

Transcript of 'Turning Ideas into Norms'

Season 2, Episode 10, Transforming Tomorrow

[Theme music]

Paul: Hello and welcome to Transforming Tomorrow, the podcast from the Pentland Centre for Sustainability in Business here at Lancaster University Management School. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

Paul: Now Jan, I've always thought you were a very smart accountant, even if I've never said it.

Jan: Well, you, you have never said it, but now you have, thank you very much, Paul. I feel like there's a but coming.

Paul: Well, but, and these are words from your own mouth, I'm told we've got an even smarter accountant who's gonna be speaking to us today.

Who may have ideas that he can explain to us that obviously go flying way over your head. So I'm worried how far over my head they're gonna go.

Jan: No. What we have today is a brilliant communicator of, of theories and ideas and, and science and understanding.

And somebody who's visiting the Pentland Centre at the moment and has come a long way to be here, to interact with colleagues at the Pentland Centre and to enjoy a bit of time at Lancaster University.

Paul: And it gives us the opportunity to talk about sustainability accounting, how that fits in there.

Talk about many other issues around accounting as well, contemporary trends in corporate reporting.

[slightly sarcastically] Oh, all kinds of things that I, I'll get the real expert view on that, I've always just taken your word for.

Jan: [laughing] Fair, fair enough. And I noticed though Paul, that you're finally embracing more accountants on the podcast. So this is a very good thing.

Paul: Yeah, it's been forced upon me. Uh, I fear that if I had said no, I don't want to know what might have happened, but yes, uh, yeah I'm, I'm willing to have accountants on occasionally.

So with that in mind, well as welcome our guest today. He is Professor Carlos Larrinaga, who is visiting the Pentland Centre, as you say, from the University of Burgos in Spain. Welcome, Carlos.

Carlos: Thank you.

Paul: Would you say you're smarter than Jan?

Carlos: No, I don't think so. [laughs]

Jan: Ahh, this is why I like working with Carlos, 'cause we compete as to who's the better. And I, I always think he's better than I am. He always thinks I'm better than him. So it's the best kind of competition.

Paul: Ah, is this kind of like a humblebrag? Is that...

Jan: ...no, no...

Paul: ...that sounded like that...

Jan: ...no

Paul: ...'he's, he's better than me', you know...

Jan: ...no, but actually what, what is best is the combination of us both, and this is where listeners on the, the podcast who may be at university, know that you can often do your best work with, with your best buddies.

And, and actually the ideas you can generate between two, three people are often much, much better than you could get from one person alone.

Paul: Well, let's find out a little bit more about Carlos and whether, you know, he lives up to your billing.

A lot of pressure there, Carlos. You've got to live up to, uh, really high standards that Jan's set for you.

Um, tell us also a bit about yourself and why on earth you decided to come here to Lancaster, where the weather at the moment isn't particularly wonderful, from sunny Spain.

Carlos: Yeah, I am a Professor of accounting, so yeah, another accountant. I have a lot of ties to the UK because I, I did my PhD and, uh, when I was doing my PhD, uh, being in touch with Professor Rob Gray, with Jan Bebbington and others in the Centre for Social and Environmental Accounting Research in, then in Dundee, now in St Andrews, was very, very influential, very instrumental for my, my research as a doctoral student and afterward.

So I have strong ties. And I, I like the fish and chips...

[Paul and Jan laughs]

Jan: ...ah, this is...

Carlos: ...and I like the, the weather here in, uh, in the UK. So, yeah, yeah.

I mean, apart of course I have been working with, uh, Jan for the last, uh, 20 years or 20 something years on, on, on environmental accounting and sustainability accounting.

So there, these are the reasons for, for being here.

Jan: And, um, I, I've, um, billed, um, some of the fish and chip shops in Lancaster and, uh, the wider area as being essential places to visit, and often take pictures of it and send it to Carlos, which could be construed as trolling, but actually is a promise for the future.

Paul: Tell us a little bit about your research background then. What areas of accounting, are you really into?

Carlos: Uh, I have been doing research on, on sustainability accounting, but, uh, within sustainability accounting, I, I have been interested in, uh how companies, uh, report this information, on how those activities like environmental reporting, or system to reporting, become, uh, norms and, and the regulation of this activity.

