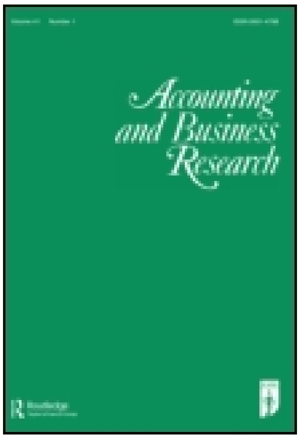

Accounting and Business Research
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/rabr20

Financial and external reporting research: the broadening corporate governance challenge

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Published online: 28 Feb 2012.

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Lee D. Parker*

Abstract—This study provides a critical examination of contemporary financial and external reporting research from a corporate governance perspective. Adopting Hines' social constructionist approach to financial reporting, the study investigates research into accounting publishing patterns, published reviews of major subject areas within financial and external reporting research, and interviews a sample of accounting professors in British universities. The findings reveal a strong North American economics and finance-based positivist influence, a largely uncritical acceptance of accounting's subservience to the demands of the market, a reluctance to engage major policy questions and broader reporting constituencies. These appear to be conditioned to a large degree by internal features and pressures within the academic research community. Evidence is presented for greater attention to major environmental shifts impacting accounting and communities globally, a reinvigoration of researchers' direct engagement with reporting constituents in the field, a revisiting of major accounting, business, social and environmental policy questions, and a preparedness to address today's major corporate governance concerns of communities and governments.

Key words: Accounting policy; accounting research; corporate governance; external reporting; financial accounting; financial reporting

1. Introduction

Financial and external reporting (FER) research has arguably maintained itself as a major area of accounting research, both in the UK the US and internationally. It has developed from a normative and policy-oriented focus in the 1950s–1970s, into an economics based, mathematically and statistically-oriented empirical positivism. How does this relate to the corporate governance challenges and debates surrounding both profit and non-profit organisations in today's economies and societies?

This paper offers a critical reflection on the current state of FER research, with particular focus on its emphases, dominant issues, gaps and challenges. Rather than offering an exhaustive review of research achievements and coverage to date, informed by a social constructionist perspective, it presents an intentionally selective examination of outstanding challenges from a broad scope societal responsibility point of view.

To this end, the study involved a revisiting of researchers' published reviews of constituent areas within the FER research literature, along with interviews with 12 UK accounting professors. These professors were interviewed concerning their assessments of the relationship between the finance and financial accounting research literatures, the prevailing issues being addressed by the FER research community, the dominant research methodologies employed, currently neglected subject areas, the financial/external reporting/corporate governance relationship, accounting research community failures, and priority issues for the ongoing FER research agenda.

The paper will first outline the analytical perspective adopted, briefly address the relationship between FER and corporate governance, comment on a recent review of UK financial accounting research publishing and then examine major areas of FER research already subject to recent review by scholars. The paper will then draw upon the reflections of interviewees to offer both assessment and critique, concluding with proposals for the ongoing FER research agenda.

2. A social constructionist perspective

Much FER research still focuses upon accounting as a neutral technicist phenomenon best addressed through a methodology focused upon modelling

*The author is Professor at the University of Adelaide. This paper formed the basis for the author's presentation of the plenary presentation to the 9th annual Financial Reporting and Business Communication Conference, held at Cardiff University, July 2005. The author is particularly grateful to Professors Richard Laughlin of Kings College University of London, Jim Haslam of the University of Dundee, and Mike Jones of Cardiff University for advice given during the formative stages of this research project. The study has also benefited from the time and input offered by the 12 UK accounting professors who readily participated in the interview process, and from invaluable research assistance provided by Gloria Parker of Stonehaven Consulting Services Pty Ltd. Correspondence should be addressed to Professor Parker at the School of Commerce, the University of Adelaide, Adelaide 5005, South Australia. E-mail: lee.parker@adelaide.edu.au

This paper was accepted in November 2006.

and predicting market reactions to disclosure patterns and characteristics. A large modicum of FER research is predicated on an implicit and explicit quasi-religious belief in naturally occurring markets, the pre-eminence of impersonal pricing mechanisms, and the role of accounting as an independent financial communication mechanism. Moral and processual questions of context-action interplays, actors' interpretations, social critique and normative policy largely lie outside the perceived remit (Hines, 1989a; Laughlin, 1977; 1987). Positivism, realism and conventionalism dominate underlying methodological choice and levels of prior theorisation (Laughlin, 1995). The researcher's direct engagement with the field and its actors is minimised and the resulting narrative is largely quantified (Laughlin, 2004).

As accountants have created and appropriated an increasing scope of areas of work and related expertise claims in their professionalisation project, so FER researchers have arguably appropriated the philosophies and methodologies of the natural sciences, particularly via the fields of economics and finance. Arguably, their research objectives and scope of studies have become conditioned by the stereotypical methodological limits of scientific method to which many have become wedded. The name of the game is treating accounting information as an economic good, focusing on rational, utility maximising shareholder behaviour, and researching 'what is', in a world 'out there', as objectively as possible (Laughlin, 1981; Hines, 1989a,b; Hines, 1992; Parker, 2001). When positivist researchers arrive at unexpected results, they do not necessarily reject or amend their implicit meta-theories but explain anomalies via critiquing data sampling and analysis methods and attributing failure to the *ceteris paribus* assumption. The underlying philosophies, focus and research approaches underpinning the positivist tradition remain unquestioned: by researchers, reviewers and journal editors (Hines, 1991; 1992). The reality represented in many FER studies, is therefore a segmented view, abstracted from the institutional, societal and political context, being confined to economic variables, the relationships and impacts of which are to be predicted and thereby controlled (Hines, 1992).

There is, however, an increasingly recognised alternative view that argues that reality cannot be envisaged separately from thought, language and social practices. Instead accounting can be conceived as participating in the social construction of actors' realities (Hines, 1988, 1989a, 1991; Laughlin, 2004). From individuals to societies, Hines (1989a) argues that we reflexively employ prescriptive and descriptive accounts of reality to both constitute and reproduce it. FER concepts and language as constructions are so vital to the operation of organisations and society, that their routines and measurements have been historically contested and revised. Such contests and revisions are invariably the product of complex processual interactions of social, political, and institutional (as well as economic) environments. Yet much FER research privileges a materialist world that is purely economic.

Alternatively, we can recognise a world in which FER is socially constructed, thereby admitting the possibility of irrational behaviour, reconstructed and broadened views of what accounting is and can be, and redefined concepts of validity, credibility and reliability. How accountants and researchers construct their 'accounting reality' can ultimately affect the way society commonly interprets the organisational and financial world. Both accountants' and researchers' constructions of accounts influence how other members of society 'see' and 'interpret' the world around them. A narrow FER economic view can therefore confine generally received societal perspectives, creating, legitimising and reifying a status quo that ultimately may be to the detriment of the public good (Hines, 1988, 1989a, 1991). The pictures that FER researchers and professionals paint can present a view of the world that forms the basis for people's actions which, if similarly economically and quantitatively focused, are likely to beget consequences similarly constituted and hence apparently confirming the initially portrayed economic world. So in communicating 'reality' FER researchers and professionals construct the community's reality! The question then arises as to what happens, for example, when corporations fail and the community discovers that there was 'reality' other than the one painted by accounting? Even in narrow economic terms, they may quickly redefine their reality such that it becomes a self-fulfilling one (e.g. company liquidation due to creditors' reactive demands for immediate payment). Of course FER research largely focuses on accounting and associated market behaviour in aggregate, often having little to say about specific individual cases (Hines, 1988, 1991, 1992).

