

THE RELATIONSHIP BETWEEN ACCOUNTING AND HUMAN BEHAVIOR - A STEP TOWARDS ATTAINING ORGANIZATIONAL HAPPINESS

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Abstract

Accounting has been viewed as an information system and we have theoretical as well as practical evidence of this fact. It is the language of business. It affects the human behavior and subsequently the perception of institutions. Internal as well as external interested parties review their decisions on the basis of such perception and behavior which in turn questions the reliability and exactness of such accounting information. Therefore accounting tends to affect human behavior positively or negatively. The organizations strive for improving organizational happiness and they put forth their mind machinery towards attaining it. Accounting serves as a tool to improve and sustain organizational happiness both to the insiders as well as outsiders. Since Accounting has a close relationship with human behaviour within and beyond organizations, such relationship can help the organizations to attain organizational happiness making all the stakeholders happy.

The present paper tries to establish relationship between accounting, human behavior and organizational happiness and further emphasizes on the need to study organizational happiness as a construct of accounting and human behavior. As accounting is the language of business, the organizational happiness needs to be communicated through this language to the interested parties.

Outline

Accounting has traveled a long way in its approach and appeal in the last century. Accounting theory has developed par excellence and it is no more confined to the just double-entry book-keeping. It is playing a major role in streamlining both minor and major decisions. As the awareness level of stakeholders is going up,

the role of accounting is becoming more crucial and fragile as well. It is able to influence the behavior of interested parties therefore the principles of accounting have to be constructed on the foundation of its links with the behavioral sciences. Belkaoui (1981) mentions that 'the behavioral approach has generated in accounting research an enthusiasm and a new impetus focusing on the behavioral structures within which accountants function.' Ironically this approach has not developed as much as expected so far as behavioral aspect is concerned. One reason could be that the behavioral science itself has not lured accountants' appetite for research in this particular area. And it is felt here that accounting academicians have been following a policy of isolation with the behaviorist thought. This is evident from the literature that many behavior scientists have entered into accounting domain and contributed to this field of study as they come from a liberal school of thought. But accountants have not recognized their contribution in the manner expected. This dilemma of considering non-accountants as alien to this area of research has blocked the way even for accounting researchers to get into the core area of behavior studies and relate it to accounting.

'Accounting is in crisis and the crisis deepens day by day. The present crisis in accounting is possibly the severest one the accounting profession has ever encountered in the whole history of the evolution and advancement'. (Basu, 2002). The crisis, Basu is warning is related to the intangibles which do relate to the behavior school of thought for accounting. In the following pages an attempt is made to look into the literature and establish a relationship between

accounting and human behavior and further collaborate it with organizational happiness as the end product. It further needs to be mentioned here that apart from Accounting there are other activities and systems within the organization which are also the players in initiating, maintaining and strengthening organizational happiness. This paper just concentrates on accounting activity. And there are studies on budgetary influence and behavior which has not been discussed and included in this paper.

Accounting as a Language of Business

Accounting has transformed itself during the last decades from process to system and is becoming more and more important as an advanced stream of studies. The traditional view of accounting as being concerned with a historical description of financial activities is no longer acceptable (Porwal, 1986). Accounting has been regarded as a service activity (APB, 1970) and as service industry is becoming more competitive player in the modern times, accounting has to transform itself. The role of state is getting minimized and corporate world is showing keen interest in shouldering the responsibility. The question is whether we are ready for this transformation from stewardship to laissez faire or the corporate players have to still wait to come out of the protectionist view of the state. The transformation from stewardship accounting to decision usefulness accounting to accountability accounting to societal accounting has witnessed the growth and development in the developing economies. As market is becoming competitive the role of accounting also goes under scrutiny. Accounting has become an information system and hence is the language of business. It is able to influence decisions at various levels. Information is supposed to facilitate an organization to achieve its goal and to help it in obtaining best results out of the resources available. Information in itself can also be considered as a resource.

The American Accounting Association (AAA) committee on A Statement on Basic Accounting Theory (ASOBAT) (1966) identified 'Information Economics' as one of the approaches to formulate the accounting theory. The information economics was targeted to

fulfill social welfare accountability. This evidence is good enough to trace the importance placed for the social concerns with which accounting is associated. In the last forty years it has been within the research agenda of academicians and researchers but a uniform practice has yet to emerge to make the social accountability of the organizations comparable.

Accounting is often called the 'language of business' (Lele & Lal, 1996), for it is by means of accounting that the financial effects of business transactions are reported to interested parties. To those outside a business, accounting is the principal 'language' of communication about its affairs. At the same time, accounting is also concerned with providing internal management with information for decision making (Parker, 1964). Accounting is a means of communication about business and economic matters. Accounting, like language, may be said to have a structure and a syntax for the purpose of creating meaningful statements (Lawrence, 1992). Accounting resembles a language as some of its rules are definite whereas others are not. ... Languages evolve and change in response to the changing needs of society, and so does accounting (Anthony & Reece, 1991). Accounting acts as a mode or language to communicate the events and happenings taking place in an organization. And this language change according to the changes in the organizational environment. Hence accounting is a dynamic system as well as an influencing language of communicating business. As a language influences behavior and its constituent faculties, accounting plays its role in the similar way. Accounting through reporting and disclosure procedures is supposed to show true and fair view of the organizations. It provides information for decision making both for the internal as well as external users of such information.

