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Understanding Social Accounting Based on Evidence

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Abstract

This study aims to discuss the use of social accounting, supported by practice theory, and its contribution to social accounting theory. It is possible for stakeholder accounting to be carried out by various companies. It has been analyzed by multiple case studies, and the results will enable us to help the general public understand the social values that companies generate for society and the resulting impact on stakeholder, and therefore social well-being. The results of the analyses will provide companies with feedback on their social impact, which will help them to become more efficient. This study defines a framework that might guide the social value and nonfinancial information of organizations. Social accounting is seen as an accounting system based on accepted accounting principles, seeking to emphasize the notion of corporate accountability. From the analysis of more than 90 cases, we conclude that there is a possibility of systematically introducing stakeholder accounting or recalled socioemotional accounting (SĒA) into all organizations.

Keywords

stakeholder, social impact, measuring social value, monetizing social value, integrated social value

Introduction

There is an increasing concern in developed countries about the responsibilities of companies toward society, with their right to operate coming into question. Since the 2008 financial crisis, the social consensus in relation to the positive financial results of companies with an increase in social welfare has broken down significantly, although the root of the problem starts in 70s. Several different studies (Galbraith, 2016; Piketty, 2015, 2017) have highlighted the increasing inequality generated by the economic system. Neither the economic upturn of recent years, the progressive development of corporate social responsibility, nor the impulse of public–private partnership proposed by international bodies (specifically, the sustainable development goals developed by the United Nations) has been sufficient to reverse the general public's increasing mistrust of the socioeconomic system in general, and companies in particular (see the data from the 2020 Edelman Trust Barometer to gauge the scant trust currently placed in the system; www.edelman.com). Against this backdrop, which is undoubtedly a worrying situation, the notion of "do well by doing good" (DWDG; Nidumolu et al., 2009; Porter & Kramer, 2011) would seem to be insufficient (Karnani, 2011; Vogel, 2005), and the need arises to reflect on the actual sense of legitimizing the existence of companies, especially those of a larger scale. Furthermore, negative impacts should be analyzed to complete the faithful image of companies; mostly they are related to environmental aspects, but not only.

This problem can be addressed from two perspectives: first, by studying the commitment of companies toward the society, in line with corporate social responsibility; second, by emphasizing the information of the value generated by organizations in society, beyond their economic and financial results. Over the last decade, contributions around corporate social responsibility (Schwartz, 2017; Werhane et al., 2017), and the information processes linked thereto (Global Reporting Initiative [GRI], Integrated Reported, for example) abound (KPMG, 2013). Nonetheless, these contributions have not resolved the distance between the general public and companies, nor have they succeeded in aligning the interests of companies and citizens (Beck et al., 2017; Dumay, 2018), or at least, the perception that the latter have of this alignment (Edelman Trust Barometer, 2020).

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The asymmetry of information, or rather, the shortfall of information available to citizens regarding the real value generated or detracted by companies, could possibly be a relevant variable in this situation. This would seem to be borne by the data on the significant decrease in mistrust that a better-informed population extends to companies. However, it also seems clear that the increase in information does not solve the problem. In fact, the marked increase in social and sustainability reports that have come about over the last decade do not increase the public's confidence in companies. For this reason, several authors qualify this information as cosmetic (Crook, 2005; Porter & Kramer, 2006).

In this study, owing to the existing gap in information, we aim to analyze whether social accounting, also called stakeholder accounting (Freeman et al., 2020), may be a differentiating factor in the reduction of asymmetrical information. It will help in the understanding of business results as a whole, including economic data and social impact. The use of evidence regarding social accounting will enable us, on one hand, to help the public better understand the social value that companies generate for society and its impact on stakeholder and social well-being. On the other hand, it will provide companies with feedback on their social impact for them to manage the optimization thereof, which will enable them to increase their legitimacy in the society in which they operate.

It should be noted that, for more than 25 years, there has been a line of research on social and environmental accounting (see among others; Dey & Gibbon, 2017; Gibbon & Dey, 2011; Gray et al., 2017; Moses et al., 2020). Nonetheless, to date, and to the best of our knowledge, the emphasis has been placed either on the environment or on theoretical development (Deegan, 2017).

The academic literature demonstrates the concern for social accounting since the 1950s (see Cooper, 1992 and Cooper et al., 2005 for a complete review). In its origins, there is evidence of a monetary approach that was maintained in the analysis of social return on investment (SROI) system; however, at a general level, social accounting led to a fundamentally qualitative approach. The more quantitative and economic perspective was subordinated to the monetary one and was consolidated with the use of key performance indicators (KPIs) that partially demonstrate socially responsible activities of the companies. This evolution of accounting toward qualitative aspects accounted for, but not monetized, has eliminated the translation of social value in monetary units, but undoubtedly, it is the basic principle of measurement for value, as an economic concept that it is. Along these lines, from the economic perspective, a gap is generated in the academic literature, regarding the lack of development of social or stakeholder accounting as an economic information instrument (in line with economic accounting). In practice, the situation is similar, and although there are different information systems, such as SROI, GRI, Integrate Reports, or SA8000, when the European Directive 2014/95 (in Spain Law 11/2018) is approved, the companies take it into account seriously. Therefore, companies are doing a great effort to show their nonfinancial information. This fact drives the academy toward an interesting line of research; the expansion of economic and financial accounting based exclusively on market monetary transfers to information systems that include nonmarket and emotional transfers (nonfinancial information). Likewise, the accounting function of informing is transferred to other stakeholders, beyond investors.

After this introduction in section "Is Social Accounting Necessary?," we address the debate on the need for social accounting to respond to the objective set out in this study. We consider, from a microeconomic perspective, the possibility of developing a system of extended accounting, making it possible to capture greater value than that captured by traditional accounting. Section "What Should SĒA Be Like? A Proposal of Principles" reflects on the principles of socio-emotional accounting (SĒA). In section "Is It Possible to Develop a Social Accounting System With Accounting Criteria? Methodology and Hypotheses," we discuss the possible hypothesis by demonstrating its practical use in a series of cases. Finally, we conclude the study by discussing the principal implications of the application of SĒA, the results, their limitations, and future lines of research.

Is Social Accounting Necessary?

