The Emancipatory Potential of Narrative Traditions: Implications for Governance, Accounting, and Decision Making Practices in Business Organizations

Brian Shapiro
Department of Accounting
UST Opus College of Business Mail # MCH 316
University of St. Thomas
2115 Summit Avenue
St. Paul, MN 55105-1096
USA
(651) 962-5086
FAX: (651)-962-5093
bpshapiro@stthomas.edu

February 13, 2011

I thank Michael Naughton, Susan Ranney, participants at the 2010 Alternative Accounts Conference and Workshop (York University), and accounting research workshop participants at the University of St. Thomas for their helpful comments and suggestions. I am also grateful for financial support from the University of St. Thomas Center for Ethical Business Cultures.
Abstract

This paper examines the potential of humanizing varieties of narrative traditions to support the infusion of lifeworld values in business organizations and foster the development of more humane governance, accounting, and decision making practices. The focus on narrative traditions is inspired by the general premise that accountability and the very act of giving an account acquire their power from the social tradition(s) in which the account-giving is embedded. Narrative traditions frame a community’s normative values and expectations about individuals’ social responsibilities as stories about human thought and action, and thus can help people translate the community’s norms into the concrete experience of everyday living. The paper begins with a conceptual and normative analysis of the emancipatory potential of humanizing narrative traditions. It then uses an enterprise risk management framework to systematically explore how narrative traditions can support organizational participants in their effort to translate abstract principles and norms of responsible business practices into the concrete realities of organizational life. The conclusion summarizes the analysis and explores implications for accounting education and research.

KEY WORDS: Accountability, Tradition, Lifeworld, Organizational Culture, Praxis
The Emancipatory Potential of Narrative Traditions: Implications for Governance, Accounting, and Decision Making Practices in Business Organizations

This paper examines the potential of humanizing varieties of narrative traditions to support the infusion of lifeworld values in business organizations and foster the development of more humane governance, accounting, and decision making practices. Narrative traditions have served as important cultural vehicles by which communities around the globe have reproduced and transmitted their lifeworld concerns and values across time and space. By framing their normative values and expectations about individuals’ social responsibilities as stories about human thought and action, narrative traditions can help people translate the community’s norms into the concrete experience of everyday living and develop a shared understanding about individual roles and responsibilities (cf. Aronowicz, 1994, p. xiii; MacIntyre, 1984, pp. 223-225; Taylor, 1989, p. 4). This paper’s focus on narrative traditions is inspired by the general premise that accountability and the very act of giving an account acquire their power from the social tradition(s) in which the account-giving is embedded (cf. Arrington and Francis, 1993; Maltby, 1997, p. 95). The paper begins with a conceptual and normative analysis of the emancipatory potential of humanizing narrative traditions, and then explores implications of the analysis for shaping the governance, accounting, and decision making practices of business organizations.

Generalizing from Mele’s (2003, p. 3) definition of “humanizing organizational cultures”, I define narrative traditions as “humanizing” if they have the following features: “(1) recognition of the person in his or her dignity, rights, uniqueness, sociability and capacity for personal growth, (2) respect for persons and their human rights, (3) care and service for persons around one, and (4) management towards the common good versus particular interests.” These humanizing values aim to promote human flourishing and have been expressed in varying
degrees in critical theories and secular practices (e.g., Office of Economic Cooperation and Development (hereafter, OECD), 2001; United Nations, 1948), modern philosophy (e.g., Buber, 1970; MacIntyre, 1984, Ch. 15), and theology (e.g., John Paul II, 1987, 1991; Levinas, 1994; Soloveitchik, 1965). In contrast to those humanizing commitments, the administrative structures and practices that are prevalent in modern business organizations tend to give individuals few opportunities to express and reflect upon their traditional values in and through their work (cf. Ezzamel, Robson, Stapleton, and McLean, 2007, p. 169), and they tend to suppress people’s awareness of their interdependence with others outside their organization (e.g., Roberts, 1991, p. 356). Moreover, the varieties of neoclassical economic traditions that dominate modern business organizations arguably tend to dehumanize people and organizational practices inasmuch as they emphasize company-centric and individual-centric concerns about efficiency, profitability, and shareholder wealth and tend to be much less concerned about the development of employees and the organization’s impact on other affected parties in the broader society.

During the past few decades critical accounting studies have documented how the administrative and accounting processes in modern business organizations, governments, and other complex entities ignore or suppress lifeworld values and impose oppressive burdens on vulnerable parties. Documenting such processes reminds us how far we still are from achieving critical theory’s emancipatory goals of human freedom, human flourishing, and human development. And yet, even though the emancipatory potential of modern business organizations may seem mostly hidden or altogether absent, the lifeworlds of people are never completely destroyed and can penetrate into the reality of organizations (cf. Habermas, 1987, p. 311). This vision of hope motivates this paper’s exploration into how narrative traditions could play a
greater role in humanizing a business organization’s practices and reduce its lifeworld suppression tendencies.

