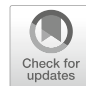
Isomorphisms Between Financial and Sustainability Accounting Some Introductory Notes



Massimo Costa

1 Introduction

Sustainability accounting (SA from now on) could be defined in a sense as the 'armed arm' of Corporate Social Responsibility. Without an agreed SA, CSR seems not being able to go beyond rhetoric (Owen & Swift, 2001) and ideology for legitimacy (Guthrie & Parker, 2012), resulting simply on involvement of stakeholders into the concerns, profit or non-profit they are, but not being able to *measure* the extent and outcomes of this involvement.

The huge number of definitions, as well for corporate social responsibility, as for SA is, in our opinion, far from being richness in doctrine to be welcomed. It reveals, instead, a true uncertainty and a lack of coherence, which, in turn, could result into a serious crisis of this field of research.

This definitional and conceptual uncertainty could in time reveal very dangerous for our discipline. As has been said, in the absence of standardisation, SA could become a sort of public relations deal (Frankental, 2001), causing serious doubts about the legitimacy of the same scientific project of CSR.

Thus, SA needs—in our opinion—for some regulation, in order it will definitely pass the stage of the rhetoric exercise and be fully legitimated as a relevant practice also for society and not only for the issuers of it. Regulation in Accounting involves, in turn, the same statute of the accounting discipline as a science.

There has been a degree of discussion, as a matter of fact, concerning the epistemological nature of accounting that cannot be fully recalled here. However, it is not deniable a progressive shift of financial accounting (FA, from now on), at least, toward being a branch of law, as the global process of standardisation was growing throughout the world.

M. Costa (✉)
Universita degli Studi di Palermo, Palermo, Italy

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S. O. Idowu, C. Sitnikov (eds.), *Essential Issues in Corporate Social Responsibility*,
CSR, Sustainability, Ethics & Governance,
https://doi.org/10.1007/978-3-030-39229-1_13

This chapter assumes that a similar process is occurring under our eyes in these last decades in the field of SA quite in the same way as it happened in the FA field in the past twentieth century. For this reason, the process of 'regulation' is strictly linked to our object as well. For our goals, furthermore, in the broad definition of SA we include and the social accounting and the environmental and the integrated or corporate social reporting as well.

Our research problem is whether this similar process is due to the presence of strong similarities between these two branches of accounting. If that were true, we could assume that the two branches experiment a true form of 'isomorphism', i.e. the substantial repetition of principles, models, theoretical consequences, etc. in different but related contexts.

Then, established what we are discussing about, it is not less important to point out what this chapter *is not*. Concerning sustainability *reporting* leaves on the landscape the basic issues on CSR, which are only presumed here. In words, we are *not* interested in "improving social justice and contributing to social and environmental benefits for society" (Reynolds, 2007), but how better communicate improving along these directions.

The leading idea of the Chapter is that the *second* context (in SA than in FA) is but a generalisation of the *first* one (the proper FA). SA, namely, enlarges the scope of FA without renouncing to the basic features of the underlying logical framework, according the 'greater systems perspective' of which the best acknowledged literature speaks (Gray, Owen, & Adams, 1996).

Of course, we have to be aware of that, in respect to traditional accounting, we are moving within a more 'political' subject. No information can protect equally all categories of stakeholders and any regulation, if it can never be neutral, must at least explicitly state the hierarchy of interests that it intends to protect. But this feature cannot stop the progress toward standardisation in the corporate social domain.

Unfortunately, contemporary CSR literature does not seem so concerned about standardisation issues. There will be some reason because for finding systematic attempts on accounting for CSR we have to go back of decades (Ramanathan, 1976; Solomons, 1974). Perhaps this is due to social pressure for legitimating CSR without too many concerns about technical topics, or even for the relative decline of normative attitudes in general accounting. But the relevance is now becoming—at least in our opinion—so urgent that a new theoretical effort is needed. Thus, having described the reasons for the present Chapters and its aims, we can show its structure, after this first introductive section.

