



## GUEST EDITORIAL

# Online reporting: accounting in cybersociety

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Accounting in  
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### Abstract

**Purpose** – This essay sets out to introduce the special issue.

**Design/methodology/approach** – The essay introduces the focus of the special issue, the manifestation of the phenomenon of online reporting and the issues it engenders in relation to accounting, and briefly reviews the contribution of the articles in the issue.

**Findings** – Finds that the papers in this special issue extend the understanding of the interface between online reporting and accounting.

**Originality/value** – The essay locates the contributions of the issue within a problematic, whereby online reporting is understood critically, interpretively and contextually in terms of its actualities and potentialities.

**Keywords** Online operations, Internet, Worldwide web, Accounting information, Research

**Paper type** General review

The rise of the web[1] as a source of information and as a communicative medium is widely acknowledged as a key phenomenon of our times. It is a visible example of globalisation and the rise of knowledge economies (Halal and Taylor, 1999; Lymer *et al.*, 1999). Halal and Taylor (1999) emphasise how different the social and economic global context is becoming – and the threats and opportunities that this represents – as a result of what they see as the “unifying” of the world “into a global market governed by the imperatives of knowledge” (Halal and Taylor, 1999, p. xvii). For these authors, the changes constitute an information revolution that creates new systems of political economy. Our ability to “handle information”, they suggest, which “multiplied by roughly a factor of 1 million” in the latter decades of the last century is on course to increase by another millionfold sooner rather than later (Halal and Taylor, 1999, p. xvii). In this regard, they maintain: “In short, a more sophisticated, technological foundation for economies is being built that transcends our former constraints” yet this “presents a variety of equally unprecedented challenges” in relation to political, economic and ecological dimensions (Halal and Taylor, 1999, p. xviii). The online revolution’s impact on reporting has meant that the internet has increasingly been used

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as a means of communication in the dissemination of accounting information. Corporations, for instance, have increasingly been using the internet as a medium for disseminating accounting information, constituting what Lymer *et al.* (1999) term a “rapidly changing world of business reporting”. And other organisations, including NGOs and campaign groups who may campaign against various dimensions of corporate activity, are also mobilising the available technology. This AAAJ special issue seeks to critically discuss these important developments *vis-à-vis* accounting and the wider socio-political and economic consequences.

In relation to the contextual dynamics, the implications for accounting in its various guises (official, unofficial; financial, non-financial; social and environmental; and so on) appear significant. From a number of perspectives, whether critical, alternative or mainstream, there has been an emerging and developing interest in online reporting and accounting. The positive and negative potential of online reporting in relation to perspectives shaped by technological, economic, sociological, cultural and political lenses is the focus of substantive interest and there have been a number of theoretical interventions in this respect in the wider literature. There is also a need to gain insights into online reporting contextually in terms of how it is constituted or constructed and what it constitutes or engenders, a task that may be fruitfully undertaken with various emphases, including economic, social and political (Gallhofer *et al.*, 2006a). Following the recent research undertaken in South Korea, the internet is understood to change the character of democracy in practice: the issues to be explored are significant (Hwang Yong-seok and Yang Seung-chan, 2003; Chang Woo-young, 2005). The developments entail changes to the character of accounting standard setting and policy making to reflect the manifestation of accounting in cyberspace (Lymer *et al.*, 1999; Xiao and Jones, 2002). While more than a start has been made, there is still much to be done in terms of critical, interpretive and contextual analysis in the wider literature (Pauwels, 2005). And there is a particular need for the issues to be studied more thoroughly in relation to accounting. While there has been significant growth in studies focused on the accounting/online interface (Lymer *et al.*, 1999; Xiao and Jones, 2002; Gallhofer *et al.*, 2006a) many have been of a conventionally descriptive character and there is a need for more theoretically informed critical and interpretive social analysis in this area. Hence, the case for this special issue.

The AAAJ special issue on online reporting that has emerged is constituted by four diverse contributions bringing critical and interpretive perspectives to the interface between the online medium and accounting/reporting. In addition, Prem Sikka, who along with colleagues in the Association of Accountancy and Business Affairs, makes extensive use of a form of online reporting in his own campaign work, offers a commentary (Sikka, 2006) on two of the contributions (those of Gallhofer *et al.* (2006a) and Paisey and Paisey (2006a)), both of which are influenced by a desire to foster and promote forms of enabling or emancipatory accounting on the web. Gallhofer *et al.* (2006b) and Paisey and Paisey (2006b) in turn offer their responses.

Barrett and Gendron (2006) explore how auditors have sought, in some ways unsuccessfully, to establish their trustworthiness in the internet domain (in the context of being trust providers on the internet). The architecture of this takes us beyond overly simple theorising and brings out the political character of the processes involved. The authors claim that to reinvigorate the market for auditor expertise, alleged to be in decline, the North American professional institutes of accountancy

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launched the WebTrust assurance project. Theorising the complexity of social interrelations upon which trustworthiness of professional claims is predicated, the study goes on to emphasise how commercialism, apparent in attempts to commodify trust, and the substantive conception of the assurance project through a commercial lens by the professional elite, helped shape the development or constitution and social promotion of WebTrust. The study in effect looks beyond the free market rhetoric surrounding this area of accountancy intervention to problematise the reasonableness of this rhetoric in the context. It reveals that the profession has strayed from its public interest service ethic towards a more basic commercialism. This, however, is a contradictory process as trust in auditors is thus diminished. One aspect of the social theory of trust developed emphasises the critical role that experts have in professionalising processes. This is in terms of the experts' emphasis upon a past reputation of professionalism, the trust they place on their own systems of expertise, their self-referentialism and even given the cyberspace domain face-to-face relationships. Auditor and consultant trustworthiness are compared and contrasted and the more specific features of auditor trustworthiness are delineated in these terms.