The remainder of this paper is organized in four sections. The first section discusses what it means to work within a tradition and its implications for social accountability and human freedom. The second section examines the humanizing accountability properties of narrative traditions with some examples. The third section uses the COSO (2004) enterprise risk management framework to systematically explore how narrative traditions could shape and humanize the governance, accounting, and decision making practices of business organizations. The fourth section summarizes the analysis and discusses further implications for accounting education and research.

**Working within a tradition**

This section provides a conceptual and normative analysis of what it means to work within a tradition and its implications for critical theory. I first review evidence that critical theories and other humanistic philosophies are at least partly rooted in an inherited tradition, even when their moral vision critiques the inherited tradition’s boundaries and proposes new humanizing elements. A practical implication of the analysis is that attempts to diffuse lifeworld values into an organization’s governance, accounting, and decision making practices likewise must draw from at least one humanizing tradition. I further suggest that narrative traditions that are expressed as stories about human thought and action can make it easier for people to translate a community’s moral principles into their concrete everyday lives. Next, I discuss the ethical implications of working within a tradition that is not entirely of the accountable self’s own making, and the importance of cultivating an ability to critique the traditions in which one works.
Finally, in considering whether and how to introduce a candidate narrative tradition into an organization, I offer some interpretation and application principles whose goal is to improve a narrative tradition’s accessibility, reception, and inclusivity in culturally diverse organizational settings.

*Theories and practices rooted in a tradition*

Taylor (1989, pp. 274-279) argued that we cannot obtain whatever humanistic outlook we need from reason alone or from scientific study of the natural world, but that we also need to draw from a social tradition. MacIntyre (1990, p. 60) similarly argued that moral and rational inquiry would be sterile if the accountable self is not working from within a tradition. Eagleton (2009, p. 90) made a related point about the benefit of working with an inherited tradition when he bemoaned that “The ideology of progress, for which the past is so much puerile stuff to be banished to the primeval forests of prehistory, plunders us of our historical legacies, and thus of some of our most precious resources for the future.” Each of the above views argues the importance of working within a tradition.

Evidence also indicates that even those who advocate a radical break from certain inherited traditions also depend on some important ways on those same traditions. For an example from critical theory, Horkheimer advocated a radical break from organized religion because he believed that religion’s integration with capitalist ideology promoted the destructive administrative tendencies of modernity (Horkheimer and Adorno, 1944, p. 20; Pierson, 2001, p. 125). Yet he also later acknowledged that his protest against bourgeois society and organized religion was itself inspired by the religious values and attitudes he experienced during childhood (Pierson, 2001, p. 123). Thus, by Horkheimer’s own account, his humanistic vision would not have been possible without the religious traditions he inherited from his family and society. The
implication for critical theory and emancipatory praxis is that an emancipatory moment cannot completely detach itself from the preceding social order, but rather must preserve some traces of that social order (cf. Laclau, 1996, p. 1). Nevertheless, as I discuss later, emancipatory praxis also requires that we maintain our ability to critically reflect upon the traditions we inherit.

Other moral philosophies whose humanizing visions aspire to transcend the boundaries of an inherited tradition are also rooted in and draw much of their content and inspiration from that tradition. For example, Levinas derived his philosophy of our infinite responsibility toward the other from his detailed studies of the Talmud and other classic Jewish texts. Indeed, his philosophy of “coming to face with the other” favors “the direct experience of encountering texts and other human beings” (Macintosh, Shearer, and Riccaboni, 2009, p. 752; see also Shearer, 2002). Arguably, narrative traditions that are handed down in the form of stories about human thought and action can help people translate abstract and tersely worded concepts -- such as “I am ‘with the others’ means I am ‘for the others’: responsible for the other person” (Levinas, 1994, p. 170) -- into their concrete everyday experience. For one illustration, Levinas (1994, p. 99) told the following story from the Jewish written and oral tradition to illustrate more concretely his ideas about our infinite duty toward the other:

Let us recall the biblical and Talmudic tradition relating to Abraham….who knew how to receive and feed men: the one whose tent was wide open on all sides. Through all these openings he looked out for passersby in order to receive them….We know especially of one meal, the one he offered to the three angels -- without suspecting their condition as angels…The heirs of Abraham -- men to whom their ancestor bequeathed a difficult tradition of duties toward the other man, which one is never done with, an order in which one is never free. In this
order, above all else, duty takes the form of obligations toward the body, the
obligation of feeding and sheltering. So defined, the heirs of Abraham are of all
nations: any man truly man is no doubt of the line of Abraham.

Levinas drew from many other stories throughout his writings to illustrate the meaning and
inspiration behind his moral philosophy.

Levinas’s translator Aronowicz (1994, p. xiii) explained that texts like the above are “a
fight against merely abstract knowledge, a desire to penetrate reality through the concrete and the
particular, through the act: texts convey meaning through their “embodied truth – the truth in
action” (emphasis in the original). This relation between the abstract and the concrete has
practical implications for understanding and shaping organizational practices that aim to develop
employees’ moral sensibility. For example, the above story invites organizational participants to
reflect upon their interdependencies with and responsibilities toward other people, including
others outside the organization’s physical walls. The metaphor of the open tent flap evokes an
image of opening the corporate doors and board room to let the outside world in, to actively seek
to hear and feel what other vulnerable constituents feel and need. Finally, how Levinas told the
above story also is important. Specifically, his interpretive gloss is humanizing and he explicitly
generalizes the story’s moral message to include all of humanity.

