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ALTERNATIVE RESEARCH PARADIGM IN ACCOUNTING AND FINANCE: THE CASE FOR RESPONSIVE FOCUSING

by Wilson E. Herbert

I. Introduction

Since the late 1970s, observers of accounting and finance research have noted a growing gap between extant academic research and the needs of practitioners¹. In accounting, for example, both industry leaders and academic leaders have voiced their concern over this increasing gap between research and practice (see Baxter, 1988; ICAS, 1988). A major view suggests that the methodological precepts of most extant accounting/finance research are constructed in abstruse mathematics based on hypotheses far removed from reality; in consequence, many practitioners have remained sceptical, unable to express an opinion and have withdrawn from the decision making process (Allen, 1992). Over a decade earlier, Carleton (1978) in his Presidential address to the Financial Management Association (FMA) made an indicting observation that 'most contemporary theory and research in corporate finance do not even deal with what in the abstract are the central problems in corporate finance'. The gap between research and practice and the need to dovetail research to issues which are close to the needs of financial practitioners have been echoed by other academics (see Herbert and Wallace, 1996).

According to Herbert and Wallace (1996), the apparent user-supplier gap raises two issues. The first is to document the evidence which examines the problem of extant accounting and finance research (AFR). The second is to evaluate why extant AFR is not sufficiently addressing important practical problems facing the practitioner? In an attempt to answer the first question, two major field surveys of financial practitioners have been conducted on both sides of the Atlantic to understand the nature of the user-supplier gap in corporate finance research and to ascertain the attitudes of the two financial communities towards selected topics in corporate finance. The US survey was conducted by Ramírez et al. (1991) and that of the UK is documented in Herbert and Wallace (1996). Herbert and Wallace further suggest that the underlying philosophy of extant AFR is bereft of responsive focusing. In their view, the second question is conceptual and requires an assessment of the paradigmatic issues of AFR by, for example, involving practitioners in research and drawing inferences from their revealed preferences. This paper attempts to present a conceptual alternative to accounting and finance research, based on *responsive focusing*.

The rest of the paper is organised into three sections. The backdrop for the proposition and the discussion of an alternative paradigm (Section III) is set against the pervasive problems of conventional paradigms of AFR (discussed in Section II). Section III seeks to provide some legitimisation for the constructivist inquiry paradigm by showing its resonance with a more encompassing paradigm of thought and belief that draws upon naturalist axioms which are deemed to provide a better fit to socio-behavioural phenomena in general, and accounting and finance, in particular. Section IV concludes the paper.

Some qualifications and clarifications of the aims and limitations of this paper are necessary prolegomena to the subsequent discussion. First, any attempt to summarise the ideas of the philosophy of any research movement would remain an inadequate gloss of its accomplishments and failures. In this paper, only a rough sketch of some of the main themes of conventional paradigms is presented. Second, I do not describe the field of AFR as it has emerged historically. Third, I do not discuss the many different models of conducting AFR that abound in the literature, although for evaluation convenience, these can be segmented into '*positivism* and '*normativism*'. Fourth, I do not treat financial research primarily as a technical process of inquiry, with the concomitant emphasis upon techniques, particularly statistical techniques, that one might expect and very often encounter in such a work. However, I recognise the importance of process matters, including the applicable criteria of goodness. Perhaps, most startling is the departure from the conventional thought that recognises AFR as a scientific process because, in my view, to approach AFR (and the 'behavioural sciences' in general) from this perspective is to depart from its fundamentally social, political, and value-oriented character.

The intention of this paper is to present an emergent but mature approach to AFR that goes beyond mere science to include the complex human, political, social, cultural, and contextual dynamics that shape this subject group. This paper draws extensively from the phenomenological philosophy of research whose antecedent literature is rooted in Lincoln and Guba (1985) and Guba and Lincoln (1989). A proper adaptation of their works to AFR requires an approximate use of their vocabulary both to provide a grounding in the concepts, for many of them are relevant to the development of the argument, and to minimise distortion of the general ideas.

II. Pervasive Problems of Extant Research Paradigms

An assessment of the problems of extant AFR must be set against the basic belief systems, namely the ontological, epistemological and methodological assumptions of the conventional and the proposed alternative paradigms. Before doing so, it is sufficient to acknowledge that extant paradigms (mainly, positivist and normativist) represented a step forward, both in the range of substance or content included in the construction held as well as in their level of sophistication. Both paradigms have shown research to be a purposive activity designed to enhance our understanding and prediction of phenomena.

Their history is replete with instances of attempts to understand practical problems facing humankind.

The description of what is (positivism) has been characterised by an effort to explain and predict actual practice through the development of axioms, such as the portfolio theory, capital asset pricing model, etc., that present 'valid' generalisations about micro/macro financial trends. Positive theory emphasises the study of linkages between micro-economic characteristics as well as between specific financial variables or the implications of such phenomena for the profession (and practice) in general. In contrast, normative AFR seeks to develop models of 'best' practices (i.e. what ought to be). Normative theory emphasises the development of models which reflect the best perceived practices rather than practices based on axiom sets, e.g. Modigliani and Miller's irrelevance propositions (of cost of capital, capital structure and asset valuation), efficient market hypothesis, Bayesian decision theory and stochastic dynamic programming. Such models are based upon neo-classical economic models that have tangential use to practitioners. These models have not become part of the support apparatus of the financial practitioner because they lack mundane realism and verisimilitude (due to their unrealistic assumptions).

