

## Accountability for Higher Education through Sustainability Reporting (A Critical Paradigm Use Communicative Action Theory)

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### Abstract

Accountability has become a central issue of accounting literature and practice, especially in the non-profit and public sectors. It is due to the increasing public awareness of the organisation sustainability. One of accountability mechanism for higher education (HE) is publishing an annual report. It is expected that all stakeholder of HE can assess their objectives and performance both financial and non financial aspects. Decision usefulness paradigm which currently dominate accounting theory is not adequate basis for considering external reporting. It is needed a movement towards accountability paradigm that need different reporting model. This study purpose to construct sustainability reporting model using communicative action theory. This means that communication have to be free from domination and the concensus will create mutual understanding situation. The object of this study is at the Trunojoyo University (TU) that one of universities in Indonesia have done organizational change from private to public sector in 2001th. The findings show that there are relationship between organizational change and accountability mechanism. When TU is private university so that accountability mechanism refer to material aspect that focus to fund supplier (foundation), and sustainability paradigm refer to material aspect such as economic, while TU as state university so that accountability mechanism refer to material and spiritual aspects that focus to economic, environmental, society and God.

**Keywords:** accountability, higher education, sustainability reporting, communicative action, and organizational change.

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### 1. Introduction

Accountability has become a central issue of accounting literature and practice, especially in the non-profit and public sectors. It is due to the increasing public awareness of the organisation sustainability. Although the literature on accountability is diverse, much of this theme defines quite narrowly both the relationships underlying accountability and the actions involved in being accountable. Perks (1993:24) define accountability as follow :

*"Accountability means the obligation to give an account. The extent to which the form and content of that account is defined will vary from one relationship to another."*

At its most extreme, accountability is defined as the production and publication of performance measures. Carnegie dan West (2005) argue that discourses of accountability will be arise when information provider (accountor) attempt to quantify non financial information in monetary unit.

One of accountability mechanism for higher education (HE) is publishing an annual report. It is expected that all stakeholder of HE can assess their objectives and performance both financial and non financial aspects. Decision usefulness paradigm which currently dominate accounting theory is not adequate basis for considering external reporting. It is needed a movement towards accountability paradigm. Coy, *et al* (2001) identify the issue of accountability in external reporting of higher education related with: 1) what is the role of annual report in meeting of accountability obligation, 2) who are the university stakeholders, 3) what kind of information do stakeholders need

or require, 4) what are the qualitative characteristic of annual report. Accountability paradigm demand HE to identify their stakeholder comprehensively whom have legitimate economic, social, and political interest in the organization, they are consist of: 1) internal campus- based citizens, 2) sister organization/ competitor, 3) appointed representatives, 4) resources provider, 5) external citizen, and 6) analyst / media. So many stakeholder need the information it will be arise conflict of interest, because there is no single report can satisfy all of stakeholder (Pina, et al. 2007). Therefore, necessary communication or dialog among stakeholder so that their aspiration can be met.

This study purpose to construct a sustainability reporting model for higher education use critical paradigm, in this case communicative action theory by Habermas. This study have been done in Trunojoyo University (TU) is one of public universities in Indonesia.

## 2. Theoretical Framework

### 2.1. Holistic accountability is the new concept to touch material and spiritual aspect

Accountability is relational terms in which an individual or organisation should be responsible to the other parties. There are three elements that make up accountability relationship, they are *agent, principal and rules (codes)*. Accountability means an obligation of agent to give account to principal, while the form of report can be vary depend on what information they are needed. Venton (1997) define accountability as follow:

*“Accountability is a condition in which the agent is likely obliged to report measurable gaps between the principal’s expectation and the result of discharge of the agent’s delegated duties to explain the gaps satisfactory, and to make amend to the event of unsatisfactory explanation.”*

Therefore, the concept of accountability can not be separated from the agency relationship which agents are expected to act accordance with interest of the principals (Jensen and Meckling, 1976; Eisenhardt, 1989).

Coy and Pratt (1998) affirmed that organisation's activities have impact not only for the shareholders in a contractual relationship, but also have impact on the wider community and environment outside of the contractual relationship so that the concept of accountability is expanded and known as public accountability. Vertical accountability regarding the accountability of fund management to a higher authority while horizontal accountability regarding accountability for the performance of the organisation to the community at large. Thus, the focus of agency theory is currently experiencing not only to shareholder, but has a broader dimension of the stakeholders or interested parties throughout the organisation (Moneva, et al. 2006). Therefore, practically that theory of firm is completed with stakeholder theory as form of public accountability.