Working with traditions that are not entirely of our own making

Working within a tradition has implications for social accountability and also imposes
limitations on human freedom. For example, accountable selves must work with a tradition that
is not entirely of their own making:

Only in fantasy do we live what story we please. In life…we are always under
certain constraints. We enter upon a stage which we did not design and we find
ourselves part of an action that was not of our making. Each of us being a main character in his own drama plays subordinate parts in the dramas of others, and each drama constrains the others (MacIntyre, 1984, p. 213).

A related implication is that the traditions and social relationships into which we are born play an important role in constituting our social identity:

I am brother, cousin and grandson, member of this household, that village, this tribe. These are not characteristics that belong to human beings accidentally, to be stripped away in order to discover “the real me’. They are part of my substance, defining partially at least and sometimes wholly my obligations and my duties. Individuals inherit a particular space within an interlocking set of social relationships; lacking that space, they are nobody, or at best a stranger or an outcast (MacIntyre, 1984, pp. 33-34).

Thus, the socially constituted nature of accountable selves is simultaneously constraining and enabling.

By contrast, the classical liberal view of the individual in market-based societies tends to emphasize that an inherited medium of social interdependencies and social expectations obstructs the individual’s freedom of choice:

The drive to facilitate private choice produces social atomism because the ability to expand the realm of private choices depends on disentangling oneself from the networks of social obligations that might impinge on one’s ability to choose freely. Family, tradition, community, or religious duties, are all manifestations of dependencies that must be cast off to expand the realm of individual choice (Smith 2008, p. 33).
Messner (2009, p. 919) similarly emphasized the oppressive nature of the “demand for accountability” and raised ethical concerns about an accountable self who is expected to be “an opaque self that cannot account for everything it has lived through; an exposed self that experiences accountability as an intrusion into its own practice; and a mediated self whose accounts have to rely on a medium that is not of its own making” (emphasis in the original). Messner thus raised a concern that the power effects of accountability in an inherited social system might become too high to be justified on ethical grounds. Accordingly, accountable agents also must retain their ability to critically reflect upon and possibly reform the social traditions and social matrices they inherit.

Opening our tents: narrative tradition interpretation and application principles

Critical reflection and judgment are necessary to interpret and apply candidate narrative traditions in organizational settings. When considering whether to introduce narrative traditions into a business organization’s governance, accounting, and decision making practices, usually it would not be appropriate to adopt a narrative tradition in its entirety. Many traditions that were handed down to us from past societies include social beliefs and practices that would offend us today. In order to enhance a narrative tradition’s relevance, public accessibility, and inclusivity in diverse organizational settings, it will usually be necessary for organizational participants to engage in figurative rather than literal readings, new interpretations, selective appropriation of narrative elements, and sensitive application to an organization’s particular circumstances. More specifically, I propose that selective interpretation and application of narrative traditions will have a greater ability to achieve humanizing goals to the extent they satisfy the following principles.
First, the interpretations advanced must have humanizing implications. As discussed earlier, humanizing features include recognizing and respecting other people’s dignity and capacity for growth; care and service toward other persons; the avoidance of cruelty toward other people; and a concern for promoting the common good which encompasses the development of individuals. Narrative traditions can promote these humanizing features if they increase our awareness of our interdependence with other people, other species, and the natural environment, and help us to become more aware of how our actions affect others. The humanizing principle advanced here would exclude interpretations that promote (for example) cruelty toward other people or other species, hatred or indifference toward others who are different than ourselves, selfish acts of greed that harm the common good, or irresponsible stewardship of the natural environment.

This humanizing principle can be illustrated with some examples. Shapiro (2009, pp. 947-949) drew from Soloveitchik (1965) to describe how the humanizing the principles of human dignity, service toward other people, solidarity with friends and co-workers, and relations among spirituality, land, and work can be deduced from the two creation stories in Genesis 1 and Genesis 2 of the Hebrew scriptures. For example, the commandment to “subdue the earth” and its juxtaposition in the same story with the idea that each person is created in the image of God support a humanizing commitment to a belief in the inherent dignity of each person and one’s moral obligation to use advances in science and technology to improve other people’s lives. Various theological traditions derive similar humanizing conclusions from Genesis 1. By contrast, socially or environmentally irresponsible interpretations of Genesis 1 would violate the humanizing principle proposed here. For example, some religious fundamentalists have interpreted the commandment to “subdue the earth” as a God-given justification to use the
earth’s resources to satisfy one’s selfish purposes, without regard to its inconsistency with the other commandment in Genesis 2 to be good stewards of the earth, and without regard to the adverse impact it would have on other people and other species. The point here is that while different people may reach different interpretations of the same story, a commitment to humanizing goals implies that not every interpretation will be justified or valid.

