



The Evolution of Accountancy to Accountability: Acknowledging Africa's Contribution

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Abstract

While the primary objective of this article is to consider whether accounting has adequately responded to the expectations of contemporary society for increased corporate accountability, it simultaneously questions the Eurocentric view that attributes the development of contemporary accounting practices to Western development. Although the article links financial reporting practices to shareholder primacy, and corporate social responsibility and integrated reporting to shareholder theory, it also questions whether companies were truly embracing the fundamental principles of responsible corporate citizenship, suggesting that some companies may only be instrumentally providing non-financial reporting as a tool to entrench shareholder primacy. Without disregarding the contribution of the West to the development of accounting practices, it argues that Africa's role, especially relating to early accounting developments, may have been deliberately ignored to perpetuate Eurocentric dogma.

Keywords: accountability, accounting, accounting history, Africa, Eurocentric, *ubuntu*

Résumé

L'objectif principal de cet article est de déterminer si la comptabilité a répondu de manière adéquate aux attentes de la société contemporaine en matière de plus de responsabilisation des entreprises, mais il remet en question la vision euro-centrique qui attribue le développement des pratiques comptables contemporaines au développement occidental. Bien que l'article

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associe les pratiques de reporting financier à la primauté des actionnaires, à la responsabilité sociale des entreprises et au reporting intégré à la théorie des actionnaires, il questionne l'adhésion réelle des entreprises aux principes fondamentaux de la responsabilité sociale des entreprises, suggérant que certaines entreprises ne fournissent, qu'instrumentalement, le reporting d'avantages non financiers comme outil pour asseoir la primauté des actionnaires. Sans négliger la contribution de l'Occident au développement des pratiques comptables, il fait valoir que le rôle de l'Afrique, en particulier en ce qui concerne les premiers développements comptables, aurait pu être délibérément ignoré pour perpétuer le dogme euro-centrique.

Mots-clés : responsabilité, comptabilité, historique de la comptabilité, Afrique, euro-centrique, *ubuntu*

Introduction

Although the question posed by this article examines whether the role of accounting has adapted sufficiently to accommodate the reasonable expectations of contemporary society, at the same time it questions Africa's role in these evolutionary developments, which historically have largely been attributed to the developed economies of the West. Despite its ostensibly Eurocentric origins, the evidence suggests that Africa has always been, and continues to be, at the forefront of advances in the accounting sciences.

Conventional accounting history traces the origins of accounting to archaeological collections of clay artefacts originating around 10,000 years ago. During the Middle Ages, Luca Pacioli introduced the principle of double entry bookkeeping, which still underpins contemporary accounting practices. The traditional role of accounting was arguably to quantitatively use numbers to financially account for how an organisation used its resources to generate profits, or add value to the providers of capital, and upon which taxes could be levied. This shareholder-centric or shareholder primacy approach, suggests that businesses are only accountable to the owners (and accordingly to the tax authorities), to whom they are obliged to report.

John Elkington's (1994) concept of the 'triple bottom line' in the 1990s, questions whether businesses exist solely for the benefit of their owners, or whether they had a contemporaneous obligation to protect society and the environment from the residual fallout of their operational activities. It is suggested that this stakeholder orientation has given rise to recent developments in global corporate reporting practices, which are not confined to the interests of the owners, but also take the legitimate interests of a broader range of stakeholders into account.

Positing that the role of the accountancy profession should adapt to the changing expectations of a more informed and more demanding knowledge economy (Powell and Snellman 2004), this article uses extant literature to explore how corporate reporting has evolved in response to societal expectations. In particular, it examines the extent to which contemporary corporate reporting reflects this new perspective on accountability to a wider range of stakeholders. At the same time, it questions the conventional view of accountancy as a Eurocentric innovation. Instead, it provides evidence that accounting may have had its origins in ancient Africa. This article asserts that Africa's leadership in corporate governance, accounting and reporting practices continues today, as evidenced by the various iterations of the King Codes of Governance for South Africa, as well as its role in recent advancements in non-financial disclosures, integrated reporting and assurance. While the article finds that companies have indeed responded positively to societal expectations, it simultaneously finds that adopting this form of expanded corporate reporting may not necessarily be because it may be 'the right thing to do', but rather that it may be an instrumental attempt to use impression management to enhance corporate legitimacy (Ackers 2017b).

This article aligns its primary theoretical frameworks to corporate reporting developments. It commences by considering a shareholder primacy perspective and describing the historical development of accounting practices – from when it was primarily concerned with determining the historical profits or losses incurred by an organisation, and/or the extent to which it has created or destroyed value for its owners. It continues by introducing a stakeholder inclusive accountability model – arguing that companies do not exist solely to generate profits for their shareholders; but that they have an obligation to consider the interests of their legitimate stakeholders as well. It suggests that recent developments in corporate reporting practices illustrate this changing accountability paradigm by attempting to describe how companies create and sustain value, not only from the perspective of company owners, but also of broader society. It concludes, by reflecting on whether contemporary corporate reporting truly achieves this broader accountability objective, or whether it simply represents another mechanism to drive shareholder value, with the accrual of any benefits to 'non-owners' being merely tangential. Finally, it considers whether Africa was an active participant in the evolution of accounting practices, the original initiator of accounting practices, or passively watched as global accounting developed.

