

6<sup>èmes</sup>

# États Généraux DE LA RECHERCHE COMPTABLE

12 décembre 2016

[www.anc.gouv.fr](http://www.anc.gouv.fr)



AVEC LE SOUTIEN DE :



## POLICY PAPER

The theoretical foundations of the accounting  
representation of performance in a stakeholder  
and territorial approach

**Benoît Pigé** (University Professor  
Université de Franche-Comté)



# The theoretical foundations of the accounting representation of performance in a stakeholder and territorial approach

**Benoît PIGÉ**  
University Professor

## **Abstract:**

If profit cannot measure the complexity of the organizations' performance and if sustainability is a key criterion of performance, then other measures of performance are expected. We develop an accounting model of performance representation that integrates the expectations of stakeholders within territories. Our model offers a territorialized representation of performance to reconcile the universality of abstract principles with the reality of concrete situations.

**Keywords:** performance, representation, accountability, sustainability, territory.

Since the work of Adam Smith and the classical economists, the measurement of business performance has been based on profit. Profit is the difference between the market value created by the sale of goods and services and the market value of resources consumed<sup>1</sup>. By equating profit to performance two main assumptions are done: the existence of complete perfect markets (all goods and services have a price and can be traded in a market; prices are the result of the matching of supply and demand and none of the market participants exercises a significant influence on the process of price formation), and the separation between economic and social spheres<sup>2</sup> (the economic sphere is deemed to be governed by economic laws whereas the social sphere<sup>3</sup> belongs to the field of morals).

---

1 In accounting terms, profit is measured by net income.

2 Bruno Latour, *Nous n'avons jamais été modernes – Essai d'anthropologie symétrique*, Paris, La Découverte, 1991.

3 The concept of social sphere is defined as all the relationships that man has with his fellows and with nature. It is therefore a broad concept covering social relations as such as well as environmental interactions.

The assumption that complete and perfect markets exist has always been disputed, as acknowledged by neoclassical economists. The latter<sup>4</sup> consider that the deficiencies observed are just imperfections that will be gradually eliminated with the development of new markets<sup>5</sup>. Conversely, other authors<sup>6</sup> believe that modern economic reality is moving away from competitive markets and towards oligopolistic markets (by nature, imperfect). The rejection of the assumption that complete and perfect markets exist means that profit does not represent an objective amount (derived from the free matching of supply and demand) but a subjective amount imposed by the balance of power between market participants at a given place and time.

The assumed separation of economic and social spheres is more implicit.<sup>7</sup> It played an essential part in the development of economic science because it permitted interactions between human beings to be treated only from the material viewpoint of exchanges of goods and services<sup>8</sup>. Ethical issues could therefore be neglected in economics, because the latter did not cover the non-commercial dimensions of transactions. If the social dimension of transactions is ignored, or considered to be private, profit maximization becomes the criteria governing transactions<sup>9</sup>. Conversely, if economic and social spheres are linked, then ethical issues become essential<sup>10</sup>.

The rejection of the two main assumptions which lead to the equivalence between performance and profit opens a Pandora's box, where it becomes difficult to determine an objective measurement of performance. Even if they are not realistic, these two assumptions can be used for modelling and taking actions and decisions. The postulate of this article is that traditional economic modelling has now reached its limits<sup>11</sup> and that any attempt to go further must start by questioning these assumptions.

---

4 In particular Milton Friedman, *Capitalism and Freedom* (1962), Chicago, The University of Chicago Press, 2002.

5 For example pollution rights markets such as the carbon market.

6 In particular John K. Galbraith, *American Capitalism*, Boston, Houghton Mifflin, 1952.

7 Even Adam Smith did not formulate the assumption as such. Instead he devoted two different works to these two issues and took care to keep them separate:

*The theory of moral sentiments*, 1759.

*An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776.

8 Lewis Mumford, *Technics and Civilization*, London, Routledge, 1934

9 Henri Comte-Sponville, *Le capitalisme est-il moral ?*, Paris, Albin Michel, 2004.

10 Benoît Pigé, *Éthique et gouvernance des Organisations*, Paris, Economica, 2010.

11 We may consider that the financial crisis of 2008 is just a blip in the turbulent development of capitalism or that it marks the end of neo-liberal economic thinking that is incapable of finding practical solutions to address the imbalances of our planet.

In this article, and in the related research project, we focus on the consequences of abandoning the assumption that economic and social spheres are separate. Because sustainable development issues are nowadays at the junction of economic and social spheres, we note that firms (and organisations in general) cannot avoid including sustainable development criteria when measuring performance. By proposing a performance representation model based on a stakeholder and territorial approach, we wish to reveal an order of understanding<sup>12</sup> in an area where apparently there are only individual choices.