And we have to keep in mind that when I started my research, sustainability reporting or, or then environmental reporting was, uh, a voluntary activity. And we were like, um, interested in which were the triggers that will lead companies to, uh, engage in this activity.

So now the landscape has changed completely. And I, I am, I have been very interested in this area, how sustainability reporting and environmental report changed over the 30 years.

Paul: And in recent episodes we've heard from people like, uh, Neo who we had on a few weeks ago talking about the Taskforce on, *on* Jan, not for, you'll remember that from that episode...

Jan: ...I do, I do...

Paul: ...uh, Nature-related Financial Disclosures and the reporting that comes in there. And I know that's not specifically accounting reporting, but it is you know, there's reports that are being built on off the back of that.

We've talked about the Taskforce on Climate-related Financial Disclosures. We've talked about various types of reporting around modern slavery. And just from those few examples, you can see the amount of reporting that goes on that wasn't there 15, 10 years ago.

Jan: And, and I think it's part of a longer-term trend. And, um, we, because um, Carlos and I have been around for quite a time, you can see, you know, sort of pre-reporting where people used to sign up to things and say, you know, say the Global Compact, which was, well, it remains influential. And sort of say, well, we are going to apply these principles in our operations.

And then some innovative companies started to provide data on what they were doing on social environmental matters. And then sort of some expectations formed that that would be a good idea, but not everyone did it.

So then it becomes more regulated, sometimes regulated through stock exchanges. So the big firms that are listed on stock exchanges have to accord with it. And then eventually it becomes regulated at a national level. And when it's been regulated at the national level in all parts of the globe, it sort of becomes the standard expectation.

So this doesn't happen overnight, and some things never make it through to formal regulation. Other things make it there quite quickly. So it's a really mixed and evolving field.

Paul: Well, I guess that leads me to the question of how does something become a norm? It's, yeah, it's almost like 'how does a bill become a law' and all this stuff.

Yeah, how does something evolve to go from a new idea to stick and become a norm?

Carlos: There are like two different approaches, which I think that, uh, in some way are complementary.

One is, uh, you know, probably the most, uh, popular way of understanding the development of norms is, uh, okay, is change, is agency, is how things, uh, evolve, the dynamics of norms.

So you have like this idea of the, the hero, the institutional entrepreneur, who is, uh, innovating and producing new ideas and engaging with different actors to make sure that those ideas, uh, stick in practice.

And then there is a process of diffusion and, and maybe a tipping point. After the tipping point, those ideas that were initially like an innovation or something that was new and was adopted, as Jan was explaining by, by some actors, become a, a norm because it's, uh, you know, every company, for example, or any stakeholder will be forced to produce a, a sustainability report or to, or to read the sustainability report for having a position about the, the, the company.

At, at this point, we could say that the norm has, uh, crystallised to have like, uh, something that is almost compulsory for, for the different actors in the in the field. So this is kind of the, the most popular understanding of the, the evolution of norms.

But there is also a less popular understanding, which is like, uh, okay, which are the preconditions, which is the, the structure, the conditions that, that you have before this, uh, norm can be produced or, or take, uh, take of a, a real form.

And then you have like, uh, for example, ideas that are embedded in, uh, previous practice. So you have, uh, different practices that, uh, have been, uh, around for some years and the new norm is similar to those practices. Though then there is more possibilities, there is more, is more likely that those, uh, uh, norms will be, uh, will, will reach this, uh, point of crystallisation.

And there are other things, like, for example, the legitimacy. I, I think that this is very important and, and we have, uh, the ideas by, you know, authors, classical authors like for example, Max Weber, who were talking a lot about the difference between power and legitimacy and authority.

So you have, uh, this, um, power of legitimacy is very important to understand, uh, how something becomes a, a norm, the, the system of a common

language. So those, uh, uh, elements of, uh, a previous structure are very important in terms of, uh, having a new norm.

But the, the issue that we have and, and this we have, uh, written a little bit about that, is that, uh, the literature and research pays maybe too much attention to, you know, the hero, the institutional entrepreneur, and pays too little attention to the legitimacy of norms and the, the structural conditions that make it possible for a new norm to emerge.