The above constructionist perspective, particularly informed by Hines' and Laughlin's articulations of the positivist alternatives, is briefly presented here for the dual purposes of outlining the philosophy underpinning the analysis and critique offered in this paper, and for identifying gaps and potentials in FER research. Rather than attempting the pursuit of representing and predicting some existential reality that mythically exists 'out there', FER research may be better directed towards understanding and assisting the construction and fulfilment of multiple realities by a whole range of actor groupings that are involved in, relate to or are affected by organisations and institutions (Hines, 1991). This requires grappling with the nature and impact of such groups' imputed multiple historical and social meanings that lie behind and beyond objectivist, technical accounting numbers and reports. Such apparently intangible values and interpretations, may carry significant implications for the shape and impact of what we customarily think of as tangible accountings (Laughlin, 1987). Why bother? While this represents a major departure from and challenge to the safer and more comfortable routines and generally accepted limits of positivist FER research, it offers the opportunity for researchers to contribute to the societal pursuit of 'the better life' across a broad canvas that includes but stretches well beyond the economic (Laughlin, 1987). As Hines (1992) puts it, we have the capacity to research the empty or negative spaces: those areas of organisational and societal activity and life that are marked by silences, for which there is no market value, for which there are unexplained irrationalities and apparent dysfunctions, and for which there is no accounting or representation (Choudhury, 1988; Arrington and Francis, 1989; Inkpen and Choudhury, 1995).

3. The governance question

Since the beginning of the last century, corporate governance has arguably commanded the highest levels of attention and debate among legislators, regulators, professions, business bodies, media and in the general community (Parker, 2005a). The litany of international corporate frauds and failures has brought company directors, accounting regulations, auditors, and the accounting profession into sharp focus and subject to severe criticism. Imhoff (2003) argues that in the US the financial reporting regimes, particularly through cash bonus and stock option plans based on accounting results, have presented managers with incentives to manipulate financial results and delay or conceal bad news. Window-dressing is employed to apparently exceed shareholders' expectations. Board members also are often compensated with stock options, which thereby can induce them to avoid recognising or dealing with unfavourable corporate performance, and to mask unfavourable financial news. Such a predicament stands in somewhat amusing juxtaposition to financial accounting researchers' most heavily researched corporate governance issue, namely the use of accounting performance measures in management compensation contracts! (Bushman and Smith, 2001; Sloan, 2001).

Despite this, Imhoff (2003) sees corporate governance as problematical in its relationship to the vexed issues of financial reporting integrity. In the face of the major crisis in corporate governance and financial reporting, the accounting research community's response has been lamentably slow and inadequate. Sloan (2001) contends that while there is great potential, there exists a dearth of research into the role of financial accounting in corporate governance published in accounting research journals. He argues that today many accounting researchers have financial economics expertise and thereby conduct governance research unrelated to accounting. Parker (2005a) too, finds a relative dearth of financial accounting research analysing or responding to the corporate frauds and failures of recent times, save for a small coterie of accounting researchers (e.g. Clarke et al., 1997; Clarke and Dean, 2002). Yet as Sloan (2001) points out, financial accounting information is both an input to and a product of the corporate governance process.

However the external corporate reporting/corporate governance relationship is not limited to financial compensation and results alone. As Bebbington (2004) explains, governance is about a suite of broad responsibilities at corporate level that extend to accountabilities that include corporate social and environmental impacts. These raise issues of accountability and reporting transparency that go beyond financial status and results. Sarre et al (2001) see them as involving much more than compliance with legal responsibilities, extending to accountability for responsible performance for the common good. Such an interpretation of the external corporate reporting/corporate governance relationship opens up significant new horizons for accounting researchers.

Why has corporate governance received such narrow or inadequate levels of attention from financial accounting researchers? Parker's (2005a) interviews of senior Australian and New Zealand accounting academics provides some clues. They cited the time and effort involved in examining and diagnosing data on corporate crashes, a fear of rapidly declining topicality of particular corporate failures, difficulties in accessing inside company information, and a fear of potential litigation being brought by companies cited. More fundamental barriers to such research were suggested to take the forms of a tendency in the financial accounting research community to mimic North American positivist style research and accordingly concentrate on narrowly focused positivist studies rather than tackling critical, case study-based research into corporate failures. The statistics cited in Beattie's (2005) and Searcy and Mentzer's (2003) recent review studies bear this out. It is to these that we now turn.

4. British financial accounting publishing

Beattie (2005) has provided an invaluable review of recent financial accounting research and publication from a UK perspective. Here she recognises the North American predisposition towards empirical behavioural accounting and market based accounting research with their associated foci upon short time horizon event studies, capital market consequences of accounting standards and disclosures, earnings management studies, and financial analysis and equity valuation studies. While arguing that more UK researchers have broader interests (e.g. social and environmental accounting), the tendency of many UK researchers to follow the US preoccupation with positivist quantitative research is still apparent. The North American predisposition towards positive economic theory-based accounting research is amply illustrated by Searcy and Mentzer's (2003) admittedly restricted sample of four accounting research journals classified as top-ranking in the US[1] which finds that only *AOS* has published research falling outside the positivist worldview (representing 11.5% of total articles in the four journals). While Beattie's tabulation of research areas shows market-based accounting research to constitute 25% of her sample of UK publications in financial accounting, the positivist approach can also be found in other areas reported in her study, such as earnings management, accounting choice, economic consequences and failure prediction.

Beattie's (2005) sample of published studies (1998–2002) reveals the dominance of what she terms archival research in UK financial accounting. However, this is not a term used in the historical methodology sense, but rather refers to the largely quantitative modelling and testing of data drawn from annual reports, market and analysts' forecast data. Consistent with interviewee observations in Parker's (2005b) study, case study and interview research methods in Beattie's study constituted less than 10% of methodologies employed in the sampled publications. This stands in marked contrast to the growth in market-based studies which, as Beattie rightly observes, fail to investigate financial reporting, usage and decision-making processes. We are left with predictive models and analyses of inputs and outputs, while remaining ignorant of the processes within the intervening 'black box'. Yet it is in this processual area that our greatest ignorance and accompanying greatest potential for accounting policy contribution lies. Given financial accounting researchers' predisposition towards North American inspired quantitative research, their neglect of case and field study research is predictable. Searcy and Mentzer's (2003) study of the influential top-rated North American accounting research journals, finds that only 9% of articles (representing all accounting subject areas) published in their sample period, employed these methodologies.