EDUCAUSE (2002) mention that the problems faced in public accountability of higher education are measurements, offense or defense, halo effect, locus of responsibility, technological dilemmas, and cultural issues. Traditional accountability based on trust is considered to hinder the process of public accountability. In this article proposed a holistic accountability which consists of seven main components: 1) leadership, 2) context 3) operation, 4) resource, 5) management / measurement of data, 6) communication and education systems and teaching. However, holistic accountability offered are material.

Triyuwono (2005) argue that accountability should be emphasized on islamic values that consist of vertical accountability to God and horizontal accountability to society and environmental. If the concept was implemented practically so that cover material and spiritual aspects. Sinclair (1995) suggests that accountability could have improved not only be formal or material alone, but through

"feelling" that is owned by the actors in the organisation, accountability has become *the soul*, so that the consciousness of duty accountable not only imposed by a mechanism system.

Accountability for social and environmental has arise of social and environmental accounting practices. Social and environmental accounting produce sustainability reporting. The reporting model is a more comprehensive approach because it does not only look at the sustainability of an organization from the economic dimension, but also the social and environmental dimensions.

Today, there is considerable attention to the social and environmental impacts caused by the activities of the organization. But traditional accounting and financial reporting are not able to adequately present the measurement of social and environmental impacts that occur. The term of social and environmental reporting is rarely used because of the ambiguity of the term sustainability reporting. GRI Guidelines Version 3.1 (2011) define sustainability reporting as follow:

*"sustainability reporting is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.)."*

While Rao (2012) argues that *sustainability reporting can be said to be a structured way to report on the environmental, social and economic performance of a company*. The definitions refer to sustainability in economic, environmental and social aspects. In this study, sustainability reporting is reporting on their performance including the economic, environmental, social and spiritual aspects.

## **2.2. The concept of sustainability: Reductionism Versus Holistic**

Sustainability is a multidimensional concept that includes the economic, environmental and social. Ruiz, *et al.* (2011) states that traditionally there are two different paradigms used to measure sustainability, namely:

- *Weak sustainability* assumes that we can replace the natural resources to the production of goods or services, means that when measuring sustainability, it is a good economic indicator can be compensated with poor environmental performance.
- *Strong sustainability*, means that we can not compensate for environmental performance with economic performance and social sustainability indicator because they are unity and not mutually exclusive.

In the early 1970 th, the indicators to assess the success of sustainable development have developed partially not integrally. It rise the Human Development Index, the Environmental Performance Index or the Genuine Progress Index. In general, Gasparatos, *et al* (2007) mention that the majority of the widely used sustainability assessment methodologies fall within three major categories: monetary tools, biophysical models and sustainability indicators/composite indices. In all three a similar procedure of initial evaluation/quantification of the diverse environmental/economic/social issues and subsequent aggregation is pursued. Therefore this methodological limitations get criticized for trying to measure the social and environmental aspects in monetary. The monetary assessment cause of debate between weak and strong sustainability paradigm.

*Weak sustainability* paradigm refers to the reductionist that look at something complexity by reducing them to separate parts for the purpose of simplification. Gasparatos, *et al.* (2007) confirmed that applicability of a reductionist approach has been criticized both for understanding complex systems and for offering sufficient policy recommendations to facilitate the progress towards sustainability. Complexity theory contemplates complex systems as irreducible while post normal science emphasises.

In 1992, the Rio Summit claim against the need for an integrated sustainability measurement and related dimensions of multidimensional economic, social and environment in the context of sustainable development. Rachelson (2010) argues that the concept of sustainable development should be based on the realization that everything that exists in the environment, economic and social aspects are interrelated and dependent each other. Therefore Gasparatos, *et al.* (2007) suggest the need for a holistic approach towards sustainability. They did not elaborate further what methodology should be used, but provides guidance on methodological pluralism combined with stakeholder involvement so hopefully holistic sustainability can be realized. Holistic approach can be achieved by inserting the values of spirituality into the existing economic, social and environmental dimensions (Musyarofah, 2012).

**3. Research Method**

This study is designed using critical paradigm of Habermas theory of communicative action. Habermas argues that mutual communication is a bridge toward consensus or mutual understanding. The theory emphasis on dialogic rather than monologic relationship without pressure, because human action based on reason. Habermas devide concept of human action according to action situation and action orientation.