Our work is shared into four main following sections, out of a conclusive one. The second one will deal with the process of normativisation, with particular concern to sustainability reporting. The third one is a sort of 'core business' for the chapter, because it tries to explore fully the isomorphisms between financial reporting and sustainability reporting. The fourth one, moreover, compares the financial and 'sustainability' dimensions to be disclosed, evidencing as well similarities as dissimilarities. The fifth one, and last-but-one, section finally treats of the major consequences on future investigations from the awareness of isomorphism between SA and FA.

2 Regulation in Sustainability Accounting

Regulation in Accounting is the process according which the discipline and practice of accounting is no longer ruled by the simple experience or by the academic doctrine but according 'general agreed principles'. These principles, even if not formally, are substantially enforced with the same power of the law. In a sense, we may call 'regulation in accounting' as a synonym of 'normativisation in accounting' because the art and science of recognizing, presenting, classifying, measuring and disclosing words and numbers representing transactions and events affecting the disposal of positive and negative resources both for an entity and for its surrounding environment, becomes in years lesser and lesser 'free', i.e. becomes 'normative', nearly as a branch of private and public law.

Accounting is certainly a form of 'codified' expression, because of the translation of transactions and events (sometimes also conditions) into a system of signs. This feature, since its origins, carried with it a twofold nature: as an expression, it is due to the will of 'senders', authors of this form of communication, and depends by them; as 'codified', in order to not misrepresent the original transactions and events to the 'receivers', it depends on a regulatory body, where the stakeholders can have voice, which makes rules and laws for a right codifying of transactions and events.

These two sides of accounting sided the discipline since its very origin, but they remained along only implicit. The 'community of merchants' gave origin to the basic rules after the mercantile revolution of twelfth to fifteenth century AD. After this 'practice' we have to wait for the industrial revolution of nineteenth century for assisting to better attempts of regulating accounting, mainly by the emerging professional bodies in Anglo-Saxon countries, and mainly by academician scholars in Continental countries, specifically in Italy and Germany. Notwithstanding this, State remained nearly absent from this ruling until the prevailing liberal ideas were generally accepted, and, in words, until the crisis of 1929.

The long path of regulation in financial accounting began just in those days, when public institutions realised it will be impossible to go on in a deregulated world. At the just beginning, regulation was only a 'financial' and US affair (birth of SEC in 1932), but soon after the phenomenon spread through the most of industrialised countries: 'true and fair view' and accounting standards began in UK after the II World War and similarly (1944–1947) the same can be said with the French "Plan Comptable Général", for speaking only of two of the greatest western economies. In 1973, with the birth of IASC, the 'regulation process' achieved an international level. European integration too played its role in this process, by means of the IV (1978) and VII (1983) Directives in matter of individual and consolidated financial statements.

The developments of the last two or three decades, in matter of regulation for financial accounting, do not deserve any further comment; we may just evoke the triumph in regulation at both national and international level through some basic milestones:

- 1989: the first international “Conceptual Framework”;
- 1995: turning point from large ‘directives’ to narrow ‘regulations’ in UE legislation on companies;
- 2001: great *reform* with the birth of IASB, from large ‘harmonisation’ to narrow ‘standardisation’;
- 2002/2003: direct application of IAS/IFRS in Europe;
- 2009: first release of SME standard (second in 2015) by the IASB;
- 2010: new conceptual framework.

This ‘short’ history is far from being limited to the ‘financial’ field. Since the 1990s of the twentieth century a process of standardisation invested every other branch of accounting, from the ‘valuation’ of entities to ‘management accounting’, for an instance. The new branches advance speedier than the ‘pioneer’ financial accounting. As a matter of fact, IPSAS assist to the birth of their international ‘body’ just in 1996, with a delay of 33 years from IASC, but already in 2014, a conceptual framework was ready, so reducing the delay with private companies to 25 years.

Is then our sustainability reporting still in the pre-regulation era, but already destined to follow the same path? Or, alternatively, is it a non-regulable field of accounting for its intrinsic nature?

A relevant contribution to this debate could come from Cooper and Owen (2007).

According to these authors sustainability reporting have a voluntary origin and only after it is regulated according a ‘degree of institutional reform’. This new form of disclosure should be due to the going beyond the ‘neoclassic view’ linked to free market. From this starting point derives the generalisation from shareholders to stakeholders, but the outcome seems quite poor. All assurance about sustainability reporting is set over a ‘CSR Steering Committee’, comprising senior executives and reporting to main board.