In her review of main financial accounting research areas, Beattie comments that most theoretical papers in the field are now analytical modelling exercises conventionally embodying simplifying assumptions that cannot capture the complexities of practice and often carry no direct policy relevance. In addition she observes the rapid rise in market-based accounting studies, fed by the availability of low-cost databases, economics, mathematical and statistical training of researchers (admittedly more in the US than the UK) and the short completion time-scales often possible for such projects. This points to a predisposition among at least a segment of the accounting research community, to utilise familiar tools in search of short-term publishable projects, rather than prioritising issues of major business, government and public policy importance. This positivist modelling predisposition may be further accentuated by the type of training and research philosophies being inculcated in PhDs, the PhD backgrounds and institutional affiliations of the accounting research community elite – namely research journal editors and their referees, and British and overseas business school journal rankings that privilege North American economic based positivist accounting research journals (Lee and Williams, 1999; Searcy and Mentzer, 2003). These represent a quite remarkable mimicry of a North American business school research bias that is increasingly being criticised as narrow, scientistic and inappropriate to business conditions and problems by leading US business school scholars themselves (Bennis and O'Toole, 2005).

5. Major issues

What follows is a brief outline and critique of presences and absences in the FER research literature (Choudhury, 1988; Arrington and Francis, 1989; Inkpen and Choudhury, 1995). These are largely based upon a selection of extant reviews and critiques in the published accounting research literature. The selection has been derived from extensive electronic journal searches, but does not purport to be all–inclusive, nor to cover more than a sample of subject areas within the purview of FER.

5.1. Capital markets research

Healy and Palepu (2001) review empirical capital market studies of corporate disclosure.[2] In doing so, they highlight significant factors in the economic environment that may affect financial reporting and disclosure: including technological innovation, network organisation structures, and the globalisation of capital markets. Notably, they confine their assessment to economic factors.

[1] *Accounting, Organizations and Society (AOS), The Accounting Review, Journal of Accounting Research, Journal of Accounting and Economics* 1995–2000.

[2] The papers reviewed are almost exclusively North American.

They also point to the virtual absence of research into the regulation of disclosure which they find surprising given the profile and preponderance of regulated disclosures. They find accounting research to be focused on the question of whether accounting standards add value for investors or other stakeholders: expressed in capital markets research as the relationship between accounting information and security prices. The most significant outcome of this research appears to be the conclusion that regulated financial reports present relevant new information to investors. The question of the value of regulated versus unregulated information remains, however, an open question. In addition, the authors argue that little is known concerning the reasons behind the regulation of financial disclosure in the capital market.

Managers' capital market disclosure decisions have been attributed to a number of factors: capital market transactions and investor perceptions, contests for corporate control, stock-based management compensation plans, the threat of shareholder litigation, proprietary costs of disclosure impact on competitive position, and management talent signalling (Healy and Palepu, 2001). The focus of all this remains clearly upon management and shareholders' interests. Government, community and public interests do not appear to be on the radar screen. In addition, they report that studies of accounting method changes find, at the announcement of the accounting change, no significant relationship between stock returns and contracting or political cost considerations. Interestingly, Healy and Palepu echo Hines' (1991, 1992) critique of positivist accounting research, in that while tipping their hat to the possibilities that accounting decisions do not influence shareholder wealth, they also raise technical means of explaining away such results by alluding to the difficulty of measuring stock price effects for many events studied, and to the possibility that maybe contracting and political costs are not important economic explanators of wealth effects of reporting changes (implying that other explanators may exist). Of interest here are some of the truly fundamental unanswered questions they identify:

- What is the objective of regulating disclosure?
- What type of accounting standards produce high quality reports?
- Why do companies engage in voluntary disclosure?

Drawing on a range of internationally published[3] research, Saudagaran and Meek (1997) review the relationship between international capital markets and financial (transnational) reporting by multinational companies. Of major concern to them is the state of research into diversity versus harmonisation of accounting and disclosure practices. They find that recent research into causes of diversity in accounting practices has produced little by way of significant new findings. Their review also reveals little attention being paid to comparative analyses of standard setting, especially as a potential explanator of diversity in standards and practices internationally. They do find a range of study results that suggest that diversity in accounting and/or tax methods can affect international corporate merger activity, concluding overall that the effects of international accounting diversity are perceptible: affecting terms of transactions and capital market participants internationally.

With global trade growth and the internationalisation of capital markets, accounting harmonisation is identified by Saudagaran and Meek (1997) as a major international business issue. Here they express concerns at the temptation for developing countries, lacking resources to build their own standards, to capitulate to a wholesale adoption of International Accounting Standards in pursuit of global respectability for their financial reporting, despite their own differential requirements. In addition from the accounting literature, they identify harmonisation obstacles, including opposition from countries anticipating unwanted economic effects, political nationalism, and the views of strong professional bodies within some countries. While they cite studies of harmonisation within the EU, and in other economic trade blocks around the world, Saudagaran and Meek find little empirical research into the success of harmonisation at the global level. Instead, their review of research finds reporting practices still anchored in national requirements, and international capital markets inducing additional voluntary disclosures that vary in type of information provided. However, disclosure requirements appear not always to be met, and indeed the same company information is not always released in all locations. The international picture is further clouded by the lack of any systematic patterns of disclosure or GAAP across countries or over time. The role and impact of accounting information in international capital markets therefore, despite the volume of research to date, appears still to be little understood. Saudagaran and Meek also observe that most of the research to date focuses upon annual reports and earnings announcements. Yet they admit that other forms of disclosure, such as press releases, web-based reports and information for financial analysts, may be overtaking these.

5.2. International accounting research

Gernon and Wallace's (1995) review of interna-

[3] Their sample of papers is drawn from European, British, Australasian and North American journals.

tional accounting research makes an observation consistent with Hines' (1989a,b, 1992) critique of positive accounting research, namely that much international accounting research is focused on actual present practices and behaviour, rather than focusing on what is *possible*, *probable* or *desirable*. They report that while international accounting researchers have investigated intrinsic factors potentially influencing organisational choice of accounting practices and quality of accounting reports, there remains a need to synthesise the literature on firm specific characteristics of corporate reporting in order to move the field forward. They also point to the inadequate state of knowledge and theorisation about organisational strategies of cross-national professional accounting firms, the way in which these firms organise themselves. The lack of observed theorisation extends to what they see as the lack of theories of change articulated in support of statistical models presented, particularly as many of the latter assume the attainability of an equilibrium state in an international world of rapid and complex change. Consistent with this paper's call for contextualised accounting research, Gernon and Wallace (1995) highlight the relevance and value of contextualised research in international accounting, where national differences can loom large, even in a globalised world. In this respect they bemoan the confinement of many researchers' treatment of cultural context to the limited framework developed by Hofstede (1980).