Questioning the Grand Illusion

In traditional neoclassical theory, value is created through the exchange between supply and demand, developed in the setting of a free market. The general competitive equilibrium theory (Debreu, 1954) explains that, under certain conditions, the maximization of the results by a company (optimization of profit/value) corresponds with the *social optimum*, that is, with the creation of the greatest possible value for society. From this perspective, we could consider that "[In a free economy] there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game" (Friedman, 1962/2002, p. 133). "While conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom" (Friedman, 1970/2007, pp. 173–174). In the analysis of the underlying logic, we can see that profit maximization is not an end in itself. Rather, it is instrumental for the purpose of generating value for society. Nonetheless, given that in microeconomic logic, there is a biunivocal correspondence between both results; profit maximization, which is much more specific and concrete, can replace the ultimate aim of generating social value, which is a much fuzzier concept. However, from this logic, the aim of the company is not found therein, rather, in society, but under the assumption that what is good for the company is good for society, generating the consequential DWDG notion (Porter & Kramer, 2011).

Consequently, in neoclassical economics, no conflict is considered between the company's profit maximization motives and its social function. Rather, profits are a sound indicator of the social function performed by different companies. In this regard, it follows that the purpose of companies, and all other organizations, is not intrinsic to themselves, but rather, it is extrinsic, that is, social. This approach ties in well, not only with the classical social contract theory (Hobbes, 1651/1960; Locke, 1689) but also with current developments, particularly those of Gauthier (1984), and to a lesser extent with Kantian-based *contractualism* (Donaldson & Dunfee, 1999; Rawls, 1971). Moreover, this perspective links up well with a conception of society based on *welfarism*, in which the benevolence of social statements is understood solely on the basis of the usefulness that individuals obtain from such statements (Elster, 1992). This has led to the extensive development of instruments for measuring the degree of material welfare, including gross domestic product (GDP) and per capita income, which is strongly correlated, theoretically and practically, with the social optimum. From the foregoing argument, it can be deduced that economic-financial information is a sound indicator of the social value generated by companies, owing to which there is no need to establish additional social accounting for the same. Only in the case of nongovernmental organizations (NGOs) and the public administration, which do not respond formally to market rules, could the introduction of some type of complementary information be justified, namely, social impact reports, social balance sheets, and social accounting, among others.

Notwithstanding, this link between corporate profit and the social value generated is not widespread in society, and is counterintuitive to a large part of the general public, which, in general terms, perceives that profit merely benefits shareholders to the detriment of the interests of all other stakeholders. From a more technical perspective, it has a number of limitations. First, if it is to function correctly, certain assumptions need to be met, which is not always the case (market failures; Stiglitz, 1989). Second, the underlying *Paretian optimum* only takes the generation of aggregate value into consideration, excluding any consideration of the fairness of distribution. Third, on many occasions, there may be a *trade-off* between private profits and public interest (Karnani, 2007, 2011). Finally, in general, only economic value—which takes the form of market transactions—is taken into consideration, doing away with externalities, both positive and negative. Certain negative externalities, such as the cost of CO_2 emissions, have timidly begun to be internalized, but the internalization of social costs (health, additions, inequality, and exclusion) is practically nonexistent. Except in certain well-defined settings, neither are positive social externalities (entrepreneurship and disability) being internalized as a value generated by organizations. These limitations, either on their own or in conjunction with other issues, mean that there is often a divergence between private gains and public interest (see Figure 1 for the *trade-off* between them). It is because the latter is determined not only by the quantity of the value produced but also by the "distribution" thereof (Karnani, 2011). Similarly, the generation of a nonmarket value, which can be either positive or negative, means that the exchange price does not necessarily correspond with the actual break-even price.

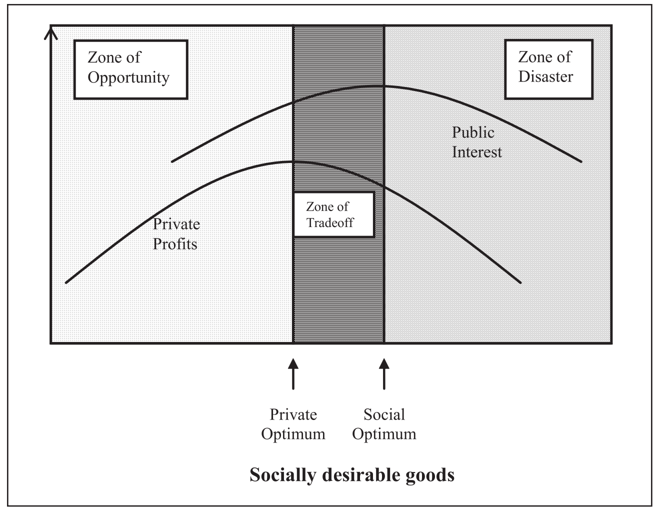

Figure 1. Public interests versus private interests (the *trade-off* zone).
Source. Market failures from Karnani (2011, p. 72).

It should be noted that there is a certain area of opportunity in which social and private optima may be convergent, and may even give rise to public–private partnership processes. Similarly, there may be an area of loss where both optima deteriorate in parallel. Notwithstanding, there is no need for both optima to coincide because in the central area, there could be a *trade-off* between the private optimum and the social one, as the social externalization of costs (health care, pensions, dismissals, training, parenting, infrastructures, and cleaning) will improve the private optimum to the detriment of the social one. Moreover, the internalization of social costs by companies will improve the social optimum to the detriment of the private one. This being the case, the optimum is not so much a point of equilibrium as a range of compromise, the limits at which the equilibrium between the social optimum and the private optimum breaks down. It should be stressed that negative externalities are not the only ones that exist. Alongside these, companies generate an extensive array of positive externalities which cannot be monetized directly by means of a price system. In the figure below (Figure 2), we can see the alteration in the social value, generated or detracted, when, at the point of equilibrium between cost and private marginal profit, marginal social profit is added, and marginal social cost is subtracted.

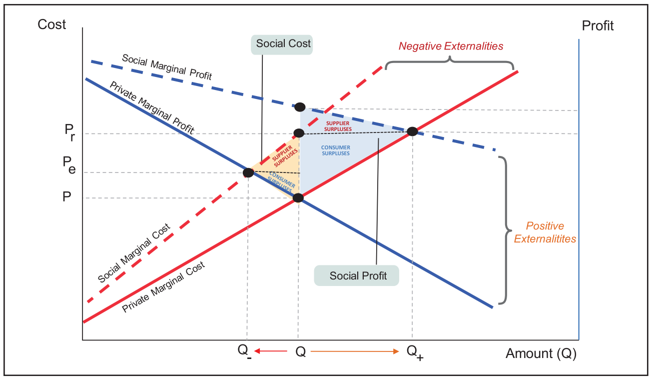

Figure 2. The gap between marginal, private, and social profit.

