some extent, this answers the Marxist criticisms that structuration does not adequately recognise the obstacles created by historical social relations (by the dominant frameworks in which agents operate). However, it does not address the criticism of moral relativism which seems to absolve agents of responsibility for their choice of norms, their choice of code of conduct (in Busco's table, above) (Roberts, 2014).

Using Dillard and Vinnari's (2019) diagram, discussed in Chapter 2, it is the responsibility for the choice of needs and interests to address which gives shape to the evaluation criteria which shape the rest of the accountability and accounting systems and are, in turn, informed by them. In Anderson's modern Kantian theory of value, it is responsibility for the choice of what to care about and of how to care (Anderson, 1995). Autonomy is worthy of respect because it sets its own values and evaluation criteria. Autonomy carries responsibility for attitudes, for choice of priorities, for the development of norms, of interpretive schemes and ultimately for actions in the social and physical worlds and the way resources are used.

There is a growing body of research in accounting which draws upon structuration theory to understand accounting in its organisational contexts and how it can support or hinder change within organisations (e.g. Conrad, 2014; Englund and Gerdin, 2014; Roberts, 2014). There is very little accounting research which uses structuration to understand accounting as a tool to support wider societal change, although there is, as discussed in Chapter 2, a body of critical research examining accounting's role in the growing financialization of society.

4.5.3 Structuration as a tool for comparing different systems; polycentricity

Dillard, Rigsby and Goodman (2004), using structuration theory to develop institutional theory, compare the market capitalism system with the communitarian system. They use

Weber's classifications of rationalities to differentiate the two systems. Formal rationality is seen as neutral and empirically based. It privileges

economic efficiency through formal, rational analysis whereby the production process yields the highest ratio of outputs to inputs. (Dillard et al., 2004:517) emphasis added.

Substantive rationality is concerned with

"the substance of the values, ends, needs of social groups and the institutions that promote them" (Colignon and Covaleski, 1991, p. 146)[...]Actions of entities within a society may be justified either by formal rationality, by substantive rationality, or by both. (Dillard et al., 2004:518).

Dillard et al. (2004) can be accused of falling into the binary approach which Bull and Ridley Duff (2019) criticise. The formal/substantive divide can be seen as market/mission leaving out the third rationality that Bull and Ridley Duff (2019), drawing on Ostrom, argue is central for social organisations – social rationality, mutual, collective decision making. Elinor Ostrom (1990 and 2005) and Viktor Ostrom (1972) see social decision making as polycentric, a system of many autonomous decision making centres operating with limited prerogatives under an overarching set of rules (Aligika and Tarko, 2012:237). This concept was initially developed by Michael Polanyi (1951) who sees polycentricity in scientific progress manifested as efforts to pursue an abstract ideal (objective truth) via a myriad of trial and error pathways. This idea of polycentricity ties in with Kant's arguments about people as the centres of their interpretations of the world understood as structured deliberation (Anderson, 1995). Polanyi extends the concept to cover arts, religion and the law (beauty, transcendent truth and justice) (Aligika and Tarko, 2012:238). From the discussions in Chapter 3, the social economy could be seen as polycentric under the overarching abstract ideal of social and environmental justice.

In economics, Polanyi contrasts the free market with socialism – understood as state organisation of economic activity – arguing that the free market allows for polycentricity whilst socialism is a form of monocentricity in which the state imposes the rules. Polanyi argues that this socialism is a moral framework rather than an economic one. Both systems are pursuing the wisest allocation of resources but in different ways. Polanyi's socialism is Wright's (2013), statism. Polanyi is using the binary market/state division, ignoring the non-

state, non-profit driven market organisation, the hidden body of Gibson-Graham's (2006) iceberg.

The contrast of market and state leaves out social (non-state) organisation for purposes other than profit, because of the understanding of economics and markets as profit driven. However, if market activity is understood as exchange for a number of possible purposes, rather than driven solely by profit maximisation, and economics as the allocation of resources towards the development of a society which supports flourishing, both market and non-market activity can be seen as polycentric. This aligns with the arguments (Wright, Purcell, Gibson-Graham) rehearsed in Chapter 2, that diverse economies exist but it is not easy to see them because of the distorting lens through which we tend to view them. It also aligns with Perkiss and Moerman's (2020) arguments that there are myriad common goods towards which people direct their actions.

Perkiss and Moerman (2020) draw on Boltanski and Thevenot (2006)'s *Sociology of Worth* to underpin their arguments about myriad common goods. Boltanski and Thevenot observed that that people called upon different frameworks to justify their actions when negotiating potentially difficult situations in the workplace. Boltanski & Thevenot argue that the fundamental unspoken subject of the negotiations is which framework is appropriate for the situation. Of the six "worlds" they identify (through analysis of managerial publications) none is dominant in all situations. Boltanski & Thevenot's focus on the importance of negotiation (even when unspoken) could fill a gap in structuration theory. Recognizing that there is a fundamental relativism within structuration theory might be a step towards addressing Roberts' accusation of moral emptiness (Roberts, 2014). In its defence against this point though, structuration theory can be seen as morally empty because it is a theory about the process of creating codes of conduct rather than a prescription of the precise code to create. From the arguments rehearsed above, and from Perkiss and Moerman's (2020) interpretation of Boltanski and Thevenot, there are myriad possible codes.

The strength of structuration for the purposes of this thesis is the recognition of the importance of mutual knowledge as a store that actors can draw upon, consciously and unconsciously, coupled with the recognition that the interpretive schemes which grow from

this knowledge are inextricably linked with the use of facilities (resources). For this thesis the allocation of social and physical resources to effect change or create something in the social and physical worlds is the focus rather than the domination of others (power “to do” rather than power “over”). In Busco’s table above (table 5), the interaction for Domination should be expanded to include “allocation and use of physical and social resources”.

Both of these aspects of social structuration simultaneously employ and create a code of conduct – so the code of conduct changes with the interpretive scheme and the use of facilities. What is missing is recognition of the importance of negotiation not just in creating and modifying the structure of the shared interpretive scheme, use of resources and code of conduct but also recognition of the centrality of the negotiation about how to balance and weigh the various possible socially constructed orders.

To put this into Kantian terms, the transcendental schema of signification, domination and legitimation are abstract ideas which need to be embodied in the phenomenal realm for us to experience them. They are embodied in social systems as frameworks for our experience of the social world, in the same way that space and time are the frameworks for our experience of the physical world. The way we interpret this experience, the decisions we make about how we use the resources (social and physical) at our disposal and the ways that we relate to them and to one another, all contribute to creating the worlds we maintain and change together. For Kant, we relate to one another by negotiating from different perspectives – I can never experience living your life but I can respect you as the central agent of it and I can see the results of your circumstances and choices in the person you are and the ways you inhabit the various worlds we might co-create and share for a while. So, negotiating the construction of these worlds is central. Structuration allows us to think about negotiation as the creative process which, through collaborative action, brings about changes in the worlds in which we live together, simultaneously modifying the ways in which we interpret our experience and how we manage our resources and behaviour.

Despite the criticism of using a binary approach, Dillard et al.’s (2004) framework offers a multi-layered way of looking at the objectives of the case studies – we can see them operating at organisational level, at the field level and the societal level – which allows us to

unpack some of the complexity of their aims, of the needs and interests which they are addressing. This is lost if we just look at organisations at the entity level.

The next section explores the development of theory of change, a process which is quite widely used in the social sector nowadays but which does not figure in much academic research, and only through SROI in accounting research.

4.7 Theory of change

Theory of change is used in this study to give a framework to use structuration categories at each level – micro, meso, macro as in Dillard et al. (2004) along with the concept of orchestrated systems change, whether intentional or not.

4.7.1. Setting the criteria for evaluation.

Wiess is credited with originating and developing the concept of a theory of change in the evaluation of social intervention programmes, particularly Comprehensive Community Initiatives (CCIs) where the initiative seeks to effect complex long term change through multiple stranded activities with a range of participants (Rogers and Wiess, 2007). As noted in the previous chapter, developing a theory of change in collaboration with a wide range of stakeholders is now central to the process of working out an SROI.

Essentially a theory of change is a map of the desired long-term impact of an organisation, activity, project or movement and the most appropriate ways to achieve it. The theory of change is drawn up through collaboration between the main stakeholders, bringing in a variety of perspectives and balancing them under the umbrella of the agreed long term change. The theory of change looks at the desired change, the need or interest addressed rather than the individual actors, so can accommodate an individual entity, a group of entities or a wider and looser network of actors.

The long term aims can be complex and difficult to quantify but the theory of change works back from the long-term to establish what the interim and short term activities and outcomes need to be if the long term aims are to be reached. It is a *theory* of change because the process uncovers and allows the assumptions of the participants as regards causes and effects and the context of the activities to be examined. The theory is co-produced by the stakeholders so differing viewpoints as regards what is desired, what will

work (and what will not) need to be taken into account at the planning stage. A theory of change is generated through these discussions and sometimes multiple theories of change are reconciled to do this. (Connell & Kubisch, 1998:5).

Understood in this way, a theory of change would map against Lee and Nowell (2015)'s logic map discussed in Chapter 3. It is multidimensional as it covers the map from inputs (resources) to impacts and takes context (networks/partnerships) into account. It includes social audit in its methods through engagement with stakeholders, using this to continuously monitor progress. It aligns with Dillard and Vinnari's (2019) diagram, focussing on the needs and interests addressed, but it interrogates what the needs are and how they might be addressed directly, taking Dillard and Vinnari's (2019) approach from the abstract, broad definition "needs and interests" to the practical and particular, this need or interest in this context. A theory of change process sets the objectives (which needs to address) and the evaluation criteria (how effectively actions have addressed the objectives). But a theory of change is designed to go deeper, to uncover and address the root causes of the needs. In this theory of change aligns with Wright's (2013) arguments about emancipatory social science exploring the system and institutional change necessary to allow flourishing, discussed in Chapter 2, as a critical technique for potentially interstitial activity.

The next two sections cover Geels' (2002) transition theory and the Finance Innovation Lab (FIL) theory of change which is based on it, to explore how social system change can happen at organisational and societal levels.

4.7.2. Geels' transition theory

Geels (2002) draws on evolutionary economics, combining theories of inertia with Schumpeterian theories of unfolding, to develop a framework to investigate socio technological change using the example of the transition to steamships from sailing boats. Geels' theory of change addresses how we can move from one social configuration to another (Geels, 2002: 1258). Geels suggests a multi-layer perspective needs to be taken to understand how inertia can be overcome. He distinguishes niches within regimes within wider landscapes (see Figure 20 below).

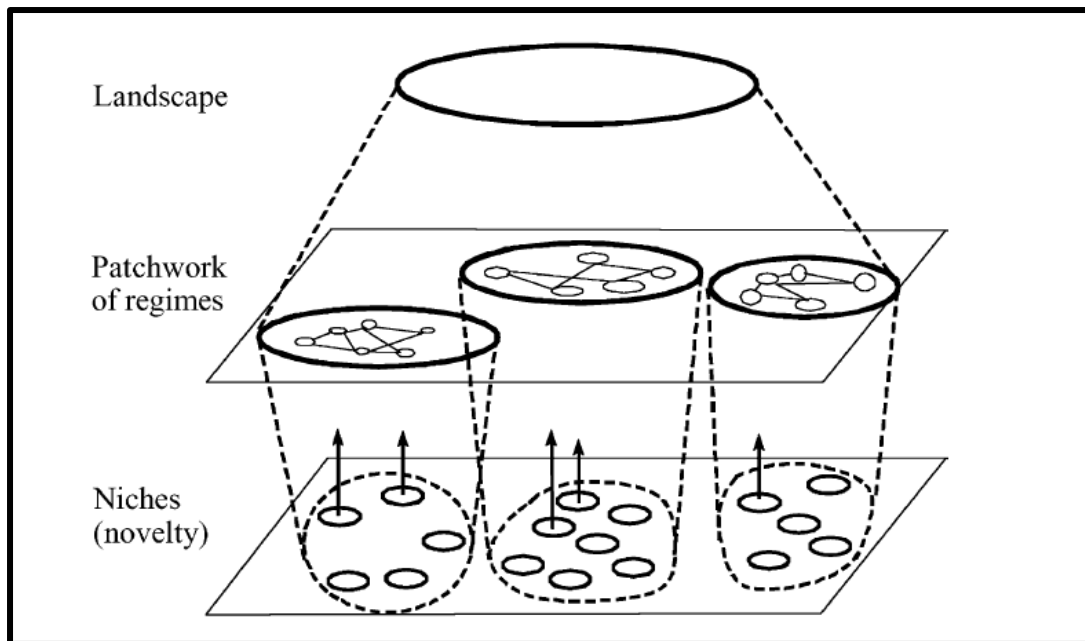


Figure 20. Multi-layer perspective – nested hierarchies (Geels, 2002:1261)

Nicholls and Teasdale (2017) use Kuhn’s idea of aligned and nested paradigms in their historical examination of UK policy towards social enterprise. This idea sees paradigms operating at macro, meso and micro levels with specialist niches or sub-sections within them. This idea allows for small changes within one nested paradigm to develop and grow influencing changes in the surrounding paradigms. We can see many layered systems in a similar way. Geels (2002), by also drawing on the Schumpeterian idea of “new combinations”, introduces an element of dynamism which opens the possibility of change through a continuous process of variation and selection. Innovations develop, sometimes in a fragmentary way, sometimes combining. Geels’ (2002) argues that some combinations gather strength and influence at the regime level and maybe gather strength beyond the regime level to influence the landscape. Some combinations falter and do not influence beyond a cluster of niches, some falter at regime level, but some breakthrough to change the landscape. Organisational innovation can impact the industry or sector and that, in turn, can influence the social (legislation, regulation, social expectations) level.

4.7.3. Finance Innovation Lab’s Theory of Change

The Finance Innovation Lab (FIL) project was set up as a joint project between the World Wide Fund for Nature and the Institute of Chartered Accountants in England and Wales to change the financial system to one which supports people and planet. It is now an

independent organisation. FIL's (2016) theory of change (Figure 21, below) is a practical application of Geels' (2002) theories to strategic planning for social change.

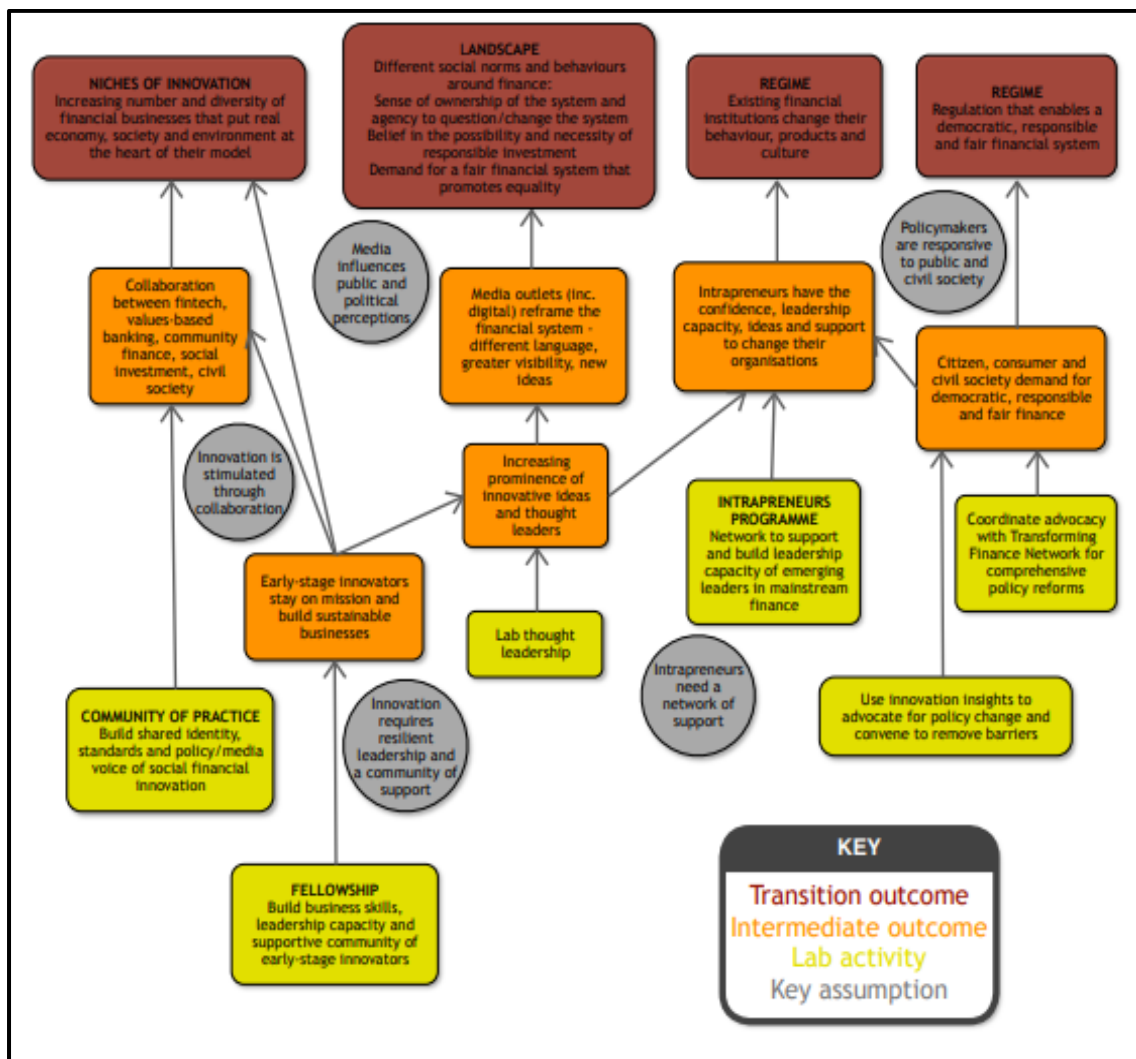


Figure 21. Finance Innovation Lab's Theory of Change (FIL 2016:3)

FIL's theory of change looks at innovation in niches being supported by a wider community, developing a community of practice through collaboration to influence the practices in the wider sector and then influencing legislation, regulation, culture and norms at the wider social level. Although FIL does not specifically draw on Wright, this theory of change illustrates how interstitial activities can, and often aim to, influence culture and social norms.

4.8 The theoretical framework and the research questions

The theoretical framework goes back to structuration's Kantian roots, to the idea of autonomous agency – that which sets its own ends – as the locus of responsibility. The most important idea which is taken from Kant's writing is the finite nature of humanity – knowledge and life - which leads to the recognition of the impossibility of knowing everything, but more importantly, the impossibility of valuing/doing everything and the impossibility of escaping a perspective, the inevitability of choice. Choices have to be made in how to live – what to strive for and what to care about, amongst the myriad possibilities (Anderson, 1995). Each person is the author of their own value system, so pluralism is inevitable. Each person is worthy of respect as the author of their own value system within the social context into which they are born. We recognise this in ourselves and we can recognise it in others too. The agency which gives rise to the differences between people is the autonomy which is also the reason that each should be respected. The differences which allow us to learn from one another are also differences which can give rise to conflict.

Differences in value systems will give rise to antagonisms between people and between peoples. They can be seen most clearly in differences as to attitudes towards and the use of finite and potentially fragile resources. How to resolve, and if it is even possible to resolve, these conflicts without imposing one framework on another, or one's framework on another's, are vexed questions which have been pondered over centuries (reflected in the criticisms of fp accounting discussed in Chapter 2).

This study does not seek to answer these questions but rather to explore the possibility of developing financial accounting systems informed by multiple and flexible, negotiated valuation frameworks.

The overall research question is –

Can understandings of purpose found in social enterprises help to connect financial accounting with responsibility for the social and environmental impacts of organisational activity?

This question breaks down into three sub-questions:-

What understandings of purpose can be found in social enterprises?

How can these understandings be articulated in social economy terms rather than in terms of return on capital or not, or metaphors derived from capital?

How can these understandings connect financial accounting with responsibility for changes brought about in the world?

Although this study was conducted before Dillard and Vinnari's article was published in 2019, their framework can be used to explain the direction and intention of the study.

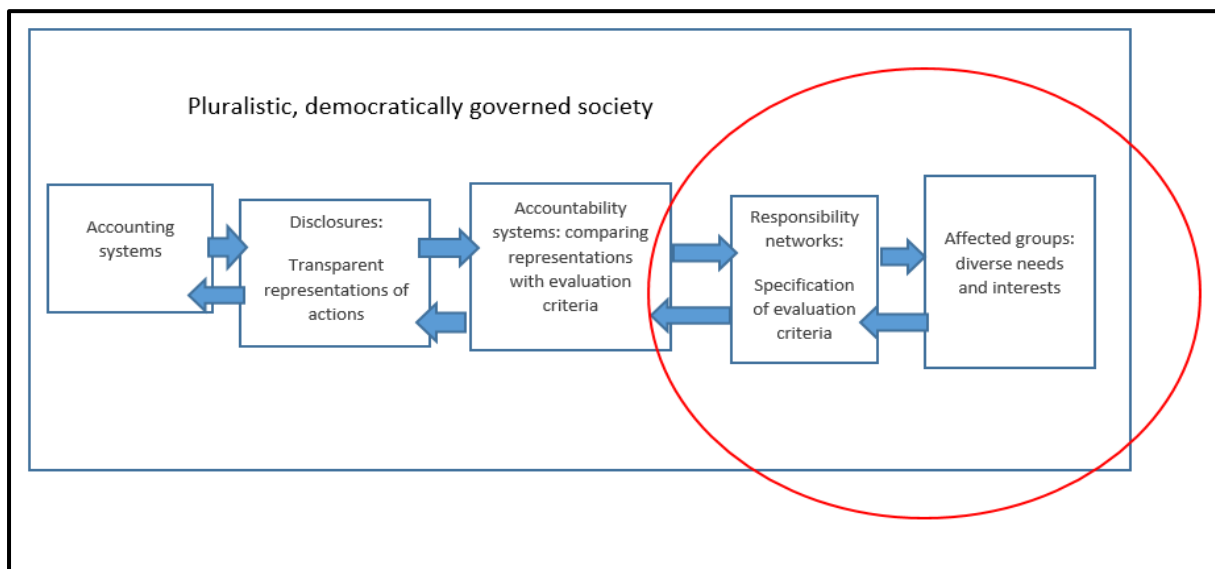


Figure 22 The direction of the study moving from responsibility to accounting, adapted from Dillard and Vinnari, 2019:20

The first sub question is concerned with the last stage of Dillard and Vinnari's (2019) process, what needs and interests do the organisations and their participants see themselves as addressing; how do they understand their purpose(s). The second with the connection between the last two stages; the third with the connection between the last two stages and the accounting systems. The direction of the research is from right to left, from the social towards the accounting. In this it responds to Nicholls and Cho (2006)'s call for research into social enterprise to focus on the social, as discussed in Chapter 3.

The theoretical framework draws on Kantian arguments regarding people as autonomous agents responsible for their own world views and evaluation criteria, within the inherent limits of experience and knowledge to locate responsibility within the setting of criteria by which to justify actions in pursuit of objectives and the objectives, the desires and needs to be met, themselves.

The study uses structuration and theory of change as frameworks in a second stage analysis of findings, in order, in the third stage of the study, to explore how financial accounting systems might support informed decision making as regards what to care about and how to care. The final aim is to understand how financial accounting and reporting could more clearly facilitate decision making as regards the myriad possibilities for action, through understanding of the multiple purposes people and organisations negotiate in pursuit of a wide range of ways in which to flourish. The study moves from a first stage investigation of understandings of purpose in social economy organisations, through a second stage interpretive analysis using this theoretical framework to a third stage investigation of how accounting systems can be adapted to support decision making about the allocation of resources to create impact in the social and physical worlds.

Methodologically, on Burrell' and Morgan's (1979) paradigms, it falls between radical structuralist (though interested more in the power to do and change things than power exerted over others or even resistance to power) and interpretive (interested in participants' – people and organisations' – stated understandings of their aims, objectives and purposes). Structuration theory is used because it addresses structures within which systems are created by agents through their actions, the allocation and use of resources. Transition theory is used because it allows the connection of the ideal towards which activity is directed (as discussed in Chapter 2) with the systems within which the agents are operating and which they are creating and changing through their actions. Accounting systems, as discussed in Chapter 2, can be seen as part of these systems of creation, allocation and use. The study seeks to bring the understanding of multiple purposes, within the context of wider potential change, to bear on financial accounting systems.

Chapter 5 – Methodology and method

5.1 Three stage study moving from exploration of social perspectives to the consideration of accounting formats and systems.

*What would happen, theoretically and analytically, if the focus of the literature were reframed from entrepreneurship as an economic activity with possible social change outcomes to entrepreneurship as a social change activity with a variety of possible outcomes? What kind of outcomes might these be? In making this move, we further ask, “What kind of theoretical insights can enable this reframing?” (Calas et al, 2009:553)
Emphasis added*

We develop and use concepts not only through and for observing and representing the world but also for acting in it[...]for making and doing as well as speaking, writing, listening[...]. Conceptual systems concern not only what we (think we can) observe, but what we can do and how we do it[...]a map or recipe or instruction manual, which provides means by which we can do things in the world or cope with events. (Sayer, 1992:59, cited in Llewelyn, 2002:665).

As noted above, this is a pragmatic study. It starts with an exploration of the understandings of purpose to be found in a range of organisations within the social economy. The findings from this first stage are then analysed using tools which take the social perspective and then, in the third stage, the ideas developed through the interpretation are used to think about how financial accounting practice might be connected with responsibility for decision making as regards impact desired in the social and physical worlds.

5.1.1. Research questions

The question the research addresses is:-

Can understandings of purpose found in social enterprises help to connect financial accounting with responsibility for the social and environmental impacts of organisational activity?

This question breaks down into three sub-questions:-

What understandings of purpose can be found in social enterprises?

How can these understandings be articulated in social economy terms rather than in terms of return on capital or not, or metaphors derived from capital?

How can these understandings connect financial accounting with responsibility for changes brought about in the world?

The aim of this research is to address a practical problem – the apparent detachment of financial accounting formats and systems from responsible decision making about social and environmental amelioration. The problem is widely recognised in accounting and management research as discussed in Chapter 2. This research study is pragmatic in approach, seeking to improve practice. It uses a qualitative method to explore concepts as tools to suggest improvements to practice.

Stage one of the study (Chapter 6) is a cross sectional case study exploration of the understandings of purpose to be found in organisations in the social economy. Stage two (Chapters 7 and 8) is an analysis using an evaluation model and an interpretation using structuration theory. Stage three (Chapters 8 and 9) is an application of the concepts developed in stages one and two to accounting formats and systems.

It would be possible to connect stage one and stage three without stage two but stage two gives the philosophical underpinning which is needed for the arguments in stage three to be able to withstand the “status quo” dichotomy of private/public, commercial/philanthropic interests, discussed in Chapters 2 and 3. The table below sets out the stages of the study.

Research sub-question	Stage of study	Method of inquiry	Reason for this part of the enquiry.
What understandings of purpose can be seen in social enterprises?	Stage One Chapter 6	Qualitative – interpretive and pragmatic. Purposively chosen case studies. Semi-structured interviews. Theoretical thematic analysis.	To draw out sensitising concepts about purpose from participants in social enterprises
How can these understandings be articulated other than in terms of “for profit/not for profit”, i.e. other than in terms of return on capital or not?	Stage Two Chapters 7 and 8	Qualitative – interpretive and pragmatic. Interpretation of the findings from stage one in two stages:- a) using an evaluation framework taken from development studies b) using structuration and transition theory	a) to explore these understandings from the social (as opposed to the enterprise) perspective. b) to deepen the exploration of some particular concepts developed in the earlier stages.
How can accounting for multiple purposes re-connect financial accounting with responsibility?	Stage Three Chapters 8 and 9	Discussion. Application of the outcomes from the findings, analysis and interpretation to financial accounting and reporting formats currently in use	To enable practical suggestions for improvement of current accounting and reporting practice in order to connect financial accounting more obviously with responsible decision making.

Table 6 Research questions and three stages of the study

5.1.2 Structuration and transition theory as the connection between stages one and three

Structuration is a framework which facilitates the exploration of interpretive schemes (signification), ways of understanding the world, and frameworks for behaviour, norms and mores (legitimation) governing the use of resources and the ways in which these are negotiated (domination). Transition theory allows for the development of interpretive schemes and norms that seek to change, or actually change, the use of resources and the ways in which these uses are negotiated.

Structuration specifically allows for the development of sensitising concepts which can be

useful for thinking about research problems and the interpretation of research results...

(Giddens 1984:327 cited in Conrad, 2014:129)

Structuration and transition are used in this study in stage two – interpretation of the findings - developing theoretical insights which can enable (in stage three) the exploration of financial accounting formats and systems which can connect to decision making about social and environmental impacts of behaviour and actions.

Llewelyn (2003) posits five levels of theorizing in qualitative management and accounting research.

Level	Theory	Focus – how this level theorizes	Empirical issues
One	Metaphor	By image-ing and grounding experience	“Micro” reasons, actions, social production
Two	Differentiation	By “cutting the pie” of experience	“Micro” social processes
Three	Concepts	By linking agency and structure through practice	“Meso” agency – how individuals make things happen through resources (<i>collective agency</i>)
Four	Settings	Explaining how contexts for practices are organized	The social organization of relationships between individuals, organizations and environments
Five	Structure	Explaining impersonal, large scale and enduring practices of social life.	Class, gender, power relations and the distribution of resources

Table 7, Five levels of theorizing in qualitative management and accounting research adapted from Llewelyn, (2003 pages 667and 668) My addition in italics.

Level One – metaphor – is the *basic structural form of experience through which human beings engage, organize, and understand their world* (Morgan, 1983:601, cited in Llewelyn, 2002:667). Metaphor theorizes by creating meaning through linking the familiar with the un-familiar. It runs the risk of missing that which is different from the metaphorical understanding, as noted in the discussion of capitals in Chapter 3.