In the first section, we examine the limits of separating economic and social dimensions, in order to show how this separation leads to subordinating one to the other and manipulating human beings. In the second section, we define the concept of territory, by which we mean a place that embodies stakeholders, and use this to support a territorial approach to presenting performance. The third section expands on the territorial performance model and stresses the need for universal concepts to frame the territorial representation of performance.

## 1. The separation of economic and social dimensions

Economic and social spheres are not unrelated but constitute two different approaches to phenomena which are sometimes common to both<sup>13</sup>. According to Max Weber, an action is economic when it is driven by the “desire for utilities”; it is social when it involves a relationship with others and the other is not treated as an object. An action may be economic and social when it has a utilitarian purpose whilst involving people. Therefore, interactions between the economic and social dimensions determine the way performance is portrayed. As we consider the interactions between the economic and the social to be based on a non-utilitarian relationship, we ought to take account of the human being in its unique and irreplaceable dimension which can be expressed by the concept of the soul<sup>14</sup> (or psyche).

---

12 All appears to be disorder when there is a lack of understanding: Henri Bergson, *L'évolution créatrice*, 1907, Presses Universitaires de France, 1959.

13 Max Weber, “Wirtschaft und Gesellschaft” (1920) unfinished, translated by Talcott Parsons in *The Theory of Social and Economic Organization*, New York, The Free Press, 1947, p.158.

14 Carl G. Jung, *L'âme et la vie* (1945), Paris, Buchet / Chastel, 2013.

## 1.1 Efficiency as a measure of performance

The separation of economic and social dimensions permitted efficiency to be considered as the dominant economic paradigm. If resources are limited, the prevention of wastage and the search for the most effective possible use of resources are the best ways to maximise economic wealth creation. Profit, as a measure of efficiency, is then representative of the economic performance of organisations.

If we consider the two economic and social dimensions to be related without being substitutable<sup>15</sup>, profit appears an inadequate representation of the performance of an organisation. This inadequacy is obvious because: (a) profit cannot measure items which are not expressed in financial terms<sup>16</sup>; (b) prices express market relationships which may be distorted by the balance of market power; (c) initial resource allocations may lead to the exclusion of certain participants in order to meet solvent demand rather than satisfying the fundamental needs of insolvent human participants<sup>17</sup>.

*"Where complete market freedom is given, the highest degree of formal rationality in capital accounting is absolutely indifferent to all the substantive considerations involved (...) But it is precisely the existence of these substantive considerations underlying monetary calculations which constitutes a limit of rationality"*<sup>18</sup>. The substantive considerations to which Max Weber refers are the initial allocation of resources as well as the subjective desires of each individual and each group. Absolute rationality, fully mastering profitability criteria, is unattainable if we consider that human beings are more than just calculating machines driven by needs that can be perfectly modelled and probabilized. The human psyche is by nature impossible to model<sup>19</sup>.

## 1.2 The social dimension in support of the economy

The etymology of the word *economy* comes from the Greek *oikonomia* which means "household management". Conversely, the word *social* comes from the latin *socius*, translated as "companion, partner". In French, social means "relating to a human community considered as a whole without differentiating its members"<sup>20</sup>

Every free individual is therefore faced with this duality: the management of its assets and its integration in a human community. Adam Smith made a decisive contribution by separating out the two dimensions so as to study separately their main characteristics and the driving

---

15 The social aspects of human relations are not necessarily measurable in financial terms.

16 Profit is therefore an incomplete measure.

17 Max Weber (1920, in the work quoted), pp. 193-195.

18 Max Weber (1920, in the work quoted), p. 212.

19 Emmanuel Lévinas, *Autrement qu'être ou au-delà de l'essence* (1978), Paris, Le Livre de Poche, 2004, 287p.

20 Lexis Larousse dictionary.

forces behind them. According to Adam Smith, life in society is governed by moral principles whereas the management of material property is guided by self-interest<sup>21</sup>.

Neoclassical economists do not deny the importance of the social dimension, but they introduce a complex hierarchy between these two dimensions. Society becomes a tool to support the economy, which itself maximises the satisfaction of individuals. Instead of the economy being subordinated to society with the objective of perfecting human society, individual satisfaction is sought and society is a tool of achieving this purpose<sup>22</sup>. The individual is conceived as a consumer function to be satisfied which, in order to exist, must itself be a production factor<sup>23</sup>.