Accounting and Finance as a social science subject field suffers from certain intrinsic flaws which are not only pervasive to behavioural science in general, but may be sufficiently serious to warrant asking whether additional refinements or a complete reconstruction may not now be necessary. At least three major defects can be identified: a tendency towards managerialism, a failure to accommodate value-pluralism, and unremitting reliance on the scientific paradigm of enquiry.

A Tendency Towards Managerialism²

In relation to academic research, the term manager refers to a variety of individuals and groups, but mostly interest groups or sponsors, who commission or fund research as well as the political/organisational personnel to whom the agents responsible for implementing research report. This latter category includes, for example, professional (accounting and finance) bodies, accounting departments (of institutions of higher learning), large accountancy firms, multinationals, international accounting bodies, editors/publishers of journals, and government agencies (such as the Stock Exchange, Inland Revenue, etc.). It is the manager(s) with whom the researcher typically contracts for a research project, to whom he or she defers in setting parameters and boundaries for study, and to whom the reports are made available. This traditional relationship between managers and researchers has hardly been recognised let alone challenged; yet, it may yield some undesirable consequences.

First, managerial tendency is patently related to the perceived user-supplier gap for example, relating accounting theories to practice (See AAA 1966). Accountants expect that extant theoretical approaches will yield a sufficient and compelling basis for specifying the content of external financial reports. The

tendency to determine what questions to pursue or issues to address, how the answers will be interpreted, and the disclosure environment (i.e. to whom the findings will be disclosed), all contribute to the user-supplier gap. Not only is this approach unfair, it effectively disenfranchises or potentially disempowers stakeholders who may have other issues to be addressed, or other ways of resolving the issues or other interpretations to make about them.

Second, managerialism affects decisions about allocation procedure. One example of this allocatory weakness is the treatment of depreciation or amortisation. Not only are the techniques inherently arbitrary but the extent of dissatisfaction with or objection to the accounting procedures and interpretation varies widely³. Managerialism can also be associated with the controversy surrounding the threshold level of information disclosure embedded, i.e. user needs versus the market efficiency perspective. The market efficiency perspective regards arguments about reporting levels as trivial and suggests an economic financial statement with full disclosure, rather than where, how or what format, it should take. However, many operational questions remain unanswered: What is "more" and what is "less" information? What should be an acceptable disclosure index? What are the parameters for assessing information utility as to know the bounded rationality of users?

Perhaps, a possible solution to the problem of managerialism is to engage in a form of research that asks questions of putative interest to the consumer and reports to that group (see for example, Scriven, 1983). This approach places a greater importance on the reported (consumer) group than the manager. Consumerism in this sense is seen as another stakeholding audience that seeks to obviate managerial tendency.

Lack of Value-pluralism

Another major defect of extant AFR is the failure to recognise the nature (i.e. value-pluralism) of its environment. It is common to assume that societies share values, that there is some value set that characterises members of a society. To be sure, accounting concepts and assumptions are rooted in the value system of the society in which it operates and these assumptions are both socially determined and socially expressed. Yet, in many proposed theories, researchers assume away the limits to their practical use. The consequence is that extant theoretical approaches are apt to be controversial⁴ because of the perceived gaps they leave in guiding practical applications (see, for example, Baxter, 1988).

The absence of value-pluralism leads to a failure to recognise possible alternative features of the environment and to specify possible solutions. This weakness is rooted in the normative economic assumptions underlying these theories, such as the perfect markets, competitive equilibrium, zero transaction costs, homogeneity of decision models among user groups, mutuality of interests of owners and managers, etc. (AAA, 1977). Inconsistencies between such assumptions and operations in the real world are bound to be both misleading and disappointing. In the main, they may cause practitioners to lose

faith in all theories. Many financial reporting concepts, such as objectivity, verifiability, and timeliness, just to mention a few, are normative constructions designed to overcome the problem of incomplete theory specifications by pretending to add realism to the underlying assumptions. The difficulty with such standards is that they are essentially normative. On the other hand, specification of a large number of normative criteria complicates an already complex business world, thus making strict adherence to such criteria a difficult task.

Over-Reliance on the Scientific Paradigm of Inquiry

For nearly a century and a half, social science researchers have paid an unrelenting heed to John Mills' (1843) advice to emulate the research methods of the physical science. The scientific paradigm of inquiry is presumed to be rational and systematic. It assumes that there is an independent objective reality 'out there' and that this reality operates according to certain immutable natural laws. To discover the laws, the investigator must stand neutral to the phenomenon of interest so as not to influence or be influenced by it. Operationalising this requires controlling the phenomenon, by manipulating it, as in a laboratory, or statistically, as with behavioural (social) science studies. In the process, yielding control ensures spurious results (Guba and Lincoln, 1989, p.36).

Behavioural research paradigms adopt dogmatically the methodological precepts of science. This following has its shortcomings. First, it leads to "context-stripping" (Guba and Lincoln, 1989, p.36). In other words, it assesses behavioural research in a scientific fashion (e.g. under carefully controlled conditions) in order to generalise findings which would otherwise be untenable under relevant local conditions (the original unstripped context).

Second, commitment to the scientific paradigm results in the truncation of the range of available information, thereby disenfranchising various stakeholders. Third, because the rigour of the scientific paradigm rests on the "hardness" of the input data, any strict applicability to behavioural studies is bound to suffer from inattention to the fundamental assumptions of the measuring instruments.

Fourth, since science and its methods promise to yield information about the way things really are, they have ostensibly claimed a certain authority about their findings, especially as the scientific method itself reflects nature's laws. The implications of this are twofold. First, scientific method reinforces and supports the managerial tendencies discussed above. Second, any inquiry that is supported by positivistic (scientific) methodology becomes locked in the atmosphere of 'truth'.