Level Two is the structuring of experience through pairings, contrasts, dualities or dualisms, such as public-private; objective-subjective. These categorisations allow for meaning to be created through contrasts but can lose that which does not fall into either category from the

understanding, as discussed in Chapter 3. Llewelyn notes that metaphor and differentiation permeate all levels of social theorizing.

The theoretical framework, as set out in Chapter 4, draws on level five and level four theories, but the thesis itself falls into the third level linking agency and structure through practice. It is pragmatic in that it seeks to develop accounting tools more adequate to supporting the task of responsible decision making as regards resource allocation and use than those we have at present. It seeks to do this through articulation of sensitising concepts to allow for this to happen. It also draws on level four in using transition theory to understand how participants seek to change the systems within which they, and their organisations, operate.

So, although the final aim of the study is to explore possibilities for accounting systems as tools for responsible decision making, the study does not start with an examination of accounting systems or formats. It starts with an exploration of the context within which accounting in social enterprises occurs – the understanding of what it is the organisations seek to achieve, their purposes.

5.2 Stage One Cross sectional case studies and semi-structured interviews

For an exploratory study of participants' understandings of concepts, a pragmatic qualitative approach was adopted. A cross sectional case study approach was considered as most likely to deliver useful understandings which could then be used as a basis for discussion as regards redesigning or refining accounting formats and systems. This is what Dillard and Vinnari (2019), discussed above, argue we need to do, rather than simply adding extras on to the already existing, and recognised as inadequate, formats and systems.

The case study approach is well established as a research method in business and accounting (Scapens, 2004). It was adopted here rather than a survey or series of focus groups because of the very exploratory nature of the enquiry. Voss, Tsiriktsis and Frohlich (2002) argue that case study research has high validity with practitioners and the ultimate aim of this study is to contribute to improving accounting practice. Further research could be conducted on the basis of the findings of this study using focus groups and surveys.

The approach to case studies adopted in this research is interpretive – seeking to understand in order to develop concepts. For this reason semi-structured interviews with a range of participants in a range of organisations were conducted. The open-ended questions sought to allow the participants to answer in their own terms about the issues within the topics which most concerned them. This is discussed further below.

Yin (2015), argues that it is quite difficult (if not impossible) to pin down a short, exact definition of qualitative research but, he argues, it demonstrates five features:-

- 1 Studying the meaning of peoples' lives, in their real-world roles;
- 2 Representing the views and perspectives of the people (participants) in a study;
- 3 Explicitly attending to and accounting for real-world contextual conditions;
- 4 Contributing insights from existing or new concepts that may help to explain social behaviour and thinking; and
- 5 Acknowledging the potential relevance of multiple sources of evidence rather than relying on a single source alone. (Yin 2015:9)

Open questions in face to face interviews with participants in a range of organisations in the social economy fulfil the first three features. Interpreting the findings from the interviews in order to understand the social perspective of social enterprise, in stage two as explained above, fulfils the fourth. Interviewing several participants in a wide range of organisational types and also using documentary evidence from the organisations as a different source of information (consulted during the initial selection phase) fulfils the fifth.

5.2.1 Selection of case studies

The type of case study which is to be undertaken determines the selection criteria. Interpretive case studies are used to develop theory so the selection criteria reflects this aim rather than that of generalising from a sample. The case studies should display the characteristics that the researcher wishes to explore (Scapens, 2004).

The first research question is concerned with the understandings of purpose to be found in social enterprises, so social enterprises which clearly articulate their purposes in publicly

available documents were chosen for the research. As discussed in Chapter 3, there is a broad range of organisations' which could be classed as social enterprises. For the purpose of this study, organisations were classed as social enterprises if they pursued primarily social or environmental purposes with a significant element of trade (Peattie and Morley, 2008).

The cases were chosen purposively to give a range from all four categories in the Defourny and Nyssens (2017) ICSEM project classifications of social enterprise and a range straddling the Alter for profit/not for profit divide, as discussed in Chapter 3, in order to clarify potentially different perspectives on the sector. This aspect was considered significant because of the need for a range of sources as noted above by Yin, but also because of the importance of pluralism to the underlying research philosophy.

The cases range from largely grant funded to entirely commercial but they all have a substantial element of trading income. They have different legal and governance structures from one another and produce a range of formats of financial statements, reports, evaluations and impact assessments. Documentation published by the organisations was explored in the selection process in order to ensure that the organisation really did meet the criterion of displaying the characteristics in which the research was interested. The main criterion for the research into the answer to the first question was a clear exposition of the organisation's purpose(s).

Using documentation also serves to increase the range of sources and types of evidence, as noted by Yin above. Although materials which are not in the public domain were mentioned in the interviews they were not directly used in the research. All documents referred to are publicly available.

The organisations chosen were from different fields – energy production and distribution, food production and distribution, venue based cultural production, touring performing arts, sports & leisure; again to give different perspectives on the social sector. They also purposively range from quite large (by social economy standards) to small, measured by income and workers. Detail is set out in table 12, in Chapter 6.

They have all been successful in the sense of surviving for more than ten years; the longest lived for more than forty. I am familiar with all of the case studies because of personally

interacting with them or through friends and family interacting with them – as customers or suppliers - over several years. This made access relatively easy. Although some organisations approached declined to participate. The researcher’s position and reflexivity are discussed in section 5.4.1 below.

The organisations have not been anonymised, with agreement from all participants. The interviewees’ names are not included but their role within the organisation or relationship to it is. The table below sets out where the case studies sit on the classifications. The selection does not include the ends of the ranges- traditional (fully philanthropically funded) charity and traditional (solely for profit) commercial company. This is because the first and second stage aim is to develop an articulation of concepts from within the social economy without using concepts derived from the mission (philanthropy)/market (financial return) opposition.

< Philanthropic Enterprise Orientation – Commercial Business Orientation >					
Theorist	Business Model				
Alter (2007)	Traditional non-profit	Non-profit with income generating activities	Non-profit funded by market activities	Social enterprise	Traditional for-profit
		Not for profit		For profit	
Defourny & Nyssens (2017) ICSEM project	General Interest Association	Entrepreneurial non-profits (ENP)	Social co-operatives (SC)	Social Business (SB)	Capital Interest
		Public Sector Social Enterprise (PSSE)			
Where my case studies sit	Not covered	Free Word Centre	Organiclea; Independent Theatre Council	Good Energy Group; Volans	Not covered
		Greenwich Leisure Ltd			

Table 8 Where the case studies sit against Alter (2007) and Defourny and Nyssens (2017).

5.2.2 Semi-structured interviews

Because the case studies were interpretive and the aim of the research was to explore understandings in order to develop theory, a semi-structured interview format with relatively open-ended questions was adopted. The researcher needed to be able to compare and contrast answers from participants within the same organisation and across organisations so it was considered that a format which gave some structure was needed.

However, it was important that the structure did not guide the participants too much as the researcher was seeking to explore the idea of purpose(s) in the participants' own words. This interview format could give rise to some ethical questions and questions concerning researcher bias which are discussed in section 5.4, below.

As explained in Chapter 4, this research aims to explore understandings of purpose(s) from the social perspective as opposed to the financial/ commercial. Lee and Nowell's (2015) evaluation framework, drawn from development studies rather than economics or business as discussed in Chapter 3, underpins the semi-structured questionnaire which was used in the interviews (Appendix 2), although the questions are more wide ranging than a strict adherence to the framework would allow.

The questions were designed to allow for answers wider than Lee and Nowell's framework which does not consider systems change leading to alleviation of many ills as a possible public value. The public value is the alleviation of social ills but the possibility that systems change may be necessary for this alleviation to occur is not considered in Lee and Nowell's framework.

For instance, the first question in the table below asks what the main purpose of the organisation is, but it also asks why this is the main purpose. It is seeking to discover the reasoning behind the prioritisation. It also asks why the participant works in the organisation. The participants may have different reasons for supporting the organisation and these might shed some light on the collective vision of what they are trying to achieve. Lee and Nowell do not consider collective action. Nor do they cover autonomy and independence which are important concepts in the research philosophy.

The table below maps the main questions against Lee & Nowell's categories and also shows how they map against Dillard and Vinnari's (2019) boxes - Diverse needs and interests and evaluation criteria setting and networks. Detailed discussion of the Lee and Nowell framework can be found in Chapter 3. Discussion of Dillard and Vinnari (2019) is in Chapters 2 and 3; Chapter 3 explains how this research addresses Dillard and Vinnari's call. The full list of interview questions is in Appendix 1.

Interview question	Lee & Nowell Categories addressed	Dillard & Vinnari (2019) boxes
<p>What is the main purpose of your organisation? Why? Why do you personally work for it?</p>	<p>Impact – public value; Outcomes – client/customer satisfaction and behavioural environmental change Capacity – staff satisfaction</p>	<p>Diverse needs and interests addressed</p>
<p>How would you define success or failure for the organisation?</p>	<p>Potentially all the stages of L&N’s framework Inputs –adequate resources Capacity – human and structural features that facilitate the organisation’s ability to create outputs; staff /member satisfaction Outputs –goods and/or services delivered Outcomes – behavioural and environmental change Development of inter-organisational networks and institutional legitimacy Impact – wider value</p>	<p>Diverse needs and interests; Evaluation criteria setting</p>
<p>Who is interested in your success or failure (as defined through the answers to the previous questions)?</p>	<p>Impact – public value Outcomes - Inter-organisational networks; Client/customer satisfaction; Capacity – Staff/member satisfaction; Inputs – adequate resources from the above.</p>	<p>Evaluation criteria setting networks</p>
<p>Has the organisation had to change its business model in the face of difficulties or to benefit from opportunities? What were the drivers of change?</p>	<p>Potentially all the stages of the L&N framework</p>	<p>Evaluation criteria setting networks</p>

Table 9 Main interview questions mapped against Lee and Nowell (2015) and Dillard and Vinnari (2019)

5.2.3. Conduct of interviews and list of interviewees

The interviews took place between 2015 – 2018. They were conducted either face to face or by telephone depending on the interviewees' availability. The interviews lasted between 45 minutes and an hour and a half each. The researcher visited premises where possible and used the goods and/or services provided by these organisations to ensure familiarity with them during the time period covered by the study but this was not a formal part of the research.

Access to the organisations was straightforward, the participants all appeared engaged, some very interested in the project, and all the interviews were conducted in a relaxed and open atmosphere.

Table of interviewees					
	Organisation	Interviewee position		Date of interview	
1	Free Word	Chair of board	FW1	4/2015	Telephone
2	Free Word	CEO	FW2	4/2015	Face to face
3	Free Word	Finance Director	FW3	4/2015	Face to face
4	Good Energy Group plc	Board member/customer/supplier	GEG1	8/2016	Telephone
5	Good Energy Group plc	Finance Director	GEG2	8/2016	Telephone
6	Good Energy Group plc	Non-Executive Director	GEG3	9/2016	Telephone
7	Greenwich Leisure Ltd	CEO	GLL1	7/2018	Telephone
8	Greenwich Leisure Ltd	Finance Director	GLL2	6/2018	Telephone
9	Greenwich Leisure Ltd	Staff	GLL3	6/2018	Telephone
10	Greenwich Leisure Ltd	Customer member	GLL4	9/2018	Telephone
11	Greenwich Leisure Ltd	Human Resources	GLL5	7/2018	Telephone
12	Independent Theatre Council	CEO	ITC1	6/2015	Face to face
13	Independent Theatre Council	Staff	ITC2	6/2015	Face to face
14	Independent Theatre Council	Staff	ITC3	10/2015	Face to face
15	Independent Theatre Council	Staff	ITC4	10/2015	Face to face
16	Organiclea	Worker member	ORG1	4/2017	Face to face
17	Organiclea	Worker member	ORG2	7/2017	Face to face
18	Organiclea	Customer	ORG3	8/2017	Face to face
19	Volans	Founder and CEO	VOL1	7/2017	Telephone

Table 10 . Organisations, interviewees' roles, dates of interviews and whether by telephone or face to face.

5.2.4. Thematic analysis of interviews

There are two levels of interpretation in this study, both are theory driven. Both are constructionist, in the sense of looking at the data from a social perspective and being more interested in the sociocultural context than the individual approach to the topics – *“from a constructionist perspective, meaning and experience are socially produced and reproduced, rather than inhering within individuals”* (Burr, 1995, cited in Braun and Clarke, 2006:85).

The first stage of the study, discussed in Chapter 6, pulls out the findings from the interviews as regards understandings of purpose using thematic analysis which has been shaped to address research question one.

What understandings of purpose can be seen in social enterprises?

The interview questions directly address this question. They ask about the main purpose of the organisation and how this was arrived at. They ask about recognition of success and failure and how these are measured. This adds depth to the questions about the main purpose. They also ask about who else is interested in the organisation's success and failure. The answers to these questions also start to address the second question because participants discuss the topics in their own terms, in terms of success and failure rather than profit or not.

The next section describes the process of analysis.

5.2.5. How the thematic analysis was conducted

The interview transcripts were analysed in Nvivo. Because terminology in the social sector can be quite slippery, as discussed in Chapter 3, the analysis was based on the meaning of sentences rather than exact words.

Topics which arose in early interviews were looked for in later ones as well. Earlier interviews were revisited in the light of themes arising from later interviews. When all the interviews had been thematically coded across interview questions, organisations and participants, primary themes were then clustered by sense into secondary themes which formed the basis for the discussion.

Below are sample quotations, showing how the text was coded .

you're independent in terms of the idea of where you are trying to get to... and then you collaborate in terms of the delivery. [1] But it's a delicate balance, and so far it's one that seems to be working. Because the most terrible things that maybe would amount to failures would be if Freeword somehow reverts and retreats into being a landlord.[2] Because no-one wants to work with us and no-one believes in what we're trying to do.[3] Well, that's just completely useless, we might as well.... There are far better landlords in the world and we'd bow out and let someone else manage the building. That's not what we're there for[2].[3] So you've got to have an independent vision and agenda, but you only ever get there when you open your eyes and ears to people you work with.[4]

Coded as:-

1. Achievement through partnership and collaboration
2. Only being financially successful is not enough
3. Quality of achievements
4. Need for debate, different perspectives.

Obviously, from a financial viewpoint would be to go bankrupt, that would be complete failure.[1]

Another measure of failure would be not to have enough money to invest in future projects. [1] [2] Another failure would be, as far as I'm concerned, and I would leave the company, would be that we were investing in projects which didn't battle climate change.[2] [3]

1. Financial viability essential
2. Reasons for growth/investment
3. Alignment of values

I am very interested to learn more about food sustainability, and participate more, and become more food sustainable[1]. But the main thing for me at the moment is that the food is really delicious—the fruit and vegetables are delicious.[2]

1. Stakeholder engagement with wider purpose
2. Quality of goods/services.

The codes were then clustered into themes:-

Only being financially successful is not enough Financial viability is essential Reasons for growth/investment	Profitability versus financial viability as underpinning for social and environmental actions.
Achievement through partnership/ collaboration Need for debate, different perspectives Alignment of values Stakeholder engagement with wider purpose	Collaboration, partnerships, negotiation
Quality of achievements Quality of goods/services	Quality of outputs (goods/ services/ achievements)

Table 11 Themes from the interviews

The themes are explored in detail in Chapter 6.

5.3. Ethical considerations

The study was subject to Sheffield Hallam University ethical approval procedures. Ethics approval was obtained before any interviews were undertaken. The questionnaire and interview methods were agreed before any interviews took place.

All participants were informed about the reasons for the study and the processes that were to be followed. Data is anonymised as regards individuals but not as regards organisation. All participants agreed to the interviews being recorded and were sent the transcripts after the interviews to check where they wanted to do so. Few participants commented on the transcripts though one asked for a certain quote not to be used. The researcher respected this request. All participants gave explicit consent – either signed forms or recorded in the interviews – to their informed participation in the study.

In-depth interviews, such as those conducted as part of this research, can be problematic because interviewees might find some of the topics covered difficult to talk about for a variety of reasons. Participants might disagree with one another, for instance carer and

cared for, about the nature of a shared experience. Some experiences might be traumatic and difficult to share; some participants might be self-deluding and so unreliable (Allmark, Boote, Chambers et al, 2009).

For this study the topics are relatively uncontroversial and unemotional. Participants' views might be different but, because interviews were conducted individually and information from other participants was not shared with interviewees, this was not seen as potentially problematic. The questions were not designed to probe participants' emotions or difficult experiences. The interviewer was not observing attitudes or behaviour, but rather asking for opinions and ideas. The questionnaire was sent to participants in advance of the interview, along with the consent and information forms. This was done to allow participants time to reflect on the topics explored before the interview.

The next section covers the possibility of bias because of the position of the researcher.

5.3.1. Reflexivity – the position of the researcher

This study is exploratory. It is qualitative, concerned with concept development and pragmatic, concerned with theory development in order to improve practice. It starts (stage one) with semi-structured interviews of a range of participants in a range of social enterprises. The enterprises were chosen purposively, as explained above. The interviews were semi-structured in order to leave space for the participants to bring up topics they considered relevant. The findings were analysed through an evaluation framework taken from development studies and then through structuration theory (Stage two). Then the concepts uncovered were applied to current accounting practice, as demonstrated by some of the participating organisations. The main topic of exploration is the understandings of purpose that can be found in a range of socially and environmentally oriented organisations which use trade as one of their financial mechanisms. The aim of the study is to explore concepts which might help us develop accounting which can support responsible decision making.

Given the design of this research, it is impossible to claim objectivity for the researcher. Given the research philosophy, as set out in Chapter 4, objectivity would seem to be mostly unattainable. In this context, the researcher's experience working in the social economy and familiarity with the goods and services and some of the organisations themselves is an

advantage rather than a disadvantage so long as it is recognised. The study is pragmatic. It is not claiming to be able to make generalisations, rather it aims for suggestions informed by interpretations.

As explained in Chapter 1, I moved into teaching accounting in a Business School after a long career in the social economy, having initially trained and worked as a commercially oriented accountant (Institute of Chartered Accountants in England and Wales). I speak both languages – for profit and not for profit accounting. So I notice when the translations are clumsy or actually misleading. Further, I have grappled with trying to use both languages in situations where they do not fit very well or, it could be argued, even at all; situations where another language altogether would seem to be needed. Working as a finance director and trainer in and for social economy organisations, preparing annual accounts, reporting results to boards, discussing these problems with others in the sector, one is made aware of how uncomfortably the activities being described fit within the frameworks available, as discussed in Chapter 3.

I am not claiming to be an objective, disinterested observer; rather I am an interested participant in the social economy trying to research it from within whilst recognising the influences on the sector from outside. As such, I argue that my experience of the sector is an advantage – but only if it is acknowledged as such. This argument ties in with the literature discussed in Chapter 2. I am interested in exploring the submerged part of Gibson-Graham's iceberg, Lefebvre's urban society, aspects which are ignored except by those who find themselves interested/ involved in them.

My starting point for this piece of research was my observation that the translation of social economy ideas into mainstream business language is inadequate if not impossible without major changes in mainstream understandings of the social economy. In making this judgement, I am claiming the position of a knowledgeable actor based on my long experience of the social sector. I cannot pretend to be objectively researching something which stands apart from me. I am taking something with which I am familiar and examining it in much greater detail than I have before. In doing so, I have to acknowledge that I have been a part of it myself. I contend that I am better placed to undertake this exercise of

trying to understand the sector *because* of my involvement compared to someone who is not practically familiar with the sector, who has not been part of it themselves.

This argument might be contentious if I was observing participants' behaviour or even their attitudes, but I am examining ideas which can be found in the social economy - through research into academic arguments *within* the sector (Chapter 3) and through dialogue with other knowledgeable actors *in the sector*.

5.4. Research questions and three stage enquiry

As noted at the start of this chapter, the enquiry was conducted in three stages, each addressing one of the research sub-questions.

Chapter 6 – thematic analysis of the interviews – addresses the first research question – what understandings of purpose can be found in social enterprises? The findings from this analysis are taken into Chapter 7.

Chapter 7 initially maps the findings from Chapter 6 against Lee and Nowell's (2015) evaluation framework. It then progresses to a discussion of the measures of success used by the organisations. Interviews and published documents were used for this discussion. The final part of this chapter compares the two accounting formats (for profit and not for profit) available for financial reporting for the organisations.

Chapter 8 develops a discussion from the findings and analysis set out in the previous two chapters, using structuration and transition theory to address issues which have been flagged through the analysis in Chapter 7, particularly concerning the potential diversity of macro purposes.

The next chapter sets out the findings from the interviews and initial document consultation during the selection process.

Chapter 6 Findings

This chapter sets out the initial findings from the semi-structured interviews as explained in Chapter 5. Published documents were consulted before the organisations were contacted. The desk research on documents was undertaken to ensure that the case study selection was appropriate to the aims of the study.

The table below sets out the findings from the initial phase of document research. It lists the purposes of the organisations as published on their websites plus whether they are socially or environmentally motivated or both, how long they have been established, legal status and type of accounting and reporting format used, other reports that have been consulted, an explanation of their income sources and number of workers.

The section below the table gives a brief sketch of what each of the organisations do.

The chapter then moves into consideration of the findings from the interviews.

6.1. Case studies

Table 12 sets out the published information which was initially used to justify the inclusion of these organisations as case studies.

Organisation	Purpose – taken from organisational documents	Aims social/ environmental or both Years established	Legal structure/ accounting & reporting formats and extra reporting examined	Income/funding and/or reserves. Number of workers Reason for inclusion in the study
Free Word Centre https://freeword.org/	The organisation placed an emphasis on fresh perspectives from voices that are often underrepresented, bringing together a rich variety of writers, artists and activists to spark critical conversations about society, culture and politics.	Both 2009 -2021	Company limited by guarantee Registered charity follows the Statement of Recommended Practice, accounting for charities. The Free Word Centre closed in May 2021 because the owner of the building Fritt Ord, a Norwegian charity decided to withdraw from commercial property investment as a result of COVID-19.	Free Word was supported by the Norwegian free speech and free press foundation, Fritt Ord, and also by the English Arts Council. Grant funding made up approximately 60% of Free Word's approx. £1m income per annum, the rest is raised through rents, subscriptions and ticket sales. Although £1m income seems small if one is used to dealing with large corporations, income at this level means that Free Word is in the top 3% of English charities and would be considered large within that context. There were approx. 21 employees. It represents one end of the spectrum of organisations in the study – traditional non - profit with some trading.
Good Energy Group https://group.goodenergy.co.uk/about-us/our-purpose/default.aspx	Good Energy was founded as a purpose-led business. Our reason for existing is based on the view that companies should pursue a wider purpose, over simply making profit. Empowering people to be part of the solution to climate change is core to that purpose. Building a market for small-scale renewable energy is too. We exist to give you the ability to generate your own power, not just buy ours. No one owns the sunshine, the wind or the rain, so let's share it. Our goal is to turn every home and business into its own clean power station[...]We believe that we all have our part to play. We do ours not only by empowering you to buy and share clean energy but also by investing in clean technologies. (GEG, PR, 2020:3)	Environmental 20+	Limited by shares – plc listed on Alternative Investment Market. Company accounts. Social Stock exchange impact reporting Purpose Reports Member of Stakeholders for SDGs.	Good Energy plc. has 250,000 customers (including suppliers), 1,400 generators, 300 employees and annual turnover of £105m, doubled since 2014. 85% of investors are also customers/ suppliers. It is interesting for this study as the other end of the spectrum to FW. But although it is shareholder owned, it is environmentally driven.

<p>Greenwich Leisure Limited http://www.gll.org/b2b</p>	<p>GLL has many epithets: Charity, Cooperative, Staff Led, Industrial and Provident Society, Society for the Benefit of the Community, Social Enterprise, Leisure Trust, Community Company, all of which help describe our governance and our values. We seek to be different, and we get frustrated when people do not 'get' that difference. What we are about is 'social added value': doing what others do, but with more depth, more passion and better all-round outcomes.</p>	<p>Social 25+</p>	<p>Initially an Industrial and Provident Society. Employee owned charitable co-operative enterprise IPS. (Ben com.) Use of SORP. Social Value Calculator (form of SROI).</p>	<p>GLL runs leisure facilities for numerous local authorities across the country, from Newcastle to Croydon, 250 leisure centres in 30 local regions. It has 500,000 user members and 10,500 staff having doubled its turnover (to £274m) in the past five years. Income is predominantly from membership subscriptions and venue fees. It is an interesting example for this study as it has a complex structure combining worker controlled co-operative (IPS) and charitable status. It sits in the middle of the spectrum straddling definitions.</p>
<p>Independent Theatre Council https://www.itc-arts.org/</p>	<p>ITC is the management association for theatre's independent sector. We are a community of peers spread across the UK working in drama, dance, opera and musical theatre, mime and physical theatre, circus, puppetry, street arts and mixed media. ITC welcomes all theatre professionals who share our values and our membership understanding.</p>	<p>Social 40+</p>	<p>Company limited by guarantee. Not a registered charity - company ltd. by guarantee accounts company accounts.</p>	<p>ITC has 4 employees, 450 members and reserves of £250K. It files micro-entity accounts at Companies House. Income is entirely from membership and activities.</p>
<p>Organiclea https://www.organiclea.org.uk/</p>	<p>Our vision is of a socially and environmentally just food system where the means of production and distribution, including access to land, seed and water are controlled not by markets or corporations but by the people themselves. We are working to create just production and trading systems that provide a fair income to food producers and guarantee the rights of communities to access healthy and nutritious food produced using ecologically sound and sustainable methods, a food system existing in a wider context of social justice.</p>	<p>Both 10+</p>	<p>Worker owned co-operative. Company limited by guarantee with co-operative constitution. Organiclea became a Community Interest Company in 2019, retaining the co-operative constitution. Company accounts but also voluntary use of SORP as a public benefit entity. Not a registered charity.</p>	<p>Organiclea has annual income of just under £500K, seventeen worker members and a large number of volunteers. It is interesting for this study because it articulates its purposes very clearly and also because it uses the non profit accounting format voluntarily.</p>

<p>Volans http://volans.com/</p>	<p>Volans works to catalyze breakthrough change and to redefine the market rules for business. As a certified B Corporation, we aim to be the change we want to see in the world.</p>	<p>Environmental</p>	<p>Company limited by shares Company accounts B Corp Reports</p>	<p>A reason for including Volans in this study is that it was the first registered B Corporation in the UK. A B-Corp is a company which meets the social and environmental standards set and monitored by the B-Lab association (a non profit). B-Corps recognise the importance of social and environmental impacts but they remain for profit companies. They give as much importance to social and environmental concerns as they do to the pursuit of profit; some give more importance to social and/or environmental aims. Volans has 5 staff and reserves of £118K. It files micro entity accounts with Companies House.</p>
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1. Free Word was dissolved in May 2021 as a result of the building's owner and Free Word's main funder, Fritt Ord, a Norwegian charity, deciding to withdraw from commercial building investment as a result of COVID-19. The tenants moved to other premises at this point. It ran the Free Word Centre in Farringdon, London, which served as a home for six resident and several associated organisations, all active in the fields of literature, literacy, freedom of expression and human rights, as well as a venue for cultural debate which has been, for the past few years, around three main strands – translation, climate change and free speech. All the interviews were undertaken before the pandemic and before the effect it would have on commercial property investments was foreseen.

Free Word, whilst maintaining the physical space which includes a flexible lecture theatre and a large atrium which was a good place for associates to meet and a café as well as the offices and meeting rooms, acted as a conduit for collaboration between residents and associates.

My connection with Free Word is that, prior to joining academia, I was the part-time Finance Director of the Reading Agency, one of the resident organisations. This meant that access was relatively straightforward through contacts.

2. GEG was one of the first electricity companies to offer 100% renewable electricity. In 2004 GEG set up a scheme to pay home generators for all the energy they generate which was the basis for the government supported Feed-In-Tariffs scheme in 2010. GEG has also developed its own generating capacity, both wind and solar. It buys in renewably sourced energy and generates some itself. It has recently expanded into selling gas as well as electricity.

GEG has home generating suppliers who generate electricity on a small scale many of whom are also customers for the part of their energy needs they cannot supply themselves, and many of these supplier/customers are also investors in the company.

My connection with GEG is that they have been my utility supplier for more than fifteen years. I originally chose to deal with GEG because it was a pioneer for 100% renewable energy. I contacted the company directly for this study. Access was straightforward.

3. Greenwich Leisure Limited (GLL) was set up by managers within Greenwich local authority Leisure Services department in 1993 because the local authority was required to put its leisure services out to competitive tender. GLL now runs leisure services in several London boroughs and across the country under the “Better” brand.

My connection with GLL is that, many years ago, I used to live next door to London Fields Lido, in Hackney, London. I used to swim in the lido regularly and I was disappointed when the facility was closed as unsafe in the late 1980s. I subsequently moved out of London but I visit family who live there. I saw that the lido had re-opened in the 2000s and I now swim there whenever I can. I was interested to find out more about the organisation behind Hackney Council’s change of heart so I investigated GLL before I thought of this study. I realised that they would be a useful case because they are difficult to classify being a worker controlled co-operative with charitable status.

4. The Independent Theatre Council is the trade association umbrella body for small to medium sized companies in the “independent”, i.e. not primarily commercial, theatre sector. It was incorporated in 1985, having been a loose association for a few years before that. It offers training and advice (set up, legal, financial, touring) to help members manage their organisations well. It also acts as a voice for the “independent” sector. Members have to sign up to a code of conduct when they join.

It is a useful case for this study because it falls in the centre of the classification spectrums whilst being quite different from GLL and also from Organiclea, so it provides another perspective on the answers to the questions.

My connection with ITC is as a supplier and as a researcher. I had a portfolio career before joining academia. I worked as a freelance trainer for several umbrella bodies in the arts and charity fields, including ITC. I still run several training days (on financial management for performing arts organisations) a year for ITC, so access was straightforward.