This postulate is questioned by many authors: *"I would argue that the nature of modern economics has been substantially impoverished by the distance that has grown between economics and ethics (...) In recent years, a number of moral philosophers have emphasized – rightly in my judgment – the intrinsic importance of many considerations that are taken to be of only instrumental value in the dominant ethical school of utilitarian thinking."*<sup>24</sup>

The separation of economic and social dimensions reflects the duality of the human being. On one hand, the human being with its psyche<sup>25</sup>, its humours, feelings and affections; on the other hand, the human being as an individual, human resource<sup>26</sup>, a faceless member of a global society. Caught between the economic vision of a mere factor in the wealth accumulation process and the social vision of a mere member of society<sup>27</sup>, individual desires are recognized but only if they are expressed in a commercial form. If interactions between economic and social dimensions exist, the latter are only considered to be variables influencing the considered balance.

---

21 Masahiko Aoki no doubt made a decisive contribution by demonstrating that this separation is only a practical working assumption and not realistic. Thus he demonstrated that the balance of cooperation can only be explained in the long-term by the interactions between economic and social dimensions: Masahiko Aoki, *Corporations in Evolving Diversity – Cognition, Governance, and Institutions*, Oxford, Oxford University Press, 2010.

22 John K. Galbraith, *The affluent society* (1958), Penguin Books, 1999.

23 Hannah Arendt, *The human condition* (1958), Chicago, The University of Chicago Press, 1998.

24 Amartya Sen, *On ethics and economics*, New York, Basil Blackwell, 1987, pp. 7, 10.

25 Defined as that which encompasses consciousness and spiritual life. Derived from the Greek psyche. The Latin equivalent is *anima* (that which animates, breath, life) or "soul".

26 This conception culminated in the work of Frederick Taylor on the scientific organization of work at the beginning of the 20<sup>th</sup> century. Scientific management believed it was possible to get individuals to optimise their actions and the way they work and obtain the best possible performance by improving working conditions and forms of compensation. The individual was no longer treated as human.

27 A society which may be defined as totalitarian, not in the fascist sense, but in the sense of a society that reduces the human being to the status of an interchangeable individual amongst others at the service of an all-powerful community.

### 1.3 The manipulation of the psyche

The importance of the psyche and its study, psychology, has given rise to the emergence of management. The purely technical vision of Frederick Taylor in which the man was nothing more than a production machine, has been succeeded by the managerial approach illustrated by the work of Elton Mayo<sup>28</sup> (1933). Based on the study of a team of six female workers between 1927 and 1932 in the Hawthorne factory of Western General Electric, Elton Mayo showed that the key factor in increasing their productivity was not the improvement of their working conditions but a change in their attitude to work. The latter was no longer just drudgery but also a source of satisfaction through their participation in defining their working conditions and the interest shown by the factory and group management

The manipulation of employees' psyches for production purposes challenges a fundamental postulate of liberal economics: the separation of the economic sphere, supposed to be governed by natural laws, and the private sphere in which everyone is supposed to satisfy their personal desires (possibly using the income from their economic activities). This apparent contradiction is acceptable either if we consider that feelings (affects) are also commercial goods<sup>29</sup>, or if we relegate affects to a virtual sphere<sup>30</sup>.

Whilst the economy concentrates on producing new combinations of existing resources to improve the material living conditions of human beings, the psyche relates to what makes the life of each individual human being unique. The psyche is different to economic and social spheres in the way a person's look differs from the undefined gaze of a crowd, a sum of individuals. The psyche focuses attention on the person as a unique irreplaceable human.

By accepting to consider the individual as a human being, with its own idea of its relationship to the world, we not only accept that each person is not interchangeable, but also that each person has a background related to an environment, the territory, where its interactions with things and other human beings are tangible. This environment has both an economic and a social dimension. The territory is what makes an abstract individual a real human person<sup>31</sup>.

---

28 Elton Mayo, *The Human Problems of an Industrial Civilization* (1933), London, Routledge, 2003

29 This assumption is implicit for Jensen and Meckling when they consider that everything can be traded or interchanged: Michael C. Jensen William H. Meckling, "The Nature of Man" *Journal of Applied Corporate Finance*, Vol. 7, n°2, 1994, p.4.

30 Mental illness is then defined by the irruption of affects in real life and the inability of the person to contain or control them.

31 In Martin Heidegger's phenomenological approach [*Être et temps* (1927), digital non-trade edition, translated by Emmanuel Martineau, 1985], the human being is thrown into the world. This human being may get lost in the anonymity of the world, that state of indifference in which it is unable to exist as an authentic person and makes do with appearances. The territory does not ensure authenticity but makes it possible to achieve. Because territory embodies genuine specific relationships, the human being has to choose between being lost in anonymity, disguises or trying to be genuine in its relationship with others.