More recently, Prather-Kinsey and Rueschhoff (2004) have analysed international accounting research in 41 US and non-US academic journals for the period 1981–2000. They found that financial accounting constituted 41% and economic analyses constituted 15 % of the topics researched, with financial accounting and reporting papers showing the highest growth rate over the two decades. Capital market studies represented 25% of total international articles and 61% of total financial accounting studies. Financial reporting topics comprised 55% of so-called top-tier US journals' international accounting articles. Juxtaposed with this profile, Gernon and Wallace (1995) had already observed a fundamental two-way split in international accounting research – between global statistical versus contextual case study approaches. Despite their call for greater attention to contextualisation, they see a contradictory tendency in international accounting researchers to prefer generaliseable, universal findings pursued via the positivist statistical route.

5.3. Intellectual capital accounting research

Compared to the foregoing two areas of FER research, intellectual capital accounting research is in its infancy. It goes beyond the conventional accounting research into intangibles which tends to be restricted to considerations of such issues as the accounting treatment of goodwill, research and development, and patents. Yet a wide variety of other potentially value creating intangible assets have been ignored by conventional accounting practice and many FER researchers (Canibano et al., 2000). Reacting against the narrow definition of intangibles that excludes such assets as human resources, customer loyalty and company reputation, intellectual capital accounting broadens the scope of accounting to include both structural and human capital (Brennan and Connell, 2000). These are generally represented in three subcategories (Guthrie and Petty, 2000):

a. internal structure – including items such as R&D, concepts, models, patents, administrative and computer systems;

b. external structure – including customer relationships, brands, trademarks and reputation;

c. human capital – including employee education and skills, training, staff values and experience.

Brennan and Connell (2000) have reviewed developments and research in this area, finding that models of classification and reporting are varied and still evolving. They point to the two frameworks for managing intellectual capital most cited as being those employed at Skandia and Dow Chemical, both of which manage intellectual assets to enhance their value-adding potential for their organisation. Their review of empirical research in this field covered studies in the Netherlands, Scandinavia, Austria, Canada, Australia and Ireland and reports focal research objectives as including intellectual capital frameworks and statements, and the measuring and reporting of intellectual capital. The studies employed a full suite of research methodologies including interviews, case studies, questionnaires, annual report content surveys and focus groups, with case study being particularly popular.

Empirical study findings contain somewhat contradictory aspects. Canibano et al. (2000) report studies showing a positive relationship between patents and the market value of companies, contradictory and inconclusive evidence on the stock price impact of brands and trademarks, a lack of clear relationship between customer satisfaction and corporate financial and stock price performance and a scarcity of empirical evidence about the relevance of human resources to equity valuation. Much obviously remains to be done in expanding and pursuing this research agenda. However, Brennan and Connell (2000) report that on the one hand, intellectual capital emerged as being regarded as important to companies' long-term success, with companies managing their own intellectual capital reported as outperforming other companies and with human capital being highly regarded as a valuable asset. On the other hand, they also find that intellectual capital appears to be rarely reported in annual reports and when reported lacks a consistent reporting framework.

So as Guthrie and Petty (2000) argue, there appears to be a deal of empty rhetoric attached to measuring, valuing and reporting intellectual capital. They conclude that currently there is greater corporate interest in understanding the locus of a company's core value than in measuring it. Despite these contradictions, the case for accounting researchers' greater attention to intellectual capital accounting research is amply demonstrated by Guthrie and Petty's observations on the Australian economy. They report that while previously the top 50 companies in Australia were dominated by industries requiring heavy capital investment, such dominance is now challenged by companies in the financial services, media, telecommunications, consulting and tourism sectors. By the late 1990s, of the top 10 companies, eight had a preponderance of intellectual capital. While FER researchers have remained strongly wedded to capital markets-oriented research, a whole new organisational world, requiring new and innovative accounting and reporting, appears to be opening up.

5.4. Internet reporting research

Internet reporting represents another FER domain that has been experiencing exponential growth in the corporate sector, while failing to attract commensurate attention from accounting researchers. Craven and Marston (1999) report studies of company practice in the late 1990s as indicating even at that time almost 90% of top 100 Fortune Global 500 companies, over 90% of top UK companies and 90% of all Finnish companies have a website. In the European context, Lymer (1999) reports observations that corporate websites have been progressing through developmental stages from experimental loading of annual reports, then to provision of news and background information beyond annual financial data for investors, and subsequently towards video feeds and real-time voting for AGMs. Further study results include the majority of Fortune 150 companies loading their earnings announcements onto their corporate websites on the day immediately following their public announcement. In terms of motivation towards corporate internet reporting, to date the research suggests that corporate size is positively related to financial disclosures on the internet, extent of financial disclosure is unrelated to industry type, country of origin is unrelated to voluntary disclosures on internet, while corporate attitudes to stakeholders may be a more important explanator of internet disclosures (Craven and Marston, 1999; Lymer, 1999).

Lymer (1999) has summarised a raft of issues for FER practice and research that will be triggered by the further expansion of corporate internet reporting. These include its management, control and regulation, the structuring of data and formatting of reports, the setting of electronic reporting standards, the assuring of reliability and prevention of tampering with information and the potential for demand and supply of disaggregated data. In addition, these developments raise the prospect of new forms of external reporting, real-time reporting, and the provision of greater volumes of information. Against such far-reaching implications for FER stands the relatively limited attention still being paid by accounting researchers (Gallhofer and Haslam, 2006).

5.5. Accounting communication research

This area of FER research tends to have been pursued by a small select minority group of researchers, and over time has received a level of attention from the accounting research community incommensurate with the arguably crucial role of effective communication in the FER process. Two publications almost a decade apart, reflect on aspects of research in this subject area, Parker's (1986) monograph providing a state of the art review of communication via financial reports, and Jones and Shoemaker's (1994) review of empirical research in content and readability of narratives in annual reports. Across the 1980s and 1990s, these illustrate the persistence of the issues over time. Parker (1986) reports on researcher concerns and debates about traditional versus broader scope corporate reporting objectives, as well as the identity of the report audience, including the degree to which groups such as private investors and financial analysts should be targeted and catered for. Studies cited revealed a need for greater attention to analysts and sophisticated report user preferences and interpretations, and discussions of the potential for producing simplified financial presentations for private investors also catering to their preferences and skills. Indeed, a considerable number of studies of private investor report reading patterns and preferences are summarised from the 1970s and 1980s. Studies in this period also paid attention to report producer intentions and preferences.

The 1970s and 1980s also saw an upsurge of reporting language and readability studies which found ease of reading levels of much of the content of annual reports to be pitched at the higher levels of difficulty, with reading ease over time appearing to be worsening and potentially inaccessible to unsophisticated audiences. Alongside these findings, Parker (1986) reports a growing number of studies addressing the issue of differential reporting for different target audiences. Possibilities canvassed included supplementary reports for financial analysts and advisors, separate summary financial review sections, separate annual report sections for different major user groups, and the further development of summary highlights (year in review) statements within annual reports. Even at this stage, Parker found that accounting researchers had focused mostly on what Hines (1989a,b; 1992) referred to as 'What is' research, namely observing producer and user behaviour and preferences rather than committing to development of models or frameworks for future practice.