ITC was a case study for an interdisciplinary (accounting, law, economics) piece of research I undertook with colleagues in France comparing the legal status and ethos of arts organisations in France, Italy and the UK using a tool developed by Co-operatives UK for organisations to self-classify as co-ops (or not). We found that some UK arts

organisations, whilst not registered co-operatives, have a more co-operative ethos than some French registered co-operatives do. This piece of research helped me see how difficult it can be to classify organisations in the social sector. (Juno-Delgado, McCulloch & Sinapi, 2014).

5. Organiclea is a workers' co-operative in Waltham Forest, North East London. It grew out of a loose association of people growing food on allotments and selling the produce at local markets and through a local food hub and café. The main commercial activity now is the distribution of weekly vegetable boxes but Organiclea also runs organic horticultural training and apprenticeship schemes, grows plants for other growers and has a loyal band of volunteers. It receives funding from a variety of trusts and foundations for community projects. It has refurbished the glass houses once used by Waltham Forest Borough Council as a plant nursery, on 12 acres in Chingford, in the historic market gardening area close to the River Lea. Organiclea also supports other groups seeking to set up similar local food networks in neighbouring areas. It was originally set up as a company limited by guarantee but changed to a community interest company in 2019.

My original connection with Organiclea was attending open days with relatives who live nearby. I approached the organisation directly and access was straightforward.

6. Volans was co-founded, in 2008 by John Elkington who popularised the phrase "triple bottom line" in 1997, and Pamela Hartigan. It has been one of the foremost campaigners for environmental sustainability in the corporate social responsibility arena. A reason for including Volans in this study is that it was the first registered B Corporation in the UK, instrumental in establishing the Social Stock Exchange and B-Labs UK, and is, therefore, contributing to new methods of reporting impact in the corporate sphere.

It is a good case for this study because, although it is a traditional company limited by shares, it has B-Corp registration and, although small, it has been quite influential in the responsible business arena in the UK and internationally. It provides an interesting contrast with GEG whose shares are publicly traded. Although it does not conform to the traditional idea of a small business (family, retail or manufacturing), it is representative of the vast majority of companies limited by shares registered at

Companies House by not having publicly traded shares. At the end of March 2019 there were nearly six thousand public limited companies in England & Wales effectively registered at Companies House out of a total of nearly four million, 0.14% of the total. This means that 99.5%+ of registered companies in England & Wales do not have publicly traded shares (Companies House, 2019).

6.2. Findings

6.2.1 Main purposes

This section sets out and discusses the main purposes of the organisations as the context for the rest of the discussion. The organisations are discussed in alphabetical order in this section. The discussion following this section is organised by theme. This section takes information from the organisations' websites and compares it with findings from the interviews. The aim is to understand the purpose of the organisations as expressed by the participants. The research is not looking for inconsistencies between the publications and what the participants say. This would be valid research but it is not what is being pursued here. This analysis is looking to unpack and articulate concepts and find similarities in approach, if they exist, across the range of cases.

The underlining emphasis is added in all cases.

6.2.1.2 Free Word

On its website, Free Word's vision is of

A world in which all kinds of people can express themselves openly and influence society.

And its mission is

To champion powerful, experimental, writing and conversation, which highlights underheard voices and ideas of our times, and influences the range of perspectives shaping society. (Free Word, 2016)

Participants expressed the purpose variously as

it's to promote the idea and engagement in the idea that the written and spoken word matters deeply. And universally [...] the importance of the freedom to read and the freedom to write. The importance of communities to have a voice. The importance that they are heard and that we hear other communities and other constituents. So, for me, the purpose is to make progress in an understanding that words change lives [...]

So, there's a 'macro-purpose', which is, it is important that the written and spoken word is protected and we have freedom to read and to write. That's the big one [...]. (FW1)

Real core purpose I've spent three and half years trying to define this down – work where literature literacy and free speech meet [...] three strands. Run this building to support organisations in literature, literacy or free speech, run a public programme of events around those areas and then we have our own artistic programme [...] unheard voices, conversations that aren't being had... (FW2)

The participants recognise that the core purpose is very broad. It is a *macro-purpose* which needs to be translated into a series of sub-purposes or strands of activity working towards the wider purpose. The foundation is the provision of a service – *run the building* – which brings together organisations working in the fields in which Free Word is interested. This commercial activity underpins the activities which are more directly focussed on achieving the objectives. But this commercial activity is not undertaken simply as fund-raising, it is part of the way in which Free Word pursues its objectives. It runs the building to support organisations which are working towards the same broad objectives.

what we didn't want to do was become a commercial landlord – could get a massive building, let out lots of space spend all the time running a building but not do your own artistic work [...] rent is not our core purpose.(FW1)

These points will be picked up in more detail in the discussions below. They are reflected in the answers from all the organisations.

6.2.1.3. Good Energy Group (GEG)

GEG's mission from the website shows the same layered approach to the organisational purpose.

Our goal is to turn every home and business into its own clean power station [...] We believe that we all have our part to play. We do ours not only by empowering you to buy and share clean energy but also by investing in clean technologies. (GEG, PR, 2020:3)

Participants stated that the core purpose of the company is:

overall, to contribute to the fight to end carbon emissions, and to improve the quality of the environment by generating renewable electricity. (GEG1)

the response to climate change. I think it's kind of twofold. So, one is to try to make a difference on climate change, to give consumers a choice by being able to switch to renewable energy, and also to generate some of our own renewable energy. (GEG2)

the main purpose is to help consumers, in particular in the UK, have energy during the fight against climate change by transitioning away from fossil fuels for their energy to renewables, sustainable sources of energy [...].

to help the fight against climate change by helping energy consumers to find a viable way to move away from fossil fuels. (GEG3)

The macro-purpose would seem to be to contribute to the fight against climate change. That is the purpose that the *company was born out of* (GEG3). The company aims to achieve this objective through commercial activity – the supply of utilities derived from renewable sources – covering generation and distribution. The commercial activity is not just a means of raising funds for the social/ environmental activities; it is a fundamental part of the environmental activities. It matters how the commercial activity is undertaken, how the product is derived (renewable sources) and also that the consumer is supported to be able to make the choices that will help the country move away from fossil fuels. GEG is aiming to change the energy market – both generation and distribution.

But, we go back to it and, make sure that everything we do is part of it. Certainly on a formal basis once a year when we have the strategy meetings. But, much more frequently during board meetings when we say ‘Does this satisfy our objective?’[...] and [...] ‘does it not?’.

From that objective, comes a lot of subsets, of course [...].

Obviously, to develop a strategy you’ve got to have a purpose and objectives to begin with as part of that, kind of, cascade of purpose. (GEG1)

GEG has a macro purpose and sub purposes within it, which is similar to Free Word.

6.2.1.4. Greenwich Leisure Limited (GLL)

Drawing out GLL’s main purpose is a little more complicated than it is for Free Word and GEG. This might be a reflection of its complicated status as noted in Chapter 6, or its complicated status (charitable co-operative, difficult to pigeonhole) might be a reflection of how complicated its purposes are.

GLL’s Strategy, Vision and Culture states:

We exist to make community services and spaces better for everyone. That means providing access to quality community leisure and fitness facilities - and more - at a price everyone can afford.

We're a charitable social enterprise, which means we work for the benefit of everyone: the public, the communities we work in, the environment, our staff and our partners. (Greenwich Leisure Ltd, 2017)

Participants expressed the core purpose as:

Well the main purpose hasn't really changed in 25 years. How we do it has, but the main purpose - and we keep on having to remind ourselves of this - is really to improve the local communities we serve. So we're a charitable organisation, we are about helping the community - whether it's mental health, or physical health, or whatever - community cohesion, you know crime diversion[...] Local employment [...] it's very wide-ranging (GLL2).

We started off by just trying to save jobs and services [...] but in reality we've done much more. You know we've changed the whole marketplace [...] we are trying to change the access for people into sport, health and leisure and education, culture, to try and actually show that public services are still needed, can still exist, can sit alongside - those that pay can still use the same places as those that can't pay - bit of Robin Hood in there (GLL1).

The macro purpose for GLL would seem to be promoting community cohesion which it does through managing a range of community services, *sport, health and leisure and education, culture*, which help with mental and physical health. One of the sub purposes is the commercial management of these services – the provision of community services (gyms, swimming pools, libraries) using market mechanisms but recognising a range of abilities to pay, subsidising some services through the income from others - *bit of Robin Hood in there*. Commercial activity is not undertaken as fund raising in order to support separate social activity, it is a fundamental part of the social activity.

Another sub purpose can be seen in the way in which the organisation was set up and continues to operate. As noted above GLL *started off by just trying to save jobs and services*.

GLL is described as having been *born out of austerity*. This context is important when trying to understand the organisational purpose. GLL was created as a “spin out” from Greenwich Council in South London in 1993 in response to the central government requirement for local authorities to take services out to competitive tendering. GLL adopted a co-operative structure in order to preserve jobs and conditions of work and also adopted charitable status in order to lock and safeguard assets for the community and to give prominence to the public benefit objectives. GLL was set up as a way of

avoiding local authority services being outsourced to companies operating in order to make a profit for their shareholders; it was set up to resist privatisation. It has, over the intervening twenty-five years, developed into a model of an alternative approach to running a business - *to try and actually show that public services are still needed, can still exist*. Resistance to the mainstream model could be seen as another sub purpose, but again one that is completely intertwined in the activities of the organisation.

Another purpose, which is reflected in the quotation above, is not simply preserving jobs but maintaining good conditions of employment, hence the co-operative structure with worker control. So, GLL can be seen as balancing a number of sub purposes within the overarching main purpose of supporting community health and cohesion.

6.2.1.5. The Independent Theatre Council

ITC's main purpose is stated clearly on the website.

ITC is the management association for theatre's independent sector. We are a community of peers spread across the UK working in drama, dance, opera and musical theatre, mime and physical theatre, circus, puppetry, street arts and mixed media. ITC exists to enable the creation of high-quality professional performing arts by supporting, representing and developing those who manage and produce it. (ITC, 2018)

The macro purpose is the facilitation of the creation of high-quality professional performing art and the way ITC seeks to achieve this is by supporting the organisations which make it. The commercial activity which underpins these purposes is the provision of services to members, management and legal advice and training.

Participants' answers elaborate on this, seeing a responsibility to the wider sector as also part of their purpose. When ITC was set up, more than forty years ago, it was created to meet a need – small and start up performing arts were mostly excluded from the trade associations for arts organisations because the ways in which they worked were so different. Over the intervening years the independent performing arts sector has developed as a sub sector of the wider performing arts sector. This will be discussed in more detail below but it is raised here as context for the wider remit that staff see for ITC as expressed in the following quotations.

(W)e have a membership, and our membership is ITC, and on a day-to-day basis we are responsible for serving them as our membership, but we very much have a

responsibility to the sector as a whole, I think. And supporting it. And representing it. I think representation is a big part. (ITC3)

I'm just running away with this now, but obviously the conditions that we set, the minimum pay rates and the conditions of working that we set with Equity, that means that you know, beyond our membership that—thousands of people are working in good conditions and getting good pay because of those negotiations so again, that's success for us [...].(ITC4)

(A)nyone applying for g for a (Grants for the Arts), will probably use the ITC equity minimums in their budget, so it means all those people working at quite a small level are ensuring that their artists are paid properly. You know which is huge. (ITC4).

So, ITC would seem to have another sub purpose of supporting the wider sector as well as the membership, recognising that this wider sphere of influence contributes to the ability to support the creation of high-quality art which is the macro purpose. The purposes all work together but they are not the same.

An ITC interviewee echoes the idea of “macro purpose” noted above, contrasting it with micro successes:

Obviously there is a sort of micro rather than macro success of going, “We have enough members to survive financially, we have a broad mix of members, we have members who are keen to participate in the board, in regional representation, coming to fora as well as coming to training”. People who are giving to ITC as well as just taking from us. (ITC2).

6.2.1.6. Organiclea

Organiclea is like GEG in articulating its purposes clearly.

Our vision is of a socially and environmentally just food system where the means of production and distribution, including access to land, seed and water are controlled not by markets or corporations but by the people themselves. We are working to create just production and trading systems that provide a fair income to food producers and guarantee the rights of communities to access healthy and nutritious food produced using ecologically sound and sustainable methods, a food system existing in a wider context of social justice. (Organiclea, 2015)

Participants' answers reflect this:-

And I guess our purpose then, therefore, is to try and enact that vision in the way that we personally can. So at a local level, but connecting into bigger networks. We're not a campaign group that's just saying “this is a policy that needs to be changed at a national and global level.” We're doing transformational work at our local level, and trying to make sure that can have a wider influence as well. (ORG1)

Organiclea's macro purpose is to change the food system in the wider context of social justice. It is working to do this in a number of ways – through producing food organically and selling it to local communities, through running training courses and supporting other organic local food growers, through campaigning via membership of national and international networks with the same objectives. The commercial activity which supports the macro purpose is the production and sale of vegetables as well as the training courses. As with the other cases, this activity is itself a way of fulfilling the purpose but the purpose goes beyond it.

6.2.1.7. Volans

Volans' website explains what they do:-

*Volans helps leaders make sense of the **emergent future**.*

By conducting inquiries into our planet's most wicked problems, we help business drive positive change at an unprecedented pace and scale. (Volans, 2018)

The macro purpose here is driving positive change quickly. The commercial activity which supports this purpose is the delivery of consultancy services to businesses addressing complicated problems.

The founder of Volans explains "positive change" as changing the way that capitalism works:

the fundamental purpose of changing the way that capitalism—changing the way that markets, and changing the way that business operates (VOL1)

Volans is seen as part of a wider movement working for sustainable development.

I think, for now 29 years going on 30, you've had the post-Brundtland commission, sustainable development, sustainability movement, but that's a bundling in some ways of multiple series of social movements around civil rights, civil liberties, human rights, anti-bribery and corruption, the environmental agenda, you know species loss, climate change, water security, all of these different things, and so I think our movement, and to some degree our industry, is focused on trying to come up with—well firstly with trying to alert people to the problems we're causing, the challenges we're about to experience, but also some of the opportunities. (VOL1).

The above quotation, from someone who has worked in the field of sustainable development and particularly in corporate environmental responsibility for several decades, serves to pull all the cases together. Their macro purposes can be seen as part of this movement to address the major challenges currently facing us –

environmental and social breakdown. This point will be picked up for further discussion in the next chapter.

6.2.2. Summary of this section – Layered purposes, macro purposes.

All the organisations can be seen to have complicated, layered purposes. They have *macro purposes*. The term is taken from a Free Word interview.

Within the macro purposes, they can be seen to have sub purposes. These strands contribute to the pursuit of the macro purpose so they can be seen as part of the pursuit of the main overarching aims. The commercial activities (the use of market mechanisms) are part of the activities aimed at achieving the macro purpose. The organisations raise income and use their financial resources in ways which are aligned with and contribute towards the achievement of their macro purposes. Their commercial activities are, in this sense, subservient to the macro purpose but they are not separate from it; they are part of the suite of tools used in pursuit of the macro purpose. The macro purposes transcend commercial and financial success. This section sets the context for the following discussion of further themes which emerged from the interviews and which can help expand on and further articulate the concept of *macro purpose*.

6.3 Further themes

6.3.1. Profit versus financial viability

Participants from all the organisations stated that profit was not the main purpose. Some described themselves as anti or fighting capitalism; others just note that the pursuit of profit is not the primary aim of their organisation.

At one end of the spectrum, a staff member at ITC described herself as a major anti-capitalist:

I can't bear making a profit for people whose aims I don't believe in. What really suits me here – although we have to make ends meet, have to make it work, we don't have to make a profit margin. (ITC1). Emphasis added. This point will be picked up below.

The idea of fighting capitalism as part of a wider global movement was expressed by a worker member at Organiclea:

the visitors that we have had through La Via Campesina that have come from Ghana, or Eastern Europe, or wherever, are just really inspired to see - OK you're fighting capitalism here in your corner; you need to fight it here as well. (ORG1)

La Via Campesina is a global social movement of peasants resisting the influence of multi-national agricultural corporations, the IMF and the World Bank (La Via Campesina, 2018). Organiclea is a member of La Via Campesina through a national network, The Landworkers' Alliance (Landworkers' Alliance, 2018).

As noted above, GLL was set up specifically as a model of an organisation which would have purposes other than making profits for shareholders. Charitable status was seen as key to ensuring this:

And the type of organisation that we saw as working at the time was one actually – it is a charitable purpose – it's not formed to make profits for shareholders, and never will be – that's quite key. (GLL2)

However, financial *viability* is essential for survival.

(I) If the financial ones (targets) aren't coming where they're going then that's where the attention has got to be, because if that's not working, nothing else will – so we are in a sense, in some areas we have to be more commercial than other organisations because of the low margin that we work – we have to be that much more flexible and quick to react, and quick to change things if they're not working. (GLL2) Emphasis added.

Failure obviously financially would be disastrous because a lot of people's income and salary and pensions and everything rely on us getting it right, and it's a very low-margin business that we're in, so we have to tread carefully. (GLL1).

The points made about the low margins are relevant for the finding about careful use of resources discussed below.

This sentiment regarding financial survival is echoed in Free Word. Financial viability, resilience, good reserves in this case, is essential for forward planning as regards pursuing the macro purpose.

You've got to have that mission and you've got to have your ambition [...] but you've got to have some faith that there's a reason to be long-term [...] I think you've got to have both of those things in place as you're going to get knocked about [...] Being able to invest in these, invest in its programs and create relationships with partners (FW1).

Commercial viability is essential in order for a social business to make an impact.

Because, actually, for a charity or a social impact business to really make a difference, and continue with its purpose, it needs to be commercially viable. (GEG2). Emphasis added.

GEG is owned by shareholders and listed on the Alternative Investment Market so participants from GEG would be expected to be quite comfortable with the idea of making profits for the shareholders. But the ability to pay the shareholders, financial success alone, is not sufficient reason for the business to exist, how the profits are raised is as important:

Another failure would be, as far as I'm concerned, and I would leave the company, would be that we were investing in projects which didn't battle climate change. (GEG1)

This is echoed in Free Word. Only being a commercially successful landlord would be seen as failure as it would not be meeting the wider social remit:

Because the most terrible things that maybe would amount to failures would be if Free Word somehow reverts and retreats into being a landlord [...] There are far better landlords in the world and we'd bow out and let someone else manage the building. That's not what we're there for. (FW1).

Summary of this section – main finding

Financial viability is seen as an essential, but not a sufficient, condition for success.

Although the pursuit of profit for shareholders is seen as inimical by some and financial success alone is insufficient as the overall measure of success for all the participants, none of the organisations see financial viability as opposed to the pursuit of their main purpose. It is fundamental for survival in order to pursue the wider purpose.

6.3.2. High quality goods and services – addressing a gap in the market

As noted above in the section on macro purposes, several of the organisations specifically refer to the quality of their goods and services. They are competing in the wider markets on quality and value for money rather than price. There is also concern about accessibility for all in the way their goods and services are delivered.

The Organiclea customer interviewed said that the main reason she buys a vegetable box weekly is that the vegetables are delicious. Her interest in the food system has developed through her connection with Organiclea (a point which will be picked up below) but her main interest as a customer is the quality of the vegetables.

But the main thing for me at the moment is that the food is really delicious (ORG3)

Asked directly if she was buying from Organiclea to support them in their aim to change the food system and because they provide a welcoming space for people who might not have anywhere else to socialise, the customer replied

No! I'm very pleased—it makes me happy that that's part of it, and I'm really glad that's part of it, but it's not the reason. The reason is deliciousness. (ORG3).

The customer discussed price as well as quality. She said that although price was not the main driver for her, she would move her custom if the vegetable box became too expensive in comparison to similar schemes in her area, but it would have to be a great deal more expensive than the supermarket for her to move to buying from a supermarket, because supermarket vegetables are not as fresh and delicious. She noted that she could not see how supermarket vegetables could ever compare with locally grown, very fresh, seasonal produce. That remark could be translated into a concern for carbon-miles and the environmental impact of our food supply chains, but it was actually expressed in terms of “deliciousness”, of taste quality and freshness.

Organiclea could be seen here as addressing a gap in the market – for locally grown, seasonal, organic produce – which is not addressed by the mainstream (supermarket or even local shop supplied through a large wholesaler) offering.

But the worker member went a bit further:-

the food is the focus but there's lots of other things going on in terms of what we're using food for, and now we're engaging community around food [...] what we're trying to do is produce and sell food as a business, but we're also trying to train people to grow food, to grow their own food, or to go into commercial food production, and we're trying to I suppose inspire people, and we're trying to enable people to benefit from what we're doing by being involved in whatever way works for them, [...] that's mainly volunteering, and that can be about mental health recovery, or learning more about food growth, or just having something to do that's got a social element to it. (ORG1)

you've got this kind of accusation sometimes—it really doesn't happen much at all—but sort of, well we're just selling organic produce to rich, middle-class white people, and it's like well that's partly what we do, because they want it, but actually what we really do is teach people to grow food themselves, and that's our answer to that challenge - actually we train a lot of people, so if people can't afford it, we'll work with them so they can grow it themselves. (ORG1)

As well as addressing the gap in the market for local organic produce, Organiclea can be seen as addressing a gap in people's knowledge about growing their own food and also a failure in provision and spaces for people in need of social activity (to combat loneliness or mental health problems). Visits to Organiclea on Open Days and volunteering days, where we hand weeded the soft fruit garden in a group, allowed me to see how it operates as a social service as well as a market garden. One of the regular volunteers, a lady in her seventies who lives alone, described it as *"a magical place"* (Volunteer, Organiclea, 23rd Aug, 2017) and said that volunteering regularly there had changed her life. This was in a casual conversation rather than an interview but she agreed to me using her phrase and her story.

The GLL customer echoed the Organiclea customer responses. He said that he joined GLL because the facilities are good, better than those at the chain bargain priced gyms although maybe not as new, partly because the atmosphere is more welcoming but also because the equipment is well maintained. He was swayed by having access to swimming pools as well as gyms. Although the chain bargain priced gyms are less expensive than GLL, they do not offer access to swimming pools as well. As a student, he was able to enjoy a concessionary rate. He was not swayed to join by the fact that GLL is a social enterprise as he was not aware that it is when he joined, but is very pleased that it is. He expressed the opinion that probably, if he and his friends are typical, few of GLL's user members know about the history and legal structure of the organisation. This opinion was echoed by GLL directors.

It is harder to see GLL as addressing a gap in the market if we consider the offering just in terms of quality and price because that area would be covered by the bargain gyms. But if we take into consideration the breadth of access to the services that GLL is concerned to maintain (through the "Robin Hood" pricing noted above), we can see GLL as addressing the gap in the provision of gyms and swimming pools for less well-off people and in less well-off neighbourhoods and also through ensuring the programmes accommodate cultural preferences.

(W)e look at our products and say, “how do we make these accessible?” so obviously one of the issues is location, another one is the facilities themselves, whether they have the right credentials – so it might be disability access and that kind of thing, whether we have the right programme – so a programme that facilitates certain groups that wouldn’t participate if we didn’t – so we do have women only sessions, we do have some men only sessions, because certain segments of the community would not participate unless we had those. (GLL2).

For GEG the quality of the goods rests in the way the electricity is generated and the customer service offered. The FD explained it as offering people a way to do something towards mitigating climate change. The main purpose of the organisation is

making a difference with climate change, enabling people (by) [...] switching energy provider. So they can actually make a difference quite simply. (GEG2).

Another GEG interviewee observed that

...you wouldn’t be buying from us just because of price, that’s for sure. Because we’re a bit more expensive. But you might join us because of our customer service record. (GEG1)

Asked if customers might buy from GEG because they believe in what GEG is doing, he continued:

Yeah, sure. But if we have people who agree with what we’re doing but we had dreadful customer service, we might lose a few. (GEG1)

GEG can be seen as addressing the market failure to offer consumers renewable energy. It was created specifically to address the gap.

(T)o help the fight against climate change by helping energy consumers to find a viable way to move away from fossil fuels...

(I) t was born with that purpose. I think Juliet Davenport, when she founded it, my understanding is that was her reason for founding the company in the first place. (GEG3).

ITC was set up, by twenty-five small touring theatre companies, to offer advice and services to small performing arts organisations which otherwise could not afford them but also to offer smaller companies a collective voice within the performing arts sector.

It’s kind of recognition that they sat outside of the theatres already being represented, by TMA, I suppose, and were working differently. (ITC2)

(T)he purpose was born out of (a)sort of desire for recognition, and collective action (ITC3)

One of the measures of success which all interviewees at ITC mentioned is that the quality of advice given to members, or the mediating services offered, helps members avoid conflict with employees or venues or one another.

Been very successful at keeping our members out of court – because that’s the really big waste, taken to court and having to fight on tiny resources, usually some very stupid legal battle. If you lose, or even if you win you’ve still wasted a hell of a lot. We’ve managed to do that – give the right advice at the right time to avoid, and even if we have come in quite late to pull it back. (ITC1).

This quote also ties in with the point made in the section above about wise allocation of resources – avoiding waste is seen as success.

The Free Word board member observed that the smooth operation of the building is the foundation for all the other activities.

Yeah, and we do make sure that we listen to (the residents) and that’s everything’s alright. We spend a lot of time worrying about things that are important – are the walls painted? Are the loos working? Is the temperature okay? All those things are very importantbecause it just smooths the way for the more important stuff that sits on top of that infrastructure (FW1)

The more important stuff is the fostering of artistic collaborations between resident associations in pursuit of the macro purpose. This can happen because Free Word organises and maintains the physical space in which the residents work.

So there’s what we do – we’re an international centre for literature, literacy and free expression. Then there’s why we do it, which is words change lives and that you can achieve a lot at the nexus of those three things, if you work in a collaborative way and an international way.....

So, the first thing is really, the ability to open people’s minds and to change people’s minds, and that’s partly because it’s a safe and interesting space to discuss things freely. I think the second thing is organizational, which is the bringing together (of) organizations to collaborate and therefore to do something that wouldn’t otherwise have happened. (FW1).

Free Word was set up to address a gap in the market recognised by the two core funders, for a physical centre for literature in London (Arts Council) and the need for an interdisciplinary hub (literature, literacy, free expression) (Fritt Ord). One of the founding trustees

really saw the connection between lit and free expression and literacy is so key to both of them. Further work done, funded by Arts Council to do feasibility study to look at organisations in those areas. Very much our two core funders, two core funders –

three things in the heart of what they believe in – no-one else working at that meeting point. (FW2).

The price and accessibility of the service offered would not seem to apply to Volans but the idea of addressing a gap in the market does. Volans offers research and consultancy services to business to help businesses address future challenges and make the most of the potential opportunities arising from them. Volans fills a gap in the market by bringing substantial experience and expertise in sustainable (environmentally) development to business problems.

Main findings from this section – importance of quality, price and accessibility of goods and services/addressing gaps in the market

The quality and affordability of the goods and services offered are important.

The case organisations can be seen as addressing gaps in the “mainstream” markets both in goods and services and also in their methods of production and delivery.

6.3.3. Wise use of resources and leverage for impact

Using resources carefully, being resourceful, being effective as well as efficient is seen as important.

(I)n a sense in some areas we have to be more commercial than other organisations because of the low margin that we work – we have to be that much more flexible and quick to react, and quick to change things if they're not working. (GLL2). Emphasis added.

GLL is working at a low margin because of juggling the terms and conditions of employment for workers with the value for money of membership and the market forces of competitors in the form of bargain gyms and with the extra costs of ensuring access for everyone but not because of needing to generate a profit for shareholders. It is pursuing two separate and different, though connected, social aims simultaneously with a commercial aim and all are part of the macro purpose of supporting community cohesion. Operating at low margins (in order to be socially effective) means that GLL has to be even more efficient than profit-oriented competitors.

GLL cannot measure efficiency by driving down costs if that means reducing the social dimension of the work or allowing conditions of employment to deteriorate. GLL has to use its resources as effectively as possible.

And so there are some low-cost operators that will bid in, but you will start losing all of the community impact because that's the stuff that costs..... that's a short-term saving with a long-term loss, because the less engaged the communities, the higher the crime rate will go, the higher the vandalism will go, the higher unemployment will go, so it's all connected – the health, less people are active, the costs of the NHS will rise, so it can't be viewed in isolation. (GLL2).

This sector – where people are good business people, effective organisations, not losers, not totally incompetent, inefficient. Quite the opposite. They make a little amount of money go a long way and they make it count..... Sector not in any way flabby.....not at all wasteful. Care about doing things well. (ITC1) Emphasis added.

ITC operates a 'Robin Hood' mechanism whereby larger organisations (by turnover) subsidise members with smaller turnover even though ITC's services are disproportionately devoted to smaller organisations. This is agreed annually.

(W)e have you know larger members who pay us a lot more than the smaller members, and they seem happy to do that, and happy to recognize the role that they play in supporting the newer and the emerging companies (ITC2).

And, as noted earlier, GLL operates a similar pricing mechanism whereby some access is subsidised, *bit of Robin Hood in there.* (GLL1)

Another idea which emerged from the interviews and is connected with that of using resources to achieve the most impact is that of leverage. In finance leverage means using borrowed funds rather than equity so that the return to shareholders, after the interest on the borrowings, is (or should be) higher than it would be had the business only used shareholders' funds to support activities. It is a mechanism to increase wealth for shareholders. Leverage for organisations in the social sector means achieving greater impact (rather than profit) by working with, and through, other organisations.

The founder of Volans articulates this most clearly, talking about the organisations which he has set up over a period of three decades or more:

(S)o each of these organisations has had the fundamental purpose of changing the way that capitalism—changing the way that markets, and changing the way that business operates, which is certainly a grandiose set of ambitions, but sometimes if you're doing

the right thing at the right time, it's remarkable what a catalytic effect a small group of people can have. (VOL1)

Free Word can be seen as supporting the leverage of the impact resident organisations can make by providing the safe space for collaboration amongst them and with other organisations working towards the same broad objectives.