The fact that what is good for society does not necessarily have to be bad for the company and the fact that what is good for the company does not necessarily have to be to the detriment of society (Moran & Ghoshal, 1996) do not imply that the opposite proposal is true; not all that is good for the company is necessarily good for society (Karnani, 2011). However, if that were the case, it would be a grand illusion.

Possibly, it is this *trade-off* between public and private profit, whose alignment constitutes one of the principal objectives of economic science (Tirole, 2019), which causes mistrust among the general public and is compounded by the asymmetry of information, that serves to fuel all manner of conspiracy theories. The anthropological substrate of neoclassical economics, a selfish vision of individuals, focused solely on the optimization of their own usefulness (profit). It will be unaffected by social interests and to the potential damage they could cause to third parties, stokes mistrust in the economy in general, and in economic entities in particular. To recover the general public's confidence in organizations, and particularly in companies, there is a need to reconsider how to reduce the gap between individual and social benefit. To this end, we need to reduce this gap by reducing the asymmetry of information existing on the matter. In this regard, we need to reassess the current solution, which is focused on sustainability reports, as can be seen in the Edelman Trust Barometer. After years in operation, it does not seem to have made any headway in terms of increasing the credibility of companies.

Our study focuses on the notion that a new perspective of information symmetry, based not on the quantity of the data provided, but on the business language used, could possibly help. Economic-financial information is a good indicator of an organization's economic situation, both present and future, as well as of the yield that an investor or creditor can expect from the organization. Notwithstanding, it provides insufficient information on the value that the organization in question generates for or subtracts from society, through both market mechanisms and, particularly, through nonmarket mechanisms (externalities and internalities). There are at least two limitations: on one hand, the exclusion of all those bidirectional or unidirectional transactions which have no explicitly monetary counter value (confusion between value and price), and on the other hand, owing to its focus on shareholders and other financiers, it is rendered oblivious to the interests of the other stakeholders, for example, employees, users, consumers, society, government, volunteers, and other members of society (Richmond et al., 2003). Instead of an asymmetry, perhaps it would be more suitable to consider it as an absence of information because in most cases, this information is not available to stakeholders as a whole, but neither does the organization itself explicitly have it. In this regard, there is a cross-demand on the part of organizations and society to have better information on the impact that organizations or companies have on society, and that it is understood at both universal and local levels. Thus, on one hand, we find a general public that is increasingly skeptical about the supposed correlation between business benefit and social welfare (*crisis of confidence*). While, on the other hand, companies need to attain legitimacy before their shareholders as a whole, either owing to their responsibility (altruistic) or in their own interest (*crisis of legitimacy*).

Despite there being clear areas where there is room for improvement, economic-financial information would seem to be a suitable instrument for understanding, communicating, and handling information of an economic nature. It is worth considering whether it would be useful to generate a similar instrument which would provide us with suitable comprehension, communication, and management of social value, and if so, what type of information should be supplied.

Moving Toward an Extended Social Accounting System

As part of their activities, organizations generate or subtract different types of value, of which the most salient is that generated through market activity. Both companies and all other organizations, through their activities, generate jobs, and consequently, salaries, which give rise to social security contributions, private pension plans, income tax, and purchasing power. They also generate other types of taxes (corporation tax, municipal rates, and value-added tax [VAT]). Similarly, these entities—or at least, some of them—drive entrepreneurial activity by purchasing from suppliers, in what could be considered a generation of social value induced by market transactions. Up to this point, we have referred to a value that all types of organizations (commercial companies, social enterprises, NGOs, and public bodies) generate for society through their market activities and which could be denoted as a market-based social value. As has already been pointed out, this could be direct, through added value (Meek & Gray, 1988; Morley, 1979), or induced, through value driven by means of purchasing from suppliers (see Figure 3). Given that in both cases, we are speaking of value generated through commercial activity, this is reflected to a greater or lesser extent in the accounting. The traditional accounting does not directly show the social impact that a business generates, owing to which some sort of transformation process must be conducted to reveal the understanding of the social impact generated by the market activity of organizations.

More problematic is the nonmarket value that organizations additionally generate through externalities or transactional processes not accounted for in the price system (nonmarket). Owing to its nature, this type of value generation is evident in both public entities and in NGOs, but may also arise in commercial companies of all types. Contamination, domestic work, job creation, and other widely known externalities are only a few good examples of this. In commercial companies, leaving their possible instrumental nature aside, there are positive activities of support for the community or individuals, which have value in themselves. Nonetheless, this value is not recorded in the accounting, and at best, they would be considered an expenditure.

Even more complex is the relational or emotional value (positive or negative) which can be generated by organizations for stakeholders. Thus, one individual may have a pleasant experience in their interaction with a given organization. If this individual is a customer of the company, they may continue to be so, or they may change supplier, and perhaps this value would be reflected in the price. However, if they are a worker or supplier, then the transaction costs related to the exchange may prevent the price system from incorporating the emotional value, at least in a clear manner. In those cases which do not involve a price system, as occurs with users of a public entity, an NGO, or the neighbors of a commercial company, it is impossible for accounting to record the emotional value that the different organizations generate for their various shareholders.

This being so, classical economic-financial accounting would seem to be somewhat limited in terms of offering comprehensive information on the value (in its different modalities) generated or detracted by an organization over time. This problem has been patched over with a number of different initiatives: one on hand, the generation of standards in sustainability reports (e.g., GRI, integrated reports, SA8000, SROI), and on the other hand, with demands from the administration for supplementary nonfinancial information (e.g., the Social Value Act or European directive about nonfinancial reports). Nonetheless, to date, no comprehensive economical information system has been successfully developed and accepted generally for the standardization and analysis of nonfinancial information. In this regard, the triple bottom line has a highly developed system for managing economic-financial information (Elkington, 1997). This system, though incipient, is in the process of building a consensus in the environmental setting, and is also referenced in monetary units (Larrinaga-Gonzalez & Bebbington, 2001). Nonetheless, in the social setting, they are not comprehensive and referenced in monetary units of performance (Burdge, 2003). Considering that from the general public's perspective, the economic and financial setting is merely

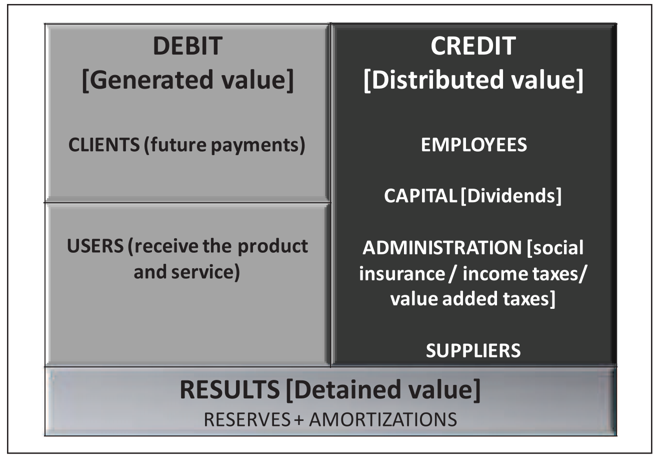

Figure 3. The value generated, distributed, and retained: The foundation of the proposed social accounting.