In addition, the humanizing principle proposed here implies that it will be necessary to selectively appropriate some features of a narrative tradition and reject others. Indeed, many narrative traditions include social norms that would offend our sensibilities today. For example, the Hebrew Torah is frankly male-oriented and does not treat women as equal to men. To be more inclusive and respectful of human diversity, the stories about Adam and Eve, and in particular the Genesis 2 account of Adam and Eve’s deep bond of solidarity, need to be generalized to include human bonds of love and solidarity between human beings regardless of their gender and sexual orientation, as do some of the more progressive theological traditions. If we do not permit ourselves to critique and selectively interpret narrative traditions and instead reject them in their entirety, we give up something of great potential value and participate in the suppression of lifeworld values.

A second proposed interpretation principle calls for a receptivity to learn from other traditions besides our own. This will expand the set of available narratives and be more inclusive in a diverse workplace. To illustrate the potential to learn from other traditions, consider the following account of how Aboriginal Dreamtime creation stories depict human beings as having a special affinity with their spiritual ancestors and with the land:

In Aboriginal belief, the Dreamtime was a Genesis-like epoch in which ancestral creator figures – chief among them the Rainbow Snake, the Lightning Brothers,
and, in some areas of the far northwest, the Wandjina, or Cloud-Beings – traveled on epic adventures across earth’s originally featureless topography, giving shape in the course of colossal struggles and battles to each mountain and river and gorge, each jutting rock and billabong, or water hole. In the process they populated the primordial landscape with the founding ancestors – part human, part animal, part divine – of today’s Aboriginal peoples…To this day, Aboriginal groups and individuals trace their particular ancestry, or Dreaming, to one or more of these Dreamtime demigods…[to whom they bear] a special affinity and spiritual relationship (Arden (1995, pp. 3-4).

Some might find the above story’s account of the relation between land and spirituality more inspiring than the Genesis 2 story, while others might find both accounts equally inspiring. Expanding the available set of narratives will increase the potential for each person to find inspiration from at least one narrative tradition, and it will enhance an organization’s ability to adapt narratives to fit their particular circumstances. For example, perhaps especially for a company based in Australia, the Dreamtime stories might be a particularly appropriate vehicle to enhance organizational members’ understanding of some key differences between Western individualist and Aboriginal communitarian concepts of property. More specifically, the Australian Aboriginal spiritual dreaming law emphasizes the communal nature of land custodianship and opposes the parceling and selling of land as a mere commodity (Gallhofer, Gibson, Haslam, McNicholas, and Takiari., 2000, p. 384). Along these lines, the United Nations Working Party on the Draft Declaration on the Rights of Indigenous Peoples acknowledged the central role of land in the autonomy, self-determination, and communal life of indigenous peoples (Greer and Patel, 2000, p. 317). A communal approach to land ownership and the
community members’ spiritual affinity with the natural environment in the form it was received from the past would ordinarily limit its consumption or destruction to serve mainly private commercial ends.

A third proposed principle is that narrative traditions should be discussed and applied in a manner that respects and invites others to be part of the conversation. Religious proselytization ordinarily would fail this requirement because it does not respect the dignity of others who affiliate themselves with a different faith tradition, and a distorted evangelism or misguided enthusiasm often threatens others’ freedom. Finally, a fourth proposed principle recognizes that because humanizing traditions may not be appropriate in all situations, their application requires careful judgment. For example, an organization might adapt ideas about traditional kinship norms to enhance employee teamwork and solidarity, but troublesome problems can arise if the kinship norms and practices are generalized inappropriately to nontraditional or market-based settings. Indeed, Uddin and Choudhury (2008) and Uddin (2009) documented how an in appropriate application of traditionalist Bangladeshi kinship norms subverted the rationalist/legalistic framework of corporate governance in Bangladeshi public companies. Specifically, the boards and owner-managers of certain Bangladeshi public companies subverted internal controls in order to serve the interests of their own families and clans (Uddin and Choudhury, 2008, p. 1034). By honoring their kinship obligations the executives simultaneously failed to protect the legitimate interests of minority shareholders (Uddin and Choudhury, 2008, p. 1027). For another example, Greer and Patel (2000, p. 315) described how kinship obligations raised problems for Australian Aboriginal commercial arrangements, whereby store managers often gave preferential treatment to kin and lacked the authority within their kinship relationships to terminate dishonest employees. The point of these examples is to demonstrate that an
uncritical sentimentalism toward traditional norms can subvert other valid accountability norms. The examples also highlight the importance of maintaining effective corporate governance and internal control practices in business organizations, even though such practices may not be of the accountable selves’ own making or own choosing.

In sum, the above principles are not intended to promote any particular narrative tradition, but rather describe some general conditions that can support a more critically reflective, sensitive, and humanizing approach that is able to learn from and sensitively apply the humanizing features of narrative traditions in specific organizational settings. The next section explores some implications of the above analysis for governance, accounting, and decision making practices in business organizations.