**Table 1 : Collective Action**

Action orientation /	Oriented to success (system)	Oriented to reaching understanding (lifeworld)
Action situation		
Non social	Instrumental action	---
Social	Strategic action	Communicative action

Source: (Habermas, 1987 : 285)

Instrumental and strategic action arise validity claim to thruth or effectiveness and presuppose only in the objective world. While communicative action seek to reach an understanding regarding the situation within which they pursue their individual plans in one or another “direct “operation on the objective, social or subjective world (Johnson, 1991).

Habermas identify two space which is interconnected in society structure. They are system and lifeworld. System is a media for produce and reproduce material which using instrumental and strategic action. Lifeworld perform a simbolic space which is sharing of cultural tradition, social integration, and normative structure (values and institutions) which are reproduced and transformed through a process of communicative action. The values of life which are expressed by actor in communicative action are variety menurut geographic and temporary (Miller, 1992).

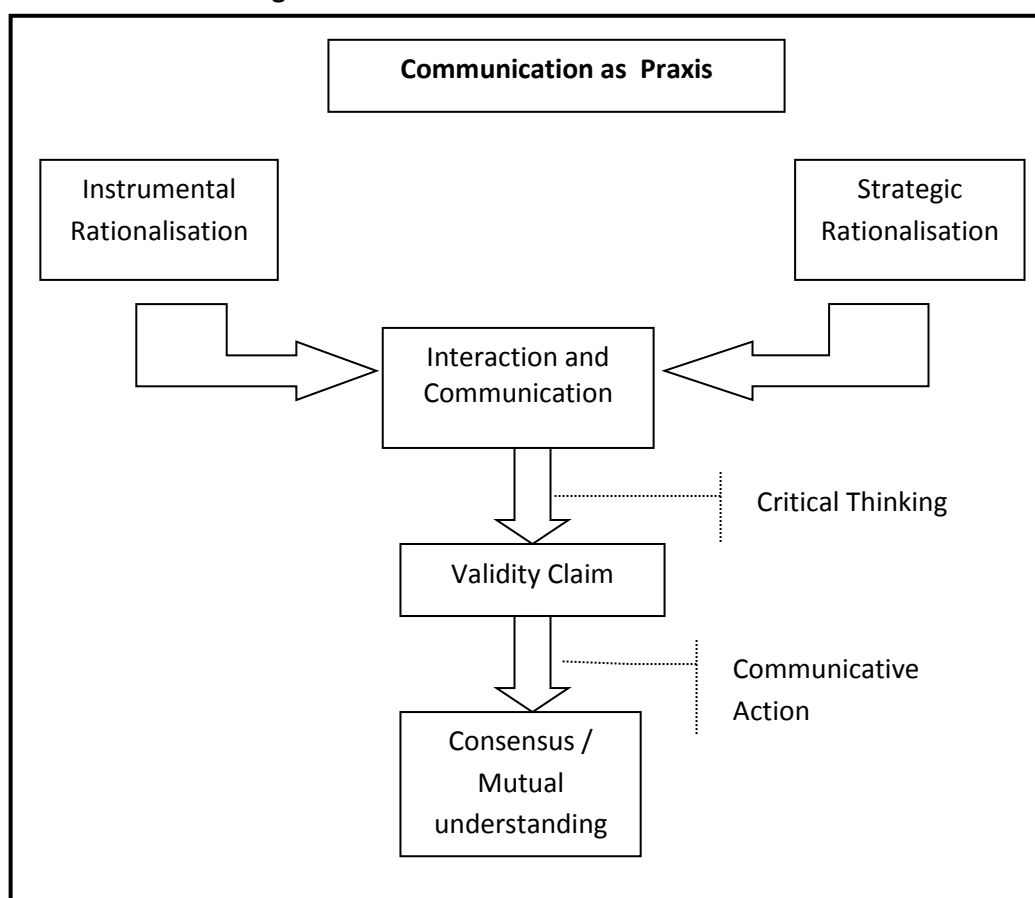
Communiative reason have role to liberate communication from domination, emancipate and open communication. Reason, in this case including emancipation and remove barriers of communication. There are two causes of distorted communication, namely: 1) the master slave dialectic, that is because dialog is not based on power relationship symmetrically, and 2) Psychoanalytic analogy, a condition in which a person feels depressed due to suppression so that communiation can’t accessed (Morrow and Brown, 1994). The basis of communicative action is creating ideal speech

situation when power and money don't decide which arguments be a winner. Freire argues that objectives of communication (cited in Isaacs, 2002) are :