All this world, made up of ‘questionnaire surveys, telephone interviews, focus groups, liaison panels and discussion forums’ looks terribly loose and weak, entrusted, ultimately on the good will of the author of such kind of disclosure. Perhaps, faced to the impressive developments of regulation in other fields of accounting, in few decades all these methods will be recalled as a simple prehistory for sustainability reporting.

The weakness of this approach is underscored by the quoted authors, according which “administrative reform has not been accompanied by any meaningful (or corporate governance) reform designed to extend stakeholders accountability in the sense of facilitating action on the part of the latter”. In this sense, the historical choice of CE in 2002 to opt for a CSR on a *voluntary* basis has been a defeat, not a victory, for CSR. For the authors, more than a sustainability reporting taken apart from financial statements, the way seems to be that of integrated reports, enforced both by civil regulation and markets.

Anyway, protection of stakeholders’ interests is entrusted by many academics in the favour for the mandatory standards or legislated reporting requirements (Owen, Swift, & Hunt, 2001). We have also some empirical evidence (Frost, 2007; Perraul Crawford & Clark Williams, 2010), that when performance is compulsory, as in the

Australian *Corporations Law*, or as in the high regulative pressures in disclosure typical of France, the level of reporting increases in quality.

Besides law enforcement, the regulation process experiences the development of (still voluntarily accepted) 'frameworks and guidelines devised to assist firms in producing social and environmental information' (Tilt, 2009), among which, perhaps one of the most successful is the Global Reporting Initiative (GRI) whose guidelines are well articulated and shared into three levels of progressive comprehensiveness. While the weaknesses of such an approach can be identified in the same non-mandatory approach as well as in the favour toward a destructured set of 'indicators' than to a strong and syntactically coherent system of statements like the financial one, its major strength relies upon its authoritativeness and acceptance in many countries. Even IASs began, as a matter of fact, as a simple voluntary attempt before to evolve into a global language accepted by many legislations.

The discussion goes beyond the scope of the present chapter and becomes in a sense a *political* or *cultural* question. The primacy of a general set of stakeholders is 'unavoidable' in an *institutional* approach (Phillips, Freeman, & Wicks, 2003), while is neglected in a *contractual* approach (Sternberg, 2004). Regulation versus Deregulation in sustainability reporting is ultimately object of a political decision, not only of a scientific one.

3 Definition of Isomorphism Between Financial and Sustainability Reporting

Regulation implies a structured role for stakeholders. It is not possible to think to regulation in accounting (mainly sustainability accounting) without considering stakeholders' interests.

But the same concept of *stakeholder* is built, also as lexicon, as a generalisation of the previous existing *shareholder*.

Is it a pure chance or it witnesses a deeper feature for sustainability reporting? This is the second time in which we find that sustainability reporting generalises the results of financial reporting. The first is the regulation process, the second is the transition from shareholders to stakeholders. In both cases SA keeps the basic features of FA, opening them to a broader scope.

The interpretation of this could be that we are facing only two mere coincidences and, then, the two ways of reporting are basically and structurally different in meaning, structure, and goal. Or, alternatively, an interpretation could be that the newer is always a generalisation of the older and then a true isomorphism between the two may be asserted. In that interpretation, the resort to some contributions of literature can be helpful.

For some authors, we assist to both a generalisation that keeps the basic features of traditional accounting and the basic difference that here we are passing from a 'materialist-individualist' moral point of view to a 'social-ethical' one (Christie,

Dyck, Morrill, & Stewart, 2013). In such a view regulation of GAAPs is opportune also in corporate social reporting, but according an alternative accounting theory. The compass leading this generalisation, from net worth to net well-being, as an instance, should be the ethical values of solidarity against the traditional and narrow-minded maximisation of profit. According Gray, Owen, and Maunders (1987), it "involves *extending* the accountability of organizations (particularly companies), beyond..." [italic ours]. The concept of 'extension' implies a passage from something narrow to something large. The 'battle field' more interesting seems to be the number or stakeholders recognised. Tilt (2009) remembers us the role of conceptual frameworks to financial statements to recognise a great deal of stakeholders, like in the Australian one: "present and potential investors, employees, lenders, suppliers, and other creditors, customers, governments and their agencies and the general public". As it is known, eventually, a stream of narrowing prevailed, after the new international conceptual framework released in 2010, but, in our opinion, this is not to be interpreted as a coming back to era of social-environmental irrelevance, but to a more mature approach to responsibility. As a matter of fact, sustainability seems to be better accounted for in appropriate statements, integrated with financial ones, and not simply enlarging the scope of traditional financial statements. SA is not a 'side dish' of FA, but a 'main course' to be adequately dealt with.