Literature Review

It is important to reflect on the meaning of certain interrelated terms. In particular, the following descriptions (as per the Oxford dictionary¹) are used in the context of this article:

- Account – refers to ‘*a report or description of an event or experience; or a record or statement of financial expenditure and receipts relating to a particular period or purpose*’.
- Accountancy – refers to ‘*the profession or duties of an accountant*’.
- Accountant – refers to ‘*a person whose job is to keep or inspect financial accounts*’.
- Accounting – refers to ‘*the process or work of keeping financial accounts*’.
- Accountability – refers to ‘*the fact or condition of being accountable; or responsibility*’.
- Accountable – refers to being ‘*required or expected to justify actions or decisions; responsible; or able to be explained or understood*’.

While the above definitions may have similar meanings, they strongly identify the conventional role of the accounting profession as being related to the process of financial accounting – in other words, relating to the organisation reporting on its financial performance and position, primarily for the benefit of its shareholders. By contrast, the accountability concept more broadly refers to the acceptance of responsibility for actions and decisions – in other words, the organisation disclosing its acceptance of responsibility for the non-financial impacts on its operations, specifically in relation to its non-owner stakeholders. The fundamentally different meanings of these two groups of interrelated terms appear to mirror the evolution of externally oriented corporate reporting practices. They commence by reflecting on the traditional role of financial accounting, before considering the interests of a broader stakeholder group by introducing corporate social responsibility (CSR) or sustainability reporting. They conclude by reflecting on the integration of financial and non-financial information, as illustrated by the recent developments in global integrated reporting practices.

Theoretical Underpinning of Accounting

The primary theoretical frameworks associated with corporate reporting include shareholder primacy, stakeholder theory, legitimacy theory, agency theory and instrumental theory. These theories, which are not necessarily mutually exclusive, contribute to explaining the different responses to corporate reporting.

Shareholder Primacy

Shareholders are the parties holding legal title to a company's equity share capital (Freeman 1994). The fundamental principle underpinning shareholder primacy is that companies are expected to use their resources to engage in activities to increase profits and/or wealth for the benefit of their shareholders, but while operating within society's predefined rules and norms (Friedman 1970; Kok *et al.* 2001). In this way, it may be normatively argued that profitable companies contribute to the social agenda, albeit indirectly, *inter alia* by creating employment opportunities, stimulating the economy and uplifting neighbouring communities.

The principle of shareholder primacy is embodied in both the corporate and common laws of most countries. Private capital ownership is the 'foundation stone' of capitalism, partially explaining the reason that in most jurisdictions, legislation tends to be skewed in favour of maximising shareholder returns (Driver and Thompson 2002). In terms of this approach, the company's primary (and arguably only) function is to improve the economic well-being of its owners, or to serve as a vehicle through which they can exercise their free choice (Freeman 1994). When profits are aligned with public interests, a company's profitability simultaneously contributes to social welfare. However, where profits and public interests are in conflict, management is unlikely to voluntarily act in the public interest, or against the interests of the shareholders (Driver and Thompson 2002). On the assumption that the primary purpose of business is the creation of shareholder value, company management may regard social and environmental issues as peripheral challenges (Davis 2005; Zenisek 1979). Atkins (2006) even argues that management may be irresponsible when diverting corporate assets in favour of social causes.

Stakeholder Theory

The stakeholder concept dates back to the work of Barnard in 1938 (Rowley 1997). Ansoff (1965) identified critical company stakeholders, but viewed them as impediments to the achievement of the company's primary objectives. Freeman (1994) argued that normative business theories were inconsistent with shareholder primacy, and that stakeholder theory provided a much better fit. After Freeman formalised stakeholder theory in 1984, it evolved into a framework for analysing the manner in which companies interact with and manage their relationships with parties affected by their corporate activities. Within this context, stakeholders may be defined as any party affected by, or who are able to affect, a company's ability to achieve its objectives (Freeman and McVea 2001).

Stakeholder theory requires appropriate participants in the business environment to identify with the manner in which companies manage their stakeholder relationships, while simultaneously achieving their business objectives (Blair 2005). Stakeholder theory holds that business is responsible to various groups in society that may have a 'claim, ownership, rights or interest' in a company and its activities, irrespective of whether in the past, present or future (Freeman 1984). Makower (1994) concurs by arguing that business does not only exist to generate profits for shareholders, but also to provide goods and/or services required by society. Recognising that business sustainability depends on satisfying consumer expectations emphasises the need for companies to factor stakeholder expectations into their business decision-making.