Paul: I think that's common throughout many areas that the individual, the entrepreneur, the hero, however you want to phrase it, will become the centre of the story. 'Cause it's easier sometimes for people to relate to that individual and their, their tale of how they've done something so magnificent and how it's pushed forward, and there's an, is an easy story to tell there.

And sometimes I don't want to, you know, uh, offend here, all the, the stuff that's going on in the background and everything is so deathly dull that if you were to be told that story, you'd fall asleep in the corner.

Jan: And I, I think that's, that's true, but it's actually that, maybe this is a really good insight into accounting that, um, you know, people that preceded us in the field really brought to the fore, is that these mundane activities, whether it be measurement or expectations or, you know, record keeping, actually really matter as well...

Paul: ...mm-hmm...

Jan: ...and so the mundane, along with the inspirational, has to come together for, for something to crystallise.

And I think, you know, uh, Carlos' use sort of the, the phrase crystallise is a really important one. They come together, they lock together, and suddenly something heads off.

Paul: It's anything in life, there's always lots of little procedures and the mundane stuff that goes on that nothing could ever happen without it. And you just don't think about them. You don't think about them.

You, you, like take the sausage factory example, you don't want to know how sausages are made, [Jan laughs] you just accept you've got really lovely sausage at the end of the day. Because there's lots of stuff going on there that's, it's mundane in some ways, but also absolutely disgusting in others.

And it's just like, let's just not think about it. Let's just accept that we have this brilliant result at the end of the day. But...

Jan: ...ah, so, now...

Paul: ...you need to know...

Jan: ...I want to have sausages for tea now you've said that! [laughs]

Carlos: So accounting is like the sausage factory?

[Everyone laughs]

Jan: Absolutely...

Carlos: ...yeah, I mean, accounting, what is interesting is that accounting is everywhere. When there is a new initiative, a new idea, that is, um, you know, proposed in some way, modern slavery, due diligence, different sustainability, the Green Deal in the European Union.

Then there is always accounting, there is always some kind of initiative to make, uh, companies and other actors report on their performance, on, on sustainability and other factors.

Jan: And this might be a good time to ask you what ideas around sustainability have become quite firm norms in recent years?

Carlos: I think that we have to make a distinction here between, uh, some practices and the, you know, the core values of the, the organisations. I'm thinking about organisations, about companies, for example.

This is also a, um, a distinction that is made in institutional theory, for example. They, uh, the core values are very difficult to change, and there is a lot of literature showing that, uh, core values are very difficult to change.

Whereas, uh, it is true that now many practices in terms of, uh, reporting, but also in terms of other, other corporate practices like, uh, signing, uh, principles or the Global Compact or stuff like that, are easier to, to change or so, so those are new norms. We find those new norms in, uh, corporate practices.

But there is a, there is a, a gap between those practices and the, the values and the real, uh, performance, the real change of, uh, the organisation. So you'll find lots of companies that are producing sustainability reports. So that could be a new norm. That are providing assurance about those, uh, sustainability reports. That could be another new norm. That are producing, uh, reports on

due diligence or are producing reports on modern slavery or other, uh, TNFD, uh, TCFD reports or, you can find all those, uh, norms in terms of actions, reporting, but there is a distinction between those norms and the core values, the, uh, real action of corporations.

And, uh, research is taking, is paying attention to this because what is important at the end of the day is how organisations are accountable for their actions and how organisations change their behaviour to, uh, deal with, uh, sustainability issues.

Paul: That's a topic that we've discussed many times on the podcast, whether what people say they do is the same as what they actually do. And whether people are just doing things purely to meet reporting regulations and meet, you know, legislation and stuff and what, or whether they're actually living it as well and they're actually doing what they should be doing and doing things properly, or they're just doing things purely so that they can tick a box.

Jan: And that's often distinguished in the literature as sort of symbolic, uh, work, as opposed to substantive work. And of course, if you only look at the reporting, you can't tell actually if it's symbolic or substantive. You also need to have a glimpse and an insight into the organisations themselves.