It's finding those levers that can make a difference on the end user, if you like [...] the reader of literature, or the school child in a school. (FW1)

(T)his is a place where collaborations are built and formed where we have a good wide network of partner organisations working towards the same thing – biggest thing that we do and we do it through a variety of mechanisms. (FW2)

Main findings from this section – wise use of resources and leverage for impact

An idea which can be found in some of the interviews is that of the wise use of resources to generate the most impact rather than make the most profit, increasing social and/or environmental wealth rather than financial.

A related idea is that of leverage – working with or through others to achieve wider social and/or environmental impact than can be achieved by the organisation alone.

6.3.4. Collaboration, partnerships, negotiation from different perspectives

Picking up from the idea of leverage discussed above, all the case study organisations recognise the importance of working with and through others, of collaboration and partnerships whether formal or informal, to achieve greater impact. They also note the need for different perspectives to be negotiated in these collaborations.

And this is, for me, is the interesting thing [...] working collaboratively with different organizations who've got different focuses to achieve a greater effect. [...] So there's a macro thing and then there's a specific thing that FreeWord can do, which is around the overlap of those areas of literature, literacy and free speech. (FW1)

Free Word can be seen as fulfilling its macro purpose – working towards the safeguarding of the written and spoken word amongst all communities –through bringing together other organisations. Other organisations are involved in the service or performance production which Free Word facilitates. The impact is greater because different foci are brought to bear on the shared activity.

As discussed above, GEG recognises the importance of enabling consumers not just to have a choice of utility supplier but to become involved in the production of renewable energy as well. GEG supports individual domestic production of solar energy through the Feed-In schemes but it also promotes community development of renewable energy generation assets, recognising that the macro purpose of combatting climate change can be better achieved through a distributed production system. Communities need to be involved for the distributed system to be realised. Greater impact is achieved by working together.

(W)e've realized that getting communities involved is all part of the model going forward, because the model going forward is all about distributed generation, and you can't do that without getting communities involved..... (GEG1)

GLL always works in partnership with the local government authorities of the areas in which they work, but only accepts contracts where the local authority understands the social mission to engage wider communities whilst maintaining high standards of working conditions and is prepared to support it.

We don't work places where there's no willing partner, and we have been faced with opportunities, [where the council was trying to reduce costs to such an extent that the social side of the service is greatly impacted ...] we withdrew, because we will never be the cheapest – because to be the cheapest means you're paying minimum wage [...] you're not delivering the social activities [...] necessary to engage wider communities, and that's not us. So we will be choosy in that. (GLL2).

The GLL quote here also demonstrates the need for alignment of objectives within the partnership which can be seen in the quotes above from Free Word and GEG as well. A further observation is that negotiation is needed to reach agreement about a shared position.

(I)t's important that we're independent, but I don't think it should ever be seen as our own agenda. I don't think they're the same thing. I think we would always want to think we've got shared agendas with our partners. But we should be independent enough to argue about it to get to that shared position. (GLL1).

Getting likeminded organizations, but with very different perspectives, to meet, talk, share and collaborate [...] to, again, push forward the debate and produce interest in spoken word. (GLL1)

These quotes show the importance of different perspectives within partnerships and collaborations.

An ITC interviewee describes the negotiating process with the artists' unions as a see-saw.

Comes back to question of stakeholders – technically we are the opposite side to the unions – the see-saw that we are part of. (ITC1)

This is an interesting visualisation as it captures the dynamic and symbiotic relationship between the parties. Negotiation does not necessarily lead to consensus but rather to a balancing of interests which is dynamic, inherently subject to change and requiring both parties to participate, literally by moving their thinking.

Discussing local opposition to a proposed GEG wind farm and the ensuing discussion, the board member said:

Well, we fervently believe the wind farm is a good thing. So, it's putting honest arguments to those people some of whom you may convince, and some of whom you probably never ever ever will convince. And recognizing there's somebody you'll never convince, you carry on. But, hopefully... we know that the population of the UK is pro-wind farm. But they're not the ones who make all the noise, unfortunately. Likewise with solar. It's, in a logical and, hopefully unbiased way, explaining what our viewpoint is, in those situations anyway. And presenting the facts. (GEG1).

The founder of Volans explains the complicated process of working out who would be a good business to work with and the unusual model of business Volans exemplifies:

We have a very peculiar, mutant business model in a way, in the sense that we're some sort of hybrid between a campaigning organization and a for-profit business, so we tend to be known for being, I don't know, slightly edgy or opinionated, or with an agenda of our own..... we go through quite a complicated waltz with most of our major clients before we agree to work with them, and on occasion either we refuse to work with a company that wants to work with us or on a relatively small number of occasions have actually resigned a contract—on a couple of occasions we've done that publicly. Which is not a sure fire way of making a successful for-profit business [...] (VOL1).

A moving, balancing sort of visual analogy is being used here as in the ITC quote above.

Main findings from this section

Collaborations and partnership working are very important for some of the case study organisations.

Negotiation, with partners and collaborators, and also with those with whom the organisation disagrees or who oppose what the organisation is trying to do, is also important and is seen as a dynamic exercise balancing different interests.

6.4. Summary of this chapter: Layered purposes – macro and micro purposes

All the organisations have complicated, layered purposes. They have *macro purposes*. The term is taken from the interview with the board member of Free Word. They all aim to achieve something in the world beyond the organisation itself and, crucially, beyond financial success.

Within the macro purposes, they have sub (or micro) purposes. Financial viability is essential in order for the organisation to fulfil its objectives which go beyond financial success. So, financial viability is an essential condition for survival, but not a sufficient measure for success. It is a micro purpose within the wider macro purpose.

The organisations are competing in markets on the quality and affordability of their goods and services. They are addressing gaps in commercial markets – not just for products and services but also relating to the methods of production and distribution of goods and services and, in some cases, their accessibility. There is an element of empowering members and those collaborating with the organisations, through participation, training and the exercise of a collective voice. There is also an element of responsibility for the wider sector in which the organisations operate.

Using resources carefully is important. Resources are used to generate the most impact rather than the most profit. The concept of leverage – creating a greater impact by working with and through others – was raised by several interviewees.

Collaborations and partnerships are methods of increasing leverage for greater impact. The negotiation necessary to align objectives to allow for collaborative working is talked about as a dynamic, balancing process (*a see-saw, a dance*) involving discussion with others whose point of view is different to the organisation's own.

The next chapter will use Lee and Nowell's (2015) framework to organise these findings in order to explore how they measure success. Thus moving into the second stage of the study.

Chapter 7 Analysis of interview findings; discussion of measures of success.

The findings set out in Chapter 6, taken from the interviews, answer the first research question – what understandings of purpose can be found in social enterprises?

The findings indicate that all the case organisations have complicated, layered purposes. They have an overarching *macro purpose* and layers of micro purposes which contribute to the objective of attaining the macro purpose. Financial viability is fundamental but profitability is not the main purpose. Survival is seen as a micro success in that it enables the organisation to continue to pursue its objectives.

The organisations address gaps in commercial markets, not only for products and services but also relating to methods of production and distribution. There is an element of empowering people through participation, training and the exercise of a collective voice. There is also an element of responsibility for the wider sector and society/environment. Collaborations and partnerships are methods of increasing leverage for greater impact. Legitimacy is recognised through others wanting to collaborate and negotiate with the organisation.

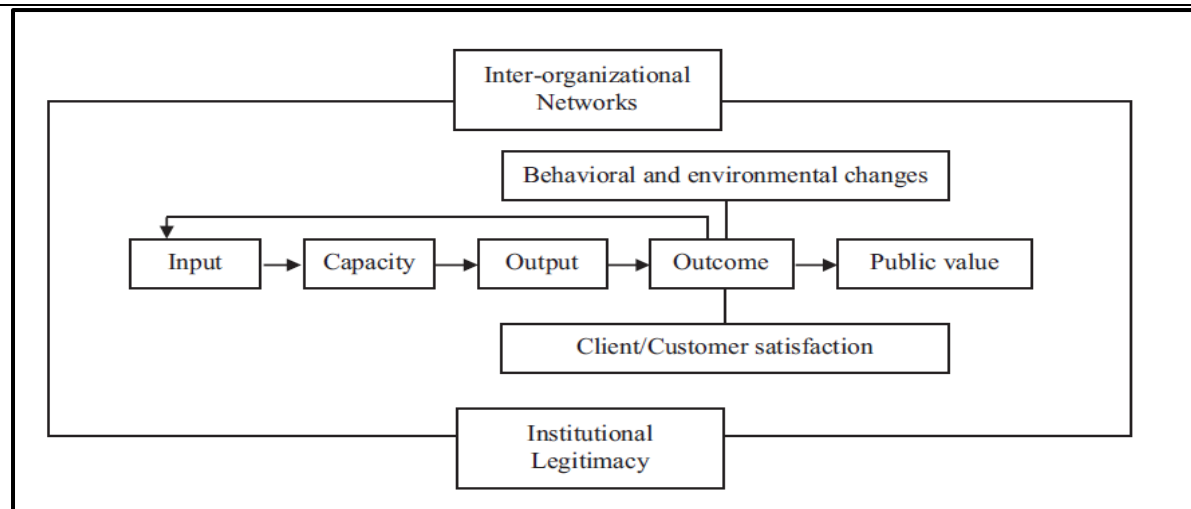
The review of the impact assessment literature in chapter 3 indicated that we need to turn to the evaluation tradition to adequately address impact (Cordery & Sinclair, 2013). This chapter maps the interview findings against Lee and Nowell's (2015) evaluation framework and then uses the framework to organise a discussion of the ways in which the organisations monitor, measure and communicate their successes, other than their financial statements which are discussed in the next chapter. The discussion in this chapter partly addresses the second research question – how can these understandings be articulated in terms other than those of profit (or not)?

The first section maps the findings from Chapter 6 against Lee and Nowell's (2015) framework and discusses the implications for the understandings of purpose which can be drawn from the interviews. The following sections use this framework to discuss measures of success. Information for these discussions is taken from the interviews and also from published documents.

The diagram below maps the findings onto the Lee and Nowell (2015) model.

Mapping the findings against the Lee and Nowell (2015) model demonstrates that the findings align with current understandings of multiple purposes in not for profit organisations. They paint a picture of complex organisations with diverse interests which combine in pursuit of the overarching purpose which gives direction to organisational activity. The purposes pursued by these organisations are diverse – both internally to the organisations themselves but also externally. They are pursuing different visions, different ultimate objectives which are covered by the public value box (6, below). This is as would be expected from the literature discussed in Chapters 1 and 3.

The findings from the interviews, mapped against an evaluation framework adopting the social as opposed to business perspective, demonstrate that there are diverse purposes both within the organisations and also between them, in the choices they make as to macro purpose, as to what they hope for. It is not surprising that the organisations should be seen to be pursuing different macro purposes because they were purposively chosen to cover a range of sectors and activities. However, it is significant as part of the answer to the first research question because it demonstrates that the diversity of purposes is both internal and external.



1. Input - Financial viability is an essential but alone an insufficient condition for success.

2. Capacity - Adequate human resources needed – volunteers/staff

3. Output - High quality goods and/or services at an accessible price. Robin Hood schemes. Good working conditions inside the organisation and further afield. Quality of product/service/production methods/distribution and accessibility. Giving voice to marginalised.

4. Behavioral and environmental changes/client, customer satisfaction - Satisfied customers, but also educated, empowered participants. Participants, local community and/or sector (national and global) amelioration.

5. Inter-organisational networks and institutional legitimacy – working in collaboration with others with different perspectives. Legitimacy = others wanting to work with the organisation; changes in sector/policy/systems brought about by organisational action and example.

6. Public value – develop and protect free speech; combatting climate change; community health and cohesion; develop and protect independent theatre; food and social justice; changing the rules of capitalism.

Figure 23. Interview findings mapped against Lee and Nowell's (2015) evaluation model.

7.1. Measures of success using Lee and Nowell's framework

7.1.1. ITC and Freeword

The quote in the previous chapter, from the staff member at ITC, regarding the bundle of micro successes, covers the first three performance dimensions on Lee and Nowell's table, inputs, resources and organizational capacity and outputs – a bundle of micro successes is having enough members for financial viability (through membership dues) but also having active, participating members to cover governance and communication functions as well. ITC also needs knowledgeable staff to be able to give the advice and provide the training members seek.

The numbers of ITC members is monitored formally, as is member turnover (gains and losses in member numbers) but the other aspects are monitored informally.

We document every call. Quite useful, keep records. Level of use of service is perhaps something, level of calls and use of service went down might be a problem. Continues to go up. So that's one thing. Numbers on training courses. Do quite a lot of number crunching and sometimes comes up with other than what you thought [...].makes you think. Do a bit of that – set ourselves targets in terms of income and numbers and try to make sure reached. Keep a very strong eye on that – monthly analysis, comparisons with last year sort of thing. Not quite KPIS but pretty much. (ITC1).

The outcome of client satisfaction is monitored through retention of members, through informal monitoring of advice calls and take up of services and by asking members directly.

If we do start to dwindle it will be because we are not fulfilling the function and we will have to decide when to stop. We do ask the members – does the sector still need us – and we get strong affirmation. (ITC1).

The outcome of behavioural and environmental change is not formally monitored. A measure of success is keeping members out of court, thereby avoiding wasting resources on expensive legal fees, because they adhere to good standards of employment and contractual relations which avoids legal conflicts (behaviour). The influence of these standards goes beyond the direct membership to the wider sector

(environment). Neither is measured or reported on, either formally or informally, but the staff are aware of them.

the conditions that we set, the minimum pay rates and the conditions of working that we set with Equity, that means that you know, beyond our membership that— thousands of people are working in good conditions and getting good pay because of those negotiations so again, that's success for us. (ITC3)

A necessary condition for, and also an impact of, the adoption of ITC standards across the sector, due to agreement, through negotiation, with the artists' unions is the strength of relationships with others (including government bodies) and the organisation's reputation amongst actors in the sector and members of ITC, institutional and reputational legitimacy in Lee and Nowell's table above.

The board member of Free Word also notes resources, capacity, audience numbers, but recognises that that is not impact in itself. The actual productions are tangible outputs, *noted more than measured*. Reputational legitimacy amongst funders and potential collaborators is noted as very important. The financial success of the organisation is based on the ability to attract funding which is based on reputational legitimacy.

if attendances are going up then there's obviously some sort of impact. So, attendances, that's both physical and virtual visits and so on and so forth. But that, in itself, doesn't measure impact. So, the tangible outputs of what's actually happened, what's been produced, published, posted...the record that is left by Free Word is important. That is noted more than measured, probably if I'm being honest. Partly because it's difficult to measure.

The other thing is the degree to which people want to work with Free Word. Because the collaboration and partnership nature of the organization is so important, the ability to attract associates who want to participate and want to collaborate, the ability to motivate the resident founding member organizations to want to participate and want to collaborate in projects. That is very important, and that is measured informally. Sorry, associates, that's measured formally, but residents, the internal thing is measured... temperature is taken constantly and what people are doing together is constantly on our minds. So, that's important. So, are we attractive to potential collaborators? It is critical.

And on other measurement issues??[...] That's probably it [...] real and virtual audiences, appeal to partners and collaborators and then there's obviously the financial success of the organization, the ability to attract funding. That is a measure of success of the organization, the ability to attract funding from foundations and trusts and individuals. That's also a significant outcome which we measure as well. (FW1)

Financial success is described as a significant outcome in this quote. This would seem to contradict the finding that financial viability is instrumental in the pursuit of the macro purpose but it can be interpreted in such a way that it does not contradict that finding if we call on the *circular* logic of Lee and Nowell’s model. Financial success is a significant outcome of the organisation’s ability to attract funding, which is itself an outcome of reputational legitimacy which in turn rests on the outcomes of client satisfaction and perceived benefits of the organisation’s activities. The financial resources which arise from the organisation’s ability to fundraise are an input. The numbers of members, visits, activities are outputs which depend upon this investment. The outputs are instrumental in creating the outcomes. This indicates how intertwined the micro successes are. The intermediate outcomes derive from but also influence the inputs. This is reflected in Lee and Nowell’s logic diagram which is not linear. The line of influence from outcomes to inputs is marked here. Reputational legitimacy, and the networks the organisation can be part of because of that legitimacy, act as the context for activities as well as the networking being a sort of activity itself and contributing to the reputational legitimacy. The macro purpose for all the micro purposes is the public value accomplishment. Only some aspects of these micro successes are formally monitored, for others the *temperature is taken constantly* but informally.

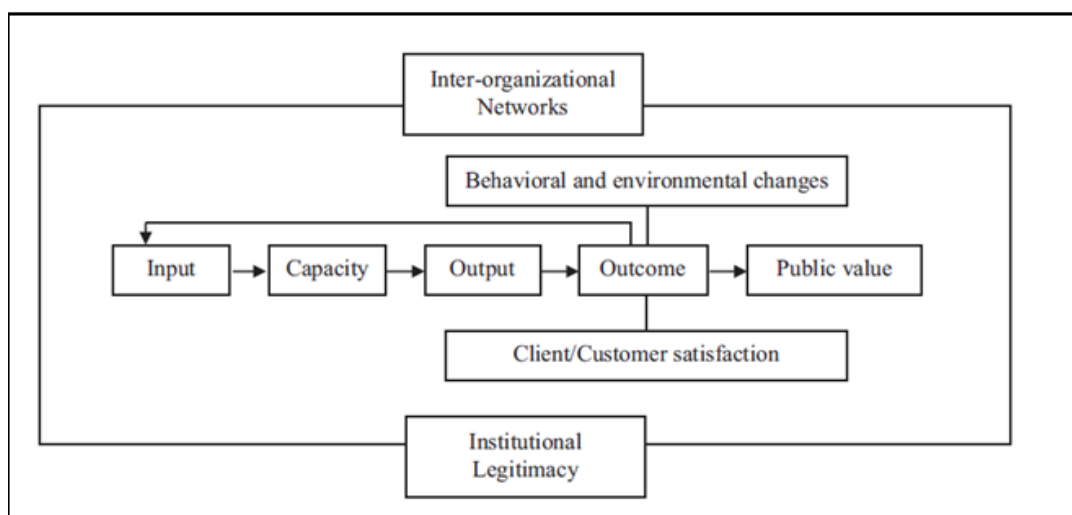


Figure 24. Perspectives on non-profit performance measurement, (Lee & Nowell, 2015:304). Emphasis added.

Both Free Word and ITC are relatively small in terms of turnover and staff numbers. Although both do have some degree of formal measurement of key performance indicators, much of their evaluation is informal.

7.1.2 GLL

GLL is a much larger organisation and uses more sophisticated methods to map and articulate impact.

GLL1, in Chapter 6, says that *getting through a year and having the opportunity to start again* is a success in itself. The quote notes that the market is extremely competitive. All the GLL interviewees noted the competition from the bargain chain gyms which is particularly pressing for GLL because GLL has to meet the competition on price but also has the social (worker member and community) aspects to how they deliver their services. The social aspects increase costs and squeeze margins.

we actually have to interact with the community, with young, old, able, disabled, dementia, schools, clubs, sports – you know swimming pools, outdoor pitches, everything – it’s a complex business, so we are in the community space and everybody who works with GLL knows making money isn’t the priority, and that’s why we brought the four pillars in really is just to say this gives you an opportunity to hold this thing up, like a Rubik’s cube or something and see whether or not we should be doing it, whatever the initiative is. (GLL1). Emphasis added.

GLL uses a four-pillar framework, very much like a balanced scorecard with their own classifications, to report on achievements, to measure successes but also as a *decision-making tool*. The important consideration is whether they fit with the macro purpose, how they contribute to its achievement. Evaluation is a way for organisations to learn what works and what does not as an aid to decision making about future directions, as well as a way to report to others on historic achievements and failures. It is part of strategic management, particularly if understood as part of a multi-criteria decision-making process. In such a process multiple measures of potential success and failure are balanced against one another.

we introduced what we call our four pillars, which is how we manage and define our business,..... So ‘Better Business’, because you’ve got to be a good business to – you know financially robust and that kind of thing to survive. But we have ‘Better

Communities', 'Better People', and 'Better Service'. The four kind of key principles that underpin – and the one I suppose that is not in every organisation is the 'Better Communities' one. Because our 'Better Communities' is where we capture all of the accessibility issues, the engagement with local communities, and so on, so it's the programming side of things. So we're very clear, and we review those really all the time – "What does it mean? How do we engage with people? (GLL2) Emphasis added.

GLL trades under the brand name "Better". The narrative part of the Annual Report explains the activities and achievements of the year under the four pillars. As noted in Chapter 6, GLL is recognised as a charity and falls under the Charity Commission for regulation although accounts are still filed with the Financial Reporting Council. GLL now uses the SORP accounting format so the narrative part of the annual review is the equivalent of the Trustees' Report.

The four pillars are explained in the Annual Report as:-

Better Communities: *Improving access to service, achieving social impact goals, reducing inequalities, promoting empowerment, integration, cohesion, health and wellbeing.*

Better Business: *Income generation, achieving client targets, increasing investment in services and facilities.*

Better People: *Creating new opportunities for employment, continuous professional development and job satisfaction. Encouraging staff to give back to their communities.*

Better Service: *Engaging new users, retaining existing users; providing better value and increasing choice through varied programmes. (GLL, Annual Report 2018:9)*

The four pillars can be mapped against Lee and Nowell's model above. Better Communities maps against the outcome of behavioural and environmental change as well as against the impact of public value achievement. Public value achievement is discussed in more detail below. Better Business maps against inputs (resources) and outputs (scale, scope and quality of products, client targets). Better People maps against organisational capacity. Better Service against outputs (scale and quality of products) and client/customer satisfaction. They do not directly cover the impact of relationship building, though this might be seen as mapping against increasing investment in services and facilities through partnerships. The point that is being made through this exercise is that GLL is conforming to Lee and Nowell's model albeit

not in exactly the same order or terminology; but the evaluation logic Lee and Nowell discuss is evident.

As well as using the four-pillar framework, GLL uses a Social Return on Investment tool, the Social Value Calculator (SVC) to estimate the social value created by GLL's activities. This SVC was developed by DataHub which is an online platform designed for sports bodies (such as Sports England) and facilities operators to share data (their own, government statistics and research on health, crime reduction etc.) to develop shared best practice. DataHub is hosted by 4global, an international business intelligence company based in London. It is free for leisure facilities managers and sports bodies to access a data cleaning and benchmarking service with add-ons for a fee. The platform was developed by a partnership of sports bodies, 4global, some operators including GLL and Sheffield Hallam University's Sport Industry Research Centre. It is governed by a steering committee of which GLL is a member (DataHub). The connection with Sheffield Hallam University's Sport Industry Research Centre was discovered during the interview process. The researcher has no connection with this research centre.

Early development of the SVC was funded by the Department for Culture, Media and Sport because of the growing body of evidence that public engagement in sport has community and societal benefits (Taylor, 2015 cited in Davies et al. 2019:5). Using the SVC allows GLL to demonstrate achievements on the Better Communities line above in monetary terms. Whilst it is undoubtedly useful to be able to demonstrate to partners (local authorities) the monetary value of the social return on investment, GLL co-operated in the development of the SVC in order to see the impact of activities *for themselves*.

But important success to us is, have we engaged in more communities that we serve, and the reason that we developed the kind of social value calculator is to measure that actually we are being impactful in the communities we serve. (GLL2) Emphasis added.

This process, as demonstrated in the Lee and Nowell 2015) model in figure 24 above, is not linear. Achieving outcomes of behavioural and environmental improvements and client/customer satisfaction is part of achieving the public value impact but it also feeds back into the organization's ability to raise funds and continue its activities through reputational legitimacy and strong relationships with others (networking).

The social value which is being measured in the SVC - improved health, reduced crime, increased educational attainment and improved life satisfaction – is the public value impact which arises from the behavioural and environmental improvements. The public value impact is the end to which all the other stages of the process are the intertwined means. The end gives direction/reason/meaning to the means. The macro purpose gives context to the micro purposes at every stage of the process.

7.1.3. Organiclea

Organiclea is quite clear on the relative importance of financial and social successes as the quotation above and repeated here demonstrates.

If we were failing financially, that would in a sense be demonstrating that our idea of trying to sort of combine these two things doesn't work, and we'd have to decide which way we went, and I guess we'd probably focus more on the community side of things. (ORG1)

Organiclea is also clear about their ends, their ultimate goals, and the means employed in their pursuit.

We aim to:

- *Improve the local food economy: increase access to sustainably-grown, local food*
- *Build community resilience: enable people to connect, learn and build their skills and confidence for work and life*
- *Work co-operatively: in our relationships with others and internally, creating meaningful livelihoods together*
- *Inspire wider change: through the connection between local food and global justice. (Organiclea, AR 2018:2).*

In 2015 Organiclea published a booklet entitled “*Transforming our food system: pathways from local food to global justice*”. This booklet sets out very clearly Organiclea’s aims to change the global food system through local action networked into national and international movements. The introduction to the booklet describes it as:

the product of musings over the garden fork and conversations had whilst packing salad bags.... (Organiclea, 2015:3)

So it is not surprising that the ideas and expressions in the publication are closely reflected in the interviews.

(W)e have a vision which is of a more just and sustainable food system. Where producers and consumers are better connected and there are fair livelihoods for people who are producing food and food is produced in a way that is environmentally sustainable. And I guess our purpose then, therefore, is to try and enact that vision in the way that we personally can. So at a local level, but connecting into bigger networks. We're not a campaign group that's just saying "this is a policy that needs to be changed at a national and global level." We're doing transformational work at our local level, and trying to make sure that can have a wider influence as well. (ORG1)

The transformational work at a local level is partly producing food in an environmentally sustainable way, but this is just one micro purpose. To be merely a successful organic market garden would be a disappointment; Organiclea is a community food project.

if it ended up that we had to really scale back our people work because it didn't generate enough income and we had to go "right, this is a market garden, it's just selling produce" then that would feel like a real shame. (ORG1).

Community food projects grow alternative food cultures that embrace participation, foster more meaningful relationships, and create spaces that consistently challenge dominant power relations. This means that people who feel disenfranchised or are marginalised in their lives outside the garden have a community to rely and depend on, as well as contribute to. With austerity measures taking a larger and larger toll on entitlement programmes, community gardens provide necessary resources that are difficult to find elsewhere. Some local authorities are now looking to community food projects to provide social services. The National Health Service (NHS) has started to refer patients to volunteer opportunities in community projects. (Organiclea, 2015:6) Emphasis added.

Organiclea describes its activities as growing – food, people and communities. It measures and reports on these three aspects of its work in its Annual Review (available on the Organiclea website) and in more detail in the Annual Accounts, available at Companies House website. Although Organiclea uses the SORP charity format voluntarily, it is legally a company so files accounts at Companies House. However, the narrative accompanying the financial statements follows the pattern of a Trustees' Report under the SORP.

As regards Key Performance Indicators:-

We try as best we can to keep numbers of people who've been in training course, or numbers of volunteers, and I guess there's also anecdotal—not anecdotal but more qualitative—what people describe as their experience of being here, and there's also the number of people who've gone on to get jobs after having been involved in things like our traineeships. (ORG1).

Organiclea has developed a tool, with Essex University, funded by the City Bridges Trust, *to be able to show more clearly the well being benefits of community gardening* (Organiclea, AA 2018:4), through connecting with other people and with nature. It underwent an eco-audit in 2018, conducted on behalf of the City Bridge Trust which found that Organiclea is making a positive net contribution to the environment because of all the measures (rain water harvesting, composting, regenerative agroecology) already in place.

I suppose there's another area we want to develop more [...] We just haven't got around to it. Because there's plenty to do. So we've done the environmental stuff, and we're doing the health and wellbeing, and obviously we've got the other things which we sort of developed partly because funders asked for it and that's obviously our finances and looking at that as a sort of measure of success, and there's the number of people involved, and all that sort of stuff. But the sort of, the thing that is bound to be most difficult, which is our —going back to that sort of vision of changing the food system and saying well, "What is our impact in that really?" (ORG2)

And I suppose part of the reason we don't talk about it a lot is that people aren't asking us to talk about it in those terms. (ORG2).

Using Lee and Nowell's model to interpret Organiclea, we can see the volunteers and trainees who make up the majority of the on-the ground workforce as both inputs as regards organisational capacity, contributing to outputs (vegetables grown and sold but also number of participants) and outcomes as regards client/customer/ volunteer satisfaction and behavioural and environmental improvement. The knowledgeable worker members of Organiclea are also part of the input for organisational capacity. The outcomes can be seen as contributing to reputational legitimacy and strengthening important relationships which in turn increase the organisation's capacity to attract funds, customers, trainees, volunteers and members. The overall macro purpose gives direction and coherence to the different strands of activity; it is the ultimate reason they are undertaken. The overall macro purpose is to grow an alternative food system through local action within wider global networks.

Organiclea has both environmental and social strands to its purposes. They are inextricably intertwined not only because the environmentally regenerative methods Organiclea espouses are labour intensive but also because the activity of growing food together *as a community* creates social relations and changes the nature of the labour involved.

It is not just a question of taking control of the means of production but of *changing the nature of the means of production*.

Again, Organiclea's publications are quite clear about this. The poster below compares and contrasts community growing with the worst of agro industrial salad production. The logic behind the community system is circular; the agro industrial system logic is linear. This point will also be developed further in the next chapter.