Finally, use of scientific method of inquiry forecloses alternative paradigms of investigation. Since scientific process is locked in truth-seeking, other alternatives of enquiry are seen as being inferior and fallacious. When presented with a work of research or its findings, which one is likely to attract greater acceptance

at face value: the one in which there is scientific evidence or the one with no scientific evidence?

Extant behavioural science paradigms are not prepared to deal with these problems, that is, shake off managerial tendency, recognise value pluralism and pare off strict adherence to methods of science. An alternative research paradigm which is proposed in the next section moves beyond science to include the contextual elements (i.e. human, political, social and cultural imperatives) involved in research or other enquiry. Such an approach thrives on negotiation⁵.

III. Alternative Research Paradigm

The discussion of the problems of extant AFR paradigms provides the basis for considering an alternative approach to research. I propose one, which is designated in social psychology as responsive constructivist research paradigm⁶. The modifier *responsive* is used to designate a different way of focusing a research - that is, deciding its boundaries and parameters. It directs attention to the need to focus research on the needs of the users of research. Responsive research⁷ determines the parameters and boundaries through an interactive, negotiated process that involves various stakeholders. The term *constructivist* designates the methodology employed in doing research. Its antecedent is the inquiry paradigm that opposes the scientific paradigm⁸.

Attributes of Responsive Constructivist Paradigm

Attributes of the responsive constructivist paradigm of research which both distinguish and stimulate interest in it include the following.⁹ First, its central position is that research outcomes are not descriptions of the 'real world events', that is, the 'way things really are' or 'really work' or of some 'true' state of affairs, but instead represent meaningful constructions that individual players (actors) or groups of actors form to 'make sense' of the situations in which they find themselves. Similarly, research findings are not 'facts' in some ultimate sense but are, instead, artificial or literal creation through an interactive process that includes the researcher as well as the stakeholders that are put at some risk by the research. What emerges from the research process is one construction of the realities of the case.

Second, it recognises that the constructions through which people make sense of their situations are significantly shaped by the values of the constructors. Under a system of shared or common values, the commonly shared construction will represent the true state of affairs (even if it is a delusion!). There will be little or no problem under such circumstances. But under an atmosphere of value-pluralism, the question of whose values are to be considered, and how different value positions might be compromised becomes critical.

Third, responsive constructivist paradigm suggests that these constructions are inextricably linked to the particular physical, psychological, social, political, and cultural contexts within which they are formed and to which they refer.

The context provides the 'environment' within which those forming the constructions operate and of which they try to study. The environment remains both neutral and formless until the constructions of its inhabitants endow it with features, parameters, and limits. In other words, the context breathes life to, and is given life by, the constructions that people form and hold.

Fourth, this form of research recognises that research can be shaped to enfranchise or disenfranchise stakeholding groups in different ways. For example, to the extent that the researcher enjoys the prerogative to decide on the questions to be asked, the population samples, the instrumentation to be employed, the mode of data analysis and interpretation to be used, and so on, to that extent will other stakeholders be denied the opportunity to pursue their own legitimate interests.

Fifth, the paradigm suggests that research must have an action orientation which defines a course to be followed, stimulates affected stakeholders to follow it, and generates and preserves their commitment to do so. In effect, it should adopt follow-up procedures analogous to the postures and techniques of the salesperson.

Finally, responsive constructivist paradigm advocates that in as much as research involves people (as respondents, information sources, clients, stakeholders, etc.), there is an implied mandate on the researcher to interact with those persons in a manner that preserves (i.e. respects) their dignity, integrity, and privacy. However, this is not to suggest that conventional researchers have not been careful about ethics of research, but the phrase "*preserves their dignity, integrity, and privacy*" goes beyond extant canons of practice. It is intended to emphasise the level of full participation, in which the stakeholders and others who may be drawn into the research are welcomed as partners in every aspect of design, implementation, interpretation, and resulting action of a research. That is, "they are accorded a full measure of political parity and control as well as conceptual parity (Guba and Lincoln, 1989).

Responsive constructivist paradigm seeks to fulfil the intentions and promise of this emergent conception of behavioural research. It offers a means that recognises the constructed nature of findings, that takes different values and different contexts (of research) into account, that empowers and enfranchises stakeholder groups, that fuses the research process and its follow-up activities into one indistinguishable whole, and that is fully participative by extending both political and conceptual parity to all stakeholders. While it is hoped that this process will provide considerable explanatory power in meeting this challenge, however further developments and refinements are very much needed.

The responsive constructivist paradigm rests on two basic elements: *responsive focusing, and constructivist methodology*. Consider these in turn.

Responsive Mode of Focusing a Research

The algorithm for any inquiry process begins with a method for determining what questions are to be asked and what information is to be collected. The process calls for identification of research objectives, specification of variables, gathering of information that either services the decisions to be made and/or consists of individual scores on instruments that putatively measure those variables, and make various decisions informed by the foregoing. These focusing elements - objectives, variables, decisions, conclusions, and the like are called *advance organisers*, and the organiser that a researcher uses becomes apparent as soon as the researcher begins to ask such questions as *what are the research objectives?* or *what decisions must this research inform?* etc. (Lincoln and Guba, 1985; and Guba and Lincoln, 1989). The organiser provides the focus of research. The nature of this focus depends upon the kind of inquiry involved, whether research, evaluation, or policy analysis. The foci appropriate to those three inquiry modes are termed *problems*, *evaluands*, and *policy options* (Lincoln and Guba, 1985, p.226). My interest is with *problem*.

