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Decision-making for Sustainable Change in Business and Organizations: Identities’ construction and the role of (sustainability) accounting

Key words: *Sustainable Development; Decision-making for sustainable change; Accounting for sustainability; Identities construction; Memories.*

1. Introduction

Nowadays, business and organizations are increasingly open to pressures for being more socially, environmentally and ethically *responsible* when they conduct their practices. It is through the incorporation of these wider responsibilities that a more *sustainable* way of organizing business and society may be achieved (Gray, 2002; Bebbington & Larrinaga, 2014; Contrafatto, 2014).

Sustainability has been elevated to a higher tier of political, societal, managerial and organizational concerns. The different terminologies used normally refer to the original definition provided by the United Nations Commission for Sustainable Development, according to which a socio-economic system is ‘*sustain-able*’, *if it is able to “sustain”*; i.e., “to meet the needs of the present generations without compromising the ability of future generations to meet their own needs” (UNWCED, 1987). Sustainability is fundamentally an ethical/moral concept which encompasses issues related to human rights (e.g., food, water, education), climate change, (ecological and social) justice, fairness, equity (e.g. gender),

responsible practices (e.g. production, consumption and investments), social welfare and development.

As documented by several (scientific) evidence, our current society and way of conducting business is substantially *un-sustainable* because it is incapable to ensure some of the fundamental and basic aspects discussed above (IPCC, 2022). Therefore, substantial and structural transformations are required in the current business models and practices of organizing to *envisage, design, construct and implement* a more sustainable society and business (Gray, 2002). It is argued that these sustainable transformations include, among others, changes in the sense-making and decision-making of the (societal and economic) actors (e.g., policy-makers, investors, managers, etc.); i.e., the processes through which these actors, at different levels of governance, construct their '*understanding*' and '*decision*' about the situations they deal with and their courses of action (Weick et al., 2005). These processes will be guided by the existence of *appropriate* information, which derives from *accounting-based systems* (Sargiacomo, 2015; Drury, 2008). Understanding how the process of decision-making is constructed and the role of accounting-systems and information is crucial for achieving a real sustainable change (Pizzi et al., 2021). Therefore, it is time to re-turn to the analysis of these dynamics to explore, among others, how a decision for sustainable change is (or it is not) taken.

2. *Decision-making and sustainable change: a descriptive analysis of the state of the art*

In the economics, management and accounting literature substantial research has been conducted to examine, theoretically and empirically, the role of accounting in the process of decision-making (Zimmerman, 2013). This research has shown that accounting plays a vital role by providing *useful information* which aids social and economic actors in their decision-making. Much of this existing research proposes rationality-based models to the decision-making, according to which agents mobilise the available (accounting) information to take a rational-driven decision. Here, rationality is conceived from an implicit (neo-classic) economic-

based view. These existing rationality-models postulate the existence of an actor who is equipped with *full or limited* rationality that is mobilized to process information for efficient, optimized or best course of actions (Herbert, 1957).

On the other hands, more sociological-oriented models of decision-making have been proposed to explain agents' choices as the result of the influence of more institutional-based factors such as regulations, norms and cultural-cognitive template (Di Maggio & Powell, 1991). These factors provide resources to help, constrain and inhibit actions. These resources constrain not only the ends to which their behaviour should be directed, but the means by which those ends are achieved (Scott, 2001). They provide individuals with *vocabularies of motives* and with a *sense of self*. In this context, decisions are taken because they are perceived as more appropriate, coherent, and proper in relation to the demands/expectations of the wider institutional arrangements (Contrafatto, 2014). This sociological view of decision-making does not discount the role of "rationality". However, it contrasts with the (neo-classical) economic view, it recognises that rationality is "institutionally-situated" (Contrafatto, 2014), resulting in an "instrumental type of rationality" (Lounsbury, 2008. p. 352) which is conditioned by its institutional context.

These models, either (economic) rationality- or institutional- based, suggest that any decision is taken because it is seen as the most rational, efficient, convenient, appropriate and/or proper in a specific context. However, they largely tend to treat the process of decision making as a *black box*: they describe the factors, conditions and results of the decision-making without examining in depth "how" decision-making occurs and the role of "actors' individual aspects" in this process, including the role of *identities*.

In the (critical) management and organization literature, increasing attention has been devoted to examining the role of "identities" and "identities' construction" in the managerial decisions in the context of organizations (Thomas, 2009; Alvesson & Wilmott, 2002). In particular, as shown by Thomas (2009), existing critical management studies have explored three main issues: a) identity regulation at work; b) resistant and resisting identities; c) the crafting of

identities in the context of power/knowledge. The focus of these studies has largely been on the role of organizational factors (including power and knowledge dynamics) to construct, stabilize and (de-construct) identities in different organizational contexts. What it seems to be less studied are the individuals' (psychological) processes which are involved in the construction of identities. As we will see below, these psychological elements are socially-influenced as they are located within wider spheres of ideology and political structures. In this sense these are *psy-sociological* elements of the process of decision-making (Friedland, 2018).