Companies that treat social and environmental issues as an irritating distraction, or an unjustified vehicle for attacks on business, may be ignoring impending forces that could fundamentally influence their strategy (Davis 2005). In addition to considering shareholder interests, stakeholder theory also requires companies to recognise the legitimate interests of banks and financiers; non-executive directors; trade unions, existing and prospective employees, customers and suppliers; government, regulators and policy makers; political groups; trade associations; local communities; the public at large; future generations; and even competitors (ACCA 2005; Reuvid 2007).

Legitimacy Theory

Legitimacy may be defined as the perception or assumption that the actions of an entity are desirable, proper or appropriate within a socially constructed system of norms, values, beliefs and expectations (Palazzo and Scherer 2006; Suchman 1995). Stakeholders perceive legitimate companies as not only more worthy, but also more meaningful, more predictable and more trustworthy (Suchman 1995).

Balanced corporate reporting provides an excellent tool for enhancing company legitimacy amongst stakeholders, by improving communication and transparency, while proactively projecting a positive company image (Morimoto, Ash and Hope 2005). The underlying rationale is that customers may obtain improved products and services; supplier management may be improved; competitiveness may be enhanced; employees may have improved working conditions; local communities may live in healthier and safer environments; and stakeholders may have easier access to reliable social and environmental information, which collectively should improve company profitability. Conversely, failing to be perceived as responsible corporate citizens by stakeholders may impair the company's reputation, with the opposite effect (Hummels and Timmer 2004).

Agency Theory

Agency theory emerged from the separation of ownership and control of companies following the Industrial Revolution in the eighteenth and nineteenth centuries. In its most basic form, agency theory simply represents the mathematical relationship between two parties, one of whom (the principal) wants to hire the other (the agent) to carry out some task, or to act on its behalf (Blair 2005). The principal delegates responsibility for performing a task to the agent, creating a need for the agent to act in the principal's best interest. Dodd (1932) argued that the agent owed the principal more than a simple contractual duty, and had a fiduciary duty to diligently serve the principal's interests. The agency problem results from a situation where the owner of the company (the principal) knows less about the business than the manager (the agent) who has been employed (Blair 2005). This information asymmetry tends to be skewed in favour of the agent's self-interest, causing principals to inherently distrust the actions of their agent's (ICAEW 2005).

To reduce the information asymmetries arising from the agency problem, companies face an ethical challenge to ensure that 'outsiders' have the same access to pertinent company information as 'insiders' (Maury 2000). The decisions of owners (or the board of directors acting on their behalf) tend to be based on disclosures provided by management, who may be influenced by inherent conflicts of interest, as agents of the company. For example, the actions of management may be influenced by personal financial rewards, labour market opportunities and interpersonal relationships. Resolution of these conflicts requires the adoption of mechanisms to improve the alignment of the interests of agents and principals, reducing the impact and scope of information asymmetries, and neutralising the potential for opportunistic agent behaviour (ICAEW 2005).

Instrumental Theory

Just as business and ethics are interrelated, it is submitted that shareholder and stakeholder theory cannot exist separately (Freeman 1994). But, excessively focusing on shareholder value may impair the efficiency of the free market system, with the resultant economic inequality undermining the conventional capitalism model (Driver and Thompson 2002). Morimoto, Ash and Hope (2005) advance a more balanced approach to shareholder primacy, asserting that companies are increasingly incorporating social, economic and environmental dimensions into their business operations, while simultaneously building shareholder value. This instrumentalist

perspective, also known as the 'enlightened shareholder' or 'stakeholder inclusive' model of corporate governance (IoDSA 2009), suggests that accommodating stakeholder needs assists companies to achieve long-term success (Owen *et al.* 2000).

Since these theoretical frameworks are not mutually exclusive, with several theories possibly being applicable at the same time, this article primarily considers an enlightened self-interest or instrumental perspective. In terms of enlightened self-interest, companies typically consider the interests of stakeholders, but only to the extent that it is in their interests to do so, as implied by Friedman's (1970) assertion that the 'business of business is maximising shareholder wealth'. Companies producing the best results for both their business and society do not therefore necessarily regard social and environmental issues as moral or ethical matters, but rather pragmatic responses to challenges affecting their businesses. These companies may accordingly only be interested in capitalising on the benefits that could accrue to shareholders, and not because it may be the 'right thing to do' as implied by stakeholder theory.

The South African Regulatory Environment

Even though South Africa is the only the world's 33rd largest economy, contributing less than half of one percent to the global economy (World Bank 2016), it is widely acknowledged as having amongst the world's best corporate governance institutions. These governance practices have primarily been driven by the various iterations of the King Reports and Codes of Governance for South Africa released by the Institute of Directors in Southern Africa (IoDSA) (Ackers and Eccles 2015; de Villiers, Rinaldi and Unerman 2014). South Africa provides a relatively unique business environment, with the existence of a voluntary corporate governance code that all companies with primary listings on the Johannesburg Stock Exchange (JSE) must implement, albeit on an 'apply or explain' basis (Ackers and Eccles 2015; JSE 2011). These soft laws (Haji and Anifowose 2016; Olsen and Sørensen 2014) provide a controlled environment within which the corporate reporting phenomenon may be examined. Despite not creating legally binding obligations, soft laws remain non-binding interpretations of hard legal obligations (Guzman and Meyer 2009).