A 'problem' is more than a question; it is different from an objective. A problem is a state of affairs "resulting from the interaction of two or more factors... that yields (1) a perplexing or enigmatic state (a conceptual problem); (2) a conflict that renders the choice from among alternative courses of action moot (an action problem); or (3) an undesirable consequence (a value problem)" (Guba and Lincoln, 1981, p.88). The interacting factors may be concepts, empirical data, experiences, or any other elements that, when actively juxtaposed with one another signal some basic difficulty, something that is not understood or explained at the time. The purpose of a research inquiry is to resolve the problem by accumulating sufficient knowledge that prospectively or potentially leads to understanding or explanation. It is a kind of dialectical process that plays off the thetical and antithetical propositions that form the problem into some kind of synthesis.

The notion of responsive approach to inquiry was first put forward by Stake (1975) to signal the idea that all stakeholders put at risk by an inquiry (research or evaluation) have the right to place their *claims, concerns, and issues*¹⁰ for consideration (response), regardless of their value systems. This form of inquiry was created as the antithesis of the preordinate inquiry process (see note 7), which assumes that the researcher and the subject together possess sufficient information and legitimisation to design and implement a research, without the need to consult other parties (although in practice such consultation often occurs for political reasons) (Guba and Lincoln, 1989, p.12).

In contrast to the organisers of conventional research, responsive research has as its advance organiser claims, concerns, and issues about the subject that are identified by stakeholders. Any behavioural research has implications for many stakeholders. Stakeholder groups are heterogeneous and represent different views both between groups and within groups (e.g. the type of information which should be disclosed in corporate reports). The groups together with the

changing political, social and economic conditions constitute the environment of AFR¹¹. Being heterogeneous, these groups may have opportunistic inclinations and harbour different claims, concerns, and issues. It is the researcher's task to ferret these out and address them in any research inquiry. In the context of responsive research focus, the different stakeholders in AFR can be compactly grouped into three broad classes, each with subtypes as shown in Figure 1. The implication of responsive focusing for AFR design is to focus more on the claims, concerns and issues which are identified by stakeholders (beneficiaries and users) of research and less on research with little relevance to practice (Herbert and Wallace, 1996).

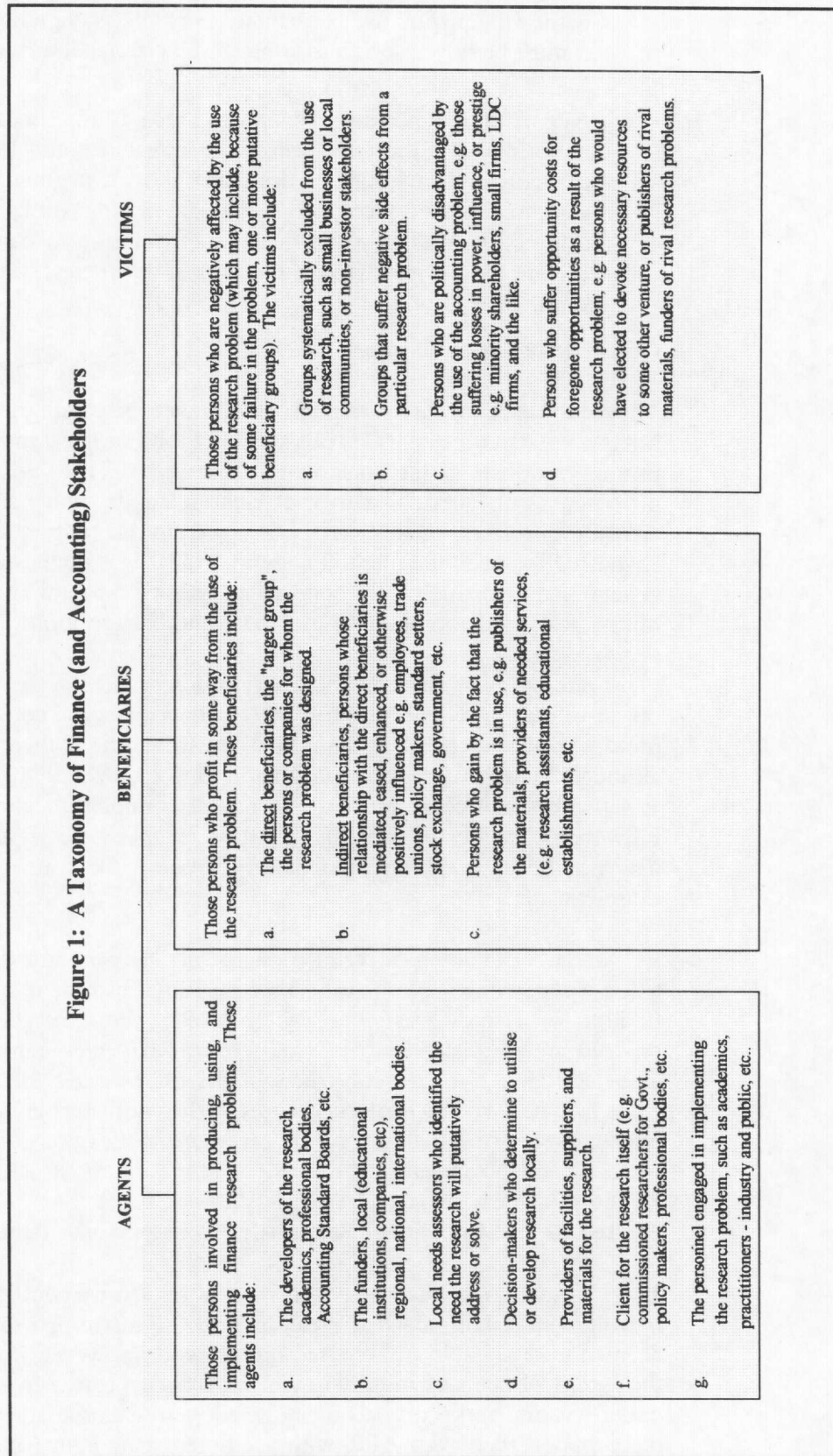
Responsive research is both responsive for the reason that it seeks out different stakeholder views and for the fact that it responds or potentially responds to those items in the subsequent collection of information. Since it is most likely that different stakeholders will hold very different constructions about any particular claim, concern or issue, the researcher's major task, under the proposed paradigm, is to conduct the research in a way that allows each group to confront and deal with the constructions of all the others in a hermeneutic dialectic manner.