Almost 10 years after Parker's monograph, Jones and Shoemaker (1994) reviewed the use of empirical content analysis studies of narrative disclosures in FER research. This type of research has fallen into two groups:

a. identifying and analysing major themes within reports;

b. analysing the cognitive ease of readership of report contents.

Thematic studies have investigated management attitudes towards issues such as social responsibility, environmental performance and 'good' or 'bad' financial performance. They have examined for correlations between narrative disclosures and financial performance indicators, extracted key themes in tax case court records, examined the impact of comment letters on accounting standards pronouncements, and examined narratives for compliance with standards or violations of quality control. Readability studies have investigated the degree of difficulty in reading annual reports, differences in reading difficulty between different sections of annual reports, differences in reading difficulty between different types of reports (e.g. employee reports versus summary highlight statements), whether annual reports have become more difficult to read over time, and associations between reading difficulty and other variables such as net profits, and other risk and return indicators.

Overall, research to date has found that annual reports are generally pitched at the difficult or difficult to read level, and that over time, annual reports have become increasingly difficult to read. However, such conclusions are limited by the lack of consensus about the degree to which readability measures approximate people's comprehension. Jones and Shoemaker (1994) signal a range of issues for further research in this area, including developing new theories to better understand management motives and behaviour in the communication process, changes in readability over time, comparisons of readability of a full range of corporate report types, cross-national differences in readability, and accounting texts readability.

One other aspect of accounting communication research deserves mention here. Corporate financial reporting to employees experienced an upsurge in interest among accounting researchers in the 1970s and early 1980s (e.g. Purdy, 1981; Pope and Peel, 1981). Parker (1977) documented British developments in the 1970s, and Lewis et al. (1984a,b) examined the fluctuating levels of management and accounting research attention to this subject over most of the 20th century, finding a lengthy but intermittent history of both research and practice, as exemplified in a range of papers published in journals and books across the US, UK, Australia and elsewhere (Parker, 1988). While not entirely surprising given Lewis et al.'s findings of researchers' fluctuating interest in this subject across (approximately) 20-year cycles, it remains nonetheless curious that since the mid to late 1980s, except for some interest in wage bargaining disclosure (Frantz and Walker, 1997; Pope and Peel, 1997), virtually no further accounting research has been published on this. Arguably, many employees devote a greater percentage of their lives to their employing organisation than any shareholder or creditor, and therefore merit serious consideration as a stakeholder for FER purposes. On the other hand, the dramatic moves in western economies over the past 20 years towards casualisation of the workforce may be signalling a new attitude towards employees as a disposable, temporary, external resource no longer meriting any targeted FER. However, such an explanation fails to account for the apparent rising interest in accounting for intellectual capital, unless employees' knowledge is to be *accounted for* as a valuable asset, but as increasingly temporary outworkers, they are no longer to be *accounted to*! Accountability and ethics issues loom large for accounting researchers who might care to consider this apparent contradiction.

5.6. Social and environmental accounting research

Just as Beattie's (2005) study has found, social and environmental accounting (SEA) research has emerged as a significant subset of the contemporary FER research literature. Yet it is still being ignored by the majority of accounting researchers and by some (particularly North American) leading research journals. Significantly, a number of reviews of developments in this field of research have been written in recent years. These include papers by Mathews (1997, 2003, 2004), Gray (2000, 2002), Belal (2002), Berthelot et al. (2003) and Parker (2005b).

Observations from across these review studies suggest that the community of SEA researchers, while growing, remains a relatively small minority group in the overall cohort of FER researchers, with few such SER researchers to be found in North America. A variety of theories inform SEA research, with a healthy related debate and introspection ongoing within the research community. Again consistent with Hines' (1989a,b, 1992) concerns about an excessive focus on researching 'what is', such SEA researchers as Gray and Mathews call for renewed attention to the normative research agenda, with Gray (2002), Adams (2002), and Parker (2005b) calling for greater attention to studies that include researcher engagement with actual corporate reporting practice in the field. Alongside their critiques of academic researchers' engagement with practice, is the reporting of studies indicating that despite growing numbers of companies at least acknowledging social and environmental issues in their reports, practising accountants themselves appear to be barely, if at all, engaged. By way of caveat, just as SEA researchers have lately discussed and debated the risk of 'capture' of the SEA field by corporations and others for their own purposes, so Belal's (2002) study of UK firms' SEA reporting practices suggests that many corporations' commitment to and practices in SEA are limited to a self-serving interest in boosting corporate profits and managing stakeholders rather than being committed to open and transparent accountability.

Parker's (2005b) study reveals a trend in the recent past for researchers to be focusing upon environmental accounting and reporting to the detriment of social responsibility issues such as minority employment, employee health and safety, corporate philanthropy, community relations and ethical investment. Parker's study also reports the utilisation of the full suite of research methodologies by SEA researchers, including field/case study, interviews, surveys, and content analysis. Major topics of focal attention in the published literature include national practices, national comparisons and regulations, international codes and standards, and external disclosure generally.

It should also be acknowledged that SEA research has also included a considerable number of capital market-based studies looking for relationships between SEA disclosures and their drivers such as corporate size, industry category and so on, and for relationships between SEA disclosures and corporate profits. Findings have been mixed and contradictory. The best that can be said is that propensity to disclose appears to be positively related to corporate size, exposure to litigation, extent of media attention, and environmental lobby group action (Berthelot et al., 2003). In terms of the association between SEA disclosures and corporate profits or stock prices, generally evidence to date suggests that SEA disclosure does not appear to be associated with reduced profits, but on the other hand it cannot be clearly said to be associated with profit increases (Berthelot et al., 2003). Such mixed results most likely prompted Saudagaran and Meek (1997) to exclude this field from their review of research into international capital markets and financial reporting by multinational firms, stating that the relationship between such capital markets and this form of reporting was not yet clear.

Particularly from the more UK/European perspective, more critical theoretical frameworks are being brought to bear by SEA researchers concerned to challenge the corporate/institutional status quo and to move the SEA focus firmly back onto social and environmental accountability to community and society. What remains as a challenge to the FER research community is the major profile being given to corporate social and environmental issues, impacts and disclosure by governments, communities and media around the globe. How much longer can the majority of the FER research community continue to ignore these major ecological, social and political developments?

6. Collegial reflections

As outlined in the paper's introduction, 12 UK accounting professors were interviewed with respect to their assessments of the state of FER research and its trends. These interviews took the form of semi-structured dialogical interviews conducted in person or per telephone, during which the researcher and interviewees explored and developed a discourse between them on the focal issues suggested by the researcher (Glesne, 1999; Fontana and Frey, 2000; Flick, 2002). What follows is an exploration of major issues relating to FER research that is informed by the researcher's analysis of and reflection upon the professors' inputs.