And so there's been, you know, quite a concentration in our field in looking purely at the reports because, well, they're there, they don't move, you can do them when it suits you. And I think while that's important, it sort of becomes slightly unbalanced with really understanding what's going on inside organisations, speaking to these values, how they, how firms are thinking about the long term, how they're thinking about their relationships with other people.

Paul: Yeah, I want to look back to the work that, um, Mahmoud Gad did on modern slavery reporting there, and how they analysed and discovered the different ways that people were reporting, whether some, whether some companies were producing essentially the same boilerplate report every year, just with certain words and phrases that they felt needed to be going in there, or whether they were actually doing things properly, whether they, they were doing the bare minimum. Whether it was any kind of actual reflection on what the company was doing.

And you know, you know, my view on benchmarking, and whether that's a true reflection on whether companies are actually doing good and whether that can

change whether companies are doing good. It feel, it feels a little bit of a similar thing here when it comes to, yeah whether something's symbolic or whether something's actual.

Jan: It, it certainly is. So, so, Carlos, what would you say to somebody that would say, just pass a law that make companies publish some reports and everything will be fine?

Paul: Sounds good to me.

[Everyone laughs]

Carlos: Yeah, I think that is very important in that regard, again, a distinction between norms and, uh, and the rules, the, the law as it is published in a, you know, in, in a, in a paper in black and white, you have a law and uh, that is, uh, you know, uh, written by the, by the government, by the parliament.

And then the norm as something which is the social practice. So social practice on the one side and the, the rule, the, um, the law on the other, on the other side.

Sometimes you have, uh, a regulation that is not leading to this social norm. Why? There are different reasons for that. One of the reasons that is also linked to what we were talking, uh, before, is the legitimacy of the regulation, the, the legitimacy of the rule.

Because sometimes the government passes a law, and this law is like, uh, very new, is something that has nothing to do with, uh, the previous practice. Is not, uh, for example, connected with, uh, underlying values. In those cases, the regulatees will, you know, engage in different activities to make sure that they are not complying, complying with, uh, with the law.

And you have the, the complete opposite, uh, position is like you have a convergence of, uh, behaviour between different organisations, and we have seen this in, uh, environmental reporting. There was no law, but companies were doing exactly the same thing. Why was this? It was because there was an underlying legitimacy. There were values that were, uh, supporting this activity. And at the end of the day, the practice of companies, uh, converge around a similar behaviour.

So, yeah, I mean, we have, uh, experience and we have cases in which a law was not complied with by companies, because companies felt that this was not a legitimate norm, was a strange norm, it was not, uh, it wasn't following the

company practice. And then you have the opposite, you have, uh, voluntary norms that have developed over the years and have reached legitimacy despite not having, um, the support of the, of the state.

Paul: Right, so you've come up with lots and lots of negatives about putting a law in there, some positives about doing it all voluntarily. There must be some problems when it comes to voluntary adherence.

Carlos: Yeah, of course. [laughs]

Paul: Good, I'm glad to hear it...

Carlos: ...of course, of course. I mean, freeriding to begin with, you know.

The issue here is that you cannot, uh, go only for regulation, not going only for voluntary, in this case, sustainability reporting. You, you have to think about different possibilities in between both of them, or how to reinforce regulation with voluntary activity. And, um, and this is again going back to the, the first explanation, how norms develop.

The main problem with voluntary, uh, disclosure, voluntary reporting is that, uh, regulation is very powerful. So when you have regulation, and regulation is, you know, well designed and regulation is, uh, agrees with underlying values, it's very powerful. And you have also, you know, the power, the policy of the state, making sure that the regulation is complied with. Then regulation is very powerful.

I always use an example, the prohibition of, the smoking prohibition. Everybody was saying, oh, this will not work, it's not gonna work. Because people are, you know, used to smoking in bars at work. But the, at the end of the day, it worked. Why? Because it was legitimate.

There was, you know, the association fighting cancer, uh, was the, the doctors that were supporting. So there, there was a strong legitimacy for this norm, and it was also consistent with the underlying values in society. So, you know, you had the law one day, and the day after it was supported and it was complied with by everyone.

So it's, it's the same with, uh, in the case of sustainability reporting, we have had an experience of, uh, sustainability reporting for 20, 25 years, 30 years, if you think about, uh, environmental reporting as well. Uh, and then this practice have been developing. Companies are used to produce those reports.