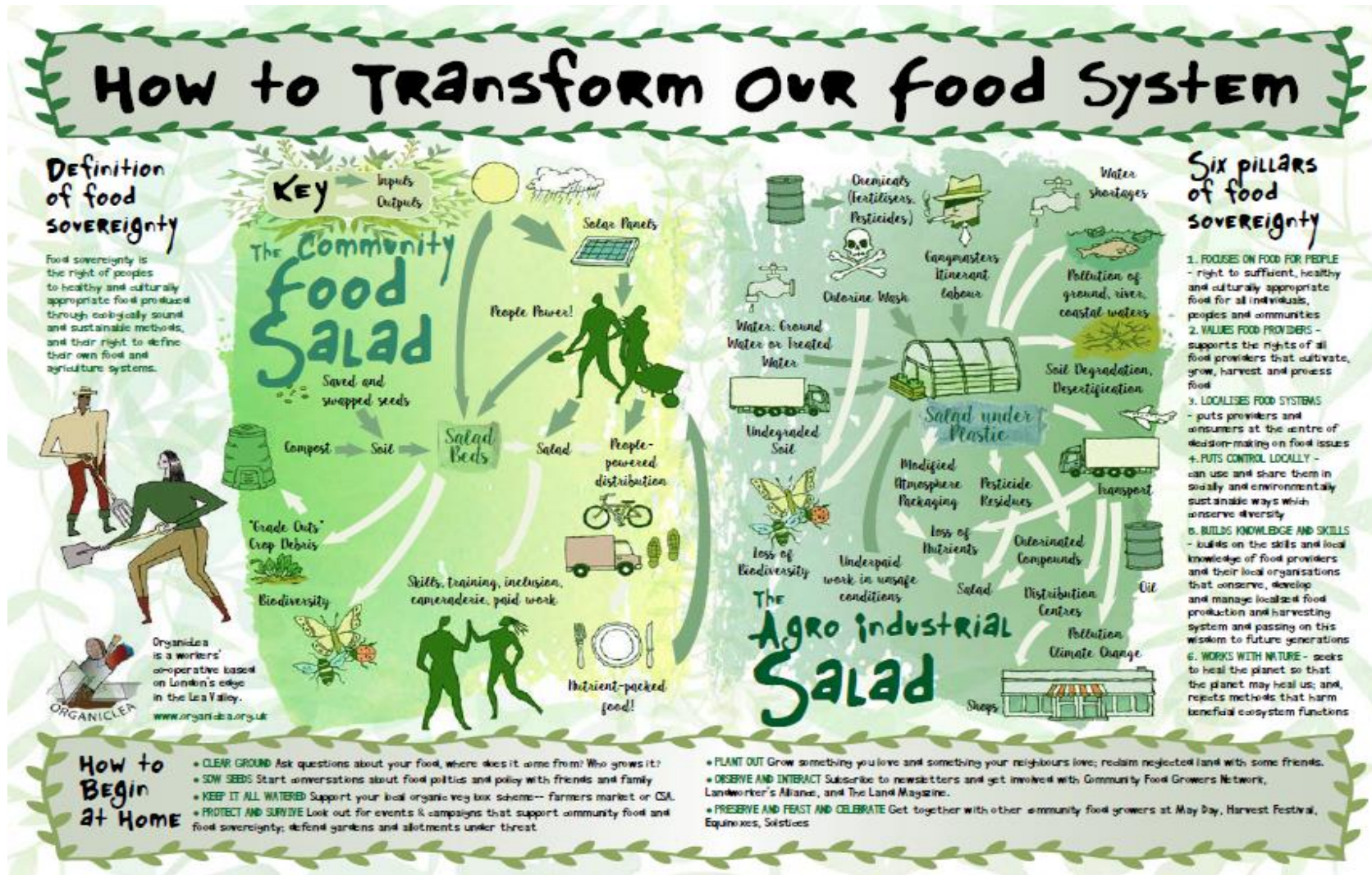


Figure 25 How to transform our food system (Organiclea, 2015)

7.1.4. Good Energy Group

GEG's explanation of their mission echoes Organiclea's in that they need to pursue social objectives in order to pursue their environmental objectives.

GEG produces a Purpose Report as well as an Annual Review and Financial Statements. The organisation's purpose, in the Purpose Report, is set out as:

to power the choice of a cleaner, greener future together. (GEG,PR, 2018:4)

What this means is explained in the report:

supporting small-scale generation is key to unlocking a low-carbon energy system to power a cleaner, greener world [...] fortunately, we can make change happen for ourselves.

Which is why we are focussing on delivering the systems and technology [...] generating and sharing power on a local level will soon become the natural choice. (GEG, PR, 2018:26).

(P)art of a subset of our mission is to involve the community more in what we do. And we don't specifically say that, there, but that's all part of the overall vision of battling against climate change. But, it's, we've realized that getting communities involved is all part of the model going forward, because the model going forward is all about distributed generation, and you can't do that without getting communities involved [...] (GEG1).

GEG is not just aiming to supply renewable energy to customers but also to distribute generation so that renewable energy is produced and used locally. GEG can be seen as pursuing a system change in energy production rather similar to the change Organiclea is seeking in food production, moving from a system of leviathans to a network of community-based systems.

GEG is the only organisation studied which links its reports to the UN Sustainable Development Goals (SDGs) which it does in its Purpose Report. GEG is a founding member of UK Stakeholders for Sustainable Development, *a network of organisations working together to act on the SDGs in the UK* (GEG, PR, 2018:5). The Institute of Chartered Accountants in England and Wales is also a founding member and has a representative on the steering committee.

The fact that GEG is the only studied organisation currently using the SDGs is probably due to GEG's size and it having publicly traded shares. GEG aligns its core purposes with SDG 7: Affordable and Clean Energy and SDG 13: Climate Change. It also lists SDGs Goal 3: Health &

wellbeing; Goal 5: Gender equality; Goal 8: Decent work & economic growth; Goal 11: Sustainable cities; Goal 12: Responsible production & consumption; Goal 17: Partnerships for the goals, as particularly relevant as well. Three strands can be drawn from the SDGs listed here – People (health and well-being, gender equality and decent work), Planet (clean energy, climate change, sustainable cities, responsible production and consumption) and Profit (economic growth).

One of the GEG interviewees talked about needing to balance three stakeholder interests, customers, workers and investors:

Even when we look at pricing for our customers, driving down the cost for the customer is a fabulous way of making sure we treat our customers well, fairly, reward them for being with us. It helps attract new customers. But we need to maintain a level of profitability. We also need to pay our staff well and these things are in a triangle. You have to balance them all the time, because you need a certain level of profitability to keep investing in the future to get more customers on board to fight climate change and you need—if you give away all your profit to them, then your shareholders stop supporting you and you can't continue [...]. There's a constant tension between—as you get to the margins of each thing. (GEG3) Emphasis added.

All three stakeholder groups' interests need to be balanced in order to invest in the future - to get more customers on board to fight climate change. The micro purposes are intertwined and given sense by the pursuit of the macro purpose.

GEG uses Key Performance Indicators to measure and report on key achievements. These are included in the Annual Review and Financial Statements (GEG, AR, 2018) It is interesting that the first indicators reported on cover customer numbers followed by the indicator of how likely a customer is to recommend GEG, and then revenue growth and profit margins. Customer numbers are more important than revenue and margins (though intimately connected) because the main aim is the transformation of the UK energy market to 100% renewables to fight climate change.

I think success is about growth, actually, it's about being able to grow the number of customers that we serve and the amount of energy that we manage and sell that is

sustainable. Because that is helping—that's meeting more of our mission [...] It's sustainable growth, I think, and likewise, 'failure' would be going backwards, shrinking I would say because, again, you're going back down that path of shrinking the amount of your mission that you've accomplished. (GEG1,) Emphasis added.

Sustainable in this quote means renewable as it is being used about energy. Financial resources are seen as necessary to accomplish more of the mission. The growth in customer numbers is sought because it increases the amount of renewable energy sold. This sounds a little like measuring success by increased sales (as in a traditional for-profit business) but we need to read this point in the context of the macro purpose which is to move the UK energy market towards 100% renewable energy as part of the fight against climate change. Increased sales from products and projects that fail to combat climate change would be regarded as failure as noted by the GEG BM in the quote in Chapter 6.

Mapping GEG against Lee and Nowell, we can see the investment raised through various mechanisms including public share issues and bond issues as inputs, along with a skilled workforce to create the outputs of renewable energy generated through infrastructure and technology owned by GEG and also through infrastructure and technology owned by partners, facilitated by GEG. The outcomes of behavioural and environment change are in customers using renewable energy but even more in distributed generation and consumption which involves consumers in production. Client/customer satisfaction is through good service but this includes the delivery of renewable energy and the means to produce it locally. Investor satisfaction (which feeds back into the ability to continue to raise funds) can be seen as another aspect of the client/customer satisfaction outcome arising from the successful sales of renewable energy. There is scope under this model for investors to be seen as satisfied both by financial returns on their investment and also with the success of the environmental aims of the organisation they are supporting. The outcomes are made possible by partnership working (customer/suppliers, community suppliers) and institutional/reputational legitimacy which derive from the way in which the business is conducted.

7.1.5. Volans

Volans is a small organisation which seeks to have a large impact through leverage. Like Organiclea, Volans is clear about seeking system change. Volans seeks system change within the business world because that is the way to effect change within wider society.

Volans is described as a catalyst:

Volans works to catalyse breakthrough change and to redefine the market rules for business. As a certified B Corporation, we aim to be the change we want to see in the world (Volans, 2018)

Volans, as noted in Chapter 6 and in the quote above, is a B-Corp. Volans was instrumental in the introduction of B Corps to the UK supporting the UK B-Lab (the certifying body) until it was established. B Corp is a global certification, based on impact assessment, for for-profit organisations which prioritise social and/or environmental aims. Stubbs (2017), studying B Corps in Australia, finds that

B Corps pursue profits to enable them to create positive social and/or environmental outcomes. Success is not gauged by maximizing profits for owners/shareholders, but by the impacts the B Corps are making. Profits are a means to achieve positive social and environmental ends. (Stubbs, 2017:332).

The impact assessment (B-Analysis) a B Corp undertakes regularly (every two years) is a form of social and environmental audit comprising assessment questions covering governance, workers, community and environment. Companies are rated on each category and the overall score is the sum of the ratings. Similar to the SVC that GLL uses, the B-Analysis allows the company to see where it stands against benchmarks for the sector – in this case the B Corp sector. But the measure is a grade rather than a monetary amount. It also allows others to see the scores as the database is open to the public (B Corporation, 2018)

Stubbs notes that her findings mentioned above

are aligned to the 'Subsistence Model' of Jolink and Niesten (2015), where ecopreneurs meet basic financial obligations and money-making is a means to improving the world. The B Corp findings also resonate with the principle of 'strategic satisficing' in Parrish's (2010) study of sustainability-driven entrepreneurs. By avoiding the logic of single-objective maximization

(Parrish, 2010), the B Corps were able to make trade-off decisions between economic, environmental and social domains. (Stubbs 2017:341)

Volans can be seen as avoiding the logic of single-objective maximization, conforming to Lee and Nowell's layered model where inputs of fees and profits to re-invest lead to organisational capacity to undertake consultancy with large, influential multi-national businesses (outputs) with the outcomes of changing the businesses' behaviour and developing, through client/customer satisfaction and the perception of their changed behaviours, reputational legitimacy, the ability to wield more leverage through the business networks (impacts) and the accomplishment of the public value impact through *all of this*. The achievement of the outcomes of behavioural and environmental change and client/customer satisfaction feed into the increased ability to generate inputs and into the strength of relationships in networks and reputational legitimacy.

However, the public value impact of Volans' sort of activity is extremely difficult to gauge because the potential impacts are long-term and may not be seen for several years, if ever:

sometimes it's really hard for three, five years, whatever, to see what the outcomes of particular work might be, because you're dealing with hearts and minds and cultures, and I don't know how to put a calculus on that and to some degree you know when you've had an impact when fifteen to twenty years later somebody comes up to you and says, "Do you remember that conversation—do you remember that project that we were involved in all that time ago" [...]. (VOL1)

The next section compares the financial accounting formats used by some of the case studies as regards how well they align with the measures of success discussed above.

7.2. Accounting and reporting formats used

As noted in the table in Chapter 6, the case studies employ a range of financial accounting and reporting formats.

Of particular interest for this study is the use of the SORP for charities. GLL is required to use this format because it has charitable status. Organiclea also uses the SORP format, but voluntarily.

It is much easier to connect the income statement (the profit and loss account for GEG and the Statement of Financial Activities) with the narrative description of the social and environmental impact brought about when the organisation is using the charity format, as discussed in Chapter 3 using the example of BAE and the National Trust.

The following illustrations demonstrate this.

The implications of the different approaches (For profit and not for profit) to financial reporting will be covered in the next chapter as part of the discussion.

Extract from GLL's SOFA 2018 connecting with Trustees' Report

GREENWICH LEISURE LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING A CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
STATEMENT OF OTHER COMPREHENSIVE INCOME)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Notes	31.12.18 Unrestricted Funds	31.12.18 Restricted Funds	31.12.18 FRS 102 s.28 Adjustment Unrestricted	31.12.18 Total Funds
	£	£	£	£
INCOME				
Donations and legacies	779,292	-	-	779,292
Income from charitable activities	293,834,284	166,734	-	294,001,018
Income from other trading activities	4,054,186	-	-	4,054,186
Commercial trading operations	57,876	-	-	57,876
Investment income	298,725,638	166,734	-	298,892,372
Total income				
EXPENDITURE ON				
Costs of raising funds	60,825	-	-	60,825
Investment management costs	-	-	-	-
Charitable activities	292,242,095	371,313	3,194,000	295,807,408
Operation of leisure, recreation sites and health activities	-	-	-	-
Losses on settlements	-	-	-	-
Other expenditure	207,783	21,500	-	229,283
Total expenditure	296,524,504	392,813	3,194,000	300,111,317
Net income(expenditure) for the year before other recognised gains and losses	2,201,134	(226,079)	(3,194,000)	(1,218,945)
Transfers between funds				
	-	-	-	-
Remeasurement gains/(losses) on defined benefit schemes	-	-	9,221,000	9,221,000
Pass-through agreement movement	-	-	(1,612,000)	(1,612,000)
Net movement in funds	2,201,134	(226,079)	4,415,000	6,390,055
Shares issued	6,250	-	-	6,250
Shares cancelled	(7,400)	-	-	(7,400)
RECONCILIATION OF FUNDS				
Total funds brought forward	35,738,812	414,779	(32,849,000)	3,304,591
TOTAL FUNDS CARRIED FORWARD	37,938,796	188,700	(28,434,000)	9,693,496

GLL's overarching aim is to deliver sustainable and affordable provision of facilities and services for the public benefit for recreational, sporting, cultural and other leisure time occupation in the interest of social welfare, healthy living and education. |

GLL has adopted Four Pillars to frame our vision and mission:

1. Service Excellence ☑ "BETTER SERVICE"
2. Strong Business ☑ "BETTER BUSINESS"
3. Motivated, Engaged and Well Trained Staff ☑ "BETTER PEOPLE"
4. Social Impact ☑ "BETTER COMMUNITIES"

GLL SOCIAL VALUE IMPACT (REGULAR PARTICIPATION IN ACTIVITIES & SPORT)

GLL SOCIAL VALUE BY SECTOR

- Training: £19,452,820
- Employment: £55,750,575
- Employment Satisfaction: £62,098,558
- Employment Satisfaction: £10,857,576
- Reduced Crime: £248,111

GLL SOCIAL VALUE BY REGION

- London: £19,452,820
- East of England: £10,857,576
- West Midlands: £10,857,576
- Yorkshire and the Humber: £10,857,576
- North East: £10,857,576
- North West: £10,857,576
- West Midlands: £10,857,576
- Yorkshire and the Humber: £10,857,576
- East of England: £10,857,576
- London: £10,857,576

GLL SOCIAL VALUE IMPACT YEAR ON YEAR

2017: £392,696,545
2018: £419,452,820

GLL Social Value

£1: £1.90
(For every £1 spent, GLL generates £1.90 in Social Value)

£416
GLL SOCIAL VALUE PER CUSTOMER

Use of the DataHub Social Value Calculator helps guide GLL's resource investment and helps us and our clients target inequalities in provision. Sport & Physical activity are widely recognised as generating social benefits to society and a relationship between sport, physical activity and four categories of Social Value impact can now be reliably evidenced:

- Improved health
- Reduced crime
- Increased educational attainment
- Improved life satisfaction or 'social wellbeing'

Extract from Organiclea SOFA (Organiclea 2018) connecting with Trustees' Report.

	Notes	Restricted Funds 2018 £	Unrestricted Funds 2018 £	Total Funds 2018 £
Incoming resources				
<i>Incoming resources from generated funds:</i>				
Voluntary Income - Grants and donations	3	294,625	2,901	297,526
Investment income		-	1,354	1,354
Incoming resources from other activities	4	-	422,070	422,070
Total Incoming Resources		<u>294,625</u>	<u>426,325</u>	<u>720,950</u>
Resources expended				
Cost of activities	5	294,625	457,948	752,563
Governance		-	1,107	1,107
Total resources expended		<u>294,625</u>	<u>459,045</u>	<u>753,670</u>
Net Incoming Resources/Resources expended for the Year		-	(32,720)	(32,720)
Funds brought forward		-	193,162	193,162
Total Funds carried forward		<u>-</u>	<u>160,442</u>	<u>160,442</u>

Organiclea explains what its activities are in the Trustees' Report and then expands to list its aims – improve the local food economy; build community resilience; work co-operatively and inspire wider change. The report then connects the aims with the detailed activities, focussed on food, people and community, which make up the core purpose.

Principal Activities
The principal activities of the company are the carrying out and promotion of the sustainable production and distribution of fruit, vegetables and other useful plants and plant produce. All income is applied towards the activities of the company.

Objectives
Organiclea grows and sells food in Northeast London, and helps others do the same. We're committed to transforming the lives of local people, including some of the most marginalised, by enabling them to take part in a better food system and connect with their natural environment. Based at Hawkwood Plant Nursery, our 12-acre organic market garden and wildlife haven in the London Borough of Waltham Forest, we help Londoners to connect, learn and build their skills and confidence for work and life.

Our aims are to
Improve the local food economy: increase access to sustainably grown local food through equitable systems of production and distribution.
Build community resilience: inspire and support reconnection with the land, food, each other.
Work co-operatively: in our relationships with others and internally, thereby creating meaningful livelihoods together.
Inspire wider change: through the connection between local food and global justice.

We deliver these aims through the following core products and services:

Growing Food: we grow vegetables, fruit, herbs and flowers on our 12 acre market garden site, Hawkwood Nursery, involving volunteers, trainees, apprentices and course students in the work. We sell produce and some processed goods to our own outlets and to around 20 restaurants, cafes and shops. We sell plants through our own outlets and to individuals and community groups. We operate a weekly box scheme and two market stalls, selling our own produce and produce supplied by farmers in East Anglia, plus some UK-wide and European produce.

Growing People: we run a volunteer programme 3 days per week at our market garden, open to all but including referrals from a number of agencies and partners working with disadvantaged beneficiaries, including supported volunteering for people with higher support needs.

We run a variety of training courses (including accredited Level 1 and Level 2 gardening courses), an apprenticeship, traineeships and programmes for young people with special educational needs or excluded from mainstream education.

Growing Community: we support community gardens on a range of sites around north-east London, including garden design, volunteering programmes and training courses. We offer family activities and community engagement through workshops and activities and tours at our site and at other local community events.

7.3. Summary and conclusions of this chapter

This chapter mapped the findings from the interviews against Lee and Nowell's (2015) evaluation framework and used this as the basis to discuss the ways in which they measure and talk about success (how they articulate their purposes).

As discussed in Chapter 3, Lee and Nowell's logic model comes from the evaluation tradition rather than the accountability tradition. It does not use the "for profit or not" divide. It allows for several potential micro successes to be balanced, aligned and, to an extent, prioritised in pursuit of the overall macro purpose of the organisation. The model derives from the development tradition and consequently includes public value creation (impact) as the main end/aim of organisational activity. It is a model which allows us to explore social economy organisations on their own terms. This model has been used successfully to interpret all the case study organisations. They are balancing and aligning micro successes/purposes in pursuit of an overall macro purpose which gives sense to and allows prioritisation amongst the micro purposes. This is a constantly negotiated balancing act given direction by the overall macro purpose.

The next section set out how the financial accounts of the organisations using it can be tied into their purposes measured and discussed outside the financial statements. This point will be picked up in the next chapter.

The case study organisations cover the range of social enterprises (legal structures, balance of interests, logics) under most schemes for understanding the social sector so the concepts derived from these interpretations cannot be dismissed as only pertaining to a particular sort of social enterprise. Although the study is far too small for us to claim they are definitive, they may be considered indicative; they are sensitising concepts.

The mapping exercise demonstrated that the organisations have diverse purposes both within each organisation, as exemplified by Lee and Nowell's categories. Even though these organisations are classified as in the same sector (social enterprises/ social economy) and even though they can be analysed using Lee and Nowell's

framework, they are very different from one another – they are not pursuing the same objectives. The public value box on the Lee and Nowell model, the diverse needs and interests box on the Dillard and Vinnari (2019) diagram is also rich and complex.

Although the organisations can all be classed as values driven, they are not necessarily driven by the same values.

The next chapter uses structuration and transition theory to discuss how this complexity gives rise to the need for accounting formats and systems which can cope with the choice of ultimate organisational objective.

Chapter 8 Interpretation and Discussion

The findings of the previous two chapters are that organisations within the social economy have complicated, many layered purposes which can be seen as intertwined in the circular process of using financial and human resources to deliver client/customer satisfaction along with behavioural and environmental improvement leading to growing reputational legitimacy and strong networks which, in turn, increase the ability to generate resources in pursuit of an overall objective. It was noted that the overall objective differs between the organisations. Lee and Nowell's (2015) public value box requires unpacking.

This chapter starts with a discussion of how the macro purpose can be understood as orchestrating the micro purposes within the organisation. This argument is taken from the ideas of blended value, discussed in Chapter 3. It then moves into an examination of the case study organisations using structuration and transition theory to explore how they prioritise their micro purposes under their umbrella macro purposes and how the orchestration (or prioritisation) differs depending on the macro purpose.

As discussed in chapter 5, structuration is a framework which facilitates the exploration of interpretive schemes (signification), ways of understanding the world, and frameworks for behaviour, norms and mores (legitimation) governing the use of resources and the ways in which these are negotiated (domination). Transition theory allows for the development of interpretive schemes and norms that seek to change, or actually change, the use of resources and the ways in which these uses are negotiated.

This analysis uses the structuration framework set out by Dillard et al, (2004) as discussed in Chapter 2 but suggests that, because the macro objectives pursued by the organisations are diverse and potentially myriad, the two sorts of rationality – formal and substantive – used in Dillard et al.'s (2004) framework are not adequate. We need somehow to be able to address the choice of what to care about within the substantive rationality category.

The final section of the chapter moves explicitly to addressing the third research question as to how these ideas might help us re-connect financial accounting with responsibility.

The next chapter develops these arguments and ties the research in with the literature discussed in Chapters 2 and 3.

8.1 Interpretation. Blended value – orchestration of purposes

The fundamental argument of the blended value approach is that all organisations combine economic, social and environmental value to varying degrees and these values do not need to be seen as in opposition to one another; they can be seen as operating *in concert*.

The term *in concert* conjures the picture of an orchestra where many different instruments playing different but connected lines combine to create the musical piece. The findings from the previous two chapters indicate that the creation of public value impact is rather similar to the music created by an orchestra – the result of many different micro successes which combine to create something which goes beyond any of one of them alone. The piece of music that is being played is the framework for the individual musicians' performance; it is that which makes sense of the individuals' actions as well as being the result of the combined actions.

This idea is quite different from that of the opposing logics discussed in chapter 3. There is a tension between the different micro purposes in the social organisation but the tension is expressed through the way the purposes are balanced against one another – the way they blend together, in the process creating something beyond each separately - rather than how they clash. The concept of blended value allows us to see different rationalities as being used for different activities orchestrated by the guiding principle (the macro purpose).

Dillard et al. (2004) discussing Weber's classifications of rationality note that:

The social context provides the basis by which ideas and practices are deemed appropriate (legitimate), and for Weber, the principal contextual factor is rationality. Rationality provides the legitimating conditions for evaluating criteria and practices.

Formal rationality (which is calculation oriented), and substantive rationality (which is values oriented), are set forth as the opposing organizing principles for social action. Formal rationality is conceptualized as “value neutral, empirically based knowledge calculation with universal application” (Colignon and Covaleski, 1991, p. 145) and privileges economic efficiency through formal, rational analysis whereby the production process yields the highest ratio of outputs to inputs. For example, accounting figures are regularly accepted as value neutral, rational, and a universalistic basis for making economic decisions. Substantive rationality, by contrast, concerns “the substance of the values, ends, needs of social groups and the institutions that promote them” (Colignon and Covaleski, 1991, p. 146). It is ends oriented, associated with the ethics, values and actions that promote the ends implied therein. For example, if protecting the environment is considered a central value, then practices of an organization supportive of this objective would be privileged. Actions of entities within a society may be justified either by formal rationality, by substantive rationality, or by both. (Dillard et al., 2004:517 to 518).

The evaluation model which allows us to recognise the importance of the end goal as the orchestrating principle for an organisation can accommodate different sorts of rationality as prominent at different stages of the value creation process. The values and the rationalities can be blended rather than clashing. So, the case study organisations can be seen as economically efficient. Although they are not pursuing the maximum financial return on investment as their outputs and outcomes, they are pursuing the best use of inputs to produce outputs that are most likely to bring about desirable outcomes in pursuit of the macro purpose, social or environmental impact; the highest ratio of social or environmental outputs to financial inputs; Schumacher’s wise use of resources for maximum impact.

An element which appears to be missing from the classification of rationalities into formal and substantive is social rationality. Social rationality, as discussed in the literature review in Chapter 3 and the research philosophy in Chapter 4, is seen as the negotiation of priorities, the establishment of which ends are to be valued more than others. Social rationality is the justification of the particular framework to be used by this organisation in this instance – in blended value terms it would be the genre of the

music played, in structuration terms it is the collective agency of participants creating the shared interpretive scheme. How do we agree on the elements of a good society? Where do the substantive values come from?

8.2. Interpretation. Analysis of case studies using structuration and transition theory

The next section analyses the case studies against Dillard et al's (2004) structuration framework to show how they can be seen as exercising blended rationalities in pursuit of the macro purpose.

The idea of many stranded activity in the orchestra metaphor, also echoes the idea of six capitals as inputs and outputs of organisational activity, discussed in chapter 3. Using Lee and Nowell's model, we can see the public value accomplishment which is here termed the macro purpose, the aim, the end, of the organisation as the guiding principle for the prioritisation of the various capitals – which capitals should decrease, which should grow in order to achieve the macro purpose. We will need to use all the capitals, to varying degrees, in our activities in pursuit of this end, Emerson (2003) argues. The metaphor of an orchestral performance allows us to think about the capitals (if likened to the melodies of each of the instruments) combining whilst remaining distinguishable in a fluid and changing pattern. It allows us to move away from the focus on increase and accumulation to talk in terms of harmony and balance.

This is a move away from the assumption of capitals as stocks which underlies the discussion in Chapter 3. Lee and Nowell's model allows us to think about capitals without defining them essentially as either stocks or flows because they can be seen from different perspectives depending on which stage of the process is under consideration.

In Lee and Nowell's model's terminology natural, financial, human, social, intellectual and manufactured capitals are inputs and contribute to organisational capacity. They combine to generate outputs of intellectual, manufactured and social capital (scale, scope and quality of products and services) which leads to increases in social capital

(reputational legitimacy and stronger networks) which make obtaining financial and other capitals as further inputs easier in future. However, as noted in chapter 3, whilst the idea of six capitals can take us beyond the narrow focus on financial capital, it cannot explain how we decide to prioritise some capitals over the others or even provide tools to discuss whether or not we do decide. We need to know what the end is before we can see which capitals are to be prioritised but the six capitals model does not try to incorporate the idea of an end, or a purpose for the activity.

This mapping of the six capitals against Lee and Nowell highlights shortcomings in both models. The most important from the perspective of the argument being constructed in this thesis is that the capitals model does not need any guiding principle for the process, being able to generate more capital would seem to be enough. It does not look beyond the circularity of the process for a reason for the activities.

The second shortcoming is in the Lee and Nowell model and echoes the point made about the Defourny and Nyssens triangle mapped against the six capitals in Chapter 3. Natural capital does not really figure at all in this model other than perhaps as a non-financial resource input. The next section discusses this lacuna in the context of structuration theory plus the dynamics from theory of change, using the three case study organisations with environmental aims to explore how natural capital is included in some and left out in others of the frameworks used in this thesis.

8.2.1 Organisations with explicitly environmental aims

Interviewees from the environmentally motivated case study organisations, Organiclea, the Good Energy Group and Volans explicitly recognise that their macro purpose includes system change –change in the food system for Organiclea, change in the energy generation system for GEG and change in the capitalist business system for Volans. Each organisation has been set up to address not simply market failure but system failure in their respective fields. The system failures are manifested in different ways – e.g. loss of biodiversity due to intensive farming methods, global warming caused by burning fossil fuels, both of which can be seen as driven by profit maximising multinational corporations whose perspective and behaviour vis a vis the environment needs to change - but all contribute to environmental breakdown.

(I) don't think we're political in a normal sense, but we are political in some sense, that what we are trying to get our clients and partners to do will have very big economic consequences over time, so in terms of the allocation or reallocation of scarce resources, I think what we do is, has a political cast to it, and if we forget that I think we're doing a disservice to the wider world and our movement... (VOL) Emphasis added.

there's a big problem with the food system, and you can't just talk and think about it, it's about doing something. (ORG2)

Community food projects grow alternative food cultures that embrace participation, foster more meaningful relationships, and create spaces that consistently challenge dominant power relations. (Organiclea, 2015:6)

We don't specifically say that, there, but that's all part of the overall vision of battling against climate change[...]we've realized that getting communities involved is all part of the model going forward, because the model going forward is all about distributed generation (GEG1).