6.1. Through the finance lens

Economics-based finance has had major impact on contemporary FER research, with the economic finance-based markets lens arguably constituting the 'mainstream' FER research preoccupation. This has manifested itself in forms such as modelling cause-effect relationships between accounting information/policies and stock prices, accounting standards impacts on financial markets and the value of the firm, events studies, and an increasing colonisation of the field by econometric inspired mathematical and statistical analysis. The focus is upon wealth maximisation and risk management. Markets have become regarded as the central game: unchangeable and unchallengeable. Despite market anomalies, investors' irrationalities, and the interplay of a range of societal constituents, many FER models remain tied to an artificial, economistic, positivist view of the world and, despite some nuancing of the efficient markets beliefs through behavioural analyses, largely unchanged. While some criticisms of FER practice arguably led to quantitative approaches to studying reporting phenomena and their causes, the approach has persisted in its focus upon studying what FER is, rather than what it ought to be like.

The primary sources of this finance impact appear to be the mimicking of North American positivist FER research which is dominated by the finance lens, and the migration of economists, econometricians and economics-based finance doctorates into business schools and accounting and finance departments. This influence has been accentuated by editors and referees for accounting research journals acting as gatekeepers who can oftentimes require adherence to finance-based FER research questions, designs and papers as a minimum passport towards being considered for publication. It has also attracted researchers with access to and enamoured of large database research, which allows them to capitalise on their training and the efficiencies of trawling through familiar databases. The focus on finance-driven FER issues rather than accounting-focused issues, may to some extent reflect the presence of increasing numbers of FER researchers who have strong finance training and much less familiarity with accounting theory, method and practice.

What have been the observed outcomes of these trends? While finance-based FER research has remained focused on retrospectively trying to make sense of what FER is and has been, the policy related ground of trying to define what forms it can, will and should take has received much less attention of late. As one professor put it, 'FER researchers have a trainset vision with levers that they repeatedly pull. They don't look for interesting sidings or new levers, and they don't go looking at actual trains. So their research is abstracted from what's happening on the ground.' Or as another professor commented, 'While mathematical models and studies may be statistically valid, they may not be socially important.' So FER research in many cases may be missing the 'big picture': vacating the accounting standards, policy and practice ground. What concerns some accounting professors is that the finance theories tend to seduce researchers into believing that markets are 'correct' and not to be challenged. Accounting becomes redirected into attempting to comply with and shape itself to conform with market reactions. This may to some degree reflect a compliance-based approach to accounting teaching becoming reflected in a compliance oriented approach to accounting research. Thus we may be developing, as one professor argued, 'a market for information addicts', with accounting being used as fodder for what are largely finance-based studies of markets. In the meantime major issues of FER policy, standards development, accounting system critiques, and broader societal reporting requirements appear to be taking second-class seats in the train.

6.2. Current dominant research issues

Professors' views on the issues currently dominating FER research were largely consistent with their views on the finance orientation discussed above. The research agenda appears to remain locked into a strongly technicist orientation, including market impacts of accounting disclosures and standards, a continuing preoccupation with modelling large firm behaviour, and a significant representation of international accounting research.[4] The latter has become manifest in attention to International Financial Reporting Standards (IFRS), which one professor referred to as 'the MacDonaldisation of accounting'. Others raised research questions such as the degree and desirablility of international accounting standards being oriented towards the requirements of the powerful: large investors and creditors, to the exclusion of other constituents. They also remarked on the likelihood of FER researchers waiting to pick over the bones after the event: that is, studying the impact of IFRS several years after their introduction, rather than researching and contributing to the reporting methodology and frameworks before the event, and examining the forces driving FER globalisation as they occur.

From a corporate governance perspective, the major corporate crashes such as Enron are regarded as having triggered at least some concerns regarding financial reporting by FER researchers from across the finance and critical perspectives. Some professors, however, observed that for most finance-based researchers, it is 'business as usual', with FER researchers operating from other paradigms being left to reflect and critique accounting policy and practice implications; particularly concerning the reporting of and corporate accountability for directors' and senior managements' remuneration, share options and golden handshakes. Associated issues of corporate and professional ethics, the role of audit, and some degree of increased interest in corporate information and reporting design processes occurring within organisations have also been involved in this reflection and critique.

Other FER-related areas observed as attracting greater interest among UK researchers include social and environmental accountability and reporting, FER for non-profit/non-government and small to medium-sized organisations, as well as PFI and private-public partnership reporting in the public sector.

6.3. The methodological toolkit

As discussed above, the FER methodological

[4] Notably international accounting research has not followed an exclusively markets-based research orientation.

toolkit is seen to be dominated by statistical and mathematical modelling, positivist market event studies, and finance-oriented use of accounting data.[5] These approaches are arguably influencing the way in which researchers construct their definitions of the very problems they try to solve: problems being redefined to fit the tools that FER researchers prefer to employ. In addition, professors argued that much of this research is little read by accounting researchers, students or professionals, particularly given the mathematical and statistical languages employed. Again, the FER research community may be risking an incestuous dialogue with itself!

Professors pointed to the need for greater FER research efforts employing case and field research methodologies to provide access to longitudinal, processual data, and for generating policy/practice relevant theories and questions for larger scale empirical studies. They also called for a greater spectrum of methodologies including interpretive qualitative analyses, interview methods, critical theories' application, and sociologically derived perspectives that facilitate a broader, more critical set of assumptions than the economics-finance stream currently entertains.

With reference to the earlier discussion of the drivers of the finance-oriented FER research, a number of professors returned to the theme of journal influence upon FER researcher methodological choices. In this respect, the privileging of North American journals in many UK business schools and accounting and finance departments, induces the design of FER research projects and objectives to fit the positivist finance methodologies preferred by North American accounting and finance research journals. In this sense, the cart may well be pushing the horse!

6.4. *Neglected urchins?*

While it is academically comfortable and customary to critique what is being done, the question of absences and vacant spaces deserves attention, since moving future FER research focus and trajectory is at least partly reliant upon identifying those areas and issues awaiting the glare of the research spotlight. Some identifiable areas are reflected in issues covered in the above discussion. They include further research into the impacts of globalised accounting standards application, particularly in countries with developing economies and non-western national and ethnic cultures. They also include calls for even greater attention by FER researchers to social and environmental reporting, accountability and FER for enhanced corporate governance, and a greater quantum of insider investigation into accounting and reporting design and production processes and related internal organisational reporting practice decision-making. Also seen as deserving a higher place on the FER research agenda are the potentially unique contexts and requirements for accountability and reporting by non-government, non-profit organisations, corporate watch groups and lobby groups developing counter-information on corporate performance and impacts, as well as the processes through which accounting standards are negotiated and regulated.