1. Reduce the conflicts and understand the ideas
2. Possibility someone mastering the complex system of reality effectively and reduce unexpected consequences.
3. Improve the technic of linguistic
4. Explain and define what is the mean of life

Communicative action theory require validity claim to reach consensus or mutual understanding. Habermas state that validity claim for communicative action consist of *comprehensibility, truth, sincerity, dan rightness*. The model of communication action could be drawn in this figure below:

**Figure 1 : The Model of CommunicativeAction**



The figure show the reality about performance reporting, in this case is annual report at Trunojoyo University (TU). Annual report as form of accountability to stakeholders, so that it should communicate to them. The sustainability reporting is often related to the thingking of stakeholders and creation of two way symmetrical communication (Juholin, 2004). So that the annual report should be meet stakeholders expectation and as result of their consensus. However, in the practice that power domination strongly influence the nature of agreement and reporting practice. The powerful players will demand access to all information they want, while those in less powerful players have receive report whatever is available to them (Georgakopoulos and Ian, 2008).

This object of study is at Trunojoyo University (TU) as one of public sector in Madura island located in Indonesia. This university was originally a private known as Bangkalan University (BU) and have change be state university on 2001th. So the result of this change, Indonesia government should provide all education cost of TU and management of university just focus to develop campus progressively.

TU have something unique to be explored for campus development, they are spiritual, cultural and feudalism values. One of the campus programs is cooperation with boarding school through scholarship program because it is the conviction that campus development can not leave spiritual values. TU also have an area that still look natural, so the construction of the campus should consider the balance of nature and cultural. It is the commitment of higher education to sustainable development.

#### 4. The Findings

##### 4.1. Instrumental Rationalisation: Financial Statement and LAKIP as domination of Government in Money and Power Context

The ministry of education and cultural (MEC) as representative of Indonesia government have a central role in education management. Education system are already exist always change continuously for producing alumni whom response to new era. The change of educational system is not right if only focus on the current generation, but also the next generation. The government realize that for managing higher education need a lot of funds, so that universities need to develop principles to create a dynamic management system with high accountability.

One of regulation governing the accountability forms was issued by MEC, that is (SK No.184/u/2001 ) about guidance of supervision and control for diploma, undergraduate and post graduate program purpose to meet accountability need, not only to the government but also to public.

The legislation includes several aspects such as master plan development, strategic planning, curriculum, education personnel, student, infrastructure, research and service, cooperation, administration and funding program, and reporting of learning process. This have consequences for HE (private and public sector) to make report to government about the some aspects in every semester. It is actually to protect the public from unfair practices in HE. Further, public universities have obligation to report annual report in form of financial statement and performance statement (LAKIP). These practices actually to show that government as a representative of public demand accountability from universities for fund entrusted to them, but accountability practice currently more oriented to government. Shearer (2002) argue that *"broader accountability rests on the idea that accountability should start with the other rather than with the self. The ultimate aim of accountability is to measure up to the demands of the other, and this ethical requirement should guide the reconstruction of formal systems of accounting"* . He suggests that an adequate form of accountability in this context is reporting for social and environment aspect that known sustainability reporting.

Financial statement for the public universities is embodiment of accountability to government, as well as accountability statement of government performance (LAKIP). The government in this case as representative of public or society, while they can not access this information. This show that there are power of money by government as fund supplier to conduct domination of accountability mechanism. Habermas consider this situation as *steering media*, they are money and power. It's mean that money and power force public universities have to account to government only. So that, in the realities financial statement focus on spending fund allocation and ignore effectiveness.

Habermas view this accounting system have instrumental dimension which oriented to success, so that ignore lifeworld where the system is working (Habermas, 1987). The situation could be minimized if society were also given the opportunity to monitor the use of fund by universities. So far, there are not a lot of universities publish their financial statement as practices abroad, because the universities are not ready to receive critics.

#### 4.2. Strategic Rationalisation: The Shift of Accountability Paradigm as a consequences Organizational Change

Strategic rationalisation is an action reason that faced on social situation and oriented to success, where this situation could show external reporting practice in TU. When TU as private university and the donatur is a foundation in this case Kyai Lemah Duwur Foundation so the external reporting addressed to the chairman of the foundation as a principal in agency relationship.