Because organisations focus on their corporate purpose, which is general and goes beyond individual interests, it is not possible for the management to take account of individual feelings and affections. The management therefore has the choice between manipulating the psyche (to know it in order to use it for the corporate purpose) or ignoring it. In both cases, the unique character of the human being is denied.

This apparent squaring of the circle is the result of an incomplete understanding of the place of the stakeholders. Organisations are economic and social places but do not constitute a society in the political sense. Territories, as the places where human communities live, recognise the unique feelings and affections of individuals<sup>32</sup>. By recognizing the psyche of each human being we accept that the latter is a unique and irreplaceable member of society, a member of a human community located in a territory. And because the stakeholders of a business are also directly or indirectly made up of people, the organisation needs to acknowledge its territorial identity. As the nexus of abstract contracts, the organisation may not have a territory; but as a social construct, a human community made up of people rooted in their territories, the organisation is forced to acknowledge its territorial identity or otherwise cut itself off from its stakeholders.

## 2. Territories and organisations

If the organisation is conceived as a social construct rather than an ownership instrument for a given stakeholder, the organisation's performance (especially for businesses) is an issue for each of those that contribute to the existence and the development of the business.

### 2.1 Territory and its standards

According to the Anglo-Saxon approach, "*Territoriality is the attempt made by an individual or group to affect, influence or control other people, phenomena, or relationships and to impose control over a specific geographical area, called a territory.*" In French literature, "*A territory is a place for living, thinking and acting with which and because of which an individual or group can identify itself, and is what gives sense to its environment and itself and is the starting point of identification and identity.*"<sup>33</sup>

A territory is therefore a place of human interactions, where the human person in its uniqueness and specificity is confronted with others. A territory is the place that embodies the human person in its social dimension. But a territory is also a distinct place defined by the standards which apply to it. A territory is also defined by its historical and geographical background.

---

32 Nazi ideology, that set out to exterminate the Jews (and other categories of population), attempted to wipe out the identity of a territory in concentration camps. Resistance within these camps started with the reconstitution of a territory in which each person was recognised as a unique individual (David Rousset, *Les jours de notre mort*, Paris, éditions du Pavois, 1947).

33 Georgia Kourtessi-Philippakis et René Treuil (dir.), *Archéologie du territoire, de l'Égée au Sahara*, Paris, Publications de la Sorbonne, 2011, pp. 7-8.

For an outside observer, a territory is a construct. The observer determines which territory it is interested in.<sup>34</sup> However, once the territory has been defined, the observer has to take it as it is. The territory is therefore both a construct and a given. Everybody can define its own scale of territory but not the contents of the territory itself, which are determined by the complex interactions of the inhabitants and the rules applicable to it: the habits and customs, standards, and institutions<sup>35</sup>.

All organisations are necessarily involved in an overlapping entwined territorial network<sup>36</sup>.

## 2.2 Stakeholders as the link between objectives and means

By adopting a stakeholder approach<sup>37</sup>, we accept that business performance cannot be measured by a single indicator but that performance is a multi-dimensional concept<sup>38</sup> that considers performance from the point of view of each stakeholder<sup>39</sup>. This is an important conceptual leap because instead of adopting an impersonal viewpoint by considering firms as a nexus of contracts unrelated to the individuals that contribute to it, the firm is conceived as a social construct which purpose is that of its stakeholders and, consequently, which performance does not exist as an abstract independent concept but is necessarily measured from the viewpoint of each stakeholder<sup>40</sup>.

---

34 Which may be a continent, a country, a region or a locality.

35 Douglass C North, *Structure and Change in Economic History*, New York, Norton & Company, 1981.

36 Rural territory is distinct from urban territory but a region may include both. The same rural territory may be spread over two regions.

37 Edward R. Freeman, *Strategic Management* (1984), Cambridge, Cambridge University Press, 2010.

38 The notion of multi-dimensional performance implies it is not possible to summarise several dimensions by a single indicator. The orthogonality of certain dimensions prevents econometric modelling. Regression testing no longer measures trend correlation but only dispersion correlation.