**Implications for humanizing practices in business organizations**

This section explores how the humanizing values of narrative traditions may be given a greater role in shaping the governance, accounting, and decision making practices of business organizations. Maltby’s (1997, p. 95) observation that accounting derives its persuasiveness “not from the ‘facts’ it presents, but from its place in a pre-existing moral calculus of obligations and entitlements” is generalized here to an organization’s governance and decision making practices. Humanizing narrative traditions can provide a “moral calculus of obligations and entitlements” to counter the lifeworld suppression tendencies of market-based organizations and can foster moral imagination, awareness of interdependencies with others, a larger sense of the meaning and purpose of one’s work, and opportunities to express traditional values through one’s work.

I first argue that the abstract principles in some widely promulgated norms of responsible business practices will be more effective if they are translated into the concrete activities and
practices in business organizations, and that narrative traditions can mediate the translation. But ad hoc and piecemeal approaches within organizations are not likely to succeed. Accordingly, I use the COSO (2004) enterprise risk management framework to explore systematically how the humanizing properties of narrative traditions might inform an organization’s multiple and interdependent governance, accounting, and decision making practices. Managers and boards of directors who are sincerely committed to certain humanizing principles will not just publicly declare their commitments but also implement them in various activities throughout their enterprises.

Abstract voluntary norms for responsible business practices

This paper’s conceptual analysis showed that the emancipatory vision of critical theories and other humanizing philosophies is dependent on a social tradition, and that narrative traditions in the form of stories about human thought and action can make it easier to translate abstract philosophical and moral principles into the concrete particulars of daily life. An implication is that a narrative tradition would make it easier for organizational participants to translate abstract principles for responsible business practices into the concrete reality of their organizational life. This can be illustrated with examples from two widely promulgated voluntary ethical business codes: the Caux Round Table Principles for Business (Caux Round Table, 2010; hereafter, CRT) and Organization for Economic Cooperation and Development (OECD, 2008) Guidelines for Multinational Enterprise. Largely to gain more universal appeal and greater public accessibility, such voluntary norms typically are stated in abstract language that is almost completely detached from any specific social tradition.

The CRT was founded in 1986 with the goal of reducing international trade tensions and is composed of global business leaders who are committed to promoting a moral, sustainable,
fair, and transparent foundation for a global society. The 1994 CRT Principles for Business are based on three ethical foundations that the CRT asserted represent shared values and “a shared perspective on business behavior acceptable to all”: (1) responsible stewardship; (2) the Japanese concept of *kyosei* - living and working for mutual advantage (cf. the concept of the common good in Western social traditions); and (3) respecting and protecting human dignity. The CRT used that foundation to further lay out what it calls seven core principles: (1) Respect stakeholders beyond shareholders, (2) Contribute to economic, social and environmental development, (3) Build trust by going beyond the letter of the law, (4) Respect rules and conventions, (5) Support responsible globalization, (6) Respect the environment, and (7) Avoid illicit activities. The seven principles have been published in twelve languages, are utilized in business school curricula around the world, and according to the CRT Web site are “widely recognized as the most comprehensive statement of responsible business practice formulated by business leaders for business leaders”. Finally, the CRT also has issued various guidelines for stakeholder management and employee development, and are intended to provide more specific examples for each of the seven core principles. For example, one guideline under “Communities” includes “Support peace, security and the rule of law” and “Respect social diversity including local cultures and minority communities”. Some guidelines give very generally worded examples of best practices, such as providing opportunities for the personal development of employees, and supporting freedom from coercion and harassment at work. As these examples illustrate, the CRT principles and guidelines are stated in rather general and abstract terms. While they demonstrably do express some substantive moral commitments that are widely shared by various social traditions around the globe, except for a passing reference to
the Japanese concept of kyosei they don’t embed those commitments in any specific social tradition.

For another example, the Organization for Economic Cooperation and Development (OECD, 2008, p. 14) Guidelines for multinational enterprises claims to provide the most comprehensive policy for corporate responsibility multilaterally agreed upon by governments from all regions of the world. As with the CRT principles, the OECD guidelines are formulated as abstract principles detached from any specific social tradition. For example, one OECD guideline states “Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.” Such general guidelines do not prescribe any particular formal or informal organizational processes or practices to achieve those outcomes, nor do they define the operational meaning of “human capital formation” and other substantive human development outcomes. Even the more specific OECD guidelines, such as those regarding the right of employees to be represented by trade unions and the effective abolition of child labor (OECD, 2008, p. 17), do not identify or prescribe specific operational practices that could provide reasonable assurance that the guidelines’ substantive objectives will be implemented in actual organizations.

To summarize, the voluntary norms of responsible business practices express humanizing values but also need to be translated into actual practices that fit the realities of a specific organization. Much as stories about human thought and action can help people translate abstract philosophical principles into everyday experience, narrative traditions can help organizational participants translate CRT and OECD principles into actual organizational practices. The remainder of this section uses the COSO (2004) Enterprise Risk Management Framework to systematically explore how narrative traditions could help translate substantive moral
commitments into the reality of an organization’s governance, accounting, and decision making practices. Some practices are counterfactual and others have been implemented in actual organizations.