Confirming the dynamic nature of corporate governance and corporate reporting, the King Commission updated the King Code and report when the Institute of Directors released King IV on 1 November 2016. It is submitted that the decision to reduce King IV to only comprise 16 principles (plus one), compared to the previous 75 principles contained in King III, is an attempt to

reinforce the principles-based nature of governance, and to avoid perfunctory 'tick box governance' (Ackers 2017a). An unintended consequence of King III was that its principles were formulated in a manner that could be misinterpreted as being rules, in a sense encouraging 'mindless compliance' (IoDSA 2016: 7). Reducing the number of principles, and adapting the 'apply OR explain' approach espoused by previous iterations of King, the 'apply AND explain' approach now advocated by King IV, requires organisations to not only confirm that they have applied the King IV principles, but, more importantly, requires them to also describe exactly how they had implemented these good governance principles (IoDSA 2016: 7).

Despite the various iterations of the King Codes strongly favouring an inclusive, stakeholder-centric approach, the definition provided in King IV's glossary of terms nevertheless appears to confirm the prevalence of a strong instrumental orientation. This nuanced paradox may be illustrated by King IV defining stakeholder inclusivity as an approach that accommodates the legitimate and reasonable needs, interests and expectations of stakeholders, but only to the extent that it is in the organisation's best interest over time (IoDSA 2016: 17, 23).

Corporate Reporting

This article considers whether changes in corporate reporting practices mirror the development of corporate governance interventions. It specifically explores whether the role of accounting has evolved from accounting to shareholders about the company's financial performance and position to include reporting on accountability to broader corporate stakeholders for non-financial performance as well. In particular, it explores pertinent aspects of financial, CSR and integrated reporting.

The variability in global corporate reporting practices is influenced by the context, circumstances, conditions and location of the specific reporting company (Okoye 2009). Even though people in developing countries may tend to trust their governments (and the associated regulatory regimes) more than they trust the willingness of companies to 'do the right thing', these companies in turn, usually tend to oppose strict regulatory regimes, arguing that the imposition of mandatory reporting interventions would increase operating costs, without any concomitant benefits accruing. These companies usually prefer perfunctory and relatively weak governance codes; often only complying with the minimum prescripts, but without incurring any 'unnecessary costs' (Jenkins 2001).

Mandatory or voluntary practices represent two opposite ends of the corporate governance continuum. Anand (2005: 7) distinguishes between the two – defining ‘mandatory’ as meaning ‘legally mandated with penalties imposed on those who fail to comply with the legal rule’ and ‘voluntary’ as the ‘adoption of corporate governance practices or standards in the absence of a legal requirement to do so’. It should, however, be noted that voluntary codes are not intended to replace, but rather to complement, existing corporate governance practices. In essence, a legal regime represents a command and control structure where public officials promulgate and enforce laws and regulations – companies in turn, either comply with the regulatory and legislative prescripts, or face penalties for non-compliance (*ibid.*: 4). The rationale for compliance with a mandatory regime is fear of the consequences of non-compliance (*ibid.*: 8). Until fairly recently, corporate governance practices, and within the context of this article, non-financial reporting, have typically been excluded from such a regime.

The fundamental objective of financial reporting is essentially to assist shareholders with investment decision-making, with a secondary role to provide information to other interested parties such as financial institutions, taxation authorities, bankers and relevant government departments and agencies. By comparison, the objective of non-financial reporting is to provide information of interest to the company’s broader stakeholders (Eccles 2010). Non-financial reporting represents a company’s acceptance of its responsibilities as a corporate citizen to a wider range of stakeholders. It reflects the company’s commitment to improving community well-being that extends beyond legislative and regulatory compliance by including normative moral or ethical behaviour that takes society’s expectations of business into account (Kotler and Lee 2005). Unlike financial reporting, which is usually a mandatory requirement, non-financial and integrated reporting usually remain voluntary interventions (Ackers 2009). This lack of standardisation has produced disparate and inconsistent corporate reporting practices.

Financial Reporting

Paganelli (2012) posits that primitive man already understood that he received ‘revenue’ from the rest of the world, that what he gave to the rest of the world was an ‘expense’, and that the ‘surplus’ left over was the difference between revenue and expenses. In fact, early man’s very survival was dependent on this surplus. Since accounting essentially involves recording, classifying, and summarising costs, revenues, profits and losses, it is not possible to determine precisely when it was first recorded. In any event, it is highly likely that initial accounting practices were informal with

their origins being independent of the development of written language. Moreover, given the various origins attributed to accountancy, this article suggests that this development occurred simultaneously across the known world and did not happen sequentially.