39 For Michael C. Jensen ["Value maximization, stakeholder theory, and the corporate objective function", *Journal of Applied Corporate Finance*, vol. 14, n°3, 2001, pp. 8-21.], stakeholder management only implies the search for efficiency, that is taking account of objective dimensions related to contract prices and fulfilling contracts; whereas for Edward R. Freeman (1984, quoted work), there is necessarily a moral dimension to managing relations with stakeholders. Even if the business uses stakeholders to develop strategy, it does so in considering the moral implications of its choices and their consequences for stakeholders. Stakeholders expectations must not just be satisfied on an opportunistic basis but also because they reflect the purpose of the business : Thomas M. Jones, Will Felps et Gregory A. Bigley, "Ethical theory and stakeholder related decisions: The role of stakeholder culture", *Academy of Management Review*, vol. 32, 2007, pp.°137-155.

40 The objective of the organisation is, indirectly the personal objective of all its participants. In this way the participants' organizational activity is related to the satisfaction of their personal motivation: Herbert A. Simon, *Administrative Behavior* (1945), New York, The Free Press, 1997, p.°15.

In practical terms, employees' expectations may include the increase in their human capital by means of satisfactory compensation, professional training to develop new abilities and a respectful working environment. Performance measurement, from the employee's point of view relates to changes in human capital, but this performance itself depends on the resources employed. This leads to a reconciliation of the objectives and resources, which is carried out at the level of each stakeholder and not in the form of a single indicator intended to include overall business performance.

The measure of performance reflects both the ends and the means employed, the objectives and the resources committed to achieving it. This has to be carried out at stakeholder level.

### 2.3 Territorialisation of performance

Performance is territorial because it depends on the institutional environment in which it is achieved. This dependence is twofold: both as the environment in which the performance is achieved and as the environment which contributes to the measurement of performance. The application of the law, contractual guarantees, keeping one's word, honesty, the lack of corruption and violence, etc., are factors which contribute to business performance. Standards and institutions are therefore prerequisites of performance.

But standards and institutions also regulate performance according to the place where it is achieved<sup>41</sup>. For example, in France, a successful performance in the distribution of drinking water is when: the price of the water is reasonable, the amount of pesticide, bacteria or chemical products is below certain levels and the losses incurred in distribution remain low. In certain developing countries or in former times<sup>42</sup>, performance criteria are that the water is suitable for drinking and there are no water cuts. In both cases, the measurement of performance depends on the standard defined by local stakeholders.

### 3. A territorial representation of performance

If the performance of a business reflects its contribution to the common good, the key concept is doubtless that of sustainable development (or CSR: *corporate social responsibility*). The difficulty from an accounting point of view is one of traceability between the universal concept and the way it translates in practice for stakeholders located in a given territory<sup>43</sup> (Diagram 1).