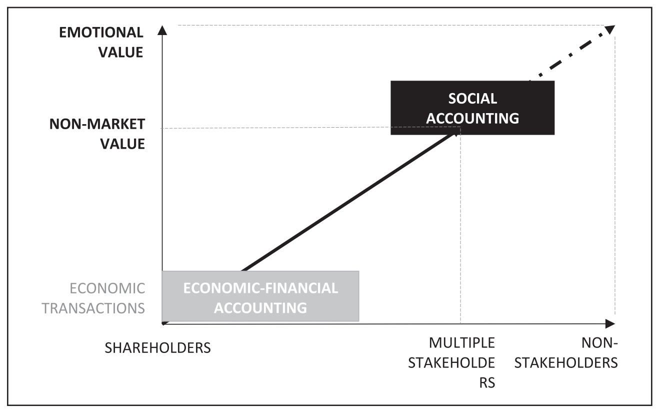

Figure 4. Social accounting system: A global view.

instrumental, and the environmental setting is fundamentally limiting, we find ourselves with no instruments for controlling and managing the principal function of organizations. Hence, we are unable to gain a deeper understanding of the processes by which organizations generate value for stakeholders (and therefore society) based on monetary units.

Consequently, it would seem necessary to propose a social or stakeholder accounting system (called SĒA), which would allow us to identify the social profit and loss account in monetary terms. Such a system, which we shall call the social accounting system (Gray, 2001; Gray et al., 2014), need not be an alternative to current nonmonetary social information systems. It may be complementary to them, proposing a systematization framework based on the monetization of current information systems (see Figure 4).

The social accounting enables us to extend traditional accounting into two dimensions: on one hand, by incorporating the nonmarket value that organizations generate or detract in their interaction with society—including the emotional value—and on the other hand, by extending the focus from investors and financiers, the referents of the current accounting system, to the set of stakeholders that make up an organization. The empirical experiments conducted to date show the capacity of the social accounting to provide an interconnected understanding of the economic and social setting (Gray, 2006), through the integration of a multidimensional approach. This process is completed with the inclusion of different variables highlighted by stakeholders and the monetization of nonmarket value through a process of fair value for nonmonetized (nonmarket) social outputs, including emotional ones (Retolaza et al., 2016). It is an experience with which the Global Economic Accounting organization (www.geaccounting.org) has been working for a decade, having reported a lot of experiences of stakeholder accounting. It is relevant, and therefore, some case analyses have been previously published in the scientific environment to show the system to doing it (Lazcano et al., 2019; Retolaza et al., 2020 or other cases on the special issue on *CIRIEC* Journal in 2020 ["Special Issue on 100 about Social Accounting," 2020]).

The intention of developing a social accounting is nothing new. The initial proposals for extending the elements considered in accounting information and relating financial statements to stakeholders (Branson, 2016; Estes, 1976) date back to the 1970s, when Linowes (1968) coined the term "socioeconomic accounting," with the aim of emphasizing the sociological, political, and economic aspects that the classical paradigm of accounting fails to take into consideration. The fundamental idea focused on social accounting superimposed over conventional financial accounting (Solomon & Corbit, 1974). As a consequence of this movement, in the 1980s, French and Italian cooperative schemes would develop the cooperative balance sheet (Riahi-Belkaoui, 1984; Vaccari, 1997), which would subsequently be extended with a view to also incorporating environmental information (Bebbington et al., 1999; Gray et al., 1997; Mathews, 1997). Around the turn of the century, the approach took the form of the so-called triple bottom line (Elkington, 1997, 1998).

In the first decade of the 21st century, the most widespread applications of social accounting employed quantitative data and descriptive statistics to evaluate the degree to which an organization complies with its mission and with the expectations of its stakeholders (Sillanpää, 1998; Zadek et al., 2013). Nonetheless, the approach is neither holistic nor strictly accounting, because, on one hand, it neither uses monetary units nor is adapted to the basic principles of accounting. Moreover, it is a mere supplement to classical financial statements. From a historical perspective, we could consider five moments or stages of social accountability: that of its introduction in the 1970s and 1980s, its initial systematization around the methodologies of the social balance sheet, its subsequent extension to the environmental setting in the 1990s, its systematization around that of accountability during the first decade of this century, and, finally, the greater approximation toward the accounting setting today (see Gray, 2002 for a review on the stages and the authors). From its humble origins half a century ago, social accounting has gradually evolved in a nonlinear manner, and now we find ourselves, possibly, in a phase of renewed and aligned interest through nonfinancial information inclusion on the core of the company.

What Should SĒA Be Like? A Proposal of Principles

In this study, we shall describe social accounting as the systematic analysis of the value (effect) that an organization generates or destroys in relation to its stakeholders or the social setting in which it is located (Richmond et al., 2003), consolidating the accounting information obtained from commercial transactions, with the nonaccounting information obtained by means of the fair value based on transactions that do not take place through market mechanisms (Retolaza et al., 2016). This definition is consistent with the work of a broad range of authors (Dey, 2007; Estes, 1976; Gray et al., 1997; Mathews, 1995; Ramanathan, 1976).

We shall use Ē to signify the reference to SĒA instead of social environmental accounting (SEA), but without including environmental accounting information, which according to our way of understanding requires other mechanisms of analysis.

Of the three information systems proposed in the triple bottom line, the most developed is the economic-financial one, which could be a good model to imitate in the establishment of the social setting. Although social accounting will not be the same as traditional accounting, it could, at least in part, adhere to generally accepted accounting principles (Hermanson & Edwards, 2010), which are grouped into a principle called the generic principle of fairness, which has three categories: the socioeconomic medium, the qualities of information, and the method of valuation.