Differences do exist, of course, but the occurrence of parallelism between financial reporting and corporate social reporting is so frequent in doctrine and in practice that it cannot be a pure chance. Our conclusion is that corporate social reporting is but an enlargement of the financial one.

Similarities in a wider scope environment could be named the 'isomorphism' between the two fields of accounting, from the Old Greek "isos" (equal) and "morphe" (shape), then literally "of analogous shape".

Isomorphism is not only an interpretation. In our opinion it is also a fruitful approach according a heuristic point of view. It allows to properly shape features of this field of accounting and exploring not-still-discussed topics. The common structure is to be defined, given by the basic elements of accounting, as well as differences to be properly explored.

For our goals, then, we define 'isomorphism' the common sharing of some defined 'elements', where the kind and number of elements are the same, while the specific contents of the same elements are differentiated according to the different width of scope.

4 Elements of Accounting

In this section, we define the elements of isomorphism in terms of, respectively, FA and SA. The concept of 'isomorphism' make us, furthermore, able to distinguish features of FA from general accounting. 'General' accounting elements are waited to persist both in FA and SA; FA elements are waited to be kept only in financial accounting.

It is not easy to recall exactly what the elements of financial (traditional) accounting are in few lines.

We may, anyway, resume them in an axiomatic way.

This axiomatic synthesis consists of the following simple clauses. All words in italic type in the list can be generalised for SA. What derives from the above-mentioned enlarging of scope will be the elements of SA. The common structure, kept unvaried from FA to SA, could be defined as the elements of proper *general accounting*, till now concealed by the consideration of the only financial accounting.

FA and SA may be directly compared according to the following sentences.

FA delivers information for actual and potential investors (mainly *shareholders*).

SA delivers information for actual and potential *stakeholders*. A 'stake' is any kind of interest held by a person involved in the administration of the entity.

FA delivers *financial* information, called financial reporting. 'Financial' has to be meant as any character translatable into monetary variables. Non-financial information does exist in financial reporting, but it is 'disclosure' *on* financial information, adding qualitative and non-monetary quantitative information useful for a better understanding of financial information.

SA delivers mainly *non-financial* information, concerning sustainability in terms of social and environmental responsibility. Financial information does exist too in SA, but the relationship between financial and non-financial is here inverted. Financial information in SA is only a sort of disclosure for a better understanding of properly non-financial one, as in the cases of 'environmental costs', 'distribution of added value' and similar topics.

As a consequence, from above, FA is concerned about an 'exchange value' of resources and claims, expressed in money. SA is concerned about a 'use value', looking sometimes for some translation of it into money terms, other times into another kind of unit, and other times more leaving different variables reported but unbalanced, because lacking of a common unit of measurement. Anyway, 'social value' is somewhat broader than 'economic value' of FA, involving philosophical and ethical concepts in defining what 'value' is.

Financial reporting concerns effects on stocks and flows of resources (and negative resources, i.e. claims) of transactions and events *within* the boundaries of the entity. It mainly concerns, thus, *internalities* respect to a defined entity.

Sustainability reporting concerns effects on flows of resources (and negative resources, i.e. claims) of transactions and events *beyond* the boundaries of the entity. It mainly concerns, thus, *externalities* respect to a defined entity. Concerning effects on environment and not on entity, we do not have the cumulated effect of transactions and events. Thus, in sustainability reporting we can account only for *flows*, or variations inducted by transactions and events, and not for *stocks*. These last ones, indeed, depend also from the actions by other social actors we do not know if our perspective is an entity (or, specifically, a corporation) one. Of course, it is possible a 'national' SA as well as it is possible a 'national' FA. But we are not speaking here of that. In an 'entity' perspective, if we look to 'environment', only flows and not stocks can be measured, whereas in financial reporting, looking within the entity, both stocks and flows can be accounted for.