This process permits a settlement of the original claims, concerns, and issues without resorting to new information (that is, information that is not already available from the existing stakeholding groups). While conflicts will inevitably remain (requiring the introduction of additional information), responsive mode of inquiry ideally seeks to reach consensus on all claims, concerns, and issues (although this will rarely be possible).

Responsive research involves four phases (Guba and Lincoln, 1989):

1. Identification of stakeholders:- In this phase stakeholders are identified and solicited for those claims, concerns, and issues that they may wish to introduce.
2. Resolution Search:- Here, the claims, concerns, and issues raised by each stakeholder group are passed to other groups for comment, refutation, agreement, or whatever reaction may please them. The aim of this phase is to resolve any of the original claims, concerns, and issues, in the hope of reaching a consensus.
3. Advance organiser:- The unresolved claims, concerns, and issues become the advance organisers for information collection by the researcher. According to Guba and Lincoln, the precise form of information collection will depend on whether the bone of contention is a claim (in which case, information may be gathered to test the claim), a concern (in which case, information may be gathered on the extent to which the concern is justified), or an issue (in which case, information may be gathered either to corroborate or refute each side or sides). Whatever the nature of the information to be

Figure 1: A Taxonomy of Finance (and Accounting) Stakeholders



gathered - quantitative or qualitative - its precise significance is that it must be responsive to the unresolved claim, concern or issue.

4. **Negotiating Consensus:** This phase prepares an agenda for negotiation. Under the guidance of the researcher and utilising the evaluative information (as described above), negotiation among stakeholders takes place, with a view to reaching consensus on each disputed item. The items that remain unresolved constitute the agenda for prospective or future research, interest, time, and resources permitting.

Constructivist Methodology

The second element (of the responsive constructivist paradigm) entails carrying out the research (or inquiry) process within the ontological and epistemological presuppositions¹² of the constructivist paradigm. This research approach is proposed as an alternative to the scientific mode which has characterised virtually all conventional research carried out in this century (since John Mills advocated for scientific methodology in 1843). It is predicated upon a belief system that is diametrically opposed to scientific paradigm, whether in its ontological, epistemological or methodological assumptions.

Ontologically, the constructivist paradigm denies the existence of an objective reality, claiming instead that realities are social constructions of the mind, and that there are as many such constructions as there are individuals, although commonalities exist (Guba and Lincoln, 1989, P.43). Thus, science, as a pantheon of constructions, is a typical example of shared construction. However, if realities are constructions then, except by mental imputation, there may not be immutable natural laws governing the constructions, such as cause-effect laws.

In the epistemological realm, the constructivist paradigm does not acknowledge the possibility of subject-object dualism. Instead, it suggests that the findings of a study exist precisely because of the interaction between the observer and the observed that literally creates what emerges from that enquiry. The methodology of the constructivist paradigm rejects the scientific. In its place is a hermeneutic/dialectic process¹³ that both recognises and uses the interaction between the observer (researcher) and the observed (the subject) to create a constructed reality.

Trade-offs and Benefits of Responsive Constructivist Paradigm

There is little doubt that the proposition of responsive constructivist research paradigm will be dismissed as irrelevant or the thoughts provoked in this paper deemed unreasonable and rejected out of hand. However, it is worth noting the variety of fields of enquiry in which scientific positivism is being brought under scrutiny and proposals for redirection are being made¹⁴. In that spirit, the proposal to realign AFR with a different paradigm from the orthodox

scientific approach should not seem so unusual and should not be classed or assessed in the context of Bedford's (1978) 'metatheory'.

For the sake of argument, I state at the outset that whatever defects or objections are prospective with the responsive constructivist mode of research are simply a matter of the intolerance (of the proponents of scientific paradigm) to the basic premises under-girding this paradigm and to change in belief system. For one, the nature of the three basic questions of research (ontological, epistemological, and methodological questions) may be deemed too abstract or ambiguous to tolerate. For another, the methodological and political implications of a shift to responsive constructivist research are likely to raise an eyebrow. In the main, it involves a substitution of control over the process (of research) for a shared control by which stakeholders are seen to play equally definitive roles at all stages of the research. Such loss of control has both methodological and political consequences (Guba & Lincoln, 1989, p.46). On the one hand, if persons who are inept in methodological issues become active (major) decision makers, it is plausible that exercise of their prerogative may seriously threaten the technical adequacy (or validity) of the study. On the other hand, if these persons exercise control over methodological decisions (i.e. make such decisions), they are simultaneously dealt a political hand as well. The effect is that methodology may be reduced to the whims of politically dissident groups.