Baker (2006) explores the notion of epistemological objectivity in financial reporting, bringing out the complexity involved in the use of the terms "economic reality" and "neutral representation", focusing upon issues raised by the US Securities Exchange Commission and the approach of the US Financial Accounting Standards Board in respect to accounting for internet activities. These bodies are understood in the analysis to contradict their ostensible commitment to notions of economic reality and neutral representation. Baker draws from Mouck's (2004) argument to suggest that financial accounting rules are like the rules of a game and the representations made in accord with these may be termed objective whatever the relationship to an economic reality. The rules are arrived at through a political negotiation towards a working consensus and this, Baker suggests, is especially apparent in the case of accounting for internet activities. In this context, however, the standard setters attempted to fit the image of neutral arbiter to some extent to avoid appearing controversial or political. When a consensus emerges, whether it reflects the interests of the powerful more than the weak, the accountings produced are portrayed or presented as epistemologically objective as a way of reducing conflict over outcomes. Occasionally a consensus is especially difficult to achieve, and outcomes then more evidently emerge from arbitrary processes governed largely by the more powerful. A focus on internet accounting thus reveals further the controversial and political nature of accounting.

Gallhofer *et al.* (2006a) theoretically and empirically explore the potentialities of online reporting for counter accounting, which is seen as any accounting employed to either counter or challenge the current official and hegemonic order and its practices, or to support alternative positions thereto. The authors note that both online reporting and counter accounting have been linked to notions of enhancing the public sphere and democracy. Obstacles and threats to the realisation of the positive potentialities of counter accounting online are discussed. The paper covers a lot of ground in overviewing the benefits and drawbacks of the internet, actually and potentially, and in reviewing what is at stake in its manifestation. The paper goes on to explore the realisation of the potential, and explores experiences, opinions and practices empirically, through an analysis of counter accounting activity on the internet that encompasses findings reported from a website survey, a questionnaire study and a

case study of Corporate Watch, a group involved in counter accounting. The authors conclude that some of the positive potentiality in the interface between online reporting and counter accounting is being realised, and that the counter accounting groups are positive about the web and optimistic about its future in relation to their own concerns, yet the positive potentiality has not so far been as fully realised as one might have hoped. Good practice indicated in the study, including counter strategies in respect of threats to positive potentialities of online reporting, may thus be synthesised, more comprehensively reflected upon and more widely taken up. The authors call for a debate about anti-democratic and commercial colonisation of the web. And, consistent with the recent paper by Pickard (2006), they note that while online facilities have made for greater efficiency and to some extent effectiveness, the limited resources of counter accounting groups constitutes a serious issue[2].

Paisey and Paisey (2006a) share with Gallhofer *et al.* (2006a) a commitment to and promotion of the notion of enabling or emancipatory accounting (Gallhofer and Haslam, 1997). Taking the standards of such an accounting, the paper reflects upon the extent to which pension accounting matches up to such standards. This they do in the context of what they term the so-called “pensions crisis”, a crisis they see reflected in, and to some extent brought about by, accounting. They explore the enabling or emancipatory potential of the interface of accounting and online reporting, with a specific focus upon occupational pension schemes. The contents of the web sites of the 100 largest companies listed on the London Stock Exchange are examined. And alternative accountings for pensions, including those produced by trades unions, are explored. The actions of the companies appear not to have been driven by a concern for pensioner well-being but by more conventional and narrow financial goals – so that what has come to pass is that the burden of risk has been transferred further away from the companies or shareholders to employees. The authors conclude, rather like Gallhofer *et al.* (2006a), that the full possibilities of the internet in this area have not yet been mobilised. The actual content of company websites is deficient as enabling accounting (Gallhofer and Haslam, 1997). Further, disclosures by trades unions and bodies dealing specifically with the elderly are very disappointing. The authors conclude by offering some recommendations or ways forward for reform in this area. They would further regulate company disclosures and they argue that trades unions and organisations associated with the elderly should be helped and encouraged to develop good open access websites.

Sikka’s (2006) comments on the papers by Gallhofer *et al.* (2006a) and Paisey and Paisey (2006a) invite further discussion. Sikka (2006) is generally supportive of the notion of emancipatory accounting on the web, but he stresses that there is a need to understand the context and its contradictory social structure and philosophy, and to act upon this understanding in deliberations and recommendations. He elaborates on aspects of accounting for pensions and related accounting for labour that would reflect his notion of radicalising counter accounting on the web. Gallhofer *et al.* (2006b) respond by pointing out how their brand of critical postmodernism, or more properly critical theory refined by postmodern insights, is indeed concerned with reflecting awareness of the wider social totality, while being sensitive to many concerns expressed in postmodern thought. Paisey and Paisey (2000b) respond by comparing and contrasting their pension accounting focus and the issues they are concerned about with the related focus and concerns of Sikka (2006).

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Overall, this set of papers provides a stimulating extension of our critical, interpretive and contextual understanding of aspects of the interface between online reporting and accounting, including counter accounting, and should provoke further discussion and analysis with a view to understanding accounting and its potential in relation to praxis in today's global social and political context.

### Notes

1. The terms web and the internet are here used interchangeably. Online reporting refers to reporting on the web (Gallhofer *et al.*, 2006a).
2. Pickard (2006) elaborates not only the resource problem for counter accounting groups but also the difficulties of raising funds and the temptations in a context where corporate capture is always a concern.

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