The history of nationalization process begin with the fall of new order regime (ORDE BARU) which influence to financial distress of TU because the chairman of foundation known to be closed to the current government. The other impacts are decrease in performance they are total amount of student, research publication, and reputation. Under the situation so the chairman of foundation recommend to management of university to propose be a state university to the Indonesia government. Despite of there are rejection in the internal of foundation members, but the most of faculties, staffs and students approve the plan.

The accountability mechanism before 2001 th focuse to the foundation, as well as management of university view that the organisational sustainability focuse to financial (economic) purely. The financial reporting mechanism to the foundation more strightly, because they demand controller and external auditor to examine financial statement every three months. Accounting system is more detail and have calculation how much money do subside for a student. The system is useful for the foundation to make financial decisions.

Organisational change (from private to state university) have impact to campus programs which TU can implement programs more flexible than before, because university did not have to think about source of funding. **Mr. GHP** (as vice of dean in financial and human resources field) state that :

*“There is significant differences between Trunojoyo University (TU as state) and Bangkalan University (BU as private), currently there are enough money to implement all our program, otherwise BU have limited funding so that program can not be implemented.”*

The statement explain that BU view sustainability concept more focuse to economic aspect. The program as form of public accountability would be hampered when face with financial problems. Then we can conclude that there are change of organisational sustainability concept from economic aspect (material) to environmental, social and spiritual aspect. Thus accountability mechanism also have consequences to holistic accountability (material and spiritual accountability). We summary relationship between organisational change, organisational mechanism and sustainability concept on the table below:

**Table 2 :**  
**Organisational change, Accountability mechanism and Sustainability Concept**

No	Description	Organisational Change	
		Bangkalan University	Trunojoyo University (TU)

		<b>(BU)</b>	
1	Status	Private	State
2	Accountability mechanism	Material accountability to the foundation	Holistic accountability : - Material : government and society - Spiritual : God
3	Sustainability concept	Oriented to economic aspect (financial)	Oriented to holistic sustainability: economic, environmental, social and spiritual.

Accountability mechanism have some elements, they are production of information, auditing, publication and punishment to mistatement of information (Perks, 1993). Production of information is effort from agent to make a report that show performance achievement. In this case, TU have produced financial statement and as accountability statement of government performance (LAKIP) annually. Financial statement is audited by BPK and LAKIP examine by DIKTI. The information should be published to the stakeholders, but in this study the information just could be access by government as principal (fund supplier). If accountability have been seen in financial perspective, so it is less meaningfull because only focuse to input and output. Then obligation to make financial statement is form of material accountability which oriented to surplus and deficit of budget, not to how do the program do effectively.

Economic aspect in financial statement of Trunojoyo University (2011) show indicator of sustainability by GRI as shown in this table below.

**Table 3 : Adjustment Metric of Financial Statement and GRI G3.1**

Economic	Aspect	Indicator	Financial Statement of TU (2011)
	Economic Performance	Direct economic value generated and distributed, <b>(EC1)</b>	Explanation of Budget Realisation Statement point revenue and expense
	Economic Performance	Significant financial assistance received from government. <b>(EC4)</b>	Explanation of Budget Realisation Statement point revenue and expense
	Market Presence	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation <b>(EC5)</b>	Explanation of Budget Realisation Statement point salary expense

The table show that only three of nine indicator's GRI that coverage in financial statement of Trunojoyo University 2011. The statement representative economic dimension to meet higher education sustainability. While adjustment metric in LAKIP with GRI show there are five of eighty four indicator's GRI.

#### **4.3. Synergy of Sustainability Concept as Missing Link Solution Through Communicative Action**



There were differences of perception about sustainability between internal and external stakeholders. However, the differences could be unified in communiative action. In this study, communicative action don't do in dialog interactively, but through in depth interview. Justification to meet validity claim (*comprehensibility, truth, rightness and sincerity*) have done with indepth interview to the informants about concept of sustainable development and then confirm to the other informant.

The findings of sustainability concept and the dimension as informant opinion as follow.

**Table 4. Sustainability concept and the dimension**

<b>Sustainability concept is understood by informant as :</b>	<b>Sustainability Dimension</b>
- Sustainability of HE as entity	- <i>Continuous improvement process</i> - Accreditation Standard of HE
- The Role of HE in sustainable development	- Economic, environmental, social and spiritual

There are two concept to understand about sustainability, *the first* sustainability of HE as entity, this concept view that to be sustain so HE have to do continuous improvement process and then the aspects should be improved like dimension of national standard of education (curriculum, human resources, facilities, governance, graduation and so on), *second* sustainability as role of HE in sustainable development context, this have consequence that HE could participate in sustainable development and the sustainable dimension are more complicated (economic, environmental, social and spiritual).