FA deals with recognition, classification, measurement and disclosure on position and changes of *assets* (positive economic resources) and *liabilities* (negative economic resources).

SA deals with recognition, classification, measurement, and disclosure on changes of *positive and negative resources*. The main difference, here, is in the lacking of the adjective 'economic'. A resource could be named 'economic' if it is allowable to be subject to a process of economic transformation. In economic transformation of resources, human will and labour are needed. In natural or environmental transformation of resources changes can be involuntary consequences of the entity's administration. Resources available for human needs are not directly object of transformation. They are, then, social or natural resources, out of the entity's availability. Of course, as in the domain of economic transformation, negative economic resources or 'claims' are possible; even in the domain of non-economic transformation, every limitation or danger or social cost is possible. In general terms we may speak, so, of positive and negative resources, without any other specification. Not being 'financial' (not necessarily), they may not be called properly 'assets and liabilities', but generically 'stocks' of positive and negative resources. For the reasons of the previous point of this list, however, we can measure only variations of these stocks, inducted by entity's action and not the stocks directly. In a sense, anyway, once a 'measure' has been done for them, we may conventionally consider them a sort of 'sustainability assets and liabilities', like we used to do in FA.

FA defines *Equity* as the abstract fund deriving from the algebraic sum between assets and liabilities. A general term, also used for entities that are different from corporations, used by FA, is *net worth*. Net worth may be considered, for our goals, as a broader term than equity, but substantially equivalent.

SA can define the residual sum of the previous positive and negative elements in two ways. If we consider only 'sustainability assets and liabilities' translatable in financial terms (and then, still in terms of 'internability', within entity's boundaries), we obtain a sort of net worth, that we call *net financial position*. If we, better, are concerned with 'externalities' and with any kind of resource, we can speak of *well-being* or *welfare* (literature does not still allow a shared term for that), as the ideal sum of all positive and negative sustainability stocks of resources. For the reasons previous explained, welfare is not measureable out of a 'national' perspective. In a 'corporate' or 'entity' perspective we can only measure 'our' contribution to welfare/well-being, not welfare/well-being in itself.

Changes in assets and liabilities are defined in FA as *income* (or revenues) and *expenses*. The definition of gains and losses, on a net basis, is not relevant for our goals. As in the IFRS "Conceptual Framework", they are all "income and expenses".

Changes in positive and negative resources are defined in SA, and then in net welfare, as *benefits* and *costs*. Even in SA is not relevant a distinction between gross or net benefits and costs.

FA *distinguishes* flows on a realisation or cash basis (*cash inflows and outflows*) from flows on an *accrual* or competence basis (the aforesaid income and revenues).

SA *does not* distinguish benefits and costs on a manifestation or realisation level from benefits and costs on an accrual or competence one. However, this point could be due to a current flaw of SA because it has not still developed all its potentialities. As a matter of fact, a damage on environment could reveal itself after years of its happening. Let us just think to Fukushima's disaster: the 'manifestation' of pollution can concern only one or few years, while its effects or 'competence' belong to, at least, a century. This point is very interesting and cannot be fully developed here. We shall recall it in the next point as a possible further direction for research.

FA delivers its financial reporting to the benefit of mainly only two factors of production: *capital* and *entrepreneurship*. Other factors, like Labour or Environment or Land, are downsized. While income of the former is considered "profit", income of the latter are considered "expenses". In FA what goes to capital owners (or entrepreneurs) is of positive sign; what goes to other factors of production is of negative sign.

SA delivers its sustainability reporting keeping in equal range all factors of production involved in social and economic production. Mapping factors of production can result in a mapping of stakeholders. Also this feature will be developed in the next point. Here let us just say that capital, entrepreneurship, labour, land, environment, goods and services acquired, and goods and services delivered have all 'titulars', all entitled to receive information from any kind of social organisation or entity in which they are, more or less, involved.

Financial reporting is useful for taking *economic decisions*.