Accounting historians such as Denise Schmandt-Besserat (1992: 7–8) and Ezzamel and Hoskin (2002) have traced the origins of accountancy to archaeological collections consisting of clay artefacts stored in museums in the Near East, North Africa, Europe and North America dating from 8000 to 6000 Before Common Era (BCE). These clay tokens, which were introduced before the formal development of money and writing, symbolise the stage of human advancement from hunter-gathering to agriculture. Sometime later, around 3500 to 3100 BCE, referring to the practice of recording the contents on the outside of the envelope or sheath, Rudgley (1998: 54) postulated that ‘accountants realised that the notation on the outside of the envelope made the tokens redundant’. The contemporary history of accounting suggests that daccounting was formally developed by the Sumerians and Assyrians around 2400 BCE, handed down to the ancient Egyptians, the Minoans and Mycenaeans, before being transferred to classical Greece and Rome (Paganelli 2012), and eventually to the West (Sy and Tinkler 2006). Confirming the non-sequential development of accounting practices, scholars have found that accounting continued to develop simultaneously under the Babylonians from 2285 to 2242 BCE (Gouws and Cronjé 2008), and the Chinese in the Hsia Dynasty between 2206 and 1766 BCE (Loots 1989).

When Luca Pacioli published his treatise on bookkeeping based on the Venetian system of double entry bookkeeping in 1494 Common Era (CE), which still underpins contemporary accounting practices, he posited that ‘the present treatise ... will serve all the needs of the subjects regarding accounts and recording’. He asserted that it would provide ‘sufficient rules to enable businessmen to keep all their accounts and books in an orderly fashion’. Since the Eurocentric conception of ‘progress’ tends to be associated with the accumulation of wealth, the rise of Western civilisation is accordingly correlated with the introduction of double entry bookkeeping (Ezzamel and Hoskin 2002; Littleton 1933), especially during periods dominated by European colonisation of ‘lesser-developed’ countries and by institutionalised slavery by Western economies. Arguing that the colonisers deliberately and systematically obliterated the institutional values, culture and history of their new colonies, which did not fit the world-view that they were trying to inculcate, Sy and Tinkler (2006) assert that the West itself is actually heavily indebted to ‘the conquered’ for its own civilisation, including the development of its accounting systems.

Therefore, despite almost universal recognition of Pacioli as the 'Father of Accounting', Sy and Tinkler (2006) question this Eurocentric conception of the history of accountancy by suggesting that developments in Africa significantly predate European developments. For example, the Blombos Ochre, appears to be a primitive, 77,000 year old predecessor to the tallying found on the sachets by Schmandt-Bessera (1992); or the Ishango Bone which contains precise geometric markings suggesting that an advanced level of counting and mathematics existed in Africa more than 20,000 years ago (Sy and Tinkler 2006: 109). It is consequently argued that without the need to measure individual or collective performance and/or wealth accumulation (i.e. basic accounting), rendered the need to develop these counting systems as irrelevant.

Reflecting on some other African counting artefacts (some of which may have been used as money), the earliest dating back more than 40,000 years, Sy and Tinkler (2006: 16) argue that these findings provide further evidence of Africa's advanced accounting systems, which predate the development of accounting in medieval Europe. Sy and Tinkler (2006) cite several examples of large and prosperous ancient African states, such as Egypt, Ghana, Ethiopia and Mali, with sophisticated trading economies, many of which were subsequently decimated through the combined onslaught of Western colonisation and slavery. These African states had developed sophisticated systems of taxation, which they levied on their inhabitants. These systems in turn required the involvement of highly skilled accountants to develop the systems to determine the taxes due, as well as to collect and account for the taxes and other revenues due to the state.

It is therefore submitted that the traditional role of accountancy was to quantitatively use accounting numbers to financially disclose to the providers of capital how management has used the organisation's resources to generate profits or add value, and upon which taxes could be levied. This shareholder-centric or shareholder primacy approach, suggests that businesses are only accountable to the owners or providers of capital (and accordingly to the tax authorities), to whom they are obliged to report.

Corporate Social Responsibility Reporting

Despite its recent topicality, the origins of CSR reporting may be traced back to the sixteenth century (Mock, Strohm and Swartz 2007), with the contemporary CSR discourse dating to a series of articles between Adolf Berle and Merrick Dodd in the 1930s (Okoye 2009). While Berle (1931) argued that managers should exercise their corporate power for the exclusive benefit of company shareholders, Dodd (1932) posited that business did not exist simply to provide profits for its owners, but also to serve the community.

Suggesting that all businesses had a public interest, Dodd (1932) asserted that management could legally assume social responsibility objectives without violating their primary fiduciary responsibilities to shareholders. Towards the end of the twentieth century, the changing stakeholder expectations of business compelled companies to adapt their reporting strategies to also account for qualitative non-financial issues (Zorio, Garcia-Benau and Sierra 2013). As stakeholders increasingly demand access to relevant non-financial performance information (Morimoto, Ash and Hope 2005), CSR reporting has accordingly become a 'right to know' and consequently a priority for the reporting entity (Hibbitt 1999). It may therefore be argued that companies have both a legal and moral obligation to timeously provide stakeholders with pertinent information about their operational impacts (Archel, Fernández and Larrinaga 2008).