Augmenting the existing (critical) studies in management and organization, we propose to examine, along with the organizational-related factors, also the more individuals' *psy-sociological* dynamics related to identities' construction and decision-making for sustainable transformation. The investigation of *how identities* are constructed and the role of accounting (and accounting information) in this process is essential for shedding lights on some of the complexities of the decision-making towards sustainability.

In particular, the focus will be on two main research questions (RQs):

RQ1: How identities are constructed and what is the role of affecting elements (emotions, memories, etc)? How is accounting involved in this process of identity-construction, if at all?

RQ2: How do the constructed identities impact on sustainable decision-making in different organizational contexts? What is the role of accounting and accounts?

3. A conceptual model for studying identities' construction and decision making for sustainable transformation

In this section a conceptual model is proposed to investigate the two main RQs at the core of this research proposal. The conceptual model is drawn from a *psy-sociological* (Friedland, 2015) perspective, which highlights the role of the socially-constructed psychological/affective elements (e.g., memories, emotions, feelings) of the individuals in the process of decision-making.

The construction of identity has been widely examined in the context of the psychology of the *Personality* (Caprara & Cervone, 2000), where several theoretical and normative models have been proposed. Broadly speaking, identity could be defined as “an individual's way of thinking, perceiving or feeling, that is constituted by more stable or dispositional character elements (i.e., traits) and cognitive, motivational and affective elements (i.e., states)”. The latter, which are linked to the situational and socio-cultural influences, are more changeable and adaptable to the characteristics of the environment; they determine, in a continuous interrelation and interdependence, the (internal and external) behaviour of the individual as a result of a mechanism of adaptation. These involve conscious and unconscious *psy-sociological* processes, which are inherent to the construction of identity. These processes tend to integrate structures (i.e., genes) and learning experiences (i.e., experiences) for contributing to the unity of the individual's behaviour, in a way that include the past (autobiographical), the present and future effects (e.g., expectations, beliefs, goals, strategies, appraisal of situations, etc.). Thus, from this omnibus definition it is possible to ascertain that identity:

- 1) is a construct which could be inferred from the individual's behaviour;
- 2) is a dynamic construct of conscious and unconscious psy-sociological processes that shape the flow of experience and behaviour (*dynamic construct of conscious and unconscious*);
- 3) represents a way of thinking, feeling, behaving, such as habits and attitudes and ways of adapting to the environment (structure/learning), (*through identification, dis-identification and resistance*);
- 4) provides external influence, sources of explanation of behaviour, immediate situation, such as social, cultural and historical influence (*manufacturing versus identity regulation*);
- 5) reflects objective biography or significant events in an individual's life (construction and reconstruction of past, present and future) (*narrative, reflexive and discursive*);
- 6) represents the self-concept; the self-image, the sense of who the individual is (*self-consciousness*);

7) It is governed by criteria of coherence (traits) and temporal consistency and congruence (states), situation specificity and inconsistency (change) (*biology vs environment*).

Existing theoretical models of identity are classified according to whether the outcome of the behaviour is mediated primarily by: 1) traits (internalist model) (e.g. *Big five personality traits model* (Costa & McCrae (1992)); 2) states–context (situationist model) (*Personality Assessment* (Mischel (1990)); 3) and/or the interaction of traits and states (interactionist model) (e.g. Endler & Magnusson (1977); Mischel & Shoda (1995)). According to the ‘interactionist model’, which is the model that inspires this project, it is important to highlight the affective-cognitive system (Mischel and Shoda 2000). This system is integrated by the conditional units (of the situation) and the cognitive-affective units (traits). These include the cognitive capacities, the attributional styles, the subjective values, the goals (self-regulatory mechanisms), the affects and emotions which are reflected in the personal constructs (cognitive, emotional, motivational schemas and action scripts). These personal constructs reveal the way in which individuals attend, encode and structure the information they receive to take decisions and adapt to their environment. In our study, taking into account these affective-cognitive and conditional-control units, (in terms of schemas and scripts), we propose to examine the different identities (economic, social, sustainable), which are shaped in the construction of identity (self), and are recorded in **memories** with their corresponding **cognitive biases**.

The construction of identity has also been studied from the perspectives of Development or Evolutionary Psychology, psychoanalytic and/or post-psychoanalytic. The latter postulates that identity is the result of process of individualisation and socialization which involves the dialectic struggles between the instinct and normative components of psyche. For instance, Freud (1939), emphasizes the tension between the ego and superego which constrain the self (see for example James (ego/self), Winnicott (false self/self)). From this perspective, the construction of the identity involves the integration of different *aspects* that shape one’s ability to decision-making: 1) the identity deficit which involves the inability to make decisions; 2)

Identity conflict, which emerges as defence mechanisms, produces a failure in the integration of psychological processes by negatively impacting (or disabling) the decision-making process.