Sustainability reporting is useful for taking any kind of rational *decisions*, not only economic ones. One decision, for an instance, can be whether or not to vote a party in the elections. Such a decision is hardly definable as an 'economic' decision. Another example is given by all decisions of consumptions; when they are 'socially responsible' they are only partially definable as 'economic' decisions. Unwilling to sustain, by means of our consumption, child labour is an 'ethical', not an 'economic' decision. The reasons for not being only 'economic' decisions, are, then, two: the first one is that not all rational decisions concern the physical or economic transformation of economic resources (then, the economic activity) but other social or cultural or political topics; the second one is that not all rational decisions, even in the 'economic' domain, are oriented to 'means' but to the final 'ends' of human activity, being so properly 'ethical decisions'.

Financial reporting allows the discharging of *stewardship* for the capital (and administration) entrusted to it.

Financial reporting allows the discharging of *stewardship* for any kind of good entrusted to someone's care, and not only for the financial outcomes of capital investments.

Finally, FA was born and is mainly applied to *for profit entities*; then firms, and mainly corporations that gather capital by the official financial markets.

Finally, SA is applied to *any kind of entities*, both for profit and not for profit. For that reason, the community of scholars should, perhaps, abandon the narrow and outdated definition of 'corporate' social responsibility, out of the case when we are speaking strictly of corporations, or keeping it only as a conventional term. Social

and environmental responsibility is a too broad field to be confined to the social sensitiveness of corporations. We shall meet, respectively, SA for firms, SA for public bodies, SA for private non-profit organisations, and so on.

In a sense, whereas firms are centred on FA but assume SA to enlarge their accountability, non-profit organisations should be centred on SA and consider also FA to account for financial means used in their activity. What in the former is a mean (responsibility as a mean for success), in the latter becomes an end (responsibility per se); and what in the former is an end (profit per se), in the latter becomes a mean (profit for financing ethical activities).

Summarising this logical process, we find that established elements of FA translate quite easily in elements of SA. SA sometimes deal with FA elements like a 'subset' of the comprehensive sustainability domain; in other case, it neglects this traditional field for focusing just on social and environmental issues.

This enlarging of scope seems to allow, furthermore, a diminishing of uncertainty in the scientific paradigm concerning sustainability reporting. This 'new' paradigm is not an alternative to the most established ones in CSR (like, just for evoking one of the most acknowledged one, the 'Carrol's Pyramid' (Carroll, 1979)), but covers a relatively empty space in specific *reporting* issues, unduly considered secondary by part of sustainability literature.

An interesting consequence, only outlined in this Chapter, is the discovering of a new field for theoretical Accounting: *General* accounting. Shifting from 'financial' to 'sustainability' reporting one discovers what remains unvaried. These unvarying features do not depend on financial reporting. Concept of entity, positive and negative resources, or stewardship, per se belong to general accounting and not to some social or financial topic. But this theoretical consequence goes beyond the field of sustainability reporting and will not be dealt with more in these pages.

5 Theoretical Consequences and Further Developments

The acceptance of isomorphism as a general framework brings with itself some logical consequences and allows some future directions for research. In the following lines, we shall point some first clauses that cover these two families of consequences without, of course, pretences of completeness.

For what concerns *theoretical consequences* of this approach let us consider the following aspects.

FA distinguishes a societal or properly 'national' reporting (e.g. the 'national accounts' like in measurement of GDP, unemployment and similar issues) from an entity or corporate reporting.

This distinction seems very useful also in SA. Mainly for public bodies, in fact, social or environmental reports sometimes can be confusing between the two levels of reporting. A 'societal' accounting on sustainability goes beyond the proper entity's horizons. SA as FA, then, is to be mainly under a 'corporate' view, leaving the former to other scholars, methods and practitioners.

FA is directed mainly to 'external' stakeholders, whereas another branch of accounting, 'management accounting' is directed to 'internal' stakeholders in order to take management decisions.