In today's knowledge economy, it is therefore no longer sufficient for companies to continue confining their reporting responsibilities to shareholders about their historical financial performance. Companies should be responsive to increasing stakeholder expectations that they also act responsibly and sustainably about the non-financial impacts of their operations on the economy, the environment and society (Aras and Crowther 2008).

While Owen *et al.* (2000) suggest that the emergence of triple-bottom-line accounting may complement similar financial functions, an inherent conflict emerges between a company's financial and CSR performance, with preference typically being given to financial performance (Gray and Milne 2002), illustrating the influence of instrumentalism (Owen *et al.* 2000). This incongruous situation appears inherently unsustainable, with the pursuit of growth and profits increasing throughput, and consequently, increasing their ecological footprint (Gray and Milne 2002). Since this conflict can only be resolved when financial, social and environmental accountability are attributed equal weighting, companies should comprehensively disclose the extent to which they have contributed to, or impaired, the planet's sustainability. This requires a detailed and complex analysis of the company's interactions with ecological systems, resources, habitats and societies, relating to the past, present and future impacts of their operations.

This however, does not mean that companies producing the best results for both their businesses and society necessarily consider CSR as a moral issue, but rather a pragmatic response to issues that affect their businesses (Karnani 2011; Owen *et al.* 2000). It is accordingly postulated that companies reporting on their CSR performance may only be doing so in order to derive the associated instrumental benefits, and not necessarily because it may be the 'right thing to do' as implied by stakeholder theory.

Historically, non-financial disclosures tended only to be provided for information purposes, and were perceived as less important than financial disclosures. However, since the numbers alone only present a partial or isolated picture of company operations, the bigger picture also requires the disclosure of non-financial information to provide the necessary context to meaningfully assess company performance. As such, contextual disclosures should complement financial accounting practices by comprehensively reflecting intangibles, opportunities and risks, as well as non-financial economic, environmental and social performance. While statutory financial disclosures are standardised by being provided according to the international financial reporting standards (IFRS), disparate accounting and reporting practices exist for non-financial information. Despite this lack of standardisation, the Global Reporting Initiative (GRI) indicators are emerging as the 'gold standard' used by companies to reporting on their CSR performance (Ackers 2014; Fuentel, García-Sánchez and Lozano 2017).

Stakeholders are beginning to appreciate that the availability of comprehensive CSR information improves the ability of stakeholders to assess a company's risks, enhancing their decision-making ability (Hummels and Timmer 2004). In this way, rating agencies and socially responsible, ethical or other institutional investors are increasingly utilising non-financial information for decision-making. Not only does improved non-financial reporting enhance company decision-making, it also assists in entrenching the desired corporate culture (Morimoto, Ash and Hope 2005). It is therefore necessary for companies to understand the needs of their different stakeholders and adapt their non-financial disclosures to accommodate the reasonable information requirements of each legitimate stakeholder group. It is accordingly important for companies to disclose any CSR information that legitimate stakeholders may consider material, which in turn requires extensive stakeholder engagement. However, to be credible, non-financial reporting should be undertaken with the same rigour as conventional financial reporting and as part of a broader integrated reporting framework (Force for Good n.d.).

Similar to the manner in which Africa's contribution to the development of financial accounting has been trivialised, if not deliberately ignored, to perpetuate the primacy of 'Eurocentric civilisation', Africa's role in the development of CSR, or an obligation to communal accountability, has also not been fully acknowledged. It is suggested that the historical origins of the '*ubuntu*' concept may be traced to the ancient 'African philosophy of unity in diversity', which anthropologically originated long ago in Egypt, possibly as far back as 1500 BCE (Nolte-Schamm 2006: 370–1). 'Africapitalism' holds

that the pursuit of financial profitability creates social wealth, with progress and prosperity not simply being represented by an absence of poverty, but rather by the presence of conditions that make life more fulfilling (Amaeshi and Idemudia 2015). Africapitalism, which emphasises the obligations of the private sector within the context of Africa's socio-economic development, is rooted in the values of *ubuntu* (Amaeshi and Idemudia 2015). Philosophically, the essence of *ubuntu* is articulated in rough translations such as 'a person is a person among other persons', 'I am because we are', 'since we are, therefore I am', 'I am related by blood, therefore, I exist' or 'I exist because I belong to a family' (Mangena 2016: 67).

The *ubuntu* philosophy essentially holds that individuals are only important in terms of the extent to which they contribute to the betterment of the group or community, and that the group or community are at the centre of all moral deliberations (Mangena 2012: 10). It is therefore not possible to isolate individual actions from the interests of the group or community. In other words, individuality is only meaningful when it serves the interests and needs of the group or community represented. However, *ubuntu* is not simply a principles or rules-based philosophy used to explain individual actions; instead it is a communal way of life where the interests, needs and well-being of the group are considered more important than the interests of individuals (Nolte-Schamm 2006: 371).