Principle

Principle of fairness. The principle of fairness establishes that the balance between interests must be a constant concern of accounting, given that those that use or avail themselves of the use of accounting data may find that their particular interests come into conflict. Nonetheless, in social accounting, this principle acquires a new dimension, because, in traditional accounting, devised from the perspective of the investor, the benefit is identified with profit. However, social value does not have only one recipient. Rather, it can be generated for multiple stakeholders (Argandoña, 1995; Freeman, 1984; Freeman et al., 2010), owing to which the emphasis would have to be placed not so much on profit as much as a benefit, understanding the latter as the value distributed to the set of stakeholders (shareholders, financiers, workers, clients, users, administration, suppliers, competitors, neighbors, and citizens) through the organization's use of work, capital, raw materials, social assets, products, and services (Mook et al., 2003; Richmond et al., 2003). This extension of the perspective has two important consequences.

On one hand, the benchmark value shifts from benefit to added value (Meek & Gray, 1988; Morley, 1979). On the other hand, we find ourselves with a multidimensional concept of value, an entirely novel concept in accounting.

Categories

Socioeconomic system. Social accounting, in the strict sense, is defined by the five principles grouped together under the heading of the socioeconomic system (the same use is proposed in SĒA), it being those which distinguish it from other related proposals such as accountability or cost–benefit analysis. Its principal characteristic lies in the use of *monetary units* to express value along with the entity's principles, *continuity over time, accrual*, and *economic assets.*

Quality of information. Regarding the qualities of information, the principles of *confidence* and *information* need to be integrated. Social accounting should be as rigorous as financial accounting because they form the basis for the credibility of the information provided. They must be governed by the following principles: r*eliability, conservatism, consistency, full disclosure, and materiality.*

Method of valuation. With regard to the principles related to the manner of valuation, given the difference between the economic value established by means of market prices, updated in real sales-purchase transactions, and social value, which in many cases has no simple monetary translation, it will be necessary to adapt accounting principles to the special nature of social value. The principle of *cost*, by way of which assets are only recorded a cost price, would seem to be difficult to apply because both social inputs and outputs easily exceed the transactional value generated through the mercantile relationship. However, the incorporation of a fair value into economic accounting itself has opened up new dynamics for valuation to which social accountability can adhere. The principle of *accrual* can be described as incorporating value at the moment when the right option of use is generated, and the *matching principle* instructs that an expense should be reported in the same period in which the corresponding revenue is earned. Apart from their possible complexity, these are principles that are totally desirable in social accounting.

Is It Possible to Develop a Social Accounting System With Accounting Criteria? Methodology and Hypotheses

Methodology: Possible Hypothesis

In methodological terms, there are two possible approaches: first, conducting a broad set of social accounting processes, identifying the regularities, and proposing generalizations (inductive method), and second, working with a possible hypothesis based on practicing theory (Retolaza & San-Jose, 2017).

After analyzing 92 cases carried out during the last 9 years (2011–2020) with the support of an external experienced company called GEAccounting, the first option would allow us to formulate hypotheses and test them. In the setting of hypothetical-deductive methodology, the possible hypothesis is robust because the phenomenon studied gives great knowledge that evidence accepts or refutes the hypothesis. Moreover, this methodology allows us confirmations (refuting the alternative hypothesis) of the type: *Vx: P* (*x*) (for each *x*, there exists *P*); because it can be verified through the analysis of cases or the quasi-experimental methodology, that: *Ax: 'P* (*x*) (There is some *x* in which *P* does not exist), the consequence derived is that: *'Vx: P* (*x*) (It is not the case that for each *x* there exists *P*).

If a determined hypothesis is not refuted because there are instances in which it is confirmed, then this hypothesis is, at least, possible. Given that a hypothesis is refuted when some cases that falsify the said hypothesis appear when proposing the "impossibility of conducting specific social accounting in an entity" hypothesis, and one or more cases are identified in which this has been possible, then the hypothesis of impossibility can logically be refuted. The fact is that it does not necessarily confirm the hypothesis that it is possible to apply social accounting in all cases, but it does confirm that it is possible in some cases (see Retolaza & San-Jose, 2017 for further clarification of the methodological approach). A qualitative analysis for understanding why they have developed could be read at Lazcano and Beraza (2019). It is important for understanding in-depth why companies carried out this social accounting, but not to evidence that they do. Fundamentally, it is shown after a qualitative analysis that they have a communication purpose, aligned with the interest to increase the social value that they create.

Hypothesis

Adhering to this reasoning, the aim is to demonstrate the possible option because of the application of social accounting in different entities. We have a proposal.

> There are certain organisations (at least one) interested in developing this type of treatment of social information.

In this article, we have used a total of 96 entities that have started the social accounting application, 92 of which have concluded it. As this is a possible approach, we propose to falsify the negation of the condition of possibility, which, in a hypothetical form, could be formulated as follows:

> It is impossible to conduct a process to monetize SĒA with the following accounting criteria [*Vx*: ¬*P* (*x*)].

The subhypotheses to be examined would include those relating to the entity's sector setting (tertiary sector, public entities, and commercial companies) as well as those relating to the type of organization (listed, small & medium

Table 1. Results of the Application of SĒA in Spanish Organizations 2011 to 2018: A Descriptive Analysis.

Typology	**Projects**	**Company**	**Total amount**				
No. of companies or projects	7	89	96				
Legal status	**Profit**	**Government**	**Nonprofit**				
No. of companies with each legal status	38	9	43				
Continuity (years)	**Unfinished**	**Only a year**	**Two year**	**Three or more years**			
No. of companies that have done SĒA	4	57	18	17			
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
No. of companies in each year that have done SĒA	1	3	6	16	24	30	75

Note. SĒA = socioemotional accounting.

enterprises [SME], cooperatives and microenterprises) or sectors. However, in this study, using possible hypothesis, we will evidence the option to applying the proposed social accounting.

Results

The contrast methodology consisted of conducting a real process of monetizing social value generated by 96 entities of different types (see Table 1) over a 7-year period (2012–2018). With an academic purpose, we should analyze the situation as a picture in a moment (we have chosen December 2018, a significant moment before Covid-19 and direct influence of European directive), but in practice, the number of companies that apply the social accounting increases everyday (see www.geaccounting.org for actualizations). In all these cases, a mixed working team was set up, with university researchers and the management team at the organization, in which on the part of the company, those normally participating included the chief financial officer (CFO) and the chief social officer (CSO). On some occasions, depending on the size and structure of the organization, the CEO also participated. A standardized, process-based methodological process was adhered to (Retolaza et al., 2016), which did not conclude until we secured authorization from the entity and its stakeholders. The following table shows the characteristics of these organizations. The extended information (list names and years) appears in Annex.