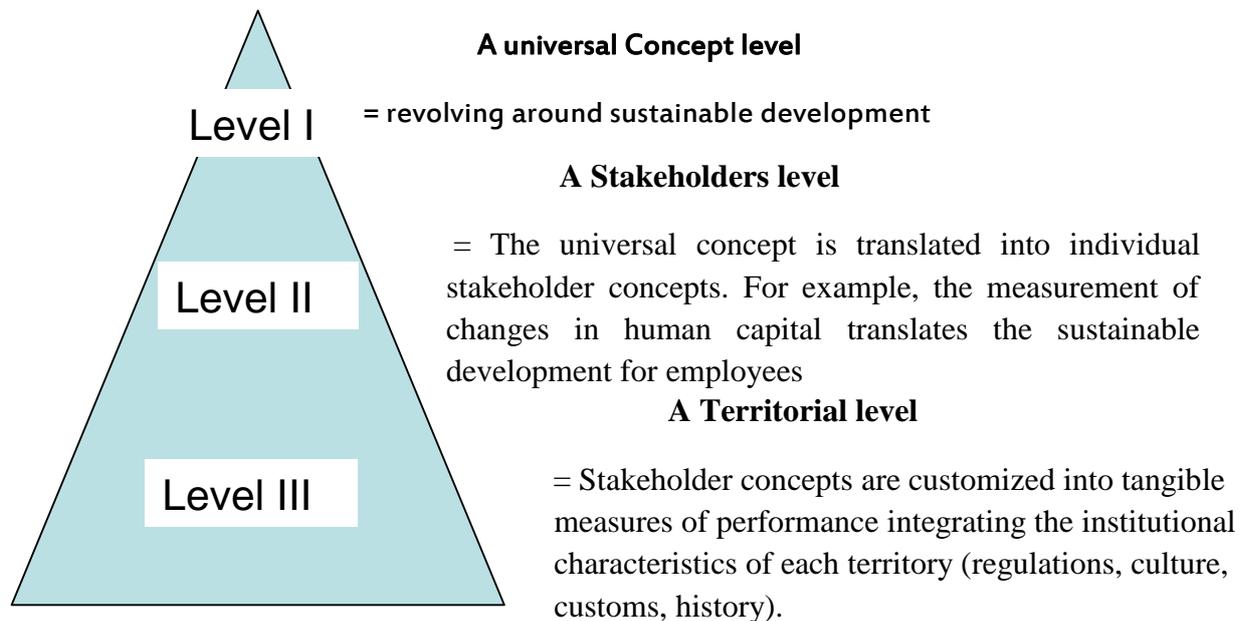
---

41 Douglass C North [*Institutions, Institutional Change and Economic Performance*, Cambridge, Cambridge University Press, 1990] is aware of the tendency to consider an institutional set-up as the best and he does not hesitate to emphasize the contingency of all institutional systems by re-examining the assumptions underlying all measurement. He provides evidence of the limits inherent to all institutions.

42 Lewis Mumford, *The City in History*, New York, Harcourt, 1961.

43 For example, the concept of equality between men and women may be considered a universal concept when applied to men and women as free and equal human beings. However, the way equality is actually measured in each territory will necessarily take account of the history, customs and religion of each society and the way these items are reflected in their institutions. Ignoring the territorial dimension (the temptation to impose a standard view in the application criteria) leads to opposition to the standard which can easily degenerate into a true conflict when the standards concerned affect the philosophy of human life.

Diagram 1: The three levels of representation of performance



If we consider that economic performance measured using market prices does not provide a complete representation of the true performance of an organisation, then it is worthwhile attempting to measure the diverse and complex expressions of this performance for the different stakeholders which contribute to the business. Moreover, measuring and reporting performance is not just about complying with regulations and ensuring justice is done by giving people their due (give back to Caesar what belongs to Caesar), it is also about influencing their behaviour. Measurement affects the way performance is achieved and the performance itself.

### 3.1 The standardisation of universal concepts

There is nothing revolutionary about using universal concepts applied in a specific way in each territory. *International Accounting Standards* (IAS) have for many years used the universal concept of fair value which has a slightly different meaning according to the expressions employed in different languages. Of course, IFRS (*International Financial Reporting Standards*), and in particular IFRS 13, have attempted to channel the concept by giving it universal measurement technique status. However, this solution appears doomed to failure because it overlooks the territorial dimension and the specificity of institutions. The translation of a universal concept at local level is precisely the key issue in the accounting representation of performance<sup>44</sup>.

---

44 Benoît Pigé, « La convergence internationale des normes comptables : Panoptique ou tour de Babel », *Recherches en Sciences de Gestion*, n°106, 2015, pp. 67-88.

Whilst, power games and conflicting interests are behind the scenes of standard setting, the latter is also a means of developing interactions between the different parties. Indeed, the standard regulates the interactions, making them more predictable, reducing uncertainty and therefore encouraging the development of trade. The standard may proliferate, be invasive, oppressive<sup>45</sup>, but it is necessary. It must be controlled, limited but is unavoidable for all life in society<sup>46</sup>.

The adoption of universal concepts for representing performance<sup>47</sup> is a condition for developing global economic exchange. Based on the model we propose, these concepts must provide different stakeholders with a representation of performance that enables them to reduce the uncertainty related to their exposure to risk<sup>48</sup> or to take the opportunities which arise. It is therefore necessary for the standard-setting process to include stakeholder representation<sup>49</sup> and a diversified territorial representation<sup>50</sup>.

This diversification in the composition of standard-setting bodies may be reflected in the choice of the standard setting board members or by appointing different bodies entitled to send representatives<sup>51</sup>. If the objective of the standard-setting body is to satisfy the needs of different stakeholders, then the standard-setting process must be based on discourse ethics<sup>52</sup>. The IASB's due process of standard setting provides for this. But, currently the process only involves financial investors and those who have the means to acquire the technical knowledge necessary to take part. In addition, as the process is finally controlled by representatives of the financial markets authority, few stakeholders have a real interest in taking part in a complex and costly process in which it is unlikely their interests will be considered unless they have the support of the market authorities.

---

45 Dominique Bessire, Laurent Cappelletti et Benoît Pigé, *Normes: Origines et conséquences des crises*, Paris, Economica, 2010.

Catherine Thibierge et alii, *La densification normative, découverte d'un processus*, Paris, mare & martin, 2014.

46 Henri Bergson, *Les deux sources de la morale et de la religion*, 1932, Presses Universitaires de France, 1959.

47 Benoît Pigé et Xavier Paper, *Reporting financier et gouvernance des entreprises: Le sens des normes IFRS*, Colombelles, EMS, 2005.