System change means change in the ways that resources are allocated and used and that in turn implies changes in social relationships. For the three case studies with primarily environmental macro purposes, the changes in social relationships are micro purposes in pursuit of the macro purpose of change in society's relationships with natural resources. Using Lee and Nowell's model, we can see that micro purposes operate at different stages in the process of value creation. Changes in behaviour and strengthening relationships are outcomes of the organisation successfully creating outputs from the initial inputs and these outcomes themselves are the context for the generation of new inputs which allow the organisation to grow in potential to create impact, the overall public value within their objectives.

In the case study examples, the actors involved are self-directing, acting to adapt the current system into a new one through the ways in which they change people's relationships with resources. What the resources are, how they are produced and maintained, how they are used and by whom and what is produced from them, matters. The changes in behaviour that the organisations seek, including the development of community, is a necessary part of and also a result of the activities undertaken in pursuit of a different allocation of resources. In order to see this we have to look at what they do with their resources, as well as how they account and report on their activities.

The table below maps the actions of and the various reports produced by Organiclea, GEG and Volans against the landscape/regime/niche levels from Geels (2002) used by the Finance Innovation Lab (FIL, 2016) in their theory of change, as discussed in chapter 3, and the dimensions and modalities of structuration at each level, following the method used by Dillard et al. (2004). This analysis of the organisations looks at their actions (as well as their accounting and reporting) and the influence they have at each level – niche, regime and landscape. It is not a consideration of the theory of change that would be associated with each organisation because it is centred on the organisation rather than the system it is operating in and attempting to change, but it allows us to see how the influence of the organisations' actions filter upwards through the system and act to change it.

FIL three levels	Dillard et al. (2004) three levels of socio-historical domains from Weber	Dimensions and modalities from Giddens (Busco 2009:251.)	Organiclea – actions, accounting and reports	Good Energy Group – actions, accounting and reports	Volans –actions, accounting and reports
<p>Landscape</p> <p>Wider dynamics affecting systems – demographics, environmental and technological change, social norms.</p>	<p>Political and economic domain</p> <p>(1) legitimating grounds for norms and values as well as their codification in laws and regulations</p>	<p>Legitimation -Norms i.e. “the actualization of rights and enactment of obligations” (Giddens 1976, p. 86).</p> <p>Interaction - Code of conduct recognised (Busco says “moral code of conduct”)</p>	<p>Membership of Land Workers’ Alliance (national), La Via Campesina (The Peasants’ Way) – resistance to industrialised intensive agriculture (international); dissemination through practice, training and sales of food of agro-ecology philosophies. Application of technological change – development of agro-ecology. Enacting the vision. Substantive rationality.</p>	<p>Development of new technologies, in partnership with academia and other companies, to enable the move to 100% renewable energy – e.g. electric vehicle battery use for business and to back up the National Grid and research into methods for households to monitor and reduce consumption. Substantive rationality.</p>	<p>Consultancy based on analysing future trends for business clients – development of new ways of thinking about business taking people and planet into account. Substantive rationality.</p>
	<p>(2) representational schema associated with the political and economic systems and the</p>	<p>Signification -Interpretive schemes i.e. “the core of mutual knowledge whereby an <u>accountable universe</u> is sustained” (Giddens 1979, p. 83; emphasis added).</p> <p>Interaction - Communication – within a frame of mutual meanings – is possible</p>	<p>Shift in societal norms. Part of the vegetarian/organic wider informal network and of the widespread environmental concern growing in society. Part of what John Elkington termed “<i>our movement</i>”.</p>	<p>Shift in societal norms. Part of the growing concern for the environment. Part of what John Elkington termed “<i>our movement</i>”.</p>	<p>Long-term, hard to articulate impact. Shift in societal norms. Part of the growing concern for the environment. Part of what John Elkington termed “<i>our movement</i>”.</p>
	<p>(3) domination perspective which refers to the institutions that control and allocate resources</p>	<p>Domination - Facilities i.e. “reproduced relations of autonomy and dependence in social interaction” (Giddens 1979, p. 93). Based upon authority and allocation of resources. Interaction - System of authority and power established</p>	<p>Lobbying (via Land Workers Alliance) for better understanding of agro ecology principles in UK agriculture policy and legislation; support for Real Farming Conference</p>	<p>Lobbying government for better regulatory and physical infrastructure for renewable energy. Developing distributed community and household generation. Developing a network of rapid charging points for electric vehicles.</p>	<p>Working with very large businesses to change the way they work - to take social and environmental concerns into equal account with profit.</p>

FIL	Dillard et al. (2004) three levels of socio-historical domains from Weber	Dimensions and modalities from Giddens (Busco 2009:251.)	Organiclea - actions, accounting and reports - Actions and networks to change the rules of the game.	Good Energy Group – actions, accounting and reports	Volans
Regime Power – FIL describes this as concerning who has the power to set the rules of the game, who controls the resources.	(1) legitimating grounds for industrial regulations, norms, and practices;	Legitimation -Norms – as above.	Curriculum setting – providing a space where volunteers and trainees can learn about agro-ecology; sharing knowledge through training but also through networks – Land Workers’ Alliance – national lobbying, La Via Campesina – international lobbying; prominent member of Co-operatives UK (UK umbrella body for co-ops);	Initial development of the Feed-In tariff scheme. Lobbying government for regulatory support for renewables and fewer subsidies for fossil fuel use.	International advocacy for breakthrough ideas – changing the capitalist system. Curriculum influencing – conferences and publications.
Interpreted here as about legal, regulatory, accounting and taxation systems, and educational systems in the sense of curriculum setting.	(2) representational schema that reflect the practices related to structural properties arising from organizational actions as well as political and economic criteria translated into the industry context; and	Signification - Interpretive schemes – as above	Dissemination of publications; word of mouth reputation – spreading the message and growing the networks. Annual Review and Trustees’ Report (equivalent). Essex University well-being measurement scheme; evaluation reports for funders on specific projects. Training and set up support for similar schemes in other areas. Non profit for HMRC, voluntary use of SORP.	Purpose Report mapped to SDGs. Founding membership of the UK Stakeholders for Sustainable Development to promote use of SDGs. Reports to satisfy requirements of Alternative Investment Market – agency theory and formal rationality?	Support for and registration as B Corp. Breakthrough publications and consultancy work – leverage.
	(3) the domination perspective which refers to the institutions within the organizational field that control and allocate resources.	Domination – Facilities – as above.	Workers co-operative structure to avoid control being taken by external trustees. Partnership working with local authorities and funders. Generous sharing of knowledge with others in the agro ecological networks. Active membership of Land Workers’ Alliance, lobbying government re. Agriculture Bill. Non-profit for HMRC purposes.	Curriculum setting – educational projects with partners – e.g. Eden Project. Physical infrastructure development	Network development through consultancy and application of standards/indices. Support for set up of the B Corp network in the UK and adoption of B Corps registration.

FIL three levels	Dillard et al. (2004) three levels of socio-historical domains	Dimensions and modalities from Giddens (Busco 2009:251)	Organiclea – actions, accounting and reports	Good Energy Group – actions, accounting and reports	Volans – actions, accounting and reports
Niche Niches of innovation – “disruptive innovators, creating new models...based on a different mindset, values and purpose” emphasis added	(1) legitimating grounds (rationality);	Legitimation -Norms i.e. as above.	To enact the vision of a fairer food system at a local level – organic food, locally grown with fair livelihoods for producers and reasonable prices for customers. Clear statement of moral priorities – environmental and social. Substantive rationality.	Clear statement of environmental priorities - to create a structure to help everyone play their part in combating climate change. Substantive rationality.	Clear statement of priorities – to change the capitalist system to address the environmental crisis. B Corp registration and award 2018. Substantive rationality.
	(2) representational schema (representation) and	Signification - Interpretive schemes- as above.	Financially viable; non profit status for HMRC; voluntary adoption of charity SORP financial statements format; detailed trustees’ report covering all areas of activity, aims, ambitions and achievements; annual review; publications such as <i>Transforming our food system: pathways from local food to global justice</i> .	Financial viability including profitable enough to pay a return to investors. Formal rationality? Registered on Alternative Investment Market, substantial proportion of investors are also customers and/or suppliers. AIM reports, Annual Review, Financial Statements for a commercial company, KPIs revenue, profit, EPS. Top KPIs customer numbers and likelihood of recommendation to others. Also Purpose Report detailing environmental and social impact (emissions avoided by renewable energy), mapped to SDGs.	Limited company accounts – abbreviated accounts filed. Formal rationality? B Corp – B Corp reports on B Lab website – four areas, governance, workers, community and environment. Graded and benchmarked against other B Corps. World wide Award winner 2018. Breakthrough project free publications and website for dissemination of ideas.
	(3) domination perspective (power).	Domination – Facilities – as above.	Reclamation of old market gardens in Waltham Forest demonstrating that it can be done- enacting locally. Workers’ co-operative structure; volunteering scheme opens opportunities and creates social space; training schemes teach more people how to grow their	100% renewable electricity distribution and generation; moving towards renewable generation of gas. Network of small scale generators, distributed generation, moving towards local generation and consumption, excess to feed into the grid.	Working through others – leverage Influence based on reputation and experience.

			<p>own food organically (knowledge shared); support for similar schemes in neighbouring areas grows the network; agro-ecological production methods, eco-friendly delivery (electric float and bicycle); compost toilets; zero waste practices. Internal monitoring of numbers of volunteers, trainees, visitors on Open Days, tonnage of types of produce grown per annum, sales, costs, surplus to re-invest. Tight margins. Efficient use of resources sought.</p>	<p>Support for community generation schemes. Fair trade scheme for suppliers. Staff aligned with environmental purpose. Real Living Wage. KPIs include employee churn, carbon emissions avoided. Efficient use of resources sought – return for investors – profit & loss account, EPS etc. but also reduced, more sustainable energy use by consumers.</p>	
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Table 13 Geels’ levels (from FIL, 2016), Dillard et al. (2004) socio-political levels from Weber, Giddens dimensions and modalities applied to the environmentally motivated case study organisations.

From a structuration point of view these organisations can be seen as seeking to institutionalise a socially constructed order which is different to that which is currently seen as framing most of our economic (resource allocation) interactions. They are developing interpretive schemes which have wider frames of meanings than the normal understanding of business and/or charitable motives; they are combining financial viability as essential but subservient to social and environmental considerations even whilst using market mechanisms to further their social and environmental aims (Signification). They are seeking to re-distribute power within social relations through changing the actual means of production not just the ownership of the means. They are seeking to empower others, develop facilities, and thereby change the relations of autonomy and dependence (Domination). Through the other two aspects, a broader interpretive frame and distributed power over means of production, they are seeking to change societal norms (Legitimation).

They are acting through the three levels of niche, regime and landscape to effect change in the respective systems within which they operate. They can all be seen as part of the social and environmental justice movement as described by John Elkington when discussing impact and change above.

If we recognise that these organisations might be part of this loose movement, the fragmented counter hegemonic movement away from an economic (in the sense of allocation of resources) system based on the pursuit of financial wealth for its own sake in favour of an economic system based on the wise use of human, social and natural resources, we can see commonalities which their very different legal structures and attitudes to profit obscures. They are demonstrating substantive rationality which is expressed in different detail for each – Organiclea is aiming to establish a fairer food system, GEG to establish a clean energy system and Volans a more balanced business system. They all pursue financial viability, fair wages and fair trade with suppliers, partnership working and community development, under the umbrella of their concern for the environment. Organiclea's concern for community may be seen as a little less instrumental than GEG's and Volans', in the sense that it is included in its macro purpose of building a fairer food system rather than as needed in order to achieve the environmental impact.

Substantive rationality is described as values driven. As a description this is accurate but it might lead us to ignore the detail in the blanket term. The values which drive the organisations are as many layered and complex as their micro and macro purposes. Schemes such as the B Corp registration based on the social audit of governance, workers, community and environment recognise this multiplicity of values but also allow us to see the commonalities between organisations which can be pursuing very different macro purposes in different sectors. The B Corp registration framework highlights values that organisations which are not registered B Corps, such as GEG and Organiclea, espouse as well.

We need the concept of social rationality – the collective agreement of priorities of ends – in order to understand how substantive rationality can be possible. Individuals and organisations have to decide which ends to focus on, what to prioritise; in blended value terms, what sort of music to play. The binary distinction between formal and substantive rationality in Dillard et al's (2004) framework overlooks social rationality which could be seen as the active agency at the heart of organisational creation.

All three organisations can be interpreted as interstitial on Wright's classifications as discussed in Chapter 2. They occupy spaces between the structures of the current financially driven market capitalist system. They are building their own organisations and pushing, through their influence on other organisations within their own spheres (support for community renewable energy generation, support for other community growers' schemes, support for B-Labs set up) to expand their influence within their niches.

GEG and Volans could also be interpreted as symbiotic because they are helping the current system function more smoothly than it would without them. Organiclea, as a worker-controlled co-operative, stands as an explicit challenge to current business models in a way that Volans and GEG do not. If Volans and GEG are interpreted as symbiotic we can see how they are opening up the space for more interstitial organisations to operate by using the mechanisms of the current system to change its course towards a wiser use of natural resources. They are introducing a different topic

of conversation, a different mindset (as in the FIL, 2016, theory of change) and loosening the structures (Geels, 2002, as discussed above).

Natural capital, the environment, figures in these organisations' macro purposes; it is part of their different macro purposes but it would not necessarily be if they were pursuing primarily social objectives. Addressing environmental dangers, protecting the environment is the common public value towards which these three organisations are working but they could have framed public value in a different way and protection of the natural world would then be one of the micro purposes if it figured at all. Schemes such as the B Corp registration ensure that participating organisations take the environment into account. However, the frameworks that are being used to interpret the case studies in this piece of research do not dictate what the public value ought to be, nor what the detail of the values which drive the organisations ought to be. These frameworks are not prescriptive as to purpose. That is decided by the organisations themselves, by the actors creating and maintaining them.

8.2.2 Organisations with primarily social aims.

GLL, ITC and Free Word are primarily socially driven. Their macro purposes are concerned with social impact and environmental impact is a subservient concern, if it figures at all. The discussion in the next section will pick up the difference between social concerns, and why they figure so prominently in environmentally driven organisations' micro purposes, and environmental concerns and why they may not figure so prominently in socially driven organisations' micro purposes.

These three organisations can be seen as responding to actual or potential state and/or market failure, rather than systems failure, in their sectors. GLL was set up to respond to the possibility of the provision of leisure services in Greenwich being cut with the consequent loss of jobs as well as the services, or the services being taken over by commercial operators which, it was thought, would result in worse working conditions for staff and potential loss of services particularly in more deprived areas. ITC was set up to offer services and a collective voice to small scale performing arts organisations marginalised by the umbrella bodies in the sector who favoured the larger organisations. Free Word was set up less to address market failure than to plug

a gap in provision by pulling together organisations which had potential synergy but were not in contact with one another although all were concerned with the importance of the written and spoken word.

These organisations are not explicitly aiming for systems change in the same way as the environmentally driven organisations discussed above are, although two of them (GLL and ITC) can be seen as having effected large scale change within their sectors. GLL could be interpreted as having instigated and developed systems change within local authority leisure and culture services. GLL interviewees noted that GLL was set up to resist the imposition of market capitalism on local government service provision and as such represents a challenge to the mainstream model. As a worker controlled community benefit co-operative it is a challenge to both the investor owned business model and the purely philanthropic charity model.

Because ITC and Free Word are not explicitly system changing, it is much harder to interpret them against the transition framework at all three levels in the same way as the environmentally motivated organisations and the consciously dominant-framework-resisting GLL. All three socially motivated organisations can be interpreted against the structuration framework at niche and, to a lesser extent, at regime level. But only GLL fits easily into both frameworks at all three levels as can be seen in Table 14, below. This is because it is explicitly challenging the mainstream model and so seeks to have influence at landscape level; ITC and Free Word do not, although ITC has had considerable influence at regime (standards for the sector) level.

GLL can be seen as interstitial on Wright's (2010) classifications. It developed in the space between state provision and market solutions; it explicitly recognises its difference from both mainstream models. It has grown its operations and influence so that it now occupies a much bigger space than it did at the outset. It is, like Organiclea, a member of Co-operatives UK and through Co-operatives UK of the International Co-operatives Alliance. Co-operatives explicitly challenge, and present an alternative to, the financially driven market capitalist system, as was noted in Chapter 3 and will be discussed further in Chapter 9.

FIL three levels	Dillard et al. (2004) three levels of socio-historical domains from Weber	Dimensions and modalities from Giddens (Busco 2009:251)	GLL – actions, accounting and reporting	ITC – actions, accounting and reporting	Free Word – actions, accounting and reporting
Landscape Wider dynamics affecting systems – demographics, environmental and technological change, social norms addition – culture	Political and economic domain (1) legitimating grounds for norms and values as well as their codification in laws and regulations	Legitimation -Norms i.e. “the actualization of rights and enactment of obligations” (Giddens 1976, p. 86). Interaction - Code of conduct recognised (Busco says “moral code of conduct”	Membership of Co-operatives UK. Example of how public services can be community driven. Co-operative values shared throughout international co-operative network.	Representative of the “independent” sector with government funding bodies.	A meeting point for different approaches to freedom of the written and spoken word – challenging cultural norms.
	(2) representational schema associated with the political and economic systems	Signification -Interpretive schemes i.e. “the core of mutual knowledge whereby an <u>accountable universe</u> is sustained” (Giddens 1979, p. 83; emphasis added). Interaction - Communication – within a frame of mutual meanings – is possible	Membership of Co-operatives UK. Development and use of SVC for benchmarking.	Representative of the “independent” sector with government funding bodies.	Development of understanding between people with opposing/ culturally different perspectives.
	(3) domination perspective which refers to the institutions that control and allocate resources	Domination - Facilities i.e. “reproduced relations of autonomy and dependence in social interaction” (Giddens 1979, p. 93). Based upon authority and allocation of resources. Interaction - System of authority and power established	SVC for benchmarking data for sector. Lobbying via Co-operatives UK for wider recognition of co-op structure and supporting legislation.	Lobbying and advocacy for resources and policy support for smaller organisations – based on “collective voice”	Advocacy for free expression; provision of facilities for free expression and collaboration.

FIL	Dillard et al. (2004) three levels of socio-historical domains from Weber	Dimensions and modalities from Giddens (Busco 2009:251)	GLL – actions, accounting and reporting	ITC – actions, accounting and reporting	Free Word – actions, accounting and reporting
Regime Power – the Finance Innovation Lab describes this as concerning who has the power to set the rules of the game, who controls the resources. Interpreted here as about legal, regulatory, accounting and taxation systems, and educational systems in the sense of curriculum setting.	(1) legitimating grounds for industrial regulations, norms, and practices;	Legitimation -Norms – as above.	Development and use of SVC on community benefit of sport – bench marking for the sector and to influence policy makers.	Dissemination of good practice as regards working conditions, beyond membership into wider sector through approved contracts.	Creating synergies between organisations working in support of the written and spoken word.
	(2) representational schema that reflect the practices related to structural properties arising from organizational actions as well as political and economic criteria translated into the industry context; and	Signification - Interpretive schemes – as above.	Development and use of SVC as above. Four pillars monitoring and Annual Review disseminating model. Co-operative structure but voluntary use of charity SORP; Community sports support scheme; Membership of Co-operatives UK.	Dissemination of good practice as regards working conditions, beyond membership into wider sector through approved contracts.	Support of dialogue and discussion – support of unheard voices.
	(3) the domination perspective which refers to the institutions within the organizational field that control and allocate resources.	Domination – Facilities- as above.	Expansion of the community facilities model from Greenwich to wider London and nationally. Expansion into library services. Partnerships with local authorities.	Development of a “collective voice” for small performing arts organisations. Dissemination of good practice as regards working conditions, beyond membership into wider sector through approved contracts.	Provision of spaces and programmes for unheard voices.

FIL three levels	Dillard et al. (2004) three levels of socio-historical domains	Dimensions and modalities from Giddens (Busco 2009:251)	GLL – actions, accounting and reporting	ITC – actions, accounting and reporting	Free Word – actions, accounting and reporting
Niche Niches of innovation – “disruptive innovators, creating new models...based on a different mindset, values and purpose” emphasis added	Organizational level. (1) legitimating grounds (rationality);	Legitimation - Norms - as above.	Community impact driven. Clear statement of social structure and aims on website, in annual reviews and expressed in interviews. Clear understanding of resistance to the dominant model in interviews. Substantive rationality.	Membership benefit driven. Substantive rationality.	Clear statement of cultural aims in publications and in interviews. Substantive rationality.
	(2) representational schema (representation) and	Signification - Interpretive schemes – as above.	Financially viable; non profit status for HMRC; voluntary adoption of charity SORP financial statements format; detailed trustees’ report covering all areas of activity, aims, ambitions and achievements; annual review. Four pillars monitoring; SVC calculations in annual review to explain community impact.	Financially viable. Annual Accounts in company (Ltd. by guarantee) format. Various KPIs formal and informal monitoring.	Financially viable and resilient. Charity accounts and Trustees’ report. Various KPIs, formal and informal monitoring. Reports to funders.
	(3) domination perspective (power).	Domination – Facilities- as above.	Worker controlled co-operative. Provision of leisure and cultural services with emphasis on inclusive provision – Robin Hood charging scheme, outreach work; concern for fair working conditions, facilities located in more deprived areas. Social concerns leading to tight margins. Efficient use of resources sought but resources deployed for maximum impact rather than profit.	Membership control; Provision of services to develop and maintain high management standards particularly good working conditions in the smaller scale performing arts sector; Robin Hood charging scheme. Efficient use of resources sought but resources deployed for maximum impact rather than profit.	Physical resource of office, meeting and performance space for members, associates and wider public. Space in which collaboration encouraged. Smooth operation of facilities (efficient use of resources) as a support for collaborations (impact)

Table 14. Geels’ levels (from FIL, 2015), Dillard et al. (2004) socio-political levels from Weber, Giddens dimensions and modalities applied to the socially motivated case study organisations

8.3 Discussion

All six case study organisations can be interpreted using structuration as concerned with the allocation of resources in order to try to bring about some sort of positive, desired impact in the social or physical worlds. In doing so they are constructing interpretive schemes (prioritisation of purposes) which cannot be adequately understood through the mainstream schemes (business conducted primarily for maximum financial return for investors). They all value the efficient use of resources; they are and seek to remain financially viable. However, although their macro purposes have in common that they are not the accumulation of financial capital they are different from one another otherwise.

The following discussion covers the main ideas from both levels of analysis.

8.3.1. Social construction as central; environmental concerns as potentially sidelined

It is interesting to note that social purposes figure prominently for those with environmental aims but the environment does not figure strongly for those with social aims. Structuration suggests that as we are exploring socially constructed entities and systems it is not possible to ignore the need for all the organisations to include social organisation and influencing amongst their micro purposes whereas it is still possible to leave environmental concerns out of the micro purposes of primarily socially driven organisations.

On the Lee and Nowell model, this is because the organisation uses the inputs of resources (natural, manufactured and financial from suppliers and investors/funders/workers/ retained earnings) and organisational capacity (human and intellectual resources) to create outputs of goods or services. If the organisation is successful in producing and distributing (for sale or otherwise) the goods or services, outcomes of client/customer satisfaction will result and this leads to increased reputational/institutional legitimacy which in turn supports stronger networks. Reputational legitimacy and stronger networks feed back into the ease with which the organisation can raise resources and organisational capacity for continuing activity in pursuit of the macro purpose.

From this analysis it can be argued that the environment or natural capital will not necessarily figure as anything other than an input into organisational activities unless it is part of the macro purpose of an organisation. It is easy to overlook – as demonstrated in the discussion of social enterprise typologies in Chapter 3 – unless prioritised or included in the assessment of schemes like the B Corp registration. This might be why there is such emphasis in many environmental accounting initiatives (such as the Natural Capital Coalition) on putting a financial value on natural capital; it can then be weighed and balanced as an input to be used judiciously against others. Reducing the environment to an operational input in this way closes off possibilities of relating to nature in any way other than instrumentally, as Lehman (2017) discussed in Chapter 2 argues.

8.3.2. Financial viability versus profit maximization

Whilst none of the case study organisations pursue maximization of profit as their macro purpose, they are all concerned with remaining financially viable. They see financial resources as necessary for them to be able to pursue their objectives; but they do not see the accumulation of financial resources (for the entity or the shareholders) as their main aim. For these organisations, financial resources are a means to a different end; they are not an end in themselves. Financial resources are an input to facilitate activities directed to an end beyond the accumulation of financial wealth.

Palakshappa and Grant (2018), discussed in Chapter 3, suggest that Schwartz and Carroll's pyramid should be adjusted so that the top part of the triangle is social justice as opposed to philanthropy. Following the finding that financial viability is an essential but insufficient condition for success, it is suggested that the bottom part of the triangle could be changed to financial viability as opposed to profitability to make it clear that profit maximization is not an essential condition for survival whereas financial viability is.

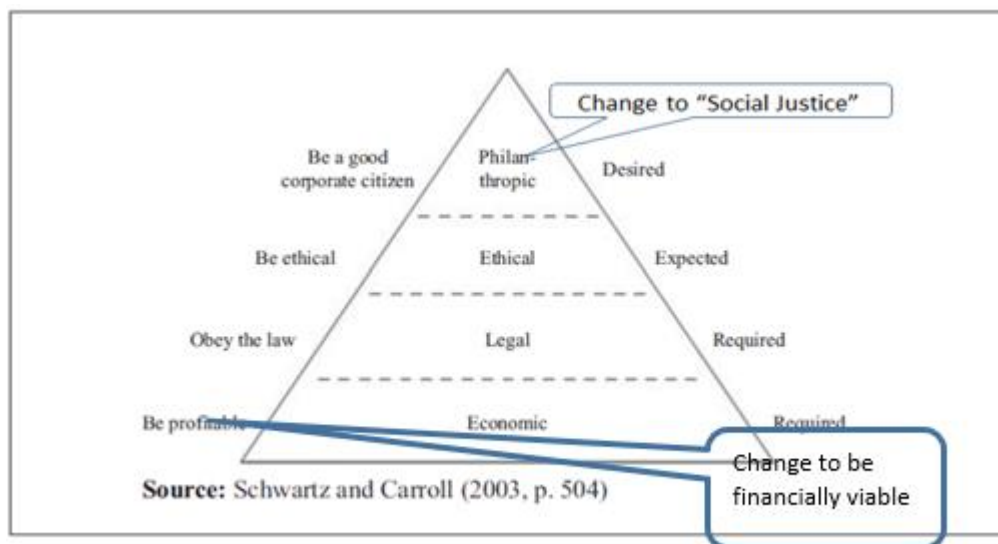


Figure 28. Schwartz & Carroll’s pyramid of CSR adapted (adapted from Palakshappa and Grant 2018:611)

The implications of this for potential accounting formats will be discussed in Section 8.4 below.

8.3.3. Multiple possible macro purposes

From this analysis it can also be argued that profit (in the sense of maximization of return on financial investment) is but one possible macro purpose – amongst many. It can be seen as a macro purpose which results from the actors within the organisation and the wider networks conferring legitimacy on its pursuit – just as the actors in the social economy organisations confer legitimacy on their pursuits. Whilst it is necessary for all organisations to be viable, and within a financially organized system that means financially viable, it does not at all follow that the macro purpose of a rational organisation needs to be maximization of financial resources.

A model was taken from the evaluation tradition rather than the accountability tradition in order to articulate these findings without recourse to comparisons with profit maximizing activity expressed as economic efficiency, the idea of which underpins the performance management based accountability tradition even in the social economy, as discussed in Chapter 3. Lee and Nowell (2015)’s evaluation framework goes beyond the logic model of accountability to include impact as well as outputs and outcomes. This inclusion is more important than simply adding another

stage to the logic process as the impact (public value accomplishment) is what gives sense to the rest of the process; it is the direction, the end towards which activities are directed.

The articulation of purpose based on Lee and Nowell (2015) does not need to call on the concept of accumulation, which derives from financial capital, to be coherent. It allows for a broader understanding of organisational purpose. Even if we understand strengthening networks and legitimacy as accumulating social capital, public impact achievement goes beyond them.

Lee and Nowell's (2015) model can accommodate a wide variety of macro purposes, environmental and social, those aiming to directly address needs as well as those aiming to address needs and change the systems, both sectoral and social, within which the organisations are operating, without being prescriptive.

8.3.4. Macro purpose as the orchestration for blended values and rationalities

Structuration theory was used to explore the means the case study organisations use to pursue their purposes. They all seek to reframe the allocation of resources, how resources are generated and distributed and the uses to which they are put. The organisations studied were set up either to fill a gap in provision of goods or services or to change the way goods and services are produced and distributed (systems).

All organisations are concerned with the allocation of natural and social resources. Structuration allows us to see how the allocation of resources is inextricably intertwined with the rules which govern the systems of production and distribution (understood as access and use) and how these are governed by the attitudes of people and wider society (expressed through rules and norms) as to what is acceptable and desirable.

Structuration has social construction as an underpinning assumption – the organisation (replacing the agent) creates itself as it pursues its purposes; it creates itself *by* pursuing its purposes. It does not exist apart from this pursuit. In this pursuit it creates itself and the conditions for continuance into the future. Lee and Nowell's evaluation model, used in conjunction with structuration, allows us to see organisations pursuing different micro purposes in different ways at different stages of

the process. For example, all the organisations use financial resources efficiently - understood in this context as being able to create as much impact as they can. Since impact is the guiding principle, we cannot measure their efficiency unless we understand the legitimising framework which is ultimately articulated through the macro purpose. But we can see them using calculative rationality at different stages in the value creation process and a more qualitative approach at others.

