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## Article

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# Note from the editor

## The results of accounting

Economic sociologists are increasingly paying attention to questions of valuation (Beckert/Aspers 2011; Stark 2009; Lamont 2012), and everyone who is interested in valuation should be interested in accounting, possibly its most prominent form. Having been credited with an instrumental role in the development of capitalism by Weber and Sombart, accounting has mostly been lurking in the shadows of sociological inquiry, referenced but rarely studied for its own properties, apart from a few exceptions (e.g. Zald 1986; Schneiberg/Berk 2010; Hatherly/Leung/MacKenzie 2008).

Although the argument that double-entry bookkeeping helped create the notion of capital, monetary valuation and enterprise, has since been refined and disputed (Caruthers/Espeland 1991; Chiapello 2007), classical sociology firmly placed accounting at the core of sociological theory. The new and newer economic sociologies have shown its importance, albeit indirectly. In organizational and institutional approaches, accounting has primarily been implicated as a vehicle of corporate transformation towards a more financialized economy (Krippner 2011), for example through the rise of Shareholder Value and corresponding managerial strategies (Fligstein 2001; Davis 2009). In the sociology of markets, accounting has often been considered as an important calculative device, which participates in marketization and economization (Callon/Muniesa 2005) – creating, coordinating and transforming markets and trading (e.g. MacKenzie/Spears 2014) or the national “economy” (Mitchell 2014).

The ubiquitous yet still under-conceptualized use of accounting is complemented with the recent surge of interest in valuation – as activity and process rather than value as product – and the parallel emergence of Valuation Studies as an interdisciplinary enterprise (Helgesson/Muniesa 2013; Adkins/Lury 2011; Antal et al. 2015). Valuation has been successfully torn from its status as the attribution of financial value according to principles of economics, as well as from the classical opposition between reality and value judgments (Durkheim 1911). While there are many interpretations of valuation and evaluation, many sociologists agree that value in the economy is assembled in certain ways to become singular and fact-like, objects transform in the process of being valued, and incommensurable

or controversial valuations co-exist. Valuation has been recast as a moral act (e.g. Fourcade 2011), and the economy made possible by diverging regimes of worth (Stark 2009). The expanding notion of valuation has yet to tackle what is perhaps the most intricate and hidden valuation infrastructure – the forms of accounting. This is difficult because sociologists have limited exposure to this highly professionalized field. Recent general theories (e.g. of “capitalization,” Muniesa 2014) and positioning statements from the accounting field are beginning to address these missing areas of valuation studies, going back to the basics of understanding accounting (Kornberger et al. 2015).

By taking valuation seriously,<sup>1</sup> economic sociologists are now in a good position to engage with some of the more intimate workings of accounting.<sup>2</sup> As sociologists, we often gloss over the technical details of cases in search of the social, which is presumed to lie behind the substance of expertise – it is not the actual numbers that count. Spending time on the nuts and bolts becomes necessary, however, if we want to understand how the accounting infrastructure (Power 2015; Vargha 2015) brings the economy into being.

In fact, we have already been acquainted with some of the foundational ideas in the social studies of accounting on the pages of this journal, and I refer the readers to the Newsletter issue edited by Andrea Mennicken (2008) for a concise overview of productive overlaps between accounting scholarship and sociology. Similar introductions have been made elsewhere (Vollmer/Mennicken/Preda 2009; Power 2011; Miller/Power 2013) on the project of accounting as social, organizational and institutional practice (Hopwood/Miller 1994). Power and Miller (2013) have recently outlined the four main properties of accounting relevant for organization studies as territorializing, mediating, adjudicating, and subjectivizing.

Therefore, instead of an overview of the vast field that is the social studies of accounting, the current issue aims to present readers with new research by sociologists working on some of the large, now-classical problems of accounting. These include non-governmental regulation by accounting standards, accounting for non-financial and non-economic value, the uses of accounting information, visibility through accounting, and controlling action by meas-

urement. Several of the authors straddle multiple academic disciplines, speaking to the accounting field from the viewpoint of sociology, and this is palpable in the technical nature of reasoning.