SA, like FA, seems mainly directed to external stakeholders. A separate and new branch of SA, then, seems to be needed: a 'management' SA, directed to internal stakeholders in order they undertake responsible and sustainable management decisions in their everyday activity. Today seems that this branch of SA is underdeveloped, so confining SA to public relations and not involving really operations into a sustainable approach to produce profit (or directly goods and services in non-profit entities). Only by a 'management' SA, social responsibility will be embedded in entity's processes and will overpass the stadium of a 'public relation' affair. External disclosure, without internal one, seems to shape SA in a sort of cosmetic tool.

FA distinguishes 'accrual' accounting from 'cash' accounting. This basic distinction concerns the contraposition of 'manifestation' versus 'competence'. Is this distinction possible also in SA? For answering to this question, we should find what 'manifestation' means in SA. Perhaps time is not still fit for such an identification. In our opinion 'manifestation' could reveal itself in the direct benefit or damage that persons or community receive as an outcome of entity's activity. These benefits and damages, however, could be perceived also years after the structure of society or natural environment has been really improved or damaged. An accurate model of cause-effect between real outcomes of entity's activities and their perception is possible by means of a system of indicators. Under this aspect, SA is moving just its first steps, and a long path owes to be undertaken before a clear distinction of time competence will be achieved.

This approach, furthermore, allows perhaps a better and less free mapping of stakeholders. In the production process, factors of productions and subjects are quite in a limited number.

We have the raw factors acquired by third economies, goods and services (*input*).

After we have the classical factors of production that create the added value: land, labour, capital, entrepreneurship, environment (*throughput*).

Finally, we have the final goods and services delivered, and, in general, the effects of entity's action (*output*).

Around this input-output process, we find an environment of regulation, public opinion, advice, studies.

Stakeholders, in this view, spring from each of these factors.

In the 'input' phase we find the suppliers of goods and services to the entity.

In the 'throughput' phase we find, for land, the land owners, for labour, the workers, for capital, shareholders, other investors and financing parties, for entrepreneurship, the entity itself and its key personnel or ownership, for environment, state, public opinion and future generations. The 'holders' of these factory, in our opinion, bringing the 'primary' factors, could be called the 'primary' stakeholders.

In the 'output' phase we find the customers, and, in general, the direct recipients of entity's action.

In the 'environment' we find again public bodies (this time as regulators and not as abstract titular of 'environment'), public opinion (even that one not directly affected by entity's action), advisors, competitors, titulars of complementary products, academician and scholars in general, included historians, who, after any other people, are still interested in entity's information when 'the dust is laid' for any other goal.

Another fruitful distinction induced by isomorphism is distinction between *internalities* and *externalities*.

Internalities concern effect of entity's action 'within' entity's boundaries; externalities, 'beyond' these boundaries.

Both FA and SA have both an 'internal' and an 'external' accountability. What we generally mean by FA, nowadays, concerns only the 'internalities' of FA. Disclosure on production and distribution of added value, for an instance, are unduly classified as a field of 'social accounting'. They should properly be viewed, instead, as the FA on 'externalities'. SA, furthermore, is so much concerned about 'externalities' to forgot sometimes that a promising field of reporting does exist as well for SA 'internalities': let us think—just as an example—to all questions related to labour, discrimination, corporate cultural and similar issues, not going so much beyond the boundaries of the entity, but still very relevant, as a sort of 'social' dividend to primary stakeholders.

For what concerns *further developments* of research exploiting isomorphism between FA and SA, without pretences of completeness, let us consider the following fields.

Is SA a general domain of accountability, respect to which FA is only a subset, or is it another field of study and practice? Two ways are possible. One may be that of limiting SA to strict social and environmental issues, leaving the general features of accountability to a *third* field of research, namely the *general* accounting; another one may be that of including FA as one of fields of a comprehensive SA. Of course, in this last case, FA will cover all needs of accountability, both for internalities and for externalities, and all types of stakeholders.

A second field of development marked by isomorphism is on the nature of stewardship in SA. In FA stockholders entrust their capital to managers and accounting serves for discharging their responsibility on how they managed this capital. What is, instead, entrusted to managers' care in SA? What are they discharged for, in presenting their social reporting? Have they managed in order the social value increases or decreases? The answers to these questions are not so easy and indicate a way to pursue in academic research.