Given the seriousness of the above implications, what warrant is there for using claims, concerns, and issues of stakeholders as organisational foci and for adopting the constructivist paradigm as the guiding principle?

Several organisers for research have been invoked, the most prominent being objectives, decisions, and effects. These are patently reasonable, evocative, heuristic, and pragmatic; and each has something to commend it. However, as has been argued above, using these as organisational foci makes them susceptible to the pervasive problems discussed in section II above, namely, managerial tendency, value-singularism, and over-commitment to a realist ontology and scientific methodology. A compelling case can be made for using stakeholder claims, concerns, and issues along the following lines.

1. Stakeholders are groups at risk

Stakeholder groups are those that, by definition, have something at stake in the research problem. As shown in Table 1, there are many such groups for any given financial problem. Their stakes may be placed in jeopardy by the research, as the problem is assessed with respect to some set of standards. For example, as accounting research or theory is geared towards providing a framework for evaluating current financial accounting practice and developing new practice, it is possible that some stakeholder groups may be placed at risk, that is, they may lose their stakes should the research findings appear negative from their perspective. Although the nature and size of stakes may vary considerably from group to group, the existence of stake per se is sufficient to warrant a particular stakeholder group in an open society to expect and receive the opportunity to

provide input into a research/investigation that affects or potentially affects it and to exercise some control for the benefit of its own interests (Guba and Lincoln, 1989, p.51). The argument is that a group at risk ought to have the opportunity to make whatever claims or raise whatever questions it deems appropriate, and to have its inputs honoured. According to Guba and Lincoln, "anything else is patently unfair and discriminatory".

A practical problem however arises when different stakeholders bring different value standards to bear. It is bad enough to be at risk of losing one's stake when the loss basis is a value judgement with which a group must in principle agree. However, if the judgement reflects one other group's values, not only is the other group disenfranchised but the loss is much harder to bear.

2. Stakeholders are open to exploitation, disempowerment and disenfranchisement

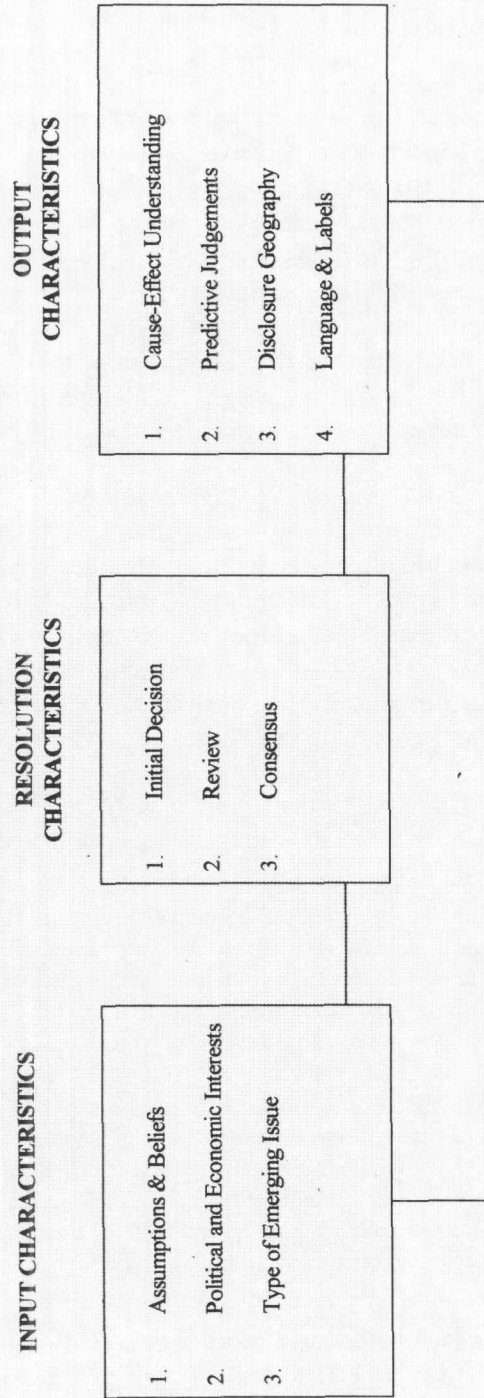
Research is a form of inquiry whose end product is information. Information, it is said, is or breeds power. Thus research is a powerful medium of communication. The potency of an inquiry can be used in ways inimical to the interests of stakeholder groups. The information obtained in research can be used against the group from whom it is solicited¹⁵. An example is the decision usefulness approach to the development of financial reporting. In recent years, policy makers have been adopting an approach which incorporates the foundations of traditional accounting practice. Conceptual frameworks have been developed through a priori research both on an ad hoc basis and on a comprehensive basis by focusing financial reporting on equity investors and their decisions as a basis for deriving the set of rules (to guide general actions).

Power can also be withheld by the expedient of selective information (i.e. to a select stakeholder group) - those who already hold power. The effect is not only asymmetry but disempowerment in a rather subtle form, because stakeholders who are not privy to an information set may be ignorant of its political significance. Furthermore, compelling arguments that have the ring of preserving the status quo (either by maintaining power in the hands of current holders or giving higher priority to the interests of those presently in control) can disempower and disenfranchise others. While these moral hazards cannot be eliminated, stakeholders are more likely to suffer these misfortunes in lesser degree under the proposed paradigm.