The overall legitimizing framework is given by the macro purpose. But this does not mean that all the micro purposes are measured by the macro purpose. They each have their own legitimizing frames; they have their own lines in the overall orchestral score. They contribute to the achievement of the macro purpose but in their own ways. The percussion cannot be judged by the same standards as the wind or strings, and to take this metaphor a bit further, the violin cannot be *played* in the same way as the tuba. Different actions are required to play the different instruments, instruments are played differently depending on the genre of musical context, and the combination of actions and instruments gives different results.

The overall impact sought, what sort of piece of music is being played, the orchestrating macro purpose, determines the prioritisation of the micro purposes, which rationalities dominate at the various stages and which values predominate.

Emerson's theory of blended value, that all organisations combine economic, social and environmental values in differing prioritisations *in concert at all times*, can be seen applying in the findings (Emerson, 2003). The organisations exercise different rationalities at different stages in the value creation process. The macro purposes which each organisation pursues determines the prioritisation of the three value areas – economic, social and environmental – and the rationalities exercised at each stage.

Organisations whose macro purpose is maximization of financial returns would also have to give prominence to social micro purposes to the extent that people are involved with the organisation to create and maintain it. A concern with social relationships, social capital, is therefore instrumental for all organisations but it is only the primary, overriding concern for those with social macro purposes. For organisations with economic or environmental macro purposes, social purposes will be

micro purposes (at the contextual and direct outcomes levels and at the organisational capacity level) and therefore, to some extent, instrumental in the pursuit of the macro purpose. From this analysis, the macro purpose gives direction and meaning to all the activities of the organisation and determines the prioritisation of concerns and rationalities at each stage of the value creation process.

8.3.5. Macro purpose as collective choice

Within social and environmental macro purposes, there is variety. The macro purposes in the case study organisations are different from each other. They are set and maintained by the actors in the organisation. The people involved in the organisations negotiated and agreed to create the organisations originally. The organisations are maintained through the actions of the people involved using, producing and distributing resources, within the rules of the game which they are also co-constructing and maintaining through their actions. This is clearer when we are looking at organisations whose macro purposes include systems change but it was shown to apply to all the case study organisations. If we include profit maximizing as a macro purpose, it can be argued as applying to all organisations.

For social and environmentally motivated organisations the macro purpose is not predetermined; it has to be decided upon by the people involved. Even where the macro purpose is assumed to be pre-ordained as profit maximization, the people involved in the company, through their actions and attitudes, maintain it as such. The existence of schemes such as the B Corp registration demonstrates that a choice exists, even if it is not often exercised.

8.4 Implications for financial accounting formats

Macro purposes, therefore, can be seen as the collective choice of the people involved in the organisations – the owners, investors, funders and workers most directly but also the volunteers, customers, suppliers, the networks of partners, those who co-construct the institutional legitimacy of the organisation, regulators and legislators

influenced by the activities of the organisations, wider society. Structuration allows us to see how the allocation and reallocation of resources, being so intertwined with the prioritisation rules under which they are allocated and reallocated, both creates and is constrained by the context in which it is undertaken. Structuration allows us to see how this can happen collectively in an organisation when the organisation is considered as one separate entity within a social context (an independent agent).

Transition theory lets us look at how the different choices of macro purpose made by organisations can group and accumulate to influence rules and norms at levels beyond the individual organisation through conscious action by the organisations – forming networks, lobbying etc. – but also through their loose, informal and sometimes unacknowledged, alignment with other organisations which share their aspirations and values; as John Elkington put it “*our movement*”; the global movement for social and environmental justice. The actors directly involved in the case organisations can be seen as knowledgeable actors making informed choices, working within organisations with whose aims and objectives they align. They share the desire to create the macro purpose impact to which the organisation collectively aspires; to change the current world by making this impact; to change the social norms but, also importantly, to change the means of production and distribution of resources.

The next section explores the implications of these findings for financial accounting.

8.4.1. Unpacking these implications against the Lee and Nowell framework

The analysis using structuration and transition theories allows us to see how the case study organisations are developing alternative interpretive schemes, establishing alternative norms and codes of conduct, using (and producing) resources in ways which align with these schemes and norms. From the arguments above, if we return to the Lee and Nowell diagram, used in Chapter 7, the contents of the public value box can be seen as dictating the ways in which the micro purposes are prioritised and pursued. The ends within the public value box shape the ways the organisations operate.

Using structuration allows us to see that the outcomes (the effect of the use of resources and capacities) can only be evaluated within the context of the interpretive schemes and norms that the organisations are developing and these are set by the contents of the public value box in Lee and Nowell’s diagram. So the circularity in the Lee and Nowell diagram, understood through the above interpretation of the case studies, extends to the public value box the contents of which give shape to the organisation’s operations.

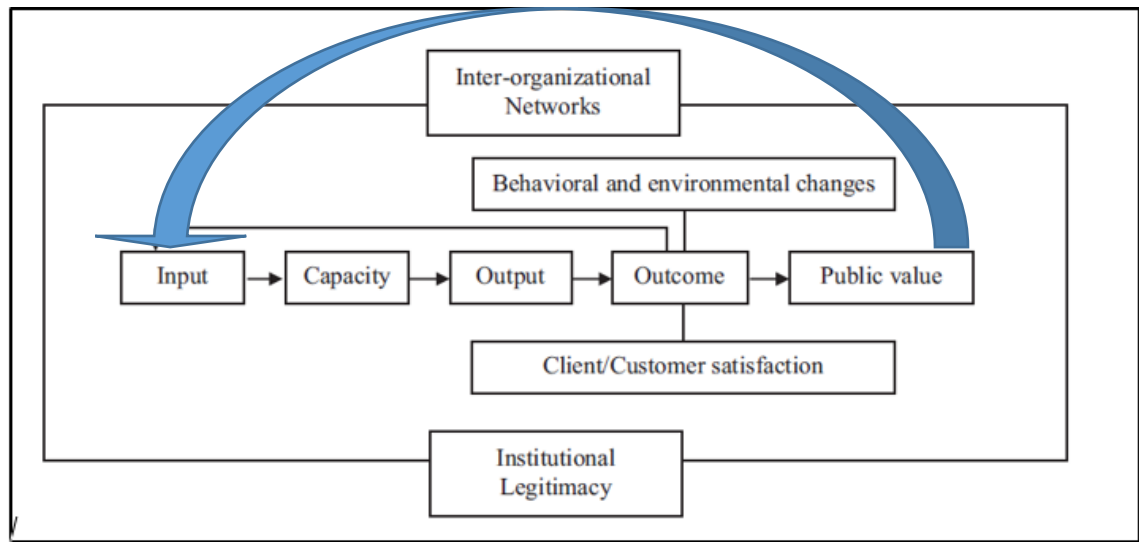


Figure 29. Perspectives on non-profit performance measurement, (Lee & Nowell, 2015:304) adapted.

The next section compares the financial accounting of the three environmentally oriented case studies. Two of them demonstrate how the charity format can accommodate different interpretations of public value whilst the for profit format only accounts for return on financial investment.

8.4.3. GLL, Organiclea and GEG financial accounting compared, blended values.

As noted in Chapter 7, GLL and Organiclea both use the charity SORP – GLL by law and Organiclea voluntarily. The other environmentally oriented organisation studied, GEG, uses the standard for profit format.

Nicholls (2009), as discussed in chapter 3, sees the possible ways social enterprises report as on a spectrum, at one end the financial accounts and at the other the Trustees’ report (required for charities) – the narrative explanation of what the organisation has tried to achieve and what it has actually achieved in the year. He

categorises the financial accounts as positivist and the Trustees' report as interpretive. The findings and analysis above argue for the financial format (the positivist, calculative presentation of financial information) to be shaped by the interpretive end of the spectrum. Returning to the financial statements of GLL and Organiclea, in the light of the discussion of the National Trust in Chapter 2, we can see how this might work in practice.

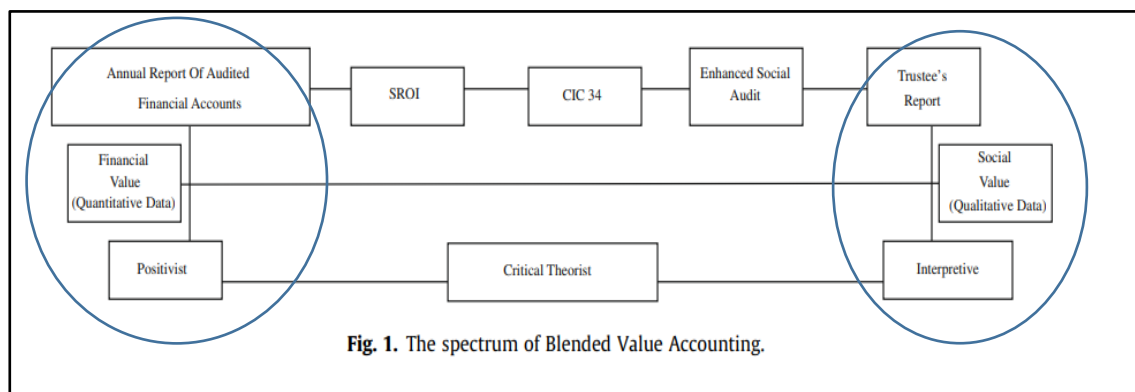


Fig. 1. The spectrum of Blended Value Accounting.

Figure 30. The spectrum of blended value (Nicholls, 2009:765) adapted.

The SORP format as used by the National Trust goes further than simply recognising the macro purpose; it recognises the micro purposes as combining to pursue the macro purpose. It allows the National Trust to recognise that the pursuit of the macro purpose *comprises* the pursuit of several micro purposes, listed in the Trustees' Report and connected directly back to the activities listed in the Statement of Financial Activities (SOFA).

The National Trust, as discussed in Chapter 2, explains its performance against five clusters of performance indicators. The SOFA recognises that financial viability is necessary but also that it is not a sufficient justification for activities unless it is pursued in the context of the wider purpose.

The SOFA is concerned with where the resources have been applied and the Trustees' Report explains how effective this has been in pursuit of social (and also environmental in this case) impact. The SOFA is part of an account of how the macro purpose has been pursued through activities expressed as micro purposes and what has been achieved by these activities. The SOFA needs the explanation of impact given

in the Trustees' Report to make sense; it does not stand alone; justification for the choice of activities is required.

The Annual Report under the SORP, in the example of the National Trust, combines the positivist calculation based financial statement with the narrative interpretation and justification of the Trustees' Report and thereby combines the two ends of Nicholls' spectrum in the one report. This in no way undermines Nicholls' argument. In fact it makes it stronger. The National Trust, through the use of a format designed to demonstrate the allocation of resources and a report designed to interpret and justify the allocation, is using multiple rationalities simultaneously in order to communicate as clearly as it can its overall purpose and detail micro successes towards its achievement.

Although a much smaller organisation than the National Trust, GLL can be seen to go further in the combination of rationalities/perspectives that Nicholls covers.

8.4.3.1. Greenwich Leisure Limited (GLL)

GLL's Annual Report connects the two ends of the spectrum in the same way as the National Trust's does. GLL uses the SORP format. The Trustees' Report explains the activities on which expenditure has been incurred and included in the SOFA. The Trustees' Report explains the impact of the activities across the four pillars, as discussed in Chapter 7.

The National Trust makes more use of the flexibility of the SOFA format than GLL does, partly because the National Trust has complicated fundraising trading and donations income as well as income from charitable activities and maybe also partly because the National Trust has been using this format for longer, communicating with a larger, public membership than GLL has. GLL adopted the SORP format in 2012 in anticipation of the change in the law governing co-operatives in 2014. However, as discussed in Chapter 7, GLL incorporates an SROI based calculation into the Annual Report by using the Social Value Calculator to show the impact of the activities described under the four pillars. GLL thereby combines all three theoretical perspectives from Nicholls' spectrum above in one report.

The SOFA gives the figures, the resources expressed in monetary amounts allocated to the main activities; the Trustees' Report interprets these activities and the SVC demonstrates (again in figures) the social impact. On Nicholls' spectrum, the SOFA is positivist, describing the entity in financial terms, calculated monetary amounts; the Trustees' Report is interpretive, giving the figures context and sense by describing the substance and intention of the activities undertaken; the SVC is critical theorist, describing the influence of the activities (through a financial lens) on communities.

This makes more sense if we use the Lee and Nowell evaluation framework, employed in Chapter 7 to understand the activities of the organisations, to understand their reporting. The SOFA lists the inputs against activities which are possible because of organisational capacity, to which the input of resources contributes. The results of the activities are outputs, measurable scale of products and services, which lead to outcomes – for GLL, Better Service, Better Business, Better People – which in turn lead to Better Communities which can be expressed through the SVC calculator and which is the public value accomplishment. All of this is possible because of the context in which the activities are undertaken – the reputational legitimacy (to which the Annual Report itself contributes) and the strong and strengthening networks which are also explained in the Trustees' Report. The circularity of the process means that the outcomes feed back into the ease of obtaining resources whilst strengthening the context in which the resources are used. Everything is directed towards, and is simultaneously part of, the pursuit of the main objective, the macro purpose.

8.4.3.2. Organiclea

Organiclea also uses the SORP format. It does so voluntarily, on the advice of the external accountant, in order to demonstrate very clearly that Organiclea is not a for profit organisation. Although it is a worker controlled co-operative and in that sense similar to GLL, Organiclea had a different legal status as a company limited by guarantee and now, post May 2019, as a C.I.C (Chapters 6 & 7).

At fifteen pages, Organiclea's Annual Report is very short compared to the others considered here. And the SOFA is quite brief. Organiclea does not even specify what the charitable activities are. Nonetheless it follows the same pattern as the National

Trust and GLL in combining the financials with interpretation, in combining the two ends of Nicholls' spectrum. Organiclea uses the Trustees' Report to explain what the activities are, how they connect with the aims and how the aims play out in detailed activities. This example also shows how the financials are interpreted through the Trustees' Report; how context is needed to understand them.

The financial figures in the SORP are recognised as subservient to the main aims of the organisation so it follows that they need to be tied into the aims and the activities undertaken in pursuit of those aims for their justification. The narrative explains why the resources were allocated in the way set out in the SOFA.

The sensitising concepts of multiple micro purposes combining in pursuit of the overall macro purpose allows us to separate financial viability from maximum financial return. This allows us to see financial concerns as subservient to the main aims for the case study organisations. The SORP format reflects this prioritisation. The financial figures make no sense without the context of the social or environmental macro purpose. The SORP is a report on the allocation of resources and the Trustees' Report attempts to explain the wisdom of that allocation.

Organiclea explains what its activities are in the Trustees' Report and then expands to list its aims – improve the local food economy; build community resilience; work co-operatively and inspire wider change. The report then connects the aims with the detailed activities, focussed on food, people and community, which make up the core purpose.

The next section compares the financial statements of GEG – the standard for profit format – with those of GLL and Organiclea.

8.4.3.3. SORP comparison with for profit formats – Good Energy Group (GEG)

As discussed in Chapters 6 and 7, GEG is listed on the Alternative Investment Market so conforms to the requirements of a publicly listed company. It uses the for profit format which, as discussed in Chapter 2, focusses on net earnings and the profit available for shareholders. Although GEG produces a Purpose Report which explains its aims and the activities undertaken to pursue them, there is no connection made in the Annual Report between this and the financial figures.

The social and/or environmental impact of the organisation's activities is a peripheral concern for for-profit Financial Statements. Since the accumulation of financial wealth for its own sake is assumed to be the macro purpose there is no need to look for justification for resources allocation beyond the return those activities generate.

The for-profit Income Statement is self-contained in contrast to the SORP format which has to go beyond itself for justification of the use of resources. The for-profit format assumes that resources are expended in order to generate earnings so it does not need to go outside itself for justification of the allocation of resources. However, as discussed in chapters 6 and 7, the main aims of GEG are environmental. It is not possible to see this in the for-profit Income Statement and it is not possible to directly connect the Income Statement with the environmental aims in the way that the SOFAs of GLL and Organiclea connect. Second year accounting students in my Business School have successfully analysed GEG from a financial perspective without realising that GEG's fundamental motivation is environmental. GEG's Income Statement is set out in figure 23, below.

GEG's Income Statement follows the same format as BAE Systems plc, discussed in chapter 2. The for profit financial statement format is not concerned with what is being sold, what the product is; it is concerned with the products as commodities which are sold in pursuit of a return on financial investment.

The SORP assumes the activities are in pursuit of a macro purpose beyond financial viability, so social and/or environmental, so it turns towards the social and environmental aspects of the activities and, beyond the activities, to the impact.

		Note	2018	2017
			£000's	£000's
REVENUE		6	116,915	104,509
Cost of Sales		6	(83,466)	(75,178)
GROSS PROFIT			33,449	29,331
Administrative Expenses		7	(26,800)	(23,739)
OPERATING PROFIT		7	6,649	5,592
Finance Income		11	16	2
Finance Costs		12	(4,361)	(4,860)
PROFIT BEFORE TAX		6	2,304	734
Taxation		13	(660)	566
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS			1,644	1,300
DISCONTINUED OPERATIONS				
(Loss) from discontinued operations, after tax		6	(743)	(4,033)
(LOSS)/PROFIT FOR THE PERIOD			901	(2,733)
OTHER COMPREHENSIVE INCOME:				
Other comprehensive income for the year, net of tax			-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
			901	(2,733)
Earnings per share	- Basic	14	5.6p	(17.1p)
	- Diluted	14	5.5p	(17.1p)

Figure 31. Extract from GEG Statement of Comprehensive Income for the year to 31st Dec 2018:81

8.5. Discussion in the context of the literature.

8.5.1. Accountability driven accounting

Returning to Dillard and Vinnari's (2019) arguments about the need for accountability to drive the shape of our accounting, as discussed in Chapter 2, we can see that the contents of the diverse needs and interests box shapes the context within which organisational actions are evaluated.

The following diagram was used in Chapter 2 to argue about the flexibility of charity accounting as regards choice of macro purpose from myriad possibilities. Chapter 3

set out the problems of defining the social economy when our interpretive schemes are limited to the dichotomy of public versus private interest. The organisations studied here are better understood as attempting to develop common goods, public benefit as including that of the actors as well as the benefit of others.

The charity financial accounting format – if understood as accounting for multiple purposes (choice of macro and multiple micro within one organisation), using different rationalities at different stages of the process but shaped and held together by an overarching orchestrating purpose, agreed by the organisational participants – could be adapted to allow us to re-connect financial accounting (the story of the allocation of financial resources) with the impact sought and achieved by the organisation.

As indicated in Dillard and Vinnari's (2019) article and demonstrated in the diagram below, maximisation of shareholder value, is an interest which shapes organisational systems and actions. Other interests are possible but they cannot be properly understood through a system designed to evaluate actions against the criterion of maximisation of shareholder value. In order to escape the narrow MSV perspective, we need to recognise a diversity of needs and interests and to allow those needs and interests to shape our evaluation criteria and through them our financial accounting. This means that financial accounting (accounting for the allocation of financial resources) needs to be understood in the wider context of the orchestrating purpose of the organisation, the macro purpose.

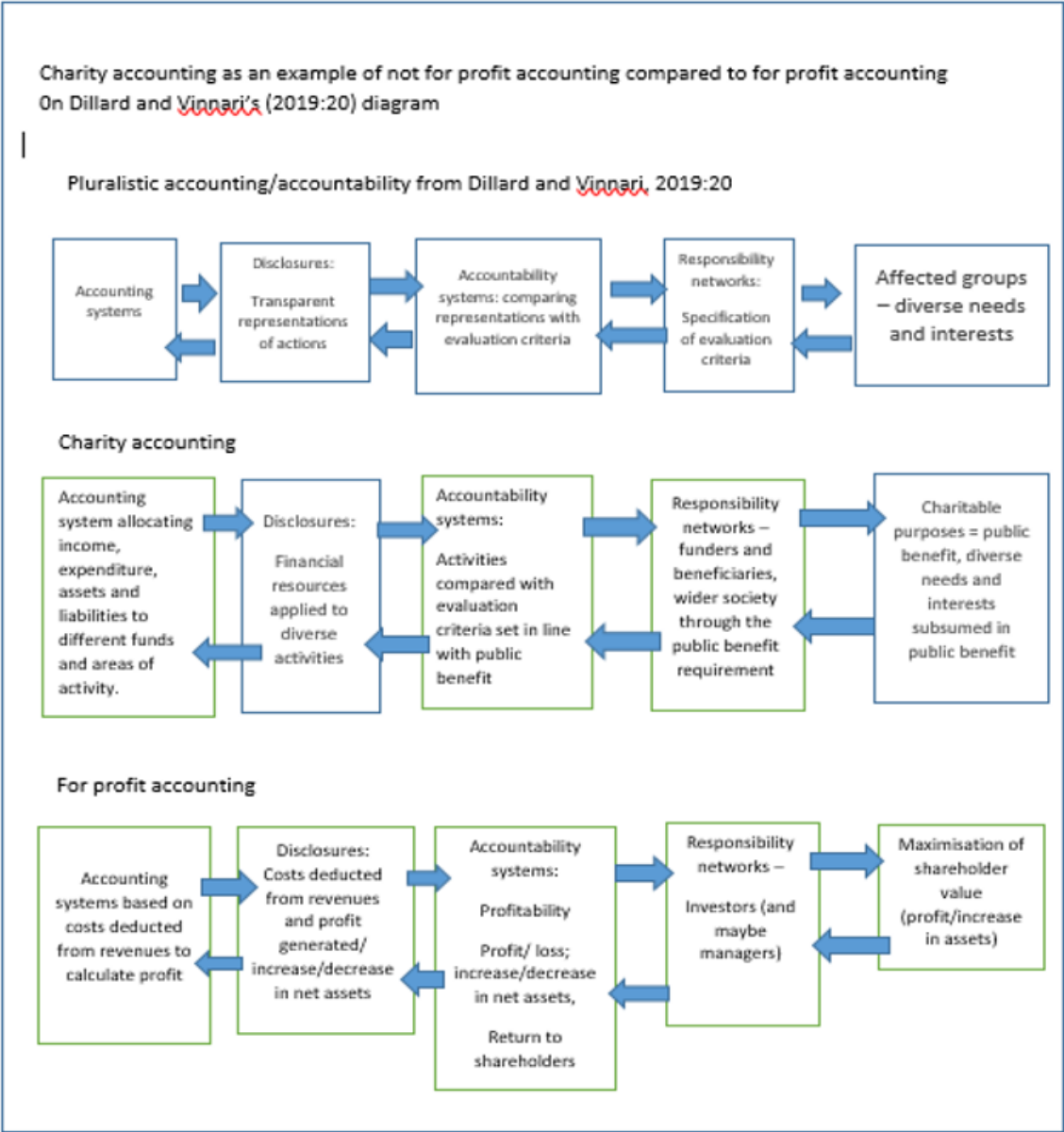


Figure 32 Fp and nfp accounting compared on Dillard and Vinnari's (2019:20) model.

8.5.2. Financial viability as separate from maximization of financial returns – economics and chrematistics.

A fundamental sensitising concept, which it is possible to develop within the context of multiple purposes orchestrated under a macro purpose, is the difference between financial viability and the maximization of financial return. Financial viability, whilst essential for organisational survival, is not sufficient to meet the ultimate objective; it is a micro purpose. Financial viability is a micro purpose even for organisations whose macro purpose is maximization of return on financial investment. The bottom of the Schwartz and Carroll pyramid should be labelled “to be financial viable” rather than “to

be profitable”. The maximum return cannot be generated unless the business is viable. Generating the *extra* return, over and above sufficiency for survival, above financial viability, is the objective which characterises the profit seeking business in the same way that social or environmental objectives characterise social economy organisations. They have financial viability as a micro purpose in common. We have to look beyond this micro purpose to their macro purposes to see how they are different.

This finding ties in with the Aristotelian arguments discussed in chapter 1. The pursuit of financial wealth is a normal part of the pursuit of a good life and a balanced society, but only as a means to a further end (or macro purpose) of happiness in the sense of living well. It is irrational to pursue financial wealth *for its own sake*. If we see the pursuit of maximum financial returns as different from the pursuit of financial viability, it is easy to understand Aristotle’s distinction between economics and chrematistics. Economics is the attempt to allocate resources wisely; pursuing financial wealth in order to use it to promote the flourishing of individuals and society is reasonable. Financial wealth is a resource we can use to meet human needs and aspirations. Beyond that it has no purpose. Pursuing financial viability falls into the category of pursuing financial wealth or resources in order to pursue a more worthy end; pursuing financial returns for their own sake does not.

Figure 33 below is an illustration of Aristotle’s view of the wise allocation of resources in order to meet human needs and allow individuals and society to flourish which also illustrates the idea that chrematistics loses the connection with society unless financial wealth is pursued as a means to living and living well. This illustration is taken from an article by Latin American academics. The translation of Aristotle’s idea of a good life and well-ordered society as “living well” ties in with the idea of *buen viver*, living in harmony and balance with nature and one another, and both tie in to the idea of the common good discussed in Chapter 3. The area labelled “the art of living and living well” could be seen as the area of the common good; trade in pursuit of the common good falls into this section. Trade in pursuit of exchange values, the accumulation of financial wealth for its own sake, does not.

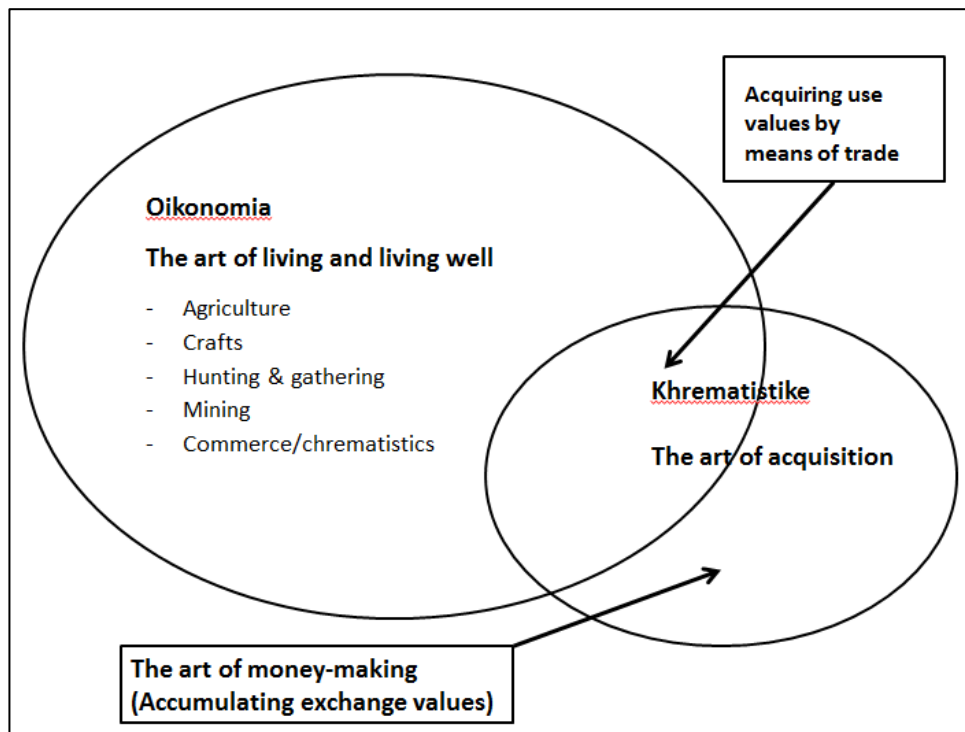


Figure 33 Oikinomia and Kkrematistike, (Cruz, I., Stahel, A. and Max-Neef, M., 2009:2022)

Aristotle's arguments lead to the conclusion that for profit accounting is chrematistic and irrational. This criticism of the current state of our financial accounting under IFRS ties in with the criticisms of it rehearsed in chapter 2 (e.g. Chiapello 2007, 2008, 2015) and also with the criticisms of Corporate Responsibility driven by the business case where positive social and environmental impact is pursued as a means to maximize the financial value of the company in the long run, discussed in chapter 3 (e.g. Spence, 2009). The business case for CSR is still the art of making money, using social and environmental impact as a means. From the financial accounting point of view, we have no other way to justify social and environmental concern in commercial companies. Our current financial accounting for commercial companies supports the art of money making, of accumulation.

The concept of the difference between financial viability and maximum financial returns can support Dillard & Brown (2012) and Lehman's (2017) arguments about our current accounting methods leading to closed thinking, discussed in chapter 2. If we confuse seeking a return on financial investment sufficient to allow the organisation to continue to function in pursuit of the main objective (which is something other than

the financial return) with seeking the maximum return on financial investment as the main objective of the organisation, we have elevated a means into an end in itself. And we have left it nowhere to go for its justification other than back on itself, in a closed loop. This is the Weberian argument rehearsed by Dillard et al. (2004). Aristotle argues that this closed loop is self-feeding so there is no limit to the potential accumulation of financial wealth. Financial wealth is an abstraction and so not mediated by the social and physical worlds, by the limits of the human needs to be met.

8.5.3 Chrematistics and economics, six capitals, Defourny and Nyssens' triangle and accounting for the common good.

Aristotle's economics and chrematistics map neatly against the Defourny and Nyssens' triangle and the six capitals (Figure 34 below), and this illustrates further the need to recognise trading as a means to acquiring use values as different from trading as a means to accumulate money for its own sake. As discussed in Chapter 3, Polanyi argues that financial markets tend to dis-embed from society causing a reaction where society tries to pull them back and re-embed them. The capital interest point of the Defourny and Nyssens triangle where financial and manufactured capital rises out of the sphere of social and relationship, human and intellectual capital, is the pursuit of money for its own sake; the abstract, circular pursuit which knows no limits and has no responsibility towards anything other than itself. It exchanges social and natural for the financial capital it seeks to accumulate. As Polanyi (1944) puts it, it tries to commodify humanity and nature, to turn them into things which can be exchanged for money.

The point of the triangle in the diagram below can be likened to the tip of Gibson-Graham's (2006) iceberg (Chapter 2). This thesis has been concerned to draw out concepts to better articulate what is happening in the rest of the triangle, the submerged part of the iceberg, particularly Aristotle's area of acquiring use values by means of trade. This section of the diagram could be classified also as trading in pursuit of the common good, understood as a good society as discussed in Chapters 2 and 3.