Another development, quite obvious, is the process toward *regulation*. If histories of the two branches of accounting are similar, similar should result the outcome. FA experienced a strong process of *regulation*. The need for a similar process in SA is evident. International financial community did not support too differentiated languages. When a corporation has a global horizon (like any listed company, because capital is global), it need a global financial language. When it has a national horizon, it needs national GAAPs. When it has only a local or familiar dimension, like in most private ownerships, financial language is nearly a private affair. Similarly, for SA:

when the entity has a global or very relevant impact (let us think, at least, to sovereign states), it deserves a global sustainability language; when the entity has local impact, national legislation could be enough, and so on. No reason could be advanced for keeping along the actual deregulated system. It, instead, seems dangerous for the reliability and the reputation of the same SA.

Another feature to export from FA to SA is the differentiation between different kinds of entities. FA makes differences between profit and not-for-profit entities. IFRSs are for entities oriented to production of profit; IPSASs are for public sector entities; other standards are developing for other kinds of entities. There is no reason for which SA should be unitary. Corporate Social Responsibility is quite different from Social Impact of Public Action, in turn different from 'Mission Statements' or similar reports for charitable and other non-profit organisations: different classes of entities, different standards.

Regulation, also differentiated for families of entities, refers to the problem of the composition of the boards that issue or shall issue the standards. It is not allowable that scope of stakeholders is enlarged and composition of boards remain restricted to a narrow public. This problem, however, is not of positive but of normative nature.

A properly new theoretical problem is instead the consequence of enlarging the number of used variables. FA uses only money values by definition. SA deals with qualitative variables, money values and other quantitative values. A field of research is due if a unique measure unit is needed. The potential solutions are, at a first glance, at least three:

- leaving different variables, without a possibility of measuring a social value;
- translating different variables into a conventional money level;
- translating different variables into a new conventional variable, including money in this translation.

It is not fit this Chapter for exploiting costs and benefits of each of these ways, but only to consider the paths open for future research.

Another choice to undertake is that between annual report or interim reports. If FA, for most relevant corporations, requires interim financial statements, perhaps the same will happen, early or after, also in SA. Another question to be answered is if SA has to follow FA in producing only one main set of statements. If this is the case for FA, in fact, that could be due to the narrowness of primary stakeholders (potential and actual investors), while the large scope of stakeholders in SA could suggest to produce different reports for different stakeholders. This last choice would make quite complex the process of disclosure on sustainability and the process of regulation as well.

Finally, research in SA should choice whether it is better to follow the way of *standardisation* of FA for firms (few judgment, little space for national regulation) or the way of *harmonisation* of FA for public bodies (many options allowed, more space and respect for national regulations or traditions). In our opinion, at least for many years, broad harmonisation will be preferred to narrow standardisation.

6 Conclusion

The aim of this Chapter has been to evidence the strong 'isomorphism' between financial accounting and what we resumed in the name of 'sustainability accounting', to survey the main features of this isomorphism and to investigate on the main perceived consequence for research.

Financial accounting (FA throughout the Chapter) is sometimes defined in the chapter as 'traditional' not because it is older than sustainability accounting (SA likewise), but because it enjoys a longer and more established scientific paradigm whereas SA seems sometimes to look for a general agreed perspective on research.

After the presentation of the theme a premise on 'regulation' in SA is presented as the main mirror in which to look at for discovering similarities with the parallel and most famous process of regulation in FA. Then, the Chapter follows defining what we mean by the term of 'isomorphism'.

Once 'isomorphism' has been defined, a rapid survey of the different elements of such isomorphism is showed.

Finally, an attempt is made to simply outline the major theoretical consequences and the further developments, in general for CSR and particularly for SA.

The objective of the Chapter is just introductory on this subject, and further conclusions will be able to be reached only by means of more robust investigations, also of empirical nature.

Among the various arguments of discussion, what emerges more for relevance—at least in our opinion—is the regulation process. Only the full exploiting of this process seems to make the risk of self-reporting would be avoided. The Frankental's (2001) solution for a SA enforced by financial markets seems to be a promising way for empowering SA and embedding it in the structure and processes of the entities.

In any case, only a full exploiting of this approach in the next years, along the outlined directions, will be able to ensure the profitability of the same for the community of scholars and practitioners in SA and CSR.

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