Regarding the type of firms involved, 89 were organizations, and seven were projects managed by another organization (different from the previously mentioned 89 organizations). Regarding legal status, 43 were nonprofit entities, nine belonged to the public sector, and 38 were for-profit companies, of which four were listed and two belonged to the Ibex 35.

In relation to the number of organizations involved in the contrast process, these increased over time, rising from 1 in 2012 to 75 in 2018. The proposal does not consist merely of a one-off process of monetizing social value, the proposal consists of incorporating into organizations, a systematic process of continued social information (economic entity assumption). It is interesting to analyze the degree of continuity that organizations show in this process; 68% of those entities that started the social accounting process in a determined financial period continued the process in subsequent financial periods. This proportion exceeds 72% if we exclude those entities in which the process was not successfully concluded.

The results obtained make it possible to refute the hypothesis proposed, confirming the possibility of developing social accounting by using certain accounting criteria in a practical manner. The methodology used prevents us from ascertaining the degree of applicability, and from confirming whether it is possible for all types of organizations and all sectors, although it does leave the possibility open.

Regarding the test of the proposition, first, it has been evidenced that in those cases in which we attempted to replace a convenience sample among the stakeholders with a statistically significant sample, the dialogue with stakeholders became so complicated, which led to the blocking of the process (case of ADSIS—see www.fundacionadsis.org/en), without the number or the quality of the value variables identified having increased. Second, it has become clear that the complexity and transnationality of the organization, not the size, complicate the analysis and significantly increase the cost of realization (case of SACYR—see www.sacyr.com/es_en/). Similarly, although all types of entities can generate (or detract) social value, as one could expect, in commercial companies, this is transmitted to a greater extent through the market (the case of Euskaltel—see www.euskaltel.com), while in social entities (case of Lantegi Batuak—see www.latengibatuak.eus) and public entities (e.g., Hospital de Santa Marina—see www.osakidetza.euskadi.eus/r85-ghhsma00/es/), it is channeled principally through nonmarket activities. In turn, the nonmarket value seems to be very low in microenterprises (case of Arinka—see www.arinkakopidenda.com). Fourth, it can be concluded that the facility for rendering nonmarket social value tangible is influenced more by sector of activity than by type of organization. As far as there is a parallel active market, the calculation of fair value is simplified. Fifth, it is evident that a significant number of the participating entities have performed social accounting for more than 1 year, highlighting the fact that it is not merely a one-off exercise, which makes the future integration of social data into the strategic and management processes possible. In this regard, it has been shown that although in the majority of cases, entities develop social accounting with expectations focused on communication; when they display their social results, they consider how to link this information with their strategy, giving rise to a natural transfer from the centrality of marketing to that of management.

Discussion

From the application of social and emotional accounting in several cases and based on practice theory (Feldman & Orlikowski, 2011), we can conclude, on one hand, that certain entities are interested in this type of information management and, on the other hand, that there is the possibility of applying social accounting based on accounting principles, and it is capable of monetizing the social value generated. The refutation of the hypothesis enables us to maintain the possible one, showing that, in some entities at least, it is possible to develop systematic social accountability, prolonged over time, based on the majority of accounting principles. Although it may seem irrelevant in terms of the number, this confirmation provides an important development in the knowledge available to date. This is because, in the literature, it is impossible to find fully developed examples of social accounting. This is even more significant if one takes into account the fact that 93% of the entities that started the process successfully actually finished it, and 71% of them have incorporated social accounting into more than one financial period (excluding those that start in 2018).

The results also reveal that the social value generated may be much higher than the market value, owing to the fact that it cannot be considered an appendix to the latter, nor is there any transformative rule between both of them (they may provide complementary data). Consequently, it has been shown that the value generated through the market (captured by economic-financial accounting) is not enough for evaluating the full socioemotional impact generated by the organization. It is aligned with the actual nonfinancial report directive in Europe and previous literature. The point is deciding the type of information and principles of doing so.

As could have been predicted, with the data obtained to date, commercial companies generate the greatest part of their social value through market activity, whereas in the case of nonprofit and public entities, it is generated through nonmarket mechanisms. These data suggest that for commercial companies, this information could be useful for improving the symmetry of information with stakeholders. Social and public enterprises can provide relevant information for evaluating the entities' performance. It will permit policy-makers a different view of companies, and therefore affect positively to final decisions.

Although the results obtained are limited, they allow us to make a good year-on-year comparison of the value generated by an organization, and somewhat more limited comparison of the value generated by organizations in the same sector. The comparability of organizations from different sectors is still in its infancy and requires further work on standardization. In any case, although the fair value attributable to nonmarket variables is questionable and may be open to discussion, social accounting provides a much better basis for this discussion than the presentation of examples or the exclusive use of qualitative approach of social aspects of organizations. Social accounting makes it possible to obtain relatively systematic information on an organization, making it possible to conduct an in-depth analysis of a single entity, or a comparative analysis of a set of entities, and carry out business management actions to improve social efficiency. As a preliminary result, we would point out that although those companies that have conducted the accounting process almost have an exclusive interest in the communication of their social actions, after the application of SĒA, they have shown an interest in integrating all this information that added value into their strategic and management design. They are interested in not only knowing their social value but also wanting to improve their social impact.

Conclusion

The principal conclusion of this article revolves around the initial three questions posed, the interest, characteristics, and real possibility of different types of organizations of developing systematic social accounting that is prolonged over time. For many stakeholders, economic-financial information is not a sufficient indicator for understanding the social value generated or detracted by the entity. The convergence of both processes through the incorporation of monetary and nonmonetary information would seem to have the greatest potential. The use of accounting principles, like those of economic accounting, as opposed to other sustainability reporting mechanisms, provides a greater degree of comprehension and systematization, facilitating its use at a global level. In this regard, social accounting can be a useful tool in reducing the gap related to social information, not only between companies and the public but also for organizations in relation to their impact. As with all incipient (innovative) processes without standardization, it still faces significant problems (complexity of the process, lack of accepted norms, and application costs, among others), and the resolution, or not, of which is vital.