3. Stakeholders are users (beneficiaries) of research information

The apparent user-supplier gap in AFR relates to the use which practitioners find or make of extant research. As has been observed by Carleton (1978), Baxter (1988), Allen (1992), Herbert and Wallace (1996) and others, part of the gap relates to abstruse mathematics that are employed to garnish many studies, with the result that the majority of stakeholders find academic research irrelevant to their cause. Even an average academic accountant (without strong mathematical background) will find it difficult to read and understand some of

Figure 2. A Diagnostic and Resolution Framework for Emerging Issues



Source : Wallace and Cooke (1990), "The Diagnosis and Resolution of Emerging Issues in Corporate Disclosure Practices" *Accounting and Business Research* vol.20, No.78, pp.143-151

these materials, let alone the practitioner. While scientific setting has its purpose, it is important to acknowledge that AFR is socially determined and socially expressed and as such research information has to take its place within the socio-political arena of decision making. The days of John Mills may be fading; that is, the scientific process is not the only basis for determining the usefulness or validity of research.

It has also been alleged that researchers tend to engage in research activities that they (researchers) perceive to be relevant. Or researchers tend to provide information that they have agreed upon with the sponsors or funders of the research, that speaks little or nothing of the interests of other concerned parties. Put differently, the focus of research tends to be much too narrow such that if only objectives (whose?), decisions (made by whom about what, when?), or effects (specified as important by whom?) are used as organisational foci, then it seems clear that many other possible foci will be ignored. Consider for example, the following diagnostic and resolution framework for emerging issues in corporate disclose practices. (See Figure 2)

The discussion that follows this schematic illustrates the argument of this paper¹⁶. As long as researchers remain impervious to the risks to which such a narrow focus exposes stakeholders, or to the consequences of using information in ways that exploit, disempower, or disenfranchise stakeholders, none of the above considerations is seriously important. The issue of use/non-use of research can be conceived as one affecting solely sponsors, funders, or a few selected (and powerful) stakeholding groups.

Wallace and Cooke exemplify this point from the following excerpts:

"Emerging issues provide subjects of public interest and constitute the force by which the concerns of individual participants are expressed, accounting policy precedents are established, organisational resources are allocated and the environment is shaped by accounting. Often it is the case that attempts are made to influence the issue resolution process to suit a particular vested interest. The initial decision phase (in resolving an emerging issue) involves a consideration and interpretation of the issues and possible disclosure procedures by management in the light of consultation with auditors and, more recently, legal counsel. The search suggests that management are prepared to adjust or manipulate corporate reports in support of their strategies and goals. The process (of reaching a consensus)...involves a set of actors (players) with political interests (utilities) playing to get their interpretations (outcomes) accepted."

Since stakeholders are users of information that they see clearly responsive to their claims, concerns, and issues, if given an opportunity to have an input into the research process and have those inputs honoured, they will feel part of the political process and will be able to do so from a platform of information legitimation that they would not otherwise have.

4. Stakeholders are in a position to broaden the range of research inquiry to the benefit of the hermeneutic/dialectic process

Extant accounting, for example, has focused on a few preordinate objectives, decisions, or effects. Even though the results of such evaluations are limited and formally predictable, nevertheless they are forced upon (other stakeholder groups) through administrative pronouncements (such as GAAP, SSAP, SORP, and the like). It is this predictability which makes it possible to pre-design conventional inquiry. But when one does not in advance have what information is to be collected, let alone its importance, it is difficult to design an inquiry that will provide it. It then calls for an 'open-ended' or an 'emergent' design.

Utilising stakeholder inputs (claims, concerns, and issues) as foci for organising a research forces a degree of open-endedness not usually contemplated under conventional paradigms. The snag with this however is that a considerable amount of the researcher's time and energy may be spent in identifying several stakeholders and in interacting with them sufficiently to understand what their claims, concerns, and issues are. This drawback may be one of the strengths of the constructivist paradigm, in that it forces stakeholders to recognise and incorporate the constructions of other groups as a way of achieving consensus¹⁷. For example, if a major purpose of accounting research is to refine and improve a method of disclosure, then the fact that a wide variety of stakeholders is given entrée into the decision process quickly focuses the energies of the group on those matters about which there is disagreement. If each group is provided with some (symmetrical) political clout in the process, a higher-level synthesis of the divergent views will inevitably occur. Under the hermeneutic/dialectic principles, the objective (of the process) is not to justify a particular group's construction or to criticise the weaknesses of their constructions, but to 'form a connection' between them that allows their mutual exploration by all parties and a consensus to be reached, where possible. Disagreements may well remain, but the process at the very least exposes and clarifies these and allows an agenda for prospective consensus on the remaining issues to be negotiated.

5. Stakeholders are mutually informed by the new paradigm process

Research findings, even when utilised, are rarely accepted by every user group. Research evokes judgement, and judgements involve values and values are based on belief systems. Thus, even if the intent of the judgement is refinement or improvement, there are always those, whose values are different from those on which the judgement was based, who will disagree. It is always possible (and indeed easy) to attack the research findings of others, simply on account of differences in judgement criteria (including objectives, methodology, technical content or interpretations). Sometimes a research work is dismissed out of hand a priori or denied publicity (or publication) essentially because it does not meet editorial judgement criteria of the publishers (including a judgement that the topic is either irrelevant or uninteresting). Even the relevance of this paper has

been questioned by one or two colleagues through their comments on earlier drafts.