There is, uh, an industry of, uh, insurers, of consultants that are helping companies to produce those reports.

And then you have, in the European Union, for example, the directive, the now the Sustainability Reporting Directive, it comes naturally. Companies are accepting the, the new regulation because there was previous practice, the, the values are there. There is, um, you know, it's legitimate because it's something that was already done, by a bunch of, uh, corporations.

So regulation is not enough, but regulation is very powerful.

Paul: [whispers] I'm so confused! [normal volume] No, I get, I, I get what you're saying, regulation good, regulation bad, but that there's, there...

Jan: ...yeah...

Paul: ...there's a balance there, and there's reasoning behind why it can be good, why it can be bad, how it can work, how it can't work.

Jan: And also, this is quite a good, uh, explanatory frame as well, because not every piece of regulation that you pass succeeds. So understanding why things don't work is also quite important because then things can be, you know, brought back and redesigned, et cetera.

And, and it, I suppose it goes to show that when we, you know, as a member of a general public, you might not actually ever encounter a, a non-financial or sustainability report from a company. But if you did, you might, you know, have, have an imagination about why this is done and how it's put together.

And I suppose what Carlos and my scholarship, um, and what Carlos has talked us through just then is that, oh, it's more complicated than you thought...

[Everyone laughs]

Jan: ...I think that's the important bit. Like most things in life, it's all a bit more complicated than we think.

Paul: And especially when you get academics involved. [Jan laughs] It's, it's all nice and straightforward, I want a sausage for my tea. No, no, no, hang on a minute, you've got to consider all the implications of having sausages for your tea. I want sausages for my tea now, it just doesn't matter...

Jan: ...yeah, we've talked ourselves into it haven't we?

So, I might ask you a question then about the EU because, you know, um, technical and in reality, the, the UK is now outside of the EU, but the EU regulatory force still has an impact on UK companies for operating in Europe.

But also presumably still has a force because it has the imagination of what should be normal in the world. So what do you make of the EU regulatory, um, activities in around non-financial corporate reporting?

Carlos: Yeah, the now, uh, the, the new directive is called sustainability reporting, which is interesting because, uh, 10 years ago they decided that it was non-financial reporting, and now they, they are back to the, the original terms of sustainability reporting.

So I think that in terms of the development of norms and, and normativity, the directive is, um, an example of, uh, how regulation could take advantage of, uh, those structural, I mean, you have the agency, so you have the, the agency of different actors in, in the European Union that have decided, you know, this strategy, the, the Green Deal.

And then have decided that, uh, sustainability reporting was part of this, uh, this strategy of the European Green Deal together with, uh, you know, the financial strategy and et cetera.

So you have agency, but in addition to the agency, you have also those preconditions that we were talking before about. You have previous practice and we have done research in this, in this area, we have written about, about that.

So in, people forget that in the 1990s there was, uh, a regulation was the EMAS regulation, the eco, Eco-Management and Audit System. So this regulation, under this regulation, companies could produce an environmental report.

So in the 1990s, there was a very strong, uh, activity of industrial companies, energy companies producing environmental reports. So within this, uh, activity of environmental reporting, a new industry developed of, uh, consultants, assurers that, you know, were diffusing different values of, about environmental reporting.

So there was, uh, a huge activity and sustainability reporting was something that came after environmental reporting. It was kind of, uh, transformation of one activity. What was environmental reporting before then become at some point sustainability reporting.

And then there is the, the role of the GRI, the Global Reporting Initiative, which was also producing and encouraging companies to produce those, uh, sustainability reports.

Uh, and so the European Union is, has regulated something which was, you know, already happening. So there was previous practice. And they have, uh, transformed, which was previous practice into a directive.

And within this directive, they are now producing standards, the European standards, which are, I mean, there is some criticism because they are like, uh, very, you know, detailed. But at the same time, those standards are no surprise at all, because those standards are building upon the GRI. The Global Reporting Initiative, sustainability, uh, standards.

So to summarise, uh, my, my point about the, this regulation, I think that is, is very interesting to see how this, uh, directive has developed, taking advantage of the, the previous practice and the values that were already in place in this field of, uh, sustainability reporting.