Thus, the principal implications of this study are threefold. First, SĒA collects more information than economic-financial accounting, without replacing it. It generates nonfinancial information with interest for stakeholders. Second, this stakeholder accounting is compatible with the majority of the principles of financial accounting, except for the case of the principle of cost, which must be replaced by fair value, which is also accepted in accounting. Third, this SĒA can be applied to all organizations. Nonetheless, its use in each of the different types of organizations (size, activity, and legal form) must be addressed in a different way because although the process of social accounting remains the same, the differing complexities of organizations require an approach that is differentiated in its implementation.

At the moment, the principal limitations identified in this study are the lack of standardization of proxies, especially in those variables for which there is no parallel market. If there is no alignment between entities, at least in the same sector, a comparative analysis is difficult, whereas if they are systematized, a large part of the social value generated may be lost through nonmarket mechanisms.

With regard to avenues for future research, the principal ones run in two directions: first, the application of social accounting in organizations in different settings (countries) to be able to analyze the common and distinguishing elements thereof, and second, the development of mechanisms for integrating social accounting into strategy and management. Along these lines, it is possible to think that social accounting, and the possible generalization thereof, could encourage companies to improve their behavior to be congruent and align themselves with social interest or the common good. In the same way that the development of economic-financial accounting requires the constant provision of a broad number of researchers, practitioners, and regulators, the development of social accounting requires the involvement of many more participants capable of aligning their research around this issue.

Annex. List of Most Relevant Companies that Applied or Interested on Social Accounting.

S. No.	Spanish companies	Type (L or SMEs)	Typology	Community	Sector	Years doing SĒA	Legal status	First year of SĒA
1	*LANTEGI BATUAK*	L	Coop./Fundation	Basque Country	Services and industry	7	Nonprofit	2012
2	*VIVIENDAS M. DE BILBAO*	SMEs	Noncoop./Fund.	Basque Country	Community services	1	Government company	2013
3	*KATEA LEGAIA SLL*	SMEs	Coop./Fundation	Basque Country	Services and industry	6	Profit	2013
4	*ADSIS*	SMEs	Coop./Fundation	Basque Country	Services	0	Nonprofit	2013
5	*SACYR*	L	Noncoop./Fund.	Basque Country	Industrial	0	Profit and stock exchange	2014
6	*FORMACIÓ I TREBALL*	SMEs	Coop./Fundation	Catalonia	Services	1	Profit	2014
7	*LANBIDE*	L	Noncoop./Fund.	Basque Country	Community services	0	Government company	2014
8	*GOIENA S. COOP.*	SMEs	Coop./Fundation	Basque Country	Communication services	2	Profit	2014
9	*BERRIA SA*	SMEs	Noncoop./Fund.	Basque Country	Communication services	2	Profit	2014
10	*FUNDACIÓN ARGIA*	SMEs	Coop./Fundation	Basque Country	Services for disability people	2	Nonprofit	2014
11	*GORABIDE*	SMEs	Coop./Fundation	Basque Country	Services and industry	1	Nonprofit	2015
12	*ACCIÓN CONTRA EL HAMBRE*	L	Coop./Fundation	Basque Country	Services and industry	4	Nonprofit	2015
13	*DOMUSA*	SMEs	Noncoop./Fund.	Basque Country	Industrial	1	Profit	2015
14	*FUTUBIDE*	SMEs	Coop./Fundation	Basque Country	Services for disability people	1	Nonprofit	2015
15	*MUSEO DE LA MINERÍA DEL PAÍS VASCO*	SMEs	Coop./Fundation	Basque Country	Cultural services	1	Nonprofit	2015
16	*U. POMPAU FABRA*	L	Noncoop./Fund.	Catalonia	Education	1	Government company	2015
17	*ARINKA*	SMEs	Noncoop./Fund.	Basque Country	Services	1	Profit	2015
18	*PUNTA BEGOÑA*	SMEs	Noncoop./Fund.	Basque Country	Cultural services	0	Government company	2015
19	*EUSKALTEL*	L	Noncoop./Fund.	Basque Country	Communication services	4	Profit and stock exchange	2015
20	*HOSPITAL SANTA MARINA*	SMEs	Noncoop./Fund.	Basque Country	Health care services	4	Government company	2015
21	*EITB*	L	Noncoop./Fund.	Basque Country	Communication services	2	Government company	2015
22	*ALOKABIDE*	SMEs	Noncoop./Fund.	Basque Country	Community services	2	Government company	2015
23	*PONCE DE LEÓN*	SMEs	Coop./Fundation	Madrid	Services	4	Nonprofit	2015
24	*LABORVALIA*	SMEs	Coop./Fundation	Castile-La Mancha	Services for disability people	3	Nonprofit	2016
25	*Fundacion Fuente Agria*	SMEs	Coop./Fundation	Basque Country	Services for disability people	3	Nonprofit	2016
26	*Autrade*	SMEs	Coop./Fundation	Castile-La Mancha	Services for disability people	3	Nonprofit	2016
27	*Asociación Fuensanta*	SMEs	Coop./Fundation	Castile-La Mancha	Services for disability people	3	Nonprofit	2016
28	*Asociación APAFES*	SMEs	Coop./Fundation	Castile-La Mancha	Services for disability people	3	Nonprofit	2016
29	*Asociación Coraje*	SMEs	Coop./Fundation	Castile-La Mancha	Services for disability people	3	Nonprofit	2016
30	*Asociación Virgen*	SMEs	Coop./Fundation	Castile-La Mancha	Services for disability people	3	Nonprofit	2016
31	*BEGOÑAZPI IKASTOLA*	SMEs	Coop./Fundation	Basque Country	Services for disability people	3	Nonprofit	2016
32	*ZULAIKA*	SMEs	Coop./Fundation	Basque Country	Services	3	Nonprofit	2016
33	*EROSKI S.COOP.*	L	Coop./Fundation	Basque Country	Food distribution	2	Profit	2016
34	*U. MONDRAGON*	L	Coop./Fundation	Basque Country	Education	1	Profit	2016
35	*ECOEMBES*	L	Noncoop./Fund.	Basque Country	Ecological services	2	Nonprofit	2016
36	*EUSKERA GOBIERNO VASCO*	SMEs	Noncoop./Fund.	Basque Country	Services	1	Government company	2016
37	*CÁRITAS BARCELONA (INSTITUT CERDÁ)*	SMEs	Coop./Fundation	Catalonia	Services for disability people	1	Nonprofit	2016