As each party is reinforced in its belief in the validity of its judgement and interpretations, it is more likely that none of the several stakeholder groups benefits from this exchange (or lack of it). The involvement of stakeholders in this research process implies more than identifying them and/or what their claims, concerns, and issues are; each group is required to confront and consider the inputs from other groups. Rather than mandate them to accept the opinions or judgements of others, they are encouraged to confront their points of difference. In other words, they are required to either reconstruct their own constructions sufficiently to accommodate the differences or devise meaningful arguments to counter the propositions of others. In this exchange, a great deal of information sharing (or learning) takes place. First, each stakeholder group is enabled to understand its own construction better and to revise it in ways that permit more informed and sophisticated judgement. Second, each group is enabled to understand the constructions of other groups better than before. This increases the level of appreciation of other people's constructions/stance, and thus leads to a consensus.

IV. Summary and Conclusion

This paper is an attempt to present a conceptual alternative to accounting and finance research. The paper proposes an alternative philosophy of research which constructively aims to overcome some of the conceptual and paradigmatic issues of AFR. Herbert and Wallace (1996) suggested two paths to bridge the apparent gap between academic research and the needs of practitioners. The first involves raising the consciousness of the reader to the apparent user-gap in research, which was the main purpose of their paper. The second path requires a redirection in the underlying philosophy of research. It requires an assessment of the paradigmatic issues of AFR by, for example, involving practitioners in the research process. The conceptual framework of the present paper is based on the premise that the underlying philosophy of extant research is bereft of responsive focusing. The paper identifies the major flaws of conventional research paradigms and argues for a departure from managerial ideology, the need to incorporate pluralistic values, and the need to escape from the ontological (scientific) base of research interpretations. The paper suggests that a good case can be formed that mandates a serious consideration of the responsive constructivist paradigm.

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Notes

1. For an insightful discussion, the interested reader is referred to Herbert and Wallace (1996) forthcoming.
2. For an extensive literature on the problem of managerialism, the reader is referred to Scriven (1983). However, Scriven discusses the issue in the context of management evaluation and consumer-related project evaluations.
3. Other examples include the disparity in the allocation of single period expenditures among several accounting periods and the allocation of overheads to expenditure units. Arguments for and against reporting alternatives (such as interim reporting, GPP accounting or CCA) are implicit problems of managerialism.
4. Underdown and Taylor (1985, pp. 5-6) provide an insight into the nature and type of accounting controversies. In the main, it is claimed that many accounting controversies are the result of a lack of single generally accepted accounting theory - the so-called "metatheory" (Bedford, 1978). In consequence it is argued, a multiplicity of alternative competing theories continue to exist. Different theories yield different methodologies. Thus, methodological differences between the alternative theories give rise to a controversy of another kind. By far the most engaging controversy relates to the political nature of accounting policy-making - its regulation, standard setting and the like (See for example, Horngren, 1973; and Zeff, 1978). The intent of this paper does no favours to the spate of controversies by challenging the orthodoxy (basic belief system) of extant accounting theories and by proposing an alternative mode of conceptualizing and conducting accounting research.
5. "Negotiated outcomes" are defined by Lincoln and Guba (1985, p.211) in terms of both facts and interpretations that must be subjected to scrutiny by respondents who earlier acted as sources of that information or by surrogate respondents. It is acknowledged that not all negotiations yield agreement and that not every inquiry produces findings that every one would accept. However every stake holder has the right to provide input on the subject of what are proper outcomes. Therefore the inquirer has an obligation to attend to those inputs and to honour them as far as possible.
6. The term is paraphrased from Guba and Lincoln's (1989) alternative approach to evaluation designated "responsive constructivist evaluation".
7. Robert Stake (1975) first proposed responsive evaluation to distinguish preordinate evaluation which is associated with the a priori research.
8. Alternative terms for the constructivist methodology include *interpretive* and *hermeneutic*. Each of these provides some specific insight into the nature of this paradigm.

9. These are devised from and restated after the properties of the fourth generation evaluation.

10. Following Guba and Lincoln, these constructs are defined as follows:

A *claim* is any assertion that a stakeholder may introduce that is favourable to the problem, for example, that a particular mode of depreciation will result in increased profitability, or that a particular mode of presentation of accounts will increase user readability/understanding.

A *concern* is any assertion that a stakeholder may introduce that is unfavourable to the problem, for example, that introduction of computerised accounting materially reduces knowledge of manual accounting, or that instruction in the use of computers will result in a great deal more contact hours for teachers.

An *issue* is any state of affairs about which reasonable persons may disagree, for example the phasing out of historical cost accounting, or the introduction of current cost accounting.

11. For a broad view of the constituents of AFR, see Underdown and Taylor (1985, p.7, figure 1.1).

12. The central feature of this paradigm is its ontological assumption that at least social/behavioural realities, if not all realities, are mental constructions.

13. The reader is referred to Guba and Lincoln (1989) for a detailed discussion of the resonance between an inquiry paradigm that proposes a hermeneutic/dialectic methodology and an evaluation or research model that depends on such a process to substantiate its claim of responsiveness.

14. Guba and Lincoln (1989, p.48, Note 3) have cited 23 examples, 11 of which are drawn from the broad field of education and 12 drawn from other social science fields, including the works of Michael Piore (1979) in Economics, Daniel Cochran & Janet Dolan (1984) in Business Communication, Gareth Morgan & Linda Smircich in Management, to mention a few.

15. A common example is the use of information gathered from a sample of the market to whom a product may be targeted (including a variety of innovations or interventions touted as providing relief from extant problems) to persuade the potential market that it has a need for the product, or that it will be best served by using the product.

16. The interested reader is referred to the article which eloquently mirrors the 'scientific' thinking and procedures for diagnosing and resolving many accounting problems. The reader can compare the procedural argument with the thesis of this paper.

17. Compare this with the conventional mode of consensus search as described by Wallace and Cooke (1990).