With different theoretical viewpoints, the papers in this issue bring forth questions of economic “performance” – what entity is performing, what mechanisms bring performance on, what counts as performance and who is its audience. The papers look at the relationship of valuation and measurement (Millo et al, Thiemann and Friedrich), the way performance figures come to have an effect in markets (Vollmer), and how accounting aims to elicit that performance by conceptualizing behavior (Dix). Each paper approaches accounting with a different theoretical lens, from political economy and organizational sociology to historical analysis and communication.

The traditional format of accounting was fundamentally challenged by the financial crisis, as the paper *Drawing the Line: The Political Economy of Off-balance Sheet Financing* by Matthias Thiemann and Jan Friedrich makes clear. The balance sheet and income statement (profit and loss account) are highly formalized documents regulated by transnational governance mechanisms of accounting standards. These documents provide “visibility” into the organization in terms of financial value. The question is what that organization “is” as an economic and legal “entity”. Banks moved securitized mortgage debt off their balance sheets into Special Purpose Vehicles, so risk could be sold off to investors. Risk accumulating in the system was not therefore “visible” through banks’ financial statements, while banks retained that risk due to the contractual arrangement of the Special Purpose Vehicle, which is a type of lease. Thus, inclusion on the balance sheet turns out to be a legal question, and renders financial innovation a legal innovation. Thiemann and Friedrich show that the organization as an entity is constantly being reconstructed – the lines are being moved – in tandem with regulation, which tries to affix those lines around the organization, to have a view on value. There is a fundamental political struggle around the boundaries of the firm, which is fought out in the legal and auditing terrain, generating new economic formations. Instead of a metaphor of framing and overflowing (Callon), it is better to imagine battle lines.

Alternative valuations of performance proliferate as “other than economic” value has been expanding into the official definitions of markets, notably in the rise of environmental

and social accounting. In the paper *Accounting measurement tools and their impact on managerial decision making* by Yuval Millo, Emily Barman and Matthew Hall, a collaboration between sociologists and accounting scholars, we witness how non-economic morality is worked up into economic morality in different ways, as the organizations produce an increasingly influential valuation: the Social Return On Investment (SROI). The authors carry out an organizational analysis of the SROI measure: how it is composed differently based on the infrastructure, the informational and financial resources mobilized by the organizations using them. In contrast to the setting of financial accounting standards, the measure here is an intra-organizational affair, at best an early stage of valuations that might later become future standards for entire markets. Accordingly, the paper focuses on managers’ positions in the valuation process, as agents managing stakeholder interests by the way they assemble the SROI measure.

A significant shift in accounting theory has paved the way for alternative valuations: the move away from Shareholder Value towards stakeholder theories, defining the organization’s goals not only in satisfying its owners (shareholders) but also its multiple *stakeholders* – a reference to the larger and often diffuse groups affected by the organization, its employees, local communities, government, customers, and so on. Framing the problem of audience as that of stakeholders justifies having different views of what constitutes the “performance” of an organization. Performance is interpreted narrowly as financial performance in finance and accounting, and in management more broadly. Hence, Social Return On Investment is still a return on investment, a financial metric, albeit one of multiple strategies which more or less blend alternative orders of worth into the existing valuation landscape. Surprisingly, the paper argues that the SROI measure will cement particular inequalities, as different constituents (stakeholders) become prioritized and their “concerns” addressed in SROI methodologies. However, as the authors show, this is not simply a deliberate political decision or even a struggle, as the priorities depend on the organization’s ability to conceptualize and carry out the task of measurement: seeking, and in practice gathering, certain type of information and building it into the measure.

Shareholder Value itself rests on a theory of incentives, perhaps one of the most powerful economic theories. While environmental and social accounting chips away at the Shareholder Value conception of organizations, the latter is still the dominant paradigm in accounting and

finance. Nonetheless, the original shift to Shareholder Value in the US was greatly facilitated, if not engendered, by agency theorists, as sociologists have argued (Davis 1991, Dobbin/Jung 2010, Khurana/Fourcade 2008). The imagery of self-interested managers acting against the greater interest of owners has shaped the development of contemporary corporate governance, accounting and finance. In brief, these have revolved to a great extent around the problem of designing the right incentive structures that would ensure that managers follow shareholder interests.