In addition, Tajfel (1978) distinguishes between the *personal identity* of an individual, which represents the internalisation of roles and status imposed by society and integrated into his/her personality; and the social identity, which refers to the collective identifications that are drawn from social stereotypes. In the existing literature it is possible to refer to two main approaches: categories- and process- based. The former outlines the role that several factors (e.g., the shared attributes or properties of a person and/or groups) in the construction of identity (Tajfel, 1978; Turner, 1982). On the other hand, the processual approach puts emphasis on the "dynamics" through which identities are constructed and emphasises the important role of the interdependences and social interactions (Horwath & Rabbie, (1989); Wilder & Simon, (1998)).

In sum, both approaches highlight that the way in which identities are constructed (i.e., processes) and the related impacting factors (i.e., categories) are essential components for any decision-making. In other words, if one wants to understand how decision-making is taken, s/he should take into consideration the *psy-sociological processes and factors* implicated in the identities' construction. With regard to this, it is argued that accounting, and accounting-based information play a relevant role because they are much involved in the configuration of the schemas (social schemas, self-schemas, role schemas, person schemas and situation schemas) which are the basis for any individual and social categorisation.

Drawing on the literature mentioned above, we propose a conceptual model based on the "memories", taking account the different schemas, for examining how identities' construction is involved in decision-making for sustainable transformation and the role of accounting in this regard. A few tenets of the memory model, as the *multi-storage memory model* (Atkinson & Shiffrin, 2016), *the level of processing model* (Craik & Lockhart 1972), *operating memory model*

(Baddeley & Hitch. 1974), *declarative and no declarative memory* (Squire. L., 1994), are at the basis of this conceptual model:

1) Memory is constructive because it allows one to encode, recode and recover information through a recursive process. This could be related to the process of *identity construction*;

2) Memory is dialectical and discursive because discourses are constructed through declarative memory (semantic memory and episodic memory). Episodic memory is the narrative part of a discourse; while semantic memory contributes to the interpretation of a discourse by giving meaning. Autobiographical memory, referring to that discourse, is the episodic declarative memory about an individual's own life cycle and constructs first-person narratives. This could be related to the *dialectic discourse about identity*.

3) Memory is conscious and unconscious. Conscious or explicit memory is declarative memory (semantic and episodic) and unconscious or implicit memory is procedural memory and perceptual memory. *Conscious or unconscious identity*.

4) Memory is measured in a temporal dimension by the trace of the memory, depending on whether the process of information is superficial (short-term memory) or deep and elaborated according to meaning (long-term memory).

4.1. In the long-term memory is located the structure of memory and can be explicit and implicit. This could be related to the *identity traits*.

4.2 The more dynamic part of memory and subject to constant change, is located in the short-term memory. This could be related to the *states of identity*.

5) Memory is governed by a central operator, that is *Working Memory*; this allows the connection with the other memories and psychological processes (motivational, cognitive, attentional, emotional) that are related to all aspects of identity (**economic, legal**, social, emotional) necessary for decision making. This decision-process (rational-affective) is mediated by the principles of coherence (traits) and congruence (states) and the **cognitive**

biases (memories-trauma-amnesias, attentions, emotions, motivations) that interfere in the decision-process. **The agency** of identity is included in this memory because it is the result of the decision.

4. Methodology and expected results

As the present project aims at investigating how the process of decision-making is driven by the construction of “identities”, which are mediated by the presence of accounting and accounting-based information, in-depth experimental research methodology will be proposed; this will include quantitative and qualitative methods. In particular, once identified the level of analysis (e.g. organizations such as the SMEs) and the sample of decision-makers (e.g. managers) to include in the analysis, a triangulation of research methods will be designed and proposed to collect empirical data. This will include surveys, questionnaires, interviews and experimental observations in specified “settings”. Obviously, the methodological choices will be refined during the PhD programme.

If it is possible, and compatible with the structure, requirements, and expectations of the PhD programme, I would like to adopt for a 3-paper style thesis, which would involve, as a final outcome of the research project, three academic papers to be published in high-ranked journals in management, accounting and organization. These three outcomes will provide respectively:

- 1) A systematic literature review of the existing studies in the management, organization and accounting fields about the “decision-making for sustainable change and the role of accounting”;
- 2) A more theoretical-focused paper that is able to highlight the theoretical underpinnings of the dynamics connecting decision-making for sustainable transformation, identities’ construction and the role of accounting;

- 3) A paper, which will draw on the empirical findings to provide a more empirically-grounded understanding of the complexities of decision-making for sustainable change.

Clearly, if it is required, I will be available to adopt a more conventional dissertation-based approach.

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