48 Benoît Pigé, 2010, work quoted.

49 This representation is not currently effective for international accounting standards because the deciders are the national financial market authorities. Naturally, the latter represent the interests of national and international investors.

50 The IASB (*International Accounting Standards Board*) is now committed to this geographical diversification.

51 For example, international federations of trade unions or consumer protection associations could have the right to be represented in the same way as businesses.

52 Jürgen Habermas, *De l'éthique de la discussion* (1991), Paris, Flammarion, 1999.

### 3.2 The adoption of the representation by organisations and Territories

International standards define universal concepts, set out the issues and provide guidance in the choice of the technical standards used for measuring transactions at local level. But, to the extent organisations always operate in a specific territory subject to its own standards and institutions, the measurement technique for transactions must take account of any interactions between the universal concepts required by international standards and the requirements of local standards.

A regional standard setter is therefore necessary to ensure the reconciliation between the international standard and the local situation. But this is not enough. Indeed, the organisation located in the territory is both a single unit and subject to sundry constraints. To the extent the organization is accountable for its overall activity, it needs to comply with local standards whilst harmonising its presentation.

If the organisation is considered to be owned by a single category of stakeholders (which may be shareholders represented by international financial investors, or a State or a public authority), the standards which are representative of that category naturally tend to take precedence (as with IFRS). If, however, the organisation is considered to be the product of concerted and repeated interactions between different stakeholders with a common purpose, then a variety of representations makes sense and the local and the global can be reconciled. Instead of a unified representation, the organisation accepts multiple representations of its activity in different forms, numerical or not, qualitative and quantitative. For example, an environmental risk may be provided for but its accounting representation will not be limited to this information, the calculation method, the stakeholders concerned, the standards used to measure it will also be disclosed<sup>53</sup>.

This kaleidoscopic representation of performance would appear to be utopian. However, the information systems used by firms are already designed in kaleidoscopic form, and accounting information is no longer just in the form of debits and credits. Because information is digitized it may be used for different purposes independent of the traditional double entry accounting system. To understand the diversity of accounting representation, we need to accept that monetary units are no longer the only input to the accounting system<sup>54</sup> but are one possible input, used for a representation suitable for the needs of certain stakeholders.

---

53 This was the direction taken by IAS but which seems to have been reversed by the progressive introduction of IFRS.

54 Monetary (financial) accounting is a system that simplifies and facilitates the recording of transactions but is also a poor monitoring tool. The understanding of the interaction between different resources will be of more value than prices for optimizing a production process.

#### 4. Conclusion: represent to reveal

The representation of performance is the ex post reporting of an organization to its stakeholders. The accounts play a decisive role in this reporting, because accounting is the art of “giving an account” using data that reflect reality, and provides a complete and true view of the activity of the organization and an assessment of its consequences. The approach of international investors is to use the financial accounts in which all transactions are at market value. This article highlights the theoretical limits of the financial accounts. From an empirical point of view, the practice of international groups is an eloquent demonstration in itself of these limits. Nowadays, the annual reports of large listed groups put as much, if not more, emphasis on non-financial social and environmental data. Financial information is often reduced to the publication of a few key figures backed up by notes only suitable for specialists. Conversely, corporate social and environmental activities and practices are described in layman’s terms and illustrated by graphs, diagrams, photos and explanatory boxes.

There is a move away from pure compliance with standards, as in the financial accounts, towards a communication approach, which means more than just advertising but also actually entering into contact with someone else. In the communication approach, the accounting representation of performance is important but its full meaning is only revealed by the message it embodies. This is therefore a move from representation to revelation. This sense given to the activity marks the transition between the nexus of contracts concept, where individuals are only interchangeable anonymous resources and a true organisation made up of unique stakeholders bonded by a feeling of loyalty<sup>55</sup>. Representation is not the ultimate goal of accountability. It is more about revealing the meaning of actions and decisions that are taken. This is of course based on standards that define the contents of the disclosures to be made, but it also relies on the responsibility of management towards the different stakeholders.

---

55 The term used by Albert O Hirschman [*Exit, Voice, and Loyalty*, Cambridge, Harvard University Press, 1970] which in our view describes rather well the interaction between stakeholders and an organisation, interaction in which short-term interests (opportunism) are surpassed to form a long-term relationship which is not rigid but open to change in function of the expectations of the different stakeholders and the evolution of the organisation’s environment.