In his paper *A Genealogy of the Incentive*, Guus Dix traces the origins of the “incentive” as key governing concept in modern economic thought, and the creation of the “incentivizable subject”, an agent who is configured to play the game of incentives and rewards. The paper finds the origins of the incentive in early mechanical engineering, following the concept’s path from scientific management and Gantt’s “Man Record Charts” to Mayo’s management science, the socialist calculation debate, and finally into 1970s information economics, culminating in agency theory. Dix identifies three governmentalities in this history, each conceptualizing “human performance” as a relationship between rewards and behavior, pursuing the problematic of the “incentivizable subject” and the techniques by which it can be governed. Surprisingly, after the early mechanistic view of the financially motivated worker, management scientists’ models of maladjustment proved to be overly complex in the face of the emerging mathematical descriptions of planning, and later of information asymmetry between principal and agent. The paper concludes by proposing that incentive is a future-oriented device that stands in contrast to (Foucauldian) discipline and forms part of the regime of fictional expectations (Beckert 2013, and see below), reflecting on incentive-based policy in traditionally non-market domains such as health and education.

Performances have audiences, and this is the angle from which the paper by Hendrik Vollmer, *Financial Numbers as Signs and Signals: Looking Back and Moving Forward*, tackles the problem of what any of these measured and packaged accounting values mean. What is the status of information about firms’ performance in economic life? Vollmer challenges the widely held notion that accounting provides transparency. This is a foundational idea both in mainstream accounting and in many critical studies – accounts allow us to “see” into the management and operation of organizations. Vollmer argues that the visibility

metaphor is incomplete at best if not entirely misplaced. Visibility pushes us to question the process of fabricating the visible accounting figures and assumes their governing capacity. If we distinguish between signs and signals, however, we can unpack not only the past of numbers, but also their present and future – the mechanisms by which they gain significance to form the basis of action. When and how does certain accounting information become signal of some sort for certain economic actors? The formation of signals, Vollmer argues, is tied to stakeholders’ “intuition,” an experience of the world which operates alongside, and engulfs, the perception of visible numerical signs.

These sociological insights on accounting enable us to keep revising our theories of organization and economy as social formations inextricably constituted by accounting techniques. Another fruitful task is to appreciate what valuation studies and accounting can learn from each other.

In the special section *New Frontiers of Economic Sociology: Capitalism and Sociological Theory*, the contribution by Jens Beckert delineates a novel theory of capitalism that hinges on actors’ preoccupation with the future. In his article *Fictional expectations and the crisis of contemporary capitalism*, which is based on his forthcoming book, Beckert argues that capitalism is founded on and driven by a “future-oriented temporal order.” Because that future is seen as open-ended and limitless but full of uncertainty, an important aspect of economic action is the fabrication of “imagined futures.” We can reconsider capitalist institutions and policies in light of their ability to create the ground for, and shape certain types of “fictional expectations.” The paper then examines how fictional expectations structure three key areas of the capitalist economy: financial markets, consumption and human capital. Beckert finally argues that economic paradigms, models and theories appear as instruments for creating fictional expectations. Consequently, crises of capitalism involve the dismantling of certain imagined futures and their resolution lies to a great extent in building up new imaginaries, which would again set the economy in motion.

The *interview with Alya Guseva*, current Chair of the Economic Sociology Section of the American Sociological Association, explores the connectedness of economic sociology in Europe and the U.S., and with other fields, and reflects on her intellectual trajectory pursuing questions of uncertainty, markets, credit and finance in the post-socialist terrain, now turning to the household as a relevant research object for economic sociology.

In the book review section, we have reviews by Benjamin Werner on Will Davies' book *The Limits of Neoliberalism*, by Arndt Sorge on Bart Noteboom's *How Markets Work and Fail, and What to Make of Them*, and by Felipe Gonzalez on Nigel Dodd's book *The Social Life of Money*. Further, Ana Gross and Felipe Gonzalez introduce their doctoral projects on data framing techniques and on credit and status anxiety.

I hope you enjoy reading this issue.

We welcome your comments and ideas, so please feel free to contact me at [zv8@leicester.ac.uk](mailto:zv8@leicester.ac.uk).

With best regards,

Zsuzsanna Vargha

## Endnotes

<sup>1</sup>But see the economization research program (Callon/Caliskan 2010).

<sup>2</sup>Not of accountants as professionals but of accounting as expertise. For this distinction see Eyal (2013).

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