HE as agent of change so they have to change paradigm of development through education role to public. Development is not only about exploitation of resources to meet human need, but also reserve environmental. UNESCO state that : "*Education is also the means for disseminating knowledge and developing skills, for bringing about desired changes in behaviours, values and lifestyles, and for promoting public support for the continuing and fundamental changes that will be required if humanity is to alter its course, leaving the familiar path that is leading towards growing difficulties and possible catastrophe, and starting the uphill climb towards sustainability. Education, in short, is humanity's best hope and most effective means in the quest to achieve sustainable development (UNESCO, 1997).*"

We are optimistic that successful of sustainable development could be done in education field through distribution of science and development of skill so there are change of behaviour, values and style of life to save the nature. ULSF publication state that there are many ways for HE to participate in sustainable development, they are management, planning, development, education, research, operation, service, procurement, transportation, design, and construction (ULSF, 1999).

### **3.4. The need for Sustainability Reporting to meet Holistic Holistic Accountability**

Information have important role to communicate and keep the relationship between higher education and their stakeholders, so HE should supply information to meet their stakeholder interest. The stakeholder realize that information are not only financial statement, but also information that give contribution to them to make decision

TU also supply information in website that is more general, but practically their stakeholder need another information like statement of **KSJ** (director of accounting department) as below:

*“The information which should be provided to public beside financial statement is about activity of HE ....success or not, and reporting not only incidental for promotion, but along period and HE could produce sustainability reporting like corporation”.*

The statement show that HE should produce information like corporation, in this case sustainability reporting (SR) that meet program and activity.

**AL** (as practitioner of Sustainability Reporting) support that HE should produce information about economic, social and environmental aspects, so it need sustainability governance and traditional accountability is not enough to meet public accountability.

The other opinion from **IS** (secretary of DIKTI) state that:

*“accountability have done by HE is formally to government through financial statement, but HE also should accountable to society, student, government, industry, and other stakeholders especially accountable to GOD. For the future HE should produce sustainability reporting”.*

The statements show that stakeholders hope that HE will accountable not only to the government as fund supplier, but also to society around campus, and more important is accountable to God as holistic accountability, vertically to God and horizontally to environmental, society and the other stakeholders.

## 5. Conclusion

The discourse of accountability is not going to be endless, because it involves two parties, namely principal and agent. Mutual trust would be happened if there was no distortion of communication between both parties. Communication distortion arises when each party is more concerned with his personal interests as a form of rationality purposive. It leads to the achievement of efficiency and effectiveness systematically that ignore humans as part of the lifeworld that are laden with social values. Habermas's theory of communicative action provide solutions that takes communication as praxis towards mutual understanding to bridge the intended rationality. Therefore this section is actually not the final termination of a mission to build accountability of higher education through the construction of sustainability reporting, but only as a future layoffs to cover the possibility of improvement.

External reporting paradigm that had led to the decision usefulness of benefits for the sake of economic decision making, theoretically according to Coy, *et al.* (2001) has been progressing towards a paradigm-oriented accountability mechanisms as a form of accountability to all stakeholders. It is considered to be very adequate for the first public sector organizations engaged in educational services, due to the external reporting is not just for the sake of economic decision-making, but also social and political.

Public sector organizations are very vulnerable to the fulfillment of accountability to the public, but the public is in fact being represented by Government at this time, it is still a big question mark. Practice of public accountability for universities in Indonesia has been regulated in UU No.12 Tahun 2012 about Higher Education, which accountability by HE done through the publication of annual reports both academic and non-academic reports. Academic performance reports be reported to the government in the form of PDPT (Pangkalan Data Perguruan Tinggi), while the non-academic reports such as financial statements and performance reports for state universities (LAKIP). The

report is binding or mandatory as the embodiment of instrumental rationalization which focus on the fulfillment of strategic plan of government. Practically, it indicates that only the government can obtain this information directly, because the government as the regulator has the power to demand accountability from HE, it demonstrates the power and money dominate the form of accountability in state university. As a result, the financial statements only indicate the condition of the deficit and surplus absorption budget allocation by ignoring the effectiveness of the use of the budget. This is what is called by Habermas that the accounting system as an instrumental rationalization that only successful by ignoring lifeworld oriented where the system