## Bibliography

- Aoki (Masahiko), *Corporations in Evolving Diversity – Cognition, Governance, and Institutions*, Oxford, Oxford University Press, 2010, 216 p.
- Arendt (Hannah), *The human condition (1958)*, Chicago, The University of Chicago Press, 1998, 349 p.
- Bergson (Henri), *L'évolution créatrice*, 1907, Presses Universitaires de France, 1959, pp. 487-809.
- Bergson (Henri), *Les deux sources de la morale et de la religion*, 1932, Presses Universitaires de France, 1959, pp. 980-1247.
- Bessire (Dominique), Cappelletti (Laurent) et Pigé (Benoît), *Normes : Origines et conséquences des crises*, Paris, Economica, 2010, 270 p.
- Comte-Sponville (Henri), *Le capitalisme est-il moral ?*, Paris, Albin Michel, 2004, 237 p.
- Freeman (Edward R.), *Strategic Management (1984)*, Cambridge, Cambridge University Press, 2010, 276 p.
- Friedman (Milton), *Capitalism and Freedom (1962)*, The University of Chicago Press, 2002, 208 p.
- Galbraith (John K.), *American Capitalism*, Boston, Houghton Mifflin, 1952, 217 p.
- Galbraith (John K.), *The affluent society (1958)*, Penguin Books, 1999, 276 p.
- Habermas (Jürgen), *De l'éthique de la discussion (1991)*, Paris, Flammarion, 1999, 202 p.
- Heidegger (Martin), *Être et temps (1927)*, digital non-trade edition, translated by Emmanuel Martineau, 1985, 357 p.
- Hirschman (Albert O), *Exit, Voice, and Loyalty*, Cambridge, Harvard University Press, 1970, 162 p.
- Jensen (Michael C.) et Meckling (William H.), "The Nature of Man", *Journal of Applied Corporate Finance*, Vol. 7, n°2, 1994, pp. 4-19.
- Jensen (Michael C.), "Value maximization, stakeholder theory, and the corporate objective function", *Journal of Applied Corporate Finance*, vol. 14, n°3, 2001, pp. 8-21.
- Jones (Thomas M.), Felps (Will) et Bigley (Gregory A.), "Ethical theory and stakeholder related decisions: The role of stakeholder culture", *Academy of Management Review*, vol. 32, 2007, pp. 137-155.
- Jung (Carl G.), *L'âme et la vie (1945)*, Paris, Buchet / Chastel, 2013, 415 p.

Kourtessi-Philippakis (Georgia) et Treuil (René), (dir.), *Archéologie du territoire, de l'Égée au Sahara*, Paris, Publications de la Sorbonne, 2011, 330 p.

Latour (Bruno), *Nous n'avons jamais été modernes – Essai d'anthropologie symétrique* (1991), Paris, La Découverte, 1997, 211 p.

Lévinas (Emmanuel), *Autrement qu'être ou au-delà de l'essence* (1978), Paris, Le Livre de Poche, 2004, 287p.

Mayo (Elton), *The Human Problems of an Industrial Civilization* (1933), London, Routledge, 2003, 194 p.

Mumford (Lewis), *Technics and Civilization*, London, Routledge, 1934, 495 p.

Mumford (Lewis), *The City in History*, New York, Harcourt, 1961, 657 p.

North (Douglass C.), *Institutions, Institutional Change and Economic Performance*, Cambridge, Cambridge University Press, 1990, 152 p.

North (Douglass C.), *Structure and Change in Economic History*, New York, Norton & Company, 1981, 228 p.

Pigé (Benoît) et Paper (Xavier), *Reporting financier et gouvernance des entreprises : Le sens des normes IFRS*, Colombelles, EMS, 2005, 145 p.

Pigé (Benoît), « La convergence internationale des normes comptables : Panoptique ou tour de Babel », *Recherches en Sciences de Gestion*, n°106, 2015, pp. 67-88.

Pigé (Benoît), *Éthique et gouvernance des Organisations*, Paris, Economica, 2010, 112 p.

Rousset (David), *Les jours de notre mort*, Paris, éditions du Pavois, 1947, 786 p.

Sen (Amartya), *On ethics and economics*, New York, Basil Blackwell, 1987, 130 p.

Simon (Herbert A.), *Administrative Behavior* (1945), New York, The Free Press, 1997, 368 p.

Thibierge (Catherine). et alii, *La densification normative, découverte d'un processus*, Paris, mare & martin, 2014, 1204 p.

Weber (Max), "Wirtschaft und Gesellschaft", 1920 unfinished, translated by Talcott Parsons in *The Theory of Social and Economic Organization*, New York, The Free Press, 1947, 436 p.