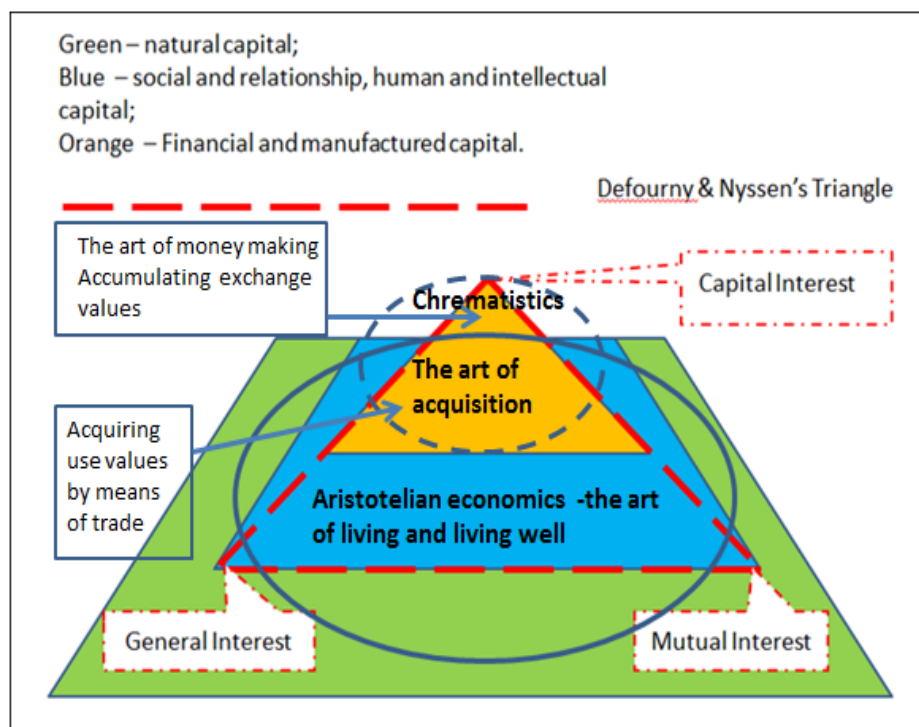


Figure 34. Defourny & Nyssens' triangle overlaid on IIRC Six Capitals, taken from chapter 3 with Aristotle's economics and chrematistics mapped against it.

The for-profit financial statements format reports on the success or failure of the circular process of financial accumulation. The criticisms rehearsed in chapter 2 that accounting is complicit in the financialization of society (e.g. Biondi and Suzuki, 2007; Miller, 2008; Chiapello, 2015) would seem to be well founded. The obstacles for-profit companies have to negotiate in order to develop genuine responsibility towards society and nature (making positive impacts) would seem to be compounded by the ways in which they are required to account for their activities.

But it does not follow from this that the fault lies with double entry book-keeping, as some of the arguments discussed in Chapter 2 claim (e.g. Chiapello, 2008). The critics of double entry take for-profit organisations as their examples and their criticisms would seem to be well founded. They do not, however, consider the book-keeping systems of organisations whose aims are not to accumulate money but to create social or environmental impact. These organisations still need to know how much money they have and how much they need to support their activities; they need to be

financially viable. The SORP format also draws its financial information from the double entry book-keeping system but, because it is focussed on social or environmental impact rather than profit, it does not use the information to calculate net earnings. The SORP format uses double entry to look at where the money has come from (how it was raised, the nature of the activities involved, which fund it belongs to) and where it has gone to (how it has been used, which activities it has supported), how much is left over for future activity and to calculate how much will be needed over and above the funds being carried forward. Within the SORP format double entry information can be used to calculate net earnings for activities whose aims are to raise funds for the macro purpose activities *at the same time* as using the double entry information regarding macro purpose activities to see how resources have been allocated in pursuit of those aims.

The organisation's macro purpose determines how the accounting information is used. It can support decision making with a view to making money or it can support decision making with a view to making social or environmental impact. In the latter case, it needs extra information to be able to evaluate the effectiveness of actions; in the former it does not as the net earnings figure is the benchmark of effectiveness. The criticisms of double entry book-keeping discussed in chapter 2 are criticisms of double entry as a tool of chrematistics, not as a tool of economics, the art of living and living well. As a tool of Aristotelian economics, double entry book-keeping and the accounting which arises from it, focusses on how resources are generated and used within the context of the macro purpose the organisation has chosen to pursue.

Just as double entry book-keeping and accounting is not essentially evil (Dillard & Ruchala, 2011) but can be used for social good as well, the findings indicate the SORP format need not necessarily be tied to altruistic purposes.

The SORP was drawn up for charities, as discussed in chapter 2. Charities are defined in UK law as altruistic. They are required by law to benefit others as opposed to benefitting members of the organisation. The discussion in chapter 3 distinguished between public benefit defined as altruism where the agent acting to create the benefit does not share it and the common good, where the agent does. The SORP can

be used coherently by organisations which are pursuing the common good rather than purely altruistic aims, as demonstrated by GLL and Organiclea, and indeed by the National Trust.

8.5.4. Pluralism and many versions of the common good

The interpretation of the case studies through structuration demonstrated that they have different macro purposes. They could each be characterised as pursuing a different version of the common good (Perkiss and Moerman, 2020), applying different hypothetical models of the good society (Annisette and Richardson, 2011) as discussed in Chapter 3.

The vision of the common good, the hypothetical model of the good society, is revealed in the financial statements through the allocation of resources to activities in its pursuit. The SORP can accommodate multiple purposes (different macro purposes between organisations and several micro purposes within one organisation) and different approaches to financial resources depending on the end being pursued by their use. This ties in with Ostrom's arguments about polycentricity and Defourny and Nyssens' about the essential diversity of the social economy discussed in Chapter 3. We can see the social economy as operating under the overarching abstract ideal of social and environmental justice. Each organisation within the social economy has its own manifestation of the abstract ideal in the hypothetical model of the good society towards which they apply their resources and endeavours. These arguments tie in with Anderson's discussed in Chapter 4, about the impossibility of caring about everything due to our finite nature and understanding and the consequent inevitability of responsibility for choice of what to care about.

The SORP (and the accompanying double entry and information gathering systems) does not prescribe what the macro purpose of the organisation should be; it leaves space for the agents involved in the organisation to set the macro purpose and thereby the hierarchy of purposes pursued. The responsibility lies in setting the purposes. The responsibility in structuration lies in the choice of resource allocations and norms adopted in the systems that we *create collectively* as well as the responsibility for self-constitution through this process. The collective element brings negotiation and

openness to other viewpoints into consideration. It opens the possibility of respecting others as the authors of their own worlds.

This does not mean that all negotiation results in agreement; we do not live in Kant's Kingdom of Ends (Findlay, 1957; Korsgaard, 1996, as discussed in Chapter 4). Power relations, vested interests and people's unwillingness to engage with viewpoints other than their own mean that it is very difficult to imagine how we could move to living in the Kingdom of Ends. What this argument does, though, is say that the responsibility for not moving towards it lies with the agents who decide on the allocation of resources and norms of society. We are collectively responsible for the worlds in which we find ourselves. The agents who collectively maintain for profit organisations are responsible for their own narrow perspectives; to be properly rational they should be questioning their positions and behaviours in relation to the rest of society and the planet. This is what Volans is trying to achieve; this is what the CR reporting schemes such as GRI and the B Corp registration are trying to bring about.

However, the financial accounting formats and systems in use in most businesses at the moment do not allow for the choice of purpose; they close down the possibility of other ways of using our resources; they limit what we can hope for (Kant's question, discussed in Chapter 4) and they limit our ability to respect others (people and things) because instrumentality in pursuit of financial returns is built into the system.

This thesis suggests that in the charity SORP understood as accounting for multiple purposes, we already have a financial accounting format (and systems to support it) which address the concerns raised by Dillard and Vinnari (2019). Trying to "add a little bit more" to our narrow financial accounting and reporting does not connect with responsibility because the use of financial resources is still seen as pre-ordained as the pursuit of returns (the business case) within the financial reporting. Maybe changing the financial accounting format for all organisations to one which makes clear what the adopted macro purpose (and attendant hierarchy of purposes) is would help agents involved in for profit companies face their social and environmental responsibilities more easily?

8.5.5. Accounting for multiple purposes (exemplified by the charity SORP) as interstitial

If it is understood as set out above, as accommodating multiple purposes and allowing for the exercise of choice amongst actors in an organisations as to what is important, the charity SORP, even whilst dependent on the private/public interest, market/mission dichotomy, can be seen as interstitial (Wright, 2010 as discussed in Chapter 2). It can be seen as a different way of seeing the world to the perspective of for-profit organisations, although it is still acceptable under IFRS.

Taken further, as in the arguments above, and understood as accounting for purposes which are not dependent on the idea of altruism but which can encompass reciprocity and mutual benefit, it can be seen as even more powerfully interstitial. Seen as a way of accounting for Aristotle's trading for use values as opposed to exchange values, it provides a direct challenge to the perspective which sees all resources as commodities through a financial lens (as discussed in Chapter 2), and all market activity as financially (returns on investment /accumulation) oriented. It is a way of accounting for financial resources which can accommodate Gibson-Graham's (2006) diverse economies and Lefebvre's (2003) urban society, as discussed in Chapter 2. In this, it can be seen as a potential method for accounting for the common good, as discussed in Chapter 3.

The world view uncovered in the examination of the understandings of purpose in social enterprises and the implications developed here for financial accounting are compatible with the for-profit approach to financial accounting but only if we see profit (accumulation of money for its own sake) as just one possible macro purpose amongst many others, and one which, like all other macro purposes, needs to be chosen and justified by evaluation criteria created and maintained by agents engaged in creating themselves and their collective societies (norms and legitimacy frameworks) through their activities using resources.

The world view articulated here is pluralistic and polycentric; it is one where agents are responsible for the choice of what to care about. The choice of profit or shareholder value maximization can be accommodated within this world view. But the claims made that the for-profit approach, and the argument that all economic activity has to do with increase/decrease (accumulation), is the only possible perspective on economic

activity cannot. These claims are directly challenged by the for-purpose approach, just as claims for objective knowledge are challenged by Kant's perspectival epistemology, as discussed in Chapter 4.

The for-purpose approach does not ask more of our current for profit financial accounting; it directly challenges it by adopting a social rather than financial perspective. In this, it can be seen as a response to the criticism of the SEAR project that it just asks a bit more of the system rather than challenging it per se (Spence, Husillos and Correa-Ruiz, 2010), as discussed in Chapter 2.

The for-purpose approach is interstitial. It develops in the niches and gaps in the dominant system. It seeks to expand and ultimately aims to overturn the dominant understanding. This thesis is itself part of the interstitial social approach to economic activity because it prioritises the social by seeking first to understand diverse economies and then to explore financial accounting for them. It contributes to the discussions in the critical tradition in accounting research which is focussed on flourishing, discussed in Chapter 2, and to discussions about accounting for the common good, as discussed in Chapter 3, *from the social perspective*.

The next chapter summarises these arguments and explores possible avenues for further research based on them.

Chapter 9 Summary, contribution to scholarship, developing practice and avenues for further research

This thesis set out to explore ideas of purpose in a range of social enterprises from a social perspective, using social frameworks rather than frameworks drawn from business, and to then apply the findings to financial accounting. This chapter summarises the results of the research and their application to practice. It also explores possible avenues for further research.

9.1 Summary.

The main findings were that social enterprise organisations have multiple micro purposes orchestrated under a macro purpose, with different rationalities being employed depending upon the purpose being pursued. From this idea it was possible to recognise that financial efficiency is not the same as financial maximization. The organisations studied were financially efficient enough to ensure viability but they were not interested in maximizing financial returns. The pursuit of maximum financial returns is only one possible macro purpose; the organisations studied pursued other macro purposes.

Using structuration to interpret the findings of the field research enriched the notion of an orchestrating macro purpose to include the development of frameworks within which to evaluate and prioritise achievements, demonstrating that the case study organisations had different hierarchies of priorities. This concept was developed into the argument that social enterprises can be seen as pursuing different versions of the common good.

The Aristotelian distinction between chrematistics, the art of accumulating money, and economics, the wise allocation of resources in pursuit of a good society, was used, along with the difference between financial viability and maximization of financial returns, to argue that our current methods of financial accounting have collapsed means and ends, thereby rendering a significant amount of market activity (trading in pursuit of use values) invisible. And further, it makes it extremely difficult to

connect allocation of financial resources with social and/or environmental responsibility.

The charity SORP format for financial accounting was suggested as an improvement on for-profit formats because it can accommodate multiple purposes without being prescriptive as to what these should be. The SORP sees financial resources as a means to a further end rather than an end in themselves. The charity SORP is characterised as financial accounting for philanthropy or altruism but these ideas are not essential to it. If understood as accounting for multiple purposes, it can be seen as a possible tool of Aristotelian economics rather than as a tool of chrematistics as it is in for-profit accounting.

Because it is not prescriptive as to the purpose pursued, the SORP format can also be seen as accommodating pluralism in allowing choice. The choice of what end to pursue is negotiated by the stakeholders in the organisation – and the responsibility for the choice rests with them. The SORP format does not prescribe what the organisation should care for, it just shows how financial resources have been raised and applied and so demonstrates, to a limited extent, the choices made by the agents responsible for the activities of the organisation. The SORP format allows for choice and thereby allows for pluralism, for the common good to be pursued in many different ways, for people to flourish in many different ways - as active agents responsible for their own self-realisation as well as the creation of the systems within which they operate.

9.2 Contribution to scholarship

9.2.1 Limitations of the study

This thesis is based on an exploratory study using a range of social enterprises but it is a small sample of organisations within one jurisdiction. It is pragmatic in approach, seeking to develop concepts to apply to practice. It cannot, and does not, claim to have discovered generalizable rules or principles. It is arguing for a different perspective on accounting for financial resources and is positioned very much as a starting point for further exploration rather than a finished work. Returning to

Lefebvre, discussed in Chapter 1, it is trying to illuminate the beginning of a pathway rather than to map out a route.

9.2.2. Approaching accounting from the social perspective

This study specifically set out to approach the question of financial accounting and responsibility from a social perspective, using frameworks from development studies and sociology rather than from business or accounting. Approaching financial accounting from the social perspective can be seen as a response to calls for more attention to be paid to the social economy, as discussed in Chapter 2. It is also part of the conversation about how to account for flourishing also discussed in Chapter 2. It directly addresses the problems articulated by Dillard and Vinnari (2019) when they argue that accounting cannot develop through adding a bit more onto an accounting and reporting system which is shaped by the purpose of maximization of shareholder value.

This approach, coming from the social perspective, is a direct challenge to the arguments that the only possible perspective on business and economic activity in general is that based on the idea of accumulation derived from metaphors of financial capital, as discussed in Chapter 2 (e.g. Adams, 2015; Coulson et al., 2015). It is interstitial in approach and intention – seeking to articulate perspectives on economic activity which are not capitalist in order to build an alternative understanding of trading activity, and as such, part of the conversation about emancipatory social science discussed in Chapter 2 (Wright, 2003, 2006 and 2010). And it is a response to the criticism that the SEAR project does not challenge the system per se (Spence et al, 2010), also discussed in Chapter 2 and above.

The next three sub-sections discuss conceptual contributions to scholarship.

9.2.3. Financial viability versus maximization of financial returns

The findings of the field research, that social enterprises have multiple purposes which they have to balance against one another, align with much that has been written about the diversity of the social enterprise sector, as discussed in chapter 3. The idea of a macro purpose which orchestrates the hierarchy of the micro purposes pursued under its umbrella opens up the possibility of understanding financial viability as a micro

purpose for all organisations operating in financially organised markets, but allows us to separate this concept from that of maximization of financial returns. Using this difference, it is suggested that we should understand financial viability as an essential condition for success, in the Carroll and Schwarz triangle, not profitability. Taking this argument along with that of Palakshappa and Grant (2018) that we should replace philanthropy with social justice, we can see business activity as directed towards social justice using trading mechanisms, trading in pursuit of use values and a variety of common goods.

This separation of financial viability from the pursuit of profit for its own sake aligns with the Aristotelian traditions currently employed in discussions of the common good, as discussed in Chapter 3.

9.2.4. Multiple possible macro purposes leads to the inevitability of choice.

The second important argument this thesis puts forward is that organisations choose their macro purposes and this orchestrates the micro purposes by creating the framework within which they can be prioritised. The research philosophy, using Kant, argues that knowledge is perspectival and limited, and so is life. It is spatial and temporal. Choice is impossible to avoid because we cannot be everywhere and do everything. People and organisations have to choose what they do, and what they care about, because they cannot do everything and they cannot care about everything. They set their own frameworks of what to care about within the context in which they find themselves. Responsibility lies in the choice of orchestrating framework.

Using Aristotle's distinction between chrematistics (the accumulation of wealth for its own sake) and economics (the pursuit of the wise allocation of resources), the thesis argues that we need to develop a way to account for, and see more clearly, the allocation of financial resources to social and environmental impact. This argument joins the conversations about how to connect the social and physical impact of corporate activities with responsibility for them, discussed in Chapters 2 and 3, as well as those concerning accounting for the common good, as part of the critical accounting project looking for ways to account for allocation of resources in pursuit of a variety of ways of flourishing.

9.2.5. Accounting for purpose (nfp accounting as exemplified by the charity SORP) as a form of financial accounting which accommodates multiple purposes and choice of which ends to pursue.

Applying the arguments developed from the findings to financial accounting formats, this thesis argues that the nfp format already in use can accommodate multiple purposes and choice. It can accommodate multiple purposes within one organisation and also that the organisation has chosen an overarching macro purpose which provides the framework for the orchestration of the micro purposes pursued under the macro purpose umbrella.

In order to recognise how flexible the not for profit format can be we have to stop seeing it as accounting only for altruism and see it as accounting for the allocation of financial resources in pursuit of a chosen economic, social or environmental objective. In this it can be seen as a response to the calls for diversity within accounting research, discussed in Chapter 2.

If we see this format as able to accommodate choice of macro purpose which then orchestrates the organisation's activities and allocation of resources to them, we can see financial accounting in the nfp format as connecting with the responsibility of the agents concerned for their choice of ends to pursue as well as the means to do so.

The nfp financial accounting format is seen here as a tool for decision making but it does not prescribe which ends are to be pursued. It can be a tool for the wise allocation of resources or for the unwise allocation. The responsibility for the choice of allocations lies with the networks which set the evaluation criteria (as in the Dillard and Vinnari (2019) diagrams). The nfp format seen as for purpose can encompass profit as a macro purpose but the fp format cannot accommodate the choice of macro purposes other than profit.

From this we could argue that all organisations should adopt the nfp/for purpose format. That may be a theoretical possibility but, given the current regulation of financial accounting under IFRS and fp GAAP, it is not a practical suggestion. A more practical suggestion is that the nfp/for purpose format could be adopted by social enterprises as we already recognise that these enterprises have social aims. The

following section discusses projects which are currently under way to explore the development of a specifically co-operative form of financial accounting.

9.3. Contribution to changing financial accounting practice, co-operatives as a specific form of social enterprise.

As discussed in Chapter 3, co-operatives are a specific form of social enterprise. They are organisations based on reciprocity between members which also recognise their place in the community. Co-operatives are organisations which trade but not for the benefit of financial investors.

Also as noted in chapter 3, it is not possible to pull meaningful information about the size of the co-operative economy from National Accounts because co-operative legislation differs from country to country and co-ops are divided between those which distribute “profits” and those which do not. However we do have some statistics. The Co-op Monitor, a project to collect and analyse data on co-operatives, based at Trento University, ascertains that the top 300 co-operatives in the world in 2016 had joint turnover of \$2.1trillion. (ICA, Co-op Monitor, 2017). This is slightly greater than the economy of Italy, the fourth largest economy in Europe, in 2018. This means that co-operatives are not negligible even if they are frequently overlooked for business debate.

Co-operatives are built on the principle of one member, one vote; control follows participation rather than financial investment. The financial benefits of membership also follow participation and are based on how much the member works or trades with the co-operative rather than the financial capital investment. Financial capital investment is often nominal, is not expected to accumulate and is sometimes withdrawable. All these characteristics are problematic for co-operatives reporting using the fp format.

The International Co-operative Alliance which is the umbrella body for co-operatives worldwide defines a co-operative as

an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.(ICA, 1995:1)

The specific economic, social and cultural needs and aspirations to be met are decided by the co-operative itself. Those ends are pursued through activities which adhere to the seven co-operative principles, as discussed in Chapter 3. An adapted nfp/for purpose format could accommodate co-operatives' multiple purposes, their non-capitalist philosophy and their principled modus operandi.

As a result of discussions triggered by the presentation of the arguments in this thesis at conferences and symposia of co-operative academics and practitioners, a project to investigate the possibility of developing a co-operative accounting SORP has been established. It is being spearheaded by the UK umbrella body for co-operatives (Co-operatives UK) working with the Centre of Excellence in Accounting & Reporting for Co-operatives (CEARC) at St. Mary's University in Canada. A resolution in support of the project was passed by the ICA General Assembly in October 2019 (Appendix 2). The initial phase of collecting information about co-operative accounting formats worldwide has already begun and a series of focus groups in the UK to ascertain the extent of support in the field for the project are being undertaken in autumn 2021.

These projects tacitly recognise the power of the IFRS project and the investor-oriented perspective upon which it is based and which underlies many of the disputes discussed in Chapter 2. They are not trying to change IFRS but rather to have the co-operative way of doing business recognised as not falling within its remit and in need of a specifically co-operative format for financial accounting, just as charities have within the UK. In this, they too can be seen as interstitial – building an alternative in the gaps left by the capitalist system.

9.4 Avenues for further conceptual research

Approaching financial accounting from the social perspective, recognising financial viability as opposed to profitability as the necessary condition for success for trading organisations, opens up avenues for conceptual as well as practical research.

Comparison of the nfp financial accounting format, understood as accounting for multiple purposes under an orchestrating macro purpose, with the fp format raises several questions which have not been covered in this thesis but which merit investigation as potentially contributing to the conversations about financialization of accounting and many aspects of life, as discussed in Chapter 2. Some of these questions are discussed briefly below.

9.4.1. Expenditure versus allocation of financial resources

If we consider financial resources as allocated to activities in pursuit of the organisational macro purpose, expenditure is no longer automatically a reduction in the amount retained from sales income. Expenditure can be seen as a financial expression of the resources used supporting the pursuit of the macro purpose through facilitation of the activity it has been allocated to. This potentially changes the ways in which we might think, for instance, about labour costs and even externalities. The pressure to reduce labour costs and ignore negative externalities might be lessened if we see the expenditure as allocation to activity rather than reduction in profit. If the aim is not the maximization of financial return on investment, but more on the efficient use of resources for greatest effect in the social and/or physical world, decisions about costs take on a different complexion.

This avenue of research would be part of the conversation about ideas of profitability, as well as those concerning how to support flourishing, discussed in Chapter 2.

9.4.2. How does a focus of attention on the allocation of resources to the pursuit of chosen macro purposes impact concepts of ownership and control?

If the main aim of the organisation is to allocate financial resources to purposes other than the accumulation of profit, the concept of ownership is weakened. The distribution of profits is decided on the basis of ownership but in organisations focussed on the effective use of resources for purposes other than the maximization of shareholder value, control, in the sense of decision making about the macro purpose to pursue and the hierarchy of purposes following from those decisions, becomes more important. This has implications for governance and accountability studies. Following the circularity shown in the Lee and Nowell (2015) and Dillard and Vinnari

(2019) diagrams discussed above, these discussions will have an impact on the ways in which financial accounting develops as well.

Questions of ownership and control tie in also with discussions about the common good. It may be that access to, and enjoyment of, resources is more important than ownership of them within a framework of the common good, as demonstrated by the National Trust, discussed in Chapter 2.

This avenue of research would contribute to the development of financial accounting for the common good, as discussed in Chapter 3. It could also contribute to the discussions about aligning financial accounting with the SDGs, also discussed in Chapter 3.

9.4.4. Open as opposed to closed financial accounting – the macro purpose of this thesis.

Seeing the nfp format as potentially accommodating the choice between myriad possible macro purposes, and the chosen macro purpose as orchestrating multiple micro purposes within an organisation, allows us to see financial accounting as supporting decision making which is open to different viewpoints. The macro purpose is recognised as chosen by the actors co-creating the organisation, and its evaluation criteria (the hierarchy of what to care about and how to care about it) through their actions. This opens the possibility of valuing actions and assets against criteria other than financial, opening the way to accommodating ways of valuing which are currently excluded from our accounting systems – such as the sacred, as discussed in Chapter 2. The for purpose format sees financial resources as subservient to the pursuit of the macro purpose so it moves the onus away from valuing in financial terms and allows us to allocate financial resources to that which is valued otherwise.

The macro purpose of this thesis is to contribute to the conversation about opening up financial accounting by arguing for it to be seen as a tool for decision making about the allocation of financial resources within a framework shaped by the overall, macro purpose of the organisation. Responsibility lies in the choice of evaluation framework, i.e. in the choice of organisational macro purpose and the prioritisation of micro purposes within that choice. That responsibility can be shown in the financial

statements and exercised through the accounting systems if those accounting statements and systems support and report on decision making as regards the allocation of financial resources to activities in pursuit of the chosen ends.

The choice of a chrematistic framework to evaluate business, or market based, activity, is a choice which is expressed through fp financial accounting and reporting and the decision making processes which are shaped by that choice. Other choices are possible but they cannot be adequately represented through the chrematistic framework. If we understand the pursuit of the maximization of profit as only one possible choice amongst many, we open up the conversation about accounting, specifically for financial resources, to social and environmental perspectives as well and can see that financial resources can be applied in pursuit of plural and diverse common goods. But we need to account for these financial resources through a lens which is not shaped by profit (or its absence), or metaphors drawn from it, in order to do so. We need to let the multiple purposes, the diverse needs and interests, the various common goods, shape the financial accounting systems instead of vice versa.

Understood as financial accounting for multiple purposes (choice of macro and orchestration of micro purposes within organisations), our current nfp formats and systems provide a jumping off point to explore how we can shape our accounting to support wise decision making about the allocation of financial resources in pursuit of society in which each can flourish in their own way.

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Appendix 1 Semi Structured interviews questionnaire

The questions are open-ended and designed to elicit discussion. The framework is to allow comparison between the case studies.

The following questions will be asked (depending on the organisation being investigated). The sub questions will be used to guide the discussion within the larger question.

- a. Could we start by capturing some information about you? How did your career develop? How did you come to hold this position in this organisation?
- b. What is the main purpose of your organisation? Why? Why do you personally work for it?
- c. How was the purpose arrived at? Is it regularly reviewed and discussed?
 - a. Who was involved in setting the purpose initially?
 - b. Who is involved in the discussions now?
- d. How would you define success or failure for the organisation? How do you measure and communicate this?
 - a. Do you have different measures for different types of success?
 - b. How do you balance them against one another?
 - c. Are you satisfied with the measures that you use?
 - d. What might not be captured? Does it matter that it is not included?
 - e. What else would you include?
 - f. What are the barriers to including these measures?
 - e. Who is interested in your success or failure (as defined above)?
 - a. Discussion of perceived stakeholders and their different perspectives on success.
 - b. How do you deal with potential conflicts of stakeholder interests?
- f. Why did you choose the legal structure (as listed in the case study choices) that you currently have? Has it changed over time?
 - a. Discussion of critical timeline – this and other important events, impacts on the legal structure, history of the organisation over a few distinct periods.
 - b. Has the organisation had to change in the face of (potential) difficulties? Or to benefit from opportunities?
 - c. What were the drivers of change?
- g. What difference have these changes made to the viability of the organisation and to its values?
- h. How important is it that your organisation is independent and sets its own agenda? Why?

Appendix 2 ICA Global Summit Resolution on accounting standards



INTERNATIONAL COOPERATIVE ALLIANCE

DEVELOPING ACCOUNTING STANDARDS FOR CO-OPERATIVES

■ APPROVED BY THE ICA GENERAL ASSEMBLY OF 17 OCTOBER 2019, IN KIGALI (RWANDA) ■

This ICA General Assembly:

- Believes that a cooperative's published accounts should enable it to report to members and stakeholders on its financial position in the context of its purpose as a cooperative
- Recognises the role of financial reporting standards in encouraging consistency and accountability
- Notes that recent trends towards the harmonisation of international accounting standards are driven by an exclusive focus on the needs and perspectives of investor-led enterprises
- Cautions that as a result, accounting standards may restrict or distort a presentation of the co-operative difference, including the treatment of capital and the distribution of member dividends, and that this can prevent cooperatives from describing their financial flows in line with established co-operative values and principles
- Recognises the importance of the ongoing work of the Audit and Risk Committee of the ICA (IARAC) and its efforts over time to monitor and influence international accounting bodies
- Notes also that in some jurisdictions, certain economic sectors, such as non-profit and for-purpose bodies, have successfully developed their own reporting standards (Statements of Recommended Practice or SORPs plus other voluntary disclosure guidelines) to enable them to report in a consistent and more appropriate way
- Notes the work of The Centre of Excellence in Accounting and Reporting for Cooperatives based at the University of St Mary's in Halifax, Nova Scotia, Canada, and specifically the recommendation of its international symposium, held in London in June 2018, to explore the case for a cooperative SORP.

This General Assembly calls upon the ICA to engage with members and experts with an interest in this matter to explore the case, costs and benefits, for the potential development over time of a Cooperative SORP, designed to permit cooperatives to focus their reporting on their performance in line with cooperative values and principles.

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<https://www.ica.coop/en/media/library/resolutions-and-declarations/motion-developing-accounting-standards-cooperatives> (accessed Feb 2020)