An enterprise risk management approach

A piecemeal or haphazard approach to adopting humanizing social norms in an organization would likely fail and expose the organization to the cynical allegation that its spiritual commitments are just a sentimental ideology used as window dressing by management to manipulate public perception. The COSO (2004) enterprise risk management framework provides a systematic enterprise-wide approach for achieving organizational objectives. COSO (2004) defined enterprise risk management (ERM) as “a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives” and as an interdependent process in which almost any component can influence another (COSO, 2004, p. 6). The ERM components include the organization’s internal environment, objective setting, event identification, risk assessment and risk response, control activities, information and communication, and monitoring. In addition, all of the parties who are engaged with the organization’s ERM roles and responsibilities – i.e., management, the board of directors, risk officers, internal auditors, and other employees – as well as external constituents must be given opportunities to express, reflect upon, and when appropriate act upon the organization’s professed humanizing values. If humanizing narrative traditions are to achieve their emancipatory potential in business organizations, they need to be brought to bear on all of an organization’s interdependent ERM components.
A comprehensive list of possible practices is beyond the scope of this paper. The remainder of this section provides some examples of what could be done for some of the ERM components. Narrative traditions can be explicitly linked to each of the components and can provide a structure for understanding and communicating the rationale regarding how each component is related to the organization’s humanizing objectives.

**Internal environment.** The internal environment includes the entity’s risk culture and appetite, board of directors, ethical values, management philosophy and operating style, organizational structure, assignment of authority and responsibility, human resource policies and practices, and commitment to employee development. An organization’s vision and mission statements can set the overall tone. Organizations that employ a diverse workforce might encourage their employees to draw from their own traditions when working to achieve personal and organizational goals. For example Reell Precision Manufacturing, Inc.’s Statement of Belief concludes with the following statement (see Table 1 for the complete statement):

> Because many spiritual traditions speak powerfully regarding the conditions necessary to provide for the common good, foster individual development and respect human dignity, we will encourage each other to draw wisdom from these traditions and from individual expressions of spirituality.

[Insert Table 1 about here]

The above kind of declaration will be just talk unless it also is carried through to other organizational practices. Some human resource practices that promote the development of each person include building a meditation and prayer room that is available to employees from all faith traditions, as was done by former Medtronic, Inc. CEO Bill George. Other practices might
include flexible work arrangements that can accommodate employees’ commitments to participate in their families’ life cycle events and observe religious holidays. Still other practices would include hiring procedures that aim to hire to the company’s mission. While other types of organizations such as charitable or non-profit health care organizations and NGOs might with relatively little effort attract people whose beliefs and commitments already are aligned with the organization’s public service mission, most business organizations probably would need to work harder to advertise their mission and the humanizing values that mobilize it. All types of organizations also would need to incorporate those values in their post-hiring practices. The founders of Reell Precision Manufacturing (hereafter, RPM) drew from their Christian faith tradition to formulate a vision of the common good that includes the development of its employees:

Reell is founded on the belief that life’s highest purpose is for each person to fulfill his or her true potential. To this end, Reell is committed to providing an environment that supports and encourages the development and advancement of each coworker. Reell offers training, experience and career opportunities to help coworkers achieve their goals (http://www.reell.com/index.php?page=careers’ last accessed February 9, 2011).

In addition, RPM’s Direction Statement describes the spiritual commitments that guide its relationships with all of its stakeholders (see Table 2).

[Insert Table 2 about here]
In sum, RPM’s vision, mission, and belief statements reflect the substantive moral commitments of its founders’ own faith tradition. As Table 1 shows, the company also acknowledges, respects, and encourages its employees to express and learn from other faith and spiritual traditions.

Management also must translate its lofty principles into concrete practices and can demonstrate its commitments in various ways, such as through how it treats employees under difficult economic circumstances. For example, during its first thirty years of existence RPM did not implement any layoffs, even when it experienced financial challenges, and throughout that period sought to provide or move closer to achieving what it considered to be a reasonable living wage for all of its employees. Layoffs were seen as the company’s last alternative. In 1995-1996, when Apple Computer, cut significantly back on its orders of metal hinges, RPM reduced wages and salaries instead of laying people off. RPM senior executives took the biggest cuts and employees who were at or under the company’s target wage were exempt from the wage cuts (see Alford and Naughton, 2001, p. 147).

Corporate governance and decision making at the board level also can engage with narratives at significant junctures in the organization’s history. For example, a narrative reflection at the beginning of a board meeting might remind board members of the organization’s mission and the larger social meaning of the organization’s work. Such reflections also might support creative insight into the practical problems of running the business. For example, the Seeing Things Whole organization (http://www.seeingthingswhole.org) holds annual weekend retreats where businesspersons and scholars representing different faith traditions meet to discuss the intersection of spirituality, values, and organizational life and performance. At the retreats some participants lead discussions of sacred texts and other literature. Toward the end of each retreat, participants hear from representatives of a business facing a difficult problem, and then
discuss insights into the business problem that can be drawn from the texts discussed earlier in the retreat. In doing so participants assume the role of a board of trustees, and the business representatives are left to decide what courses of action they will take.