Jan: And what I like about your mention of EMAS, because uh, you have to be quite old to remember EMAS to a certain extent...

Carlos: ...yeah...

Jan: ...is that it was, um, it had quite a strong site basis and so a lot of organisations would do EMAS evaluations on a, a factory or a place or something of that sort. And in some ways we're coming around full circle when we're thinking about reporting on nature, back to place-based, um, reporting.

So in, in that respect, if you like, some of these old ideas that might be subsumed and wrapped up in newer ideas remain even in the newest standards as well. They just don't go away.

Paul: Speaking of old ideas, I'm led to believe, um, Carlos, that you do also do a little bit of research on accounting history.

Carlos: Yes.

Paul: The nervous look on his face suggests what is he gonna ask me? What is he gonna ask...

Jan: ...I think Carlos loves history more than accounting if truth be known, but. [laughs]

Paul: We all end up doing things that we don't expect to be doing back in time, that's it.

So what are you examining with regards to accounting history and how does it fit in with maybe this work around, uh, accounting, reporting and all of this?

Carlos: Yeah. So I mean, it's true that I like, uh, history. My initial motivation to, to do research on a, on accounting history, uh, was this, uh, love for, for history. I also think that history is important. It's not just, you know, a hobby. It is, um, it's something that tells us who we are.

I, I think that we, we have to learn history because, uh, we are, the product of the ideas from the past, actions from the past. And, uh, and in that regard, uh, I, I have been studying, uh, accounting history, particularly since the 15th century until the 18th century, because this period is the period where modernity was developing.

The, you know, there are different ideas in modernity, of course, you know, science for example, or the emancipation from, you know, political emancipation is something that is developing in modernity, but also the emancipation from nature. And where emancipation from nature comes split between nature and society.

Of course I mean this is an area, is very philosophical in a way, but I think it's very important to understand how accounting technologies participate in this split between nature and society and how, you know, we account for different things, forgetting nature.

We account for, I don't know, for expeditions or we account for, you know, the, the, the colonisers, they were producing accounts and they were forgetting nature, forgetting other civilisations, forgetting and, and so accounting has always been forgetting.

Paul: Mm-hmm.

Carlos: And uh, and what we are trying now is to recover nature. To recover different perspectives. To recover, so I think that in order to be, recover those, uh, issues, we need to understand how we forgot in the first place.

And so, for example, to give you an, an example, we are studying a long project. We have been studying the role of accounting in the construction of the modern state, in the case of, uh, of Spain, Castille. And Spain was the, I mean, had the doubtful, uh, owner of, uh, colonising America and, you know,

and all the, the bad things that happened with the colonisation of America, accounting was there.

Accounting was, you know, how do you say sticked, sticked to the rationalities of, um, of the, of the time and, uh, was enabling the exploitation of nature, the exploitation of, you know, the expansion of, uh, Europe, in a way, and the expansion of society in nature, and the exploitation of nature.

So accounting was, was there. And the research question is how was accounting producing those uh, effects? We don't have an answer. I mean, we have like a hypothesis, but we don't have a, a final answer.

I think that we need to understand how accounting, uh, was, uh, intervening those processes to try to recover, um, nature and, you know, other civilisations into accounting.

Paul: Well, I think we've just got time for one more question. I want to know if through this work you are doing on norms, if this, through this work you are doing on reporting, you are seeing something that's inspiring you for the future.

Carlos: Oh, good question. [laughs]

Good. I, I think, yeah, something inspiring for the future. Every time there is some institution thinking about a new idea, the first initiative that they put in place or that, the first initiative they implement is about reporting, is about accounting. Is accounting for that, reporting for that.

There is a lot of opportunities for research because I think, I think that this is about research mostly. Yeah. So there are, uh, lots of opportunities in terms of, uh, doing research on sustainability accounting because, uh, sustainability accounting and sustainability reporting is, uh, always at the middle of every new initiative that is trying to achieve something in the field of sustainability.

And uh, so I'm very curious, which is the reason for that. Maybe is because we are the sausage factory.

[Jan and Paul laugh]

Paul: It all comes back to sausages.

Jan: It does indeed.