(continued)

Annex. (continued)

S. No.	Spanish companies	Type (L or SMEs)	Typology	Community	Sector	Years doing SĒA	Legal status	First year of SĒA
38	*ANEL*	SMEs	Coop./Fundation	Navarre region	Services	2	Nonprofit	2017
39	*UCAN*	SMEs	Coop./Fundation	Navarre region	Services	2	Nonprofit	2017
40	*APROSUB*	SMEs	Coop./Fundation	Andalusia	Services for disability people	3	Nonprofit	2016
41	*DIÓCESIS DE BIZKAIA*	SMEs	Coop./Fundation	Basque Country	Services	2	Nonprofit	2017
42	*LAVOLA*	SMEs	Coop./Fundation	Catalonia	Services	2	Profit	2017
43	*AMPANS*	SMEs	Coop./Fundation	Catalonia	Services	2	Nonprofit	2017
44	*SUARA*	SMEs	Coop./Fundation	Catalonia	Services	2	Profit	2017
45	*BLANQUERNA*	SMEs	Coop./Fundation	Catalonia	Education	2	Nonprofit	2017
46	*ABACUS*	SMEs	Coop./Fundation	Catalonia	Services	2	Profit	2017
47	*ESCOLA SANT GERVASI*	SMEs	Coop./Fundation	Catalonia	Education	2	Profit	2017
48	*COOPERATIVA PLANA DE VIC*	SMEs	Coop./Fundation	Catalonia	Industrial	2	Profit	2017
49	*SOM FUNDACIÓ*	SMEs	Coop./Fundation	Catalonia	Services for disability people	2	Nonprofit	2017
50	*SIEMENS-GAMESA*	L	Noncoop./Fund.	Basque Country	Industrial	3	Profit and stock exchange	2016
51	*R-EUSKALTEL*	L	Noncoop./Fund.	Galicia	Communication services	1	Profit and stock exchange	2018
52	*MONDRAGON CORPORACIÓN COOPERATIVA*	L	Coop./Fundation	Basque Country	Multisectorial	1	Profit	2016
53	*TAFALLA*	SMEs	Coop./Fundation	Navarre region	Industrial	1	Profit	2018
54	*ARTAJONA*	SMEs	Coop./Fundation	Navarre region	Industrial	1	Profit	2018
55	*CUATRO VIENTOS*	SMEs	Coop./Fundation	Navarre region	Industrial	1	Profit	2018
56	*MUEBLES DE VIANA, S.COOP.*	SMEs	Coop./Fundation	Navarre region	Industrial	1	Profit	2018
57	*EINA*	SMEs	Coop./Fundation	Navarre region	Education	1	Nonprofit	2018
58	*FUNDACIONES DE NAVARRA*	SMEs	Coop./Fundation	Navarre region	Services	1	Nonprofit	2018
59	*FUNDACIÓN NAVARRA PARA LA EXCELENCIA*	SMEs	Coop./Fundation	Navarre region	Services	1	Nonprofit	2018
60	*ACCIONA*	L	Noncoop./Fund.	Madrid	Industrial	1	Profit and stock exchange	2018
61	*ADEMNA—ASOCIACIÓN DE ESCLEROSIS MÚLTIPLE DE NAVARRA*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
62	*AMIMET—ASOCIACIÓN DE PERSONAS CON DISCAPACIDAD DE LA RIBERA*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
63	*ARETÉ ACTIVA*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
64	*ASOCIACIÓN EUNATE*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
65	*ASOCIACIÓN NAVARRA NUEVO FUTURO*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
66	*CERMIN*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
67	*ELKARKIDE*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
68	*FUNDACIÓN CAJA NAVARRA*	SMEs	Coop./Fundation	Navarre region	Services	1	Nonprofit	2018
69	*FUNDACIÓN PROYECTO HOMBRE*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
70	*INDUSTRIAS LOTU*	SMEs	Noncoop./Fund.	Navarre region	Industrial	1	Profit	2018
71	*ITXAROPENGUNE—LUGAR DE ESPERANZA*	SMEs	Coop./Fundation	Navarre region	Services for disability people	1	Nonprofit	2018
72	*KOINE-AEQUALITAS*	SMEs	Coop./Fundation	Navarre region	Innovation project services	1	Nonprofit	2018
73	*PAUMA*	SMEs	Coop./Fundation	Navarre region	Education services	1	Profit	2018
74	*ROCKWOOL*	SMEs	Coop./Fundation	Navarre region	Industrial	1	Profit	2018
75	*SOCIEDAD LAGUNAK*	SMEs	Coop./Fundation	Navarre region	Services	1	Nonprofit	2018
76	*SASKI-BASKONIA SA*	L	Noncoop./Fund.	Basque Country	Sport	1	Profit	2018
77	*SAN SEBASTIAN GIPUZKOA BASKET CLUB SA*	SMEs	Noncoop./Fund.	Basque Country	Sport	1	Profit	2018
78	*DANONE*	L	Noncoop./Fund.	Catalonia	Food industry	1	Profit and stock exchange	2018
79	*FUNDACIÓN MONTE MADRID*	SMEs	Coop./Fundation	Madrid	Services	1	Nonprofit	2018
80	*COGAMI*	L	Coop./Fundation	Galicia	Services for disability people	1	Nonprofit	2018
81	*FEGADACE*	SMEs	Coop./Fundation	Galicia	Services for disability people	1	Nonprofit	2018
82	*ARRANTZA ESKOLA*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
83	*ARTZANDAPE*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018

(continued)

Annex. (continued)

S. No.	Spanish companies	Type (L or SMEs)	Typology	Community	Sector	Years doing SĒA	Legal status	First year of SĒA
84	*AVELLANEDA*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
85	*VERACRUZ*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
86	*MARÍA BITARTEKO*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
87	*IPARRAGUIRRE*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
88	*OTRARKOAGA*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
89	*SAGRADO CORAZÓN*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
90	*SAN FELIX*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
91	*SAN FIDEL*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
92	*SAN JUAN*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
93	*SAN VIATOR*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
94	*SOMORROSTRO*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
95	*TXOMIN AGUIRRE*	SMEs	Coop./Fundation	Basque Country	Education	1	Profit	2018
96	*HOSPITAL DE GORLIZ*	SMEs	Noncoop./Fund.	Basque Country	Health care services	1	Government company	2018

Note. SĒA = socioemotional accounting; SME = small & medium enterprises; L = large.

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