Human Behavior as a outcome of Accounting Information

Behaviour is a reflection of the information within a given environment and situation. 'The behavior of individuals may be studied in terms of the attitudes, values, beliefs, and habits characteristic of certain individuals or of individuals in general' (Lindgren, 1993).

These elements of behavior get influenced by the information, event, transaction or situation. In case of an organization the behavior of the users of information and more specifically accounting information, tend to get influenced and accordingly affects their decisions. Human behavior is derived from cognition. The input of information touches the cognition and hence influences behavior. The processing zone in the human mind starts operating just at the time of input of information and further becomes more functional after getting sensitized towards the issues related to the information. The cognition responds to the information during initial interface and finally reaches to form behaviour. All the stakeholders in the organizations get influenced by the information provided to them. 'Accounting processes have been developed and are utilized to help individuals and organizations achieve their objectives through the behavior of people' (Bruns, 1984). Basically the whole purpose of accounting function is to help the decision makers within the organization as well as beyond the organization including society by disclosing the facts through figures to show how the organization is working towards achieving organizational goal.

Accounting is assumed to be action oriented. Its purpose is to influence action, that is, behavior (Porwal, 1986). Behavioral accounting research has been a concern of accounting researchers (Devine 1960, Bradish 1965, Libley 1975, etc.). 'Devine is recognized as the first accounting researcher to emphasize behavioral aspects of accounting' (Ashton, 1984). The AAA committee on Behavioral Science Content of the Accounting Curriculum (1971) argued for behavioural accounting research and established two basic criterions - first, it must ultimately deal with human behavior...second, the research must be accomplished in a scientific manner. (p. 248). Lele & Lal (1996 p. 22) do not get convinced with the most of the behavioral accounting research and question the hypothesis and lack of proper theory. However, human behavior is recognized as an outcome of accounting information.

Organizational Happiness as a construct of Accounting and Human Behaviour

In the preceding discussion it is very briefly argued

that human behavior is influenced by accounting information. On this premise the relationship is established between accounting and human behaviour. Further this relationship (if positive) leads to Organizational Happiness (OH). The thoughts are put together in the succeeding paragraphs with justifications to establish a case for OH.

Happiness is highly relative and subjective term. It is viewed as an instant feeling to the events and situations around. But in my view, happiness is not merely an instant feeling but a sustainable positive response to the events and situation. Therefore happiness needs to be maintained and monitored so that it does not get affected by minor incidents. Happiness is attained when the needs are satisfied. This notion tries to relate the sense of happiness with that of satisfaction but this relationship does not seem as close as the one between unhappiness and dissatisfaction (Wright, 1978). So happiness is related to needs and needs need to be satisfied. The needs for human beings and that of an organization are different. Human needs (Maslow, 1954) are fulfilled by the institutions be it a family, market, work place, etc. For the present study the emphasis is laid on organizational needs and further it is studied how these needs are satisfied. It also needs a mention here that it is not merely accounting which would provide OH but it is one of the organizational activities. Other activities could be different functional areas of management like, human resource, marketing, production, research & development etc. and at different operational level. Since this paper is on establishing relationship between accounting, human behavior and OH the concentration is on accounting.

Man, Money, Material and Market (4 Ms) are the basic needs of an organization. The organization has to manage these 4 Ms in order to maximize profit and minimize cost. Organizational needs are also satisfied by 'producing the best possible results to all the publics i.e., employees, customers, local community and public in general' (Dale, 1975). In this process the needs are satisfied and in one or the other way the organization, as an artificial person and the decision makers' at various levels of management, as natural

persons derive happiness. At a macro level I call it Organizational Happiness (OH) which is a derivation from the happiness of individual stakeholders in the organizations.

Accounting has an important role to play to help an organization attain OH. It is discussed in the paper earlier that accounting influences human behavior. Now when human behavior is influenced by accounting it could be positive or negative. The discussion in this paper concentrates on creating positive influence and not negative influence as it would make the stakeholders unhappy or dissatisfied. OH can be achieved by first identifying the major players or the targets (Figure 1) and then concentrating on each one of them while following accounting practices.