Paul: Carlos, thank you very much.

[Theme music]

Paul: Well, Jan, I'm torn, I don't know who's smarter you or Carlos.

Jan: [laughs] I think we're probably gonna settle on we're smarter in combination than anyone else.

Paul: In the whole world!

Jan: [laughs] Somehow that seems unlikely.

Um, but it's a, it's a hugely productive, uh, writing partnership that we have, but also given the different countries we're in, we see very different things and that creates a really nice ability to bring that combination together.

Paul: And seeing how something does become normalised. Some, seeing how something becomes accepted, seeing how you can regulate or not regulate. And that's not necessarily the issue, there's other factors that underlie that are gonna change whether companies change their behaviour.

'Cause I mean, especially for the, the work that you're doing, it is a lot about organisations and not necessarily individuals changing their behaviour and actions. It's, there's just so many complications there.

Jan: There is, but I, but you know, things come, they crystallise and things happen. So in that respect, if you like, uh, the outcomes are, are there.

And quite often in this area, people bemoan what they call the alphabet soup. 'Cause there's CSRD, there's CSDDD, there's EMAS, there's TCFD, TNFD, GRI and all these sorts of things.

But I'm increasingly of the opinion it's not that it's alphabet soup so much as it's a game of Scrabble. And so things intersect and actually build off each other.

And so a really good example would be TNFD, the nature taskforce and TCFD, the carbon one, they, they sit alongside each other and you can imagine intersecting words that go across them.

So I think we need to be thinking about this area as, as a scrabble board and a sort of a big connection of things together. Each, they're doing their own thing, each with their own norms, but actually producing something better as a result.

Paul: Well, you talk about producing something better, Carlos, essentially implied that accountants are responsible for so much that's gone wrong with these, this world over the past few hundred years.

Um, various issues around exploiting nature and various issues that there are around colonialism and stuff like that. He said it's all down to accountants, making the numbers add up and therefore it's all your fault.

Jan: Uh, it could be, but also one of the really great things about, uh, history is that even if you say something didn't happen, the accounting records will find you out.

And so there, there's some contestation about whether or not, uh, in, in the context of Australia, whether there was a particular, um, you know, massacre of Indigenous People.

But if you look at the accounting records of, you know, what, how many soldiers were paid to be in a place, how much food they ate, how long they were there, what kind of arms they used, then you can get this clue from the accounting history that in some ways you, you can't obliterate.

And because people are really focused and worried about money, accounting records sometimes outlive the official and unofficial stories of what went on. So accounting records are, you can reconstruct the past. For good and for bad.

Paul: And you can construct to the present and find a very good picture of the present. Albeit, as we said, not necessarily the, the reports are telling the full story.

Jan: Indeed. I mean, I feel I have some, I have enormous amount of sympathy for organisations who are having to face up to providing new reports. Because if they don't have the underlying data or they don't have the capability to draw together that data, then their reports are going to be maybe a bit, bit thin and a bit, uh, sort of assertive rather than substantive.

But then at the same time, some of the reporting is inviting organisations to really reformulate and rethink what are their values, what is their purpose and what they're there for. And that's a really non-trivial task for any organisation to be involved in.

Paul: And it really does tie back, as we referenced during the episode, to the things we talked about with Neo not that long ago, about the Task Force on

Nature-related Financial Disclosures and various other issues that we talked about.

Jan: And also in this series, it also calls back to Steve Kempster's, uh, Good Dividend, um, ideas as well. Is that if you don't have good dividends in your heart, it's hard to provide a report about your good dividends.

Paul: We're gonna be bringing things a bit closer to home next week. Um, and we're gonna be talking about business schools, management schools, of which we are part of one, and how ESG, environmental, social, governance fits in there. How sustainability fits into the education and the operations of business schools.

Jan: And who's gonna tell us about that?

Paul: Yes, we'll be talking with Dr. Marion Iszatt-White, who will be our first repeat guest. You may remember her from series one where she talked to us all about stewardship and leadership, and now she's back to talk to us about ESG in business schools.

[Theme music]

Paul: [laughs] We both thought each other was gonna talk.

Well until then, Jan, it's been a great episode. Thank you very much everyone for listening. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

[Theme music]