Interpreting the *ubuntu* philosophy within a corporate context, the responsibilities of management should not be confined to providing benefits to one group of individuals (as implied by shareholder primacy), nor to providing benefits to groups of individuals (as suggested by stakeholder theory). Instead, *ubuntu* imposes an obligation to contribute to the greater communities of which these companies are part (Lutz 2009). *Ubuntu* introduces a circular relationship in terms of which individuals do not pursue the common good rather than their own; instead, they pursue their own good by pursuing a common good (which aligns with the instrumentalist perspective advanced by this article).

Integrated Reporting

The recent introduction of the global integrated reporting initiative, comprising both financial and non-financial components (Eccles, Cheng and Saltzman 2010), represents a further step in the evolution of corporate reporting through which companies demonstrate their accountability to stakeholders (Adams 2015; Flower 2015). Integrating financial and non-financial information in a single document allows integrated reporting to reconcile the shareholder and stakeholder models of the firm (Eccles,

Cheng and Saltzman 2010). Effective integrated reporting improves the quality and scope of corporate reporting by disclosing pertinent organisational information in a more holistic manner, avoiding the insular or siloed manner in which traditional financial and non-financial reporting practices have evolved (Eccles Cheng and Saltzman 2010; Eccles, Krzus and Watson 2012; 2011).

Although integrated reporting consists of six dimensions (the 'capitals'), it may simplistically be defined as the convergence of financial and non-financial reports into a single document that holistically reflects how companies create and sustain value over time (Churet and Eccles 2014; De Villiers, Rinaldi and Unerman 2014). These capitals include financial, manufactured, intellectual, human, social and relationship, as well as natural capitals (Stent and Dowler 2015).

King III first introduced the concept of integrated reporting as 'a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability' (IoDSA 2009:54). King IV, released in 2016, takes the concept further by defining integrated reporting as 'a process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time' (IoDSA 2016:13). An integrated report may therefore be appropriately defined as 'a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term' (IoDSA 2016: 13).

Soon after King III introduced integrated reporting in 2009, the International Integrated Reporting Council (IIRC) was established in 2010, under the chair of Mervyn King, who was the chair of all the iterations of the King Reports. At the time, Mervyn King was the chair of the Global Reporting Initiative (GRI). The original goal of the IIRC, which represents a global coalition of regulators, investors, companies, standard setters, members of the accounting profession and NGOs, was to use corporate reporting to improve communication with stakeholders about how the company's strategy, governance, performance and prospects create value over the short, medium and long term (IIRC 2011). The longer-term objective of integrated reporting is the elimination of numerous, disconnected and static corporate communications.

The IIRC issued the final International Integrated Reporting Framework in December 2013. The integrated reporting framework, which provides principles-based guidance that organisations can use when preparing integrated reports, should act as a catalyst for greater innovation in global

corporate reporting practices (IIRC 2013: 2). By providing principles-based guidance on integrated report preparation, integrated reporting should improve the quality of information; more efficiently communicate material factors affecting the company's value proposition; enhance accountability and stewardship; and support integrated thinking, decision-making and actions that focus on value creation over the short, medium and long term.

Notwithstanding the objective of integrated reporting being to improve stakeholder communication by identifying the capitals for reporting companies to use in creating and sustaining value, the final published version of the integrated reporting framework specifically targets the 'providers of financial capital' (IIRC 2013: 7). While not completely disregarding the interests of broader stakeholders, the integrated reporting framework somewhat trivialises their importance, suggesting that 'all stakeholders interested in an organisation's ability to create value over time' should also benefit. Nevertheless, despite being an oxymoron, integrated reports should still provide stakeholders with sufficient information enabling their ability to assess how the company has influenced the economic life of the community (both positively and negatively) during the period under review (IoDSA 2009), albeit from an instrumental perspective.

Discussion

Even though the history of contemporary accounting practices tends to be attributed to Pacioli's introduction of 'double-entry' bookkeeping in the fifteenth century, and to the origins of 'Western civilisation' that emerged in the Mediterranean regions, other historians and archaeologists controversially suggest that the origins of accounting should actually be traced back to Africa during periods that even predate the formal development of writing (Bair *et al.* 2013; Ezzamel and Hoskin 2002; Sy and Tinkler 2006). These findings suggest that the contribution to accounting practices by the African continent, which has been ravaged by centuries of oppressive colonisation, slavery and other forms of institutional exploitation, was deliberately suppressed. Giving credence to the maxim that 'history is written by the victors'² (Bair *et al.* 2013), it is postulated that the European colonial powers systematically spread misinformation (today commonly referred to as 'fake news') in order to retain absolute control over their colonies, and subjugate the conquered to their 'Western civilisation'. In this manner, the colonisers deliberately created a sense of African amnesia about its own history, values, culture and achievements.

The findings suggest that the three phrases of corporate reporting, starting with financial reporting, continuing with the development of CSR reporting and concluding with the emergence of integrated reporting, appear to be a pragmatic response by companies to the more demanding expectations of citizens of the global knowledge economy.