All these players operate on natural brain. The natural brain has processing zone which processes the input. While processing the input the interface of information and cognition takes place which gets reflected in the manner of behavior. Environment, situation, personality, attitude and other related behavioral faculties operate on the basis of the information. Since accounting is considered as an information system it can, along with human behavior, construct the basic structure of OH. The approach to construct OH would depend on the type of the target i.e., whether it is internal (Employees, Management and Institutional partners) or external (Society, Suppliers and Clients). (Figure 1)

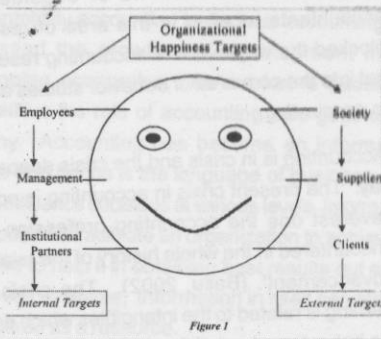


Figure 1

concentrates on the maximization of social welfare. Basically the term social welfare and public-good are close to each other and public-good conceptually advocates happiness of people. This is where accounting and human behavior construct the basis for providing OH.

Further Bruns (1984) also advocates for behavioral accounting and talks of organizational success which directly relates to OH. He (p. 94) suggests that 'behavioral accounting is essential for continued development of the accounting profession as information specialists; greater involvement by accountants in the resource allocation process of society and enterprises and organization; and increased self-fulfillment for accountants through the satisfactions that will stem from knowledgeable contributions which lead to organizational success'. Organizational success is one of the most important pillars for OH. (Figure 2)

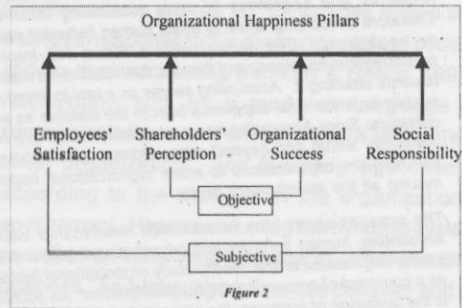


Figure 2

These four pillars are identified as employees' satisfaction, social responsibility (both subjective), shareholders' perception, and organizational success (both objective). Theoretically accounting has its role in the objective pillars whereas general management of the organization needs to give more emphasis on the subjective pillars. The perception of the shareholders can be ascertained by their response in the stock market and the organizational success could be gathered from its financial position. Further social responsibility and employees' satisfaction are the areas which are highly subjective hence; an opinion survey

Glautier & Underdown (1976 p. 27) gives three fundamental approaches to study accounting theory viz descriptive, decision usefulness (empirical and normative), and welfare. The welfare approach (p. 33)

of the employees' (for their satisfaction), the records as to their turnover etc could provide the initial knowledge about their satisfaction level. The reporting practices as to social responsibility etc may also be supplemented by the physical visibility of the work done by the organizations towards society.

The Relationship

The organization is the system to which accounting is related. A systems approach to the study of the accounting function should therefore include a study of the organization as a total system, and an identification of the role of accounting in an organization (Smith, 1968). Accounting, unlike natural sciences, deals with a system created by people and designed to satisfy human needs. It is not governed by natural laws which are constant in space and time (Ghosh, 1990). The relationship of Accounting with human behavior has been studied and researched empirically (Wolk et al, 1989, Dickhaut et al, 1972, Mathews & Perera, 1990) but nowhere happiness has been studied as a construct of accounting and human behavior. Moreover in the field of behavioral accounting research the empirical studies have been questioned for their methodology. Once we are able to establish relationship between these three focus areas (accounting, human behavior and organizational happiness) the input from social psychologists can be taken to undertake further research work empirically.

Maheswari (1997) called for change of methods in the accounting practices and their focus areas. Among the four important expected transformations two of them get its premise in the information systems where he talks about changing methods 'from record keeping to information processing system' and 'from traditional time consuming systems to instruct supporters of informed decision making'. This has started happening but the link of information system to the behavior of stakeholders is still to be established more lucidly and convincingly. 'The changing environment has not only extended the boundaries of accounting but has created a problem in defining the scope of the subject' (Glautier & Underdown, 1976). Hence in the broader perspective accounting can be studied as a happiness provider for the interested parties which is primarily the motive of

an organization.

The future Ahead

The present work is an attempt to consider happiness, in a broader sense, as an objective of an organization. Different functional areas in the organizations are supposed to work towards the direction of achieving and providing happiness to the interested parties. Accounting as an information system has a larger role primarily. The author wishes to pursue some empirical study in this area in the times to follow. Happiness is going to be the major focus area in the times to come both at an individual level as well as organizational level. The researchers should be encouraged to pursue work in further exploring the relationship within and beyond organizations and to find out major players in this area.

The initiative should be taken to include behavior as a constituent of accounting theory and a beginning in this regard has to be made so that through proper disclosure and behavior concentrated approach, the organizations are able to transform themselves as happy organizations and further to sustain OH. As corporate governance and transparency in accounts have become important issues of discussion these days, the author has a feeling that OH would become an important area of discussion as well in the times to follow.

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