Objective setting. The ERM framework as currently formulated by COSO (2004) focuses on the conventional set of operational, financial reporting, and compliance objectives which emphasize the organization’s economic goals of efficiency, profitability, and compliance with applicable laws and regulations. The substantive moral commitments of narrative traditions can furnish other operational objectives, such as promoting greater solidarity among employees, a greater awareness of interdependence with others and of the organization’s impact on external constituents, a goal to provide socially beneficial products and services, and the promotion of environmentally sustainable practices. Different organizations might pursue different objectives and find different ways to implement them depending on their particular circumstances. For example, companies with large environmental footprints might draw from narrative traditions that emphasize environmental stewardship and its relation to spirituality in different faith traditions. Firms that produce health services and medical products might draw from narrative traditions that emphasize caring for the needy or disadvantaged members of society and remind employees of the larger meaning and social purpose of their work. Successful objective setting will link top level objectives, such as those expressed in the organization’s broad mission and value statements, with lower level objectives pertaining to concrete and particular activities. Some examples are discussed below.

Risk appetite and risk tolerance. Objective setting relates to the organization’s goals and is a precondition for risk assessment and risk management. Senior management and the board of directors need to determine how much risk the organization should accept in pursuing its
objectives, what kinds of risks the organization will not accept, and what kinds of risks the organization should accept for competing objectives (e.g., profitability versus responsible environmental practices). An organization’s leaders will be disingenuous if they publicly declare their commitment to certain social objectives (such as environmental stewardship) but then expose those objectives to a high risk of failure by not adopting appropriate incentives and risk management policies.

*Event identification, risk assessment, and risk response.* If management and the board are sincerely committed to achieving their objectives they must actively support an accounting information system that can capture timely and relevant information about events that could have a positive or negative impact on the organization’s ability to achieve its objectives. The types of information the accounting system would need to track would of course depend on the organization’s specific objectives. The accountants who design and operate such event information gathering systems need not only technical expertise but also should understand the underlying objectives the information system is intended to serve. The event information needs to be periodically reviewed by people with the appropriate levels of responsibility and accountability, with proper follow-through to ensure that the appropriate risk responses are taken.

*Information, communication, and monitoring.* Information needs to be gathered, created, and distributed throughout the organization so that people are able to perform their assigned roles and responsibilities. The technical capabilities of business organizations’ existing financial reporting, disclosure, and auditing technologies could be applied to the organization’s humanizing objectives to produce additional reports and disclosures. For example, Gallhofer et al. (2000) proposed an expanded list of assets (resources), liabilities (obligations), and narrative
disclosures about the organization’s activities that enabled employees to develop themselves spiritually, find larger meaning in their work, and maintain sufficient autonomy to pursue other important life activities outside of work. Such reports could be prepared for top-level management reviews, the employees who are described in the reports, and external constituents, all of whom should be encouraged to read the reports and raise any objections or concerns they might have about their content and reliability.

The ERM information and communication component can be extended to information gathered directly from an organization’s constituents. For example, Medtronic, Inc., a medical device company, has held holiday parties during which some of its customers and their doctors give public testimonies about how their lives were beneficially impacted by the company’s products and services. This face-to-face interaction can give employees a concrete experience of the social meaning and purpose of their work. Viewing one’s work in vocational terms is a good in and of itself, in addition to any beneficial impact it might have on other organizational outcomes.

In summary, the humanizing values of narrative traditions can be a source of new organizational objectives. The COSO (2004) ERM framework identifies the multiple organizational practices, roles, and responsibilities that need to function interdependently to support the organization’s humanizing objectives.

Discussion

This paper explored how the humanizing values in narrative traditions can play a greater role in shaping the governance, accounting, and decision making practices of business organizations. The paper’s conceptual and normative analysis concluded that critical theories and other moral philosophies draw much of their inspiration and content from one or more inherited
traditions. In addition, narrative traditions that are expressed as stories about human thought and action can help organizational participants translate abstract moral principles into concrete organizational practices. Recognizing that an ad hoc or piecemeal approach is not likely to succeed, this paper used the COSO (2004) ERM framework to systematically explore the various interdependent organizational practices that must be mobilized to effectively promote a humanizing organizational culture committed to such goals as fostering employee development, caring about the organization’s impact on vulnerable parties outside the organization, meeting broader social needs, and environmental stewardship.

In most cases, neither wholesale rejection nor wholesale adoption of a narrative tradition would be appropriate. In order to enhance a candidate narrative tradition’s relevance, public accessibility, and inclusivity in a culturally diverse organizational settings, this paper also proposed some principles that call for humanizing interpretations, an openness to learn from other people’s traditions, and selective application of a narrative tradition’s features. Accounting education and research can support these humanizing principles.

For example, in the spirit of adopting a systematic and comprehensive approach for applying narrative traditions to an organization’s practices, accounting educators could seek ways to engage students not only with technical accounting knowledge but also emotionally and spiritually with the public interest dimensions of their chosen profession. McPhail (1999, p. 836) noted that the prevailing emphasis on neoclassical economics and neoliberal views of business in accounting education can lead students to conclude without further reflection that morally good actions are simply those which maximize shareholder wealth. To encourage students to consider how the purpose of business and other social practices could be envisioned in more humanistic terms, McPhail (2001, pp. 489-490) suggested that accounting education needs to engage
students with their existential situation by drawing upon “themes from the life experiences of those students (perhaps from their national/religious/cultural/class backgrounds)”. McPhail (1999, p. 859) further suggested that students might be more imaginatively creative if they are encouraged to reflect on their own personal experiences, feelings, and emotions, and that literature and film might help accounting educators achieve these learning objectives. It is important that our students not lose sight of the particularities of their own traditions when they engage in dialogue with people from other traditions (cf. Marsden 1997, p. 10), because their familiarity with the particularities of their own traditions will enhance their ability to appreciate and learn from what other traditions have to offer.