The original role of accounting was for organisations to quantitatively report to their owners and the state about the profits or wealth generated by the business, as well as to determine the taxes that are due to the fiscus or national treasury. Within an accounting context, the primary purpose of financial reporting relates to the process of keeping financial accounts, or providing a report or a record relating to the financial expenditure, revenue profits or losses over a particular period or for a specific purpose. Since the objective of financial reporting is arguably about accounting to the company's shareholders, it may be unambiguously associated with shareholder primacy.

It appears that CSR reporting may have originally been introduced to address society's concerns about the adverse impacts of operational activities and societal expectations that companies should be held accountable for the non-financial impacts of their operations. In this way, CSR reporting expands the company's responsibility beyond simply providing historical financial accounting information to its shareholders, by also requiring the company to demonstrate its accountability to its legitimate stakeholders about its non-financial operational impacts. While some may argue that by disclosing the non-financial impacts of their operational activity, this means that CSR reporting is clearly aligned to stakeholder theory, others suggest that this ostensibly responsible corporate citizenship could simply be an instrument that companies use to entrench the principles of shareholder primacy, through impression management and attempts at legitimisation.

The most recent development in corporate communication practices, namely integrated reporting, combines financial and non-financial information in one report, revealing how companies create and sustain value in the short, medium and long term. Integrated reporting achieves this objective by not only disclosing historical financial performance, but also by reflecting on the business model used, with specific reference to the six capitals that represent the value affected or transformed by the company's activities and outputs. Unlike financial accounting, which uses historical financial data to describe company performance, integrated reporting uses historical data to the extent that it contributes to improving the ability of report users to understand how the company's business model leverages these capitals to create sustainable value. However, even though the original

intention behind the introduction of integrated reporting, as advocated in the King III report of 2009, may have been aligned to stakeholder theory, the final integrated reporting framework published by the IIRC emphatically states that the primary beneficiaries of the integrated report are the providers of financial capital, even though it does suggest that other parties may also derive benefits. It is accordingly submitted that despite its original stakeholder-inclusive intentions, integrated reporting may simply represent yet another mechanism used by companies to entrench shareholder primacy, as subscribed to by *homo economicus* and advocated by Friedman.

Conclusion

The article set out to understand whether accounting and corporate reporting practices have evolved sufficiently to respond to societal demands for increased corporate accountability, from its origins of reporting to the company's shareholders about its historical financial performance and its financial position. It continued by examining the CSR reporting phenomenon as a response to societal expectations for companies to account to their broader stakeholders about their non-financial operational impacts on society, the environment and the economy. Finally, it explored the emerging integrated reporting phenomenon and questioned whether it was an accountability mechanism introduced for the benefit of stakeholders, or whether it simply represented yet another strategic tool to increase shareholder wealth.

Recent developments in corporate reporting practices reveal that accountancy remains a dynamic process, responsive to stimuli in the operating or business environment. While the evidence may appear to suggest that corporate reporting has evolved in response to the demands of contemporary society for companies to be held accountable for the impacts of their operations, this article suggests that this may simply be an illusion, and that recent developments in accountancy and corporate reporting practices may simply extend the shareholder primacy model. Despite the notably worthy objectives of both CSR and integrated reporting, it is submitted that these developments in corporate reporting and accounting practices could represent mechanisms used by companies to instrumentally leverage public perceptions about their ostensibly responsible corporate citizenship, and do not necessarily represent a meaningful response to the demands of society as expected in terms of stakeholder theory. Any benefits that may accrue to broader company stakeholders arising from recent developments in corporate reporting and accounting practices may therefore simply be coincidental.

This article also challenges the conventional dogma that attributes the advances in corporate accounting and reporting practices to Western civilisation, finding that the oldest forms of accounting may be traced back to the Blombos Ochre and the Ishango Bone artefacts, which originated in Africa over 20,000 years ago, or to the sophisticated ancient economies of Egypt, Ghana, Ethiopia and Mali, significantly predating the pervasive influence of Eurocentric values. Similarly, CSR reporting may be considered an extension of the African *ubuntu* philosophy which emphasises the achievement of communal goals, which in turn lead to the attainment of individual goals. Moreover, the various iterations of the King Codes and reports on governance for South Africa have strongly advocated for improved governance from a stakeholder perspective. Finally, a South African, Mervyn King, should be credited with the global integrated reporting initiative. Not only was he the chair of the various iterations of the King committees on corporate governance that introduced integrated reporting, at the same time he was also the chair of the Global Reporting Initiative and was appointed as the first chair of the International Integrated Reporting Council when it was established in 2010. Even though South Africa's role in both CSR and integrated reporting is readily acknowledged, it is submitted that the authentic traditional African communal values of *ubuntu*, as well as Africa's early contribution to the development of accounting practices, which does not fit into the dominant Eurocentric paradigm, have been deliberately ignored.

Notes

1. <https://en.oxforddictionaries.com/>, accessed 2 April 2018.
2. Often incorrectly attributed to Sir Winston Churchill.

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