Given the massive developments in communication, and particularly electronic communication within societies worldwide, the modes and effectiveness of accounting communication and presentation, and the vistas, opportunities and problems opened up through internet reporting are observed to be curiously neglected by the FER research community. Related to these are issues of reporting to and report usage by groups such as employees, small investors, financial analysts, investment trusts, environmental and community groups and government regulators. Specific (and arguably more technicist) accounting issues awaiting further attention are seen to include accounting and reporting for goodwill and intangibles generally, intellectual capital, internal/external reporting linkages, and issues relating to corporate governance such as the appropriate length of the reporting period, the feasibility of audits for increasingly complex organisations, the adequacy of accounting's representation of complex operations, and the relationship between standards of accountability and trust.

Professors interviewed also pointed to an even broader canvas. The question was raised as to whether both agency and stakeholder theory perspectives have stagnated in their general usefulness and insights for many FER studies. Opportunities for greater application of social theory lenses, research grounded in inductively generated theory, sociological and ethics theories, and 'bigger picture' theories are all seen as available. At the same time, there is a call for broader narratives that engage FER with public policy, reporting beyond minimum legal or standards compliance, and developing reporting frameworks that can return the FER focus from a rules to a principles orientation.

6.5. *Into the unknown*

Professors interviewed were asked what they considered to still be the 'big unknowns' in the FER field. Their responses coalesced around a number of themes. Consistent with Hines' critique, many identified lacunae with respect to normative policy questions about what ought to be (rather than the current preoccupation with 'what is'). How well do company accounts reflect what is re-

[5] Much like social scientists can sometimes employ historical data in a decontextualised, ahistorical manner.

ally going on in companies? Why do we persist with current reporting structures and routines, despite their publicly identified limitations? To which stakeholders should organisations really report and how? What areas of information not currently covered in annual reports should be accounted for and disclosed? The latter raises the issue of broader scope reporting. Is there room for alternative forms of reporting reports for specific groups or communities and addressing specific issues such as intellectual capital, social and environmental impact, counter-reports on organisations, and more?

Have we yet learned all we can about the inside workings of accounting policy formation processes? While there have been well-researched efforts in accounting standards lobbying research, we still lack insider interview, field study-based processual research that penetrates policy deliberations, negotiations, influences, rationales and decisions.

Interviewed professors also called for a return to fundamental questions of what would be useful in report disclosures and to whom? What do report producers intend? Who are they targeting? How do organisational constituents and communities really perceive FER? How is reported information used and why? To what extent is it trusted or relied upon? Which groups read reports? What do they read, why, and what do they learn? Does it matter if no-one reads them? Have analysts' briefing meetings supplanted formal external reports to all intents and purposes? Is the FER act of public accountability sufficient in itself? In many respects, these are also processual questions which FER researchers once considered, but of late have tended to neglect. They require direct researcher engagement in the field. Desk research alone cannot penetrate these issues in practice.

Again on a corporate governance theme, accounting professors raised the issue of FER's attempts to portray a snapshot of financial performance and status of increasingly complex organisational structures and operations: questioning just how achievable this really is! As reporting frameworks attempt to cope with more and more organisational and environmental complexities and uncertainties, does their credibility come under greater threat as they attempt to capture a host of uncertainties in a turbulent post-modern world? Continuing crashes of major companies internationally suggest otherwise. Are accountants complicit in presenting images of orderly markets and organisations under control, when in fact they are spinning out of control? How do we grapple with the interrelated technical and ethical reporting and competency issues involved?

6.6. Some failing grades

So where and in what respects have today's FER research community failed? While such a question predisposes interviewees to a strong critique, we arguably have more to learn from its application. The interviewed professors were notably expansive on this question. The themes can be summarised as a narrow theoretical and technicist focus, practice engagement, and critique of the status quo.

Many FER researchers can be criticised for their adherence to one theoretical perspective, so that research tends to be confined to a particular economic or sociological or critical theory, ignoring opportunities to bridge these theoretical divides and draw on interrelationships and cross-fertilisations that may be on offer. In addition, the various positivist, qualitative and critical researcher groups are argued to be reading each other less and less, thereby accentuating the divide between research traditions and their knowledge sets. This narrowness has been accentuated by positivist researchers' tendency to go in search of problems amenable to their own specialist toolkit: solutions in search of problems to solve. This has had the consequence of FER areas and issues being researched becoming less and less policy-oriented and relevant and becoming increasingly smaller in focus and scope. Context and complexity risk being sterilised from the discourse. This constitutes a general failure to address the social, institutional and political world that FER inhabits. Modelling and theorising continue apace, regardless of their glaring limitations and remoteness from accounting policy and practice. The bigger societal, policy questions[6] of major potential future impact upon business, governments, communities and the accounting profession are largely ignored by the majority of FER researchers.

Professors interviewed voiced strong criticisms of FER researchers' failure to directly engage with corporate and professional practice in several respects: researching actual live or historical organisational, business and professional cases, pursuing direct involvement in professional and business associations, focusing on actual accounting and business practices, and directly interrogating and observing decision-makers.[7] By failing to directly address decision-makers, FER researchers are seen at risk of failing to understand those people's perspectives and problems, and thereby produce findings only of interest and relevance to a small group of fellow researchers using their material for similarly abstract research. Greater attention to these aspects has the capacity to refocus FER researchers on the bigger picture policy issues of today.

Underpinning all the above is an observed gen-

[6] For example, corporate and accounting fraud and failure, environmental sustainability, accounting for intellectual capital.

[7] Including policymakers, report producers, report audiences, and regulators.

eral failure among many FER researchers to question and challenge conventional wisdom concerning corporate accountability and external reporting, preferring instead to pursue incremental studies of highly specific technical procedures and behaviours in artificially contrived modelling scenarios. Current practices and policies are thereby taken for granted, 'explained' and legitimised.

Professors again attributed such failures to characteristics and behaviours of the accounting research community. These include researchers becoming wedded to particular methodological skills and databases they have acquired, continuing with additional research projects that keep their strand of research alive, regardless of its business or societal significance.[8] Researchers were observed by one professor to 'hunt in packs': spotting publishable topics, theories and methodologies being welcomed by targeted journals, and joining the pack of researchers in search of ready acceptance by journal editors, and leaving other important issues and fields unvisited. The insufficiently addressed need for processual research is seen as time-consuming and more difficult to publish in an RAE world of time pressures and top journal 'scores'. Research publication itself has become a qualifying, badging mechanism for academics' marketability, so that the nature and importance of the problems or questions addressed matters less than the number of papers published in prestigious journals. The ultimate failure lies in accounting research becoming an end in itself.

6.7. The FER – corporate governance schema

Corporate governance is now addressed across many different research literatures: management, information systems, marketing, finance and accounting. While one or two professors saw corporate governance as a somewhat elastic topic which currently was experiencing a bandwagon effect among both professionals and researchers, the vast majority of interviewed professors saw significant and wide-ranging relationships between FER and corporate governance. The range extends from research into FER's role in enhancing shareholder value to its potential for improving social and environmental reporting. Their views on the corporate governance schema reflected the analysis of unknowns and failures presented above.