Exposure to narrative traditions can help us achieve these accounting education objectives. Those who may be less interested to engage with religious or spiritual traditions might choose examples from other branches of literature. Lister (2010) recently argued for the compulsory study of literature in accounting education and gave several detailed examples. Accounting educators could seek other applications of the humanities to enrich students’ moral imagination and ability to learn from different cultures. Future accounting education research also could explore additional ways to engage accounting students with the practical problem of translating humanizing values into an organization’s governance, accounting, and decision making practices.

In addition, accounting researchers can play an important cultural resource stewardship role by documenting and preserving historical and contemporary narrative traditions. An argument to document and preserve a tradition for the benefit of some future society can be made by analogy to a justification for preserving natural resources:
We can never know how a future generation might have used an exhaustible resource, if we had not used it up. We should attach a considerable value to leaving resources untouched in the ground, and not presume to value them solely by their uses now and in the foreseeable future (Hay, 1989, p. 306).

An information systems approach to preserving narrative traditions would include recording, archiving, analyzing, and interpreting oral and written stories, historical and socio-economic data, photos, art, and other cultural resources. An accounting education that promotes cultural awareness would help our students appreciate the point of Maltby’s (1997, p. 95) observation that accounting derives its persuasiveness “not from the ‘facts’ it presents, but from its place in a pre-existing moral calculus of obligations and entitlements.” This paper explored how narrative traditions can introduce lifeworld values into an organization’s moral accounting calculus.
References


Organization for Economic Cooperation and Development (OECD). (2008). *Guidelines for multinational enterprises.* Available at [http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html). Last accessed November 14, 2010.


[http://www.ohchr.org/EN/UDHR/Pages/60UDHRIntroduction.aspx](http://www.ohchr.org/EN/UDHR/Pages/60UDHRIntroduction.aspx)

---

**Declaration of Belief**

We believe the dignity of every individual to be sacred...

We believe life's highest purpose for each individual is to become all that she or he is created to be, and...

We believe the highest purpose for the Corporation is to make worthy contributions to the common good, therefore...

All activities, objectives and policies are to be ordered toward individual development and the common good.

Because economic success is essential for an environment that fosters human development and provides for the common good, we must maintain an orderly, efficient and profitable organization and respect the dignity of every individual.

Because many spiritual traditions speak powerfully regarding the conditions necessary to provide for the common good, foster individual development and respect human dignity, we will encourage each other to draw wisdom from these traditions and from individual expressions of spirituality.
Direction Statement

Reell is a team united in the operation of a business based on the practical application of spiritual values to promote the growth of individuals and advance the common good for the benefit of co-workers and their families, customers, shareholders, suppliers and community. Rooted in Judeo-Christian values, we welcome and draw on the richness of our spiritually diverse community. We are committed to provide an environment where there is harmony between work and our moral/ethical values and family responsibilities and where everyone is treated justly.

The tradition of excellence at Reell was founded on a commitment to excellence rooted in the character of our Creator. Instead of driving each other toward excellence, we strive to free each other to grow and express the excellence that is within all of us.

By adhering to the following four common spiritual principles, we are challenged to work and make decisions consistent with God's purpose for creation according to our individual understanding.

**Do what is right**
We are committed to do what is right, even when it does not seem to be profitable, expedient, or conventional.

**Do our best**
In our understanding of excellence we embrace a commitment to continuous improvement in everything we do. It is our commitment to encourage, teach, equip, and free each other to do and become all that we were intended to be.

**Treat others as we would like to be treated**

**Seek Inspirational Wisdom**
By looking outside ourselves, especially with respect to decisions having far-reaching and unpredictable consequences, but we will act only when the action is confirmed unanimously by others concerned.

We currently design and manufacture innovative products for a global market. Our goal is to continually improve our ability to meet customer needs. How we accomplish our mission is important to us. The following groups are fundamental to our success:

**Coworkers**
People are the heart of Reell. We are committed to provide a secure opportunity to earn a livelihood and pursue personal growth.
Customers
Customers are the lifeblood of Reell. Our products and services must be the best in meeting and exceeding customer expectations.

Shareholders
We recognize that profitability is necessary to continue in business, reach our full potential, and fulfill our responsibilities to shareholders. We expect profits, but our commitments to coworkers and customers come before short term profits.

Suppliers
We will treat our suppliers as valuable partners in all our activities.

Community
We will use a share of our energy and resources to meet the needs of our local and global community.

We find that in following these principles we can experience enjoyment, happiness, and peace of mind in our work and in our individual lives.