A corporate governance perspective on FER however, is valued as a means for raising and addressing the big questions:

- What types of information can and should accountants produce for corporate governance purposes?
- To whom are organisations and the accounting profession accountable and to what extent?
- What scope of information should be provided to meet *society's* requirements for responsible corporate governance?
- What will be the accounting profession's FER roles and responsibilities in the post-Enron and Sarbanes-Oxley world?
- How shall we define and address the public interest dimensions of FER in the future?

In addition to addressing such major questions, FER research faces an agenda-balancing challenge. This is a matter of the proper treatment and balance of meeting the accounting responsibilities for ensuring transparency and accountability, while at the same time assisting with the assessment and management of risk by all organisational and societal constituents. Such issues immediately refocus us upon questions of ethics. As one professor put it, we need a fundamental re-examination of the accounting profession's FER role, including corporate and accounting profession self-interest, public interest, and relationships with the investing community, the community at large and the State. This remit goes well beyond focusing solely upon markets.

The FER view of corporate governance has at times arguably been too narrow: again focusing upon markets and large investor reactions. The challenge is far beyond these. The use (or non-use) of and approaches to FER by boards of directors and audit committees needs processual field research. Compared to the corporate private sector, we know even less about FER – corporate governance relationships and processes inside non-profit organisations. There is also a question as to why public sector organisation developments in developing and reporting efficiency and effectiveness key performance indicators has not been mirrored in the private sector? It has barely been considered. The current and potential roles of large institutional investors[9] in the governance of corporates in which they have a major stake, and their role in FER production and use within such corporates also begs for a well-developed stream of qualitative research that investigates what they do, how they do it and why. As one professor summarised this picture: 'Corporate governance can be a unifying framework to bring all this together.' This was echoed by others who saw the potential for framing accounting policy debate and development within a corporate governance perspective, who advocated the recognition of a broader constituency (than simply investors) which FER should address within a corporate governance context, and who argued for a broadening of researchers' attention to FER's corporate governance

[8] Or insignificance!

[9] Including investment trusts, hedge funds, pension funds, trade associations.

role in a civic society.

As some were moved to observe, we need to find out much more about what is really going on. We need to talk directly to the full range of FER constituents: producers, recipients, targets and third parties. We need to find out much more about their motivations, reactions, behaviours and requirements. We need to better understand the processes and impacts of the full range of organisational accountabilities being demanded by investors, advisors, employees, creditors, communities and governments. We need to pay equal attention to FER in the private, public and third[10] sectors. We need to better understand the patterns of and intents behind voluntary versus compliance FER. In summary, we need far deeper understandings and critiques of the processes of FER in corporate governance, the drivers, and the hidden as well as manifest agendas.

7. Towards a research policy agenda

A number of observations can be made and implications drawn from the findings reported in this study. There is a strong argument to suggest that FER is a socially constructed phenomenon purporting to operate in and represent a social, political, institutional as well as economic world. What FER researchers choose to focus upon, and via what means, begins to socially construct how others will see their world and what they will see to be its significant issues and problems. So both researchers and professional accountants play a significant role in constructing others' perceived realities: a significant responsibility.

Accounting research publishing studies, FER research subject area reviews and interviews with leading FER researchers all consistently observe a finance-driven, economics-based, markets focus in a large proportion of contemporary FER research. The preoccupation is one of modelling predictive relationships between inputs and outputs in search of maximising value to the investor. The economic market is a 'given' and accounting aims to adjust and service accordingly. This presents a worldview that is almost exclusively economic. Social, institutional and political context are sterilised out of the picture in favour of an abstract, existentialist portrait. This dramatically changes the way both researchers, accountants, and FER audiences will see their world. It potentially corrupts both business and societal perception and behaviour, with potentially long-term dysfunctional consequences for society and its institutions.

In focusing obsessively upon mathematical and statistical representations of 'what is', the FER research community faces a number of significant risks. First, it may be applying comfortably familiar tools to examine well-worn topics and questions that are becoming smaller, narrower and less significant over time. Second, it may be reifying a private language accessible only to insiders and believers within particular theoretical and methodological clubs. As such, its research will become self-referential, read by no 'outsiders' and only used as a scoring mechanism in the academic job market: the findings on offer mattering to no-one. Third, the present balance of business interests, and the ongoing history of corporate reporting manipulations, frauds and failures will remain accepted and unchallenged. Policy change will not come from the FER research community. They will remain as disinterested spectators on the sidelines, while others are left to play the main game.

The failure of many FER researchers to react to the environment around them is amply evidenced by the FER subject area research reviews examined in this study. Across the various subject areas examined, one common theme emerges. Oftentimes, the reviewers cited in this study have observed researchers to be persisting with traditionally pursued topics and research questions while apparently ignoring major shifts that have been occurring in the environment directly affecting their research subject area. For example, many capital markets and international accounting researchers have been observed to ignore or accept as a given, the predominantly westernised, large business-oriented globalisation of accounting standards. Its shape, orientation and impact on a wide diversity of countries, cultures and contexts, remains on the whole unquestioned. Intellectual capital accounting research still struggles for a place in the sun when most developed economies have evidenced a shift to predominantly service industries in which knowledge and human capital are the prime assets and value-drivers. Internet reporting and accounting communication research remain minority pursuits in the midst of a whirlwind of communications technology and associated human behaviour change. Social and environmental accounting research, despite promising signs of growth, remains ignored by 'traditional mainstream' researchers and journals despite a massive upsurge in national and international public debate, media attention, community concern, and government focus and regulation with respect to global warming, water and air pollution, and land degradation.

How and why has this happened? Again, accounting research commentators and interviewees reported in this study converge on some of the explanations. They cite the types of doctoral training being provided as locking new scholars into methodological strait-jackets, predefining problems to fit the preferred tools available and pre-

[10] i.e. voluntary non-profit.

cluding the 'bigger picture', the 'larger questions'. They cite the tendency of North American research to be increasingly colonising business school and academic accounting community views on what are acceptable research problems, methodologies and publication venues. They cite the combination of RAE or other national government measurement and timing pressures which predispose researchers to construct 'neat' projects amenable to time-efficient data collection and analysis, and high publication probability in highly-ranked North American[11] journals.

What is the alternative? This study argues that we must return to the empty spaces and silences in our discipline. We need to re-engage directly with the full spectrum of FER constituents. We have much to learn from investigating the processes that take place in what the modellers treat as a black box. Corporate governance is both an issue of great community concern and a great opportunity for FER research, particularly in the wide-ranging scope and integrative framework it offers as a basis for redirecting our focus to the major corporate governance issues and responsibilities of our day. Some 'old' questions resurface as deserving serious revisiting by the FER research community: What is to be the FER role in this dramatically changing, globalised, high-technology world? What types and scope of information are required? What will be the accounting profession's roles and responsibilities in an increasingly complex and fast-changing organisational, economic, social, institutional and international environment? These are clearly the 'big' questions of the day. The vital question is whether the FER research community has the ability and willingness to engage them?

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[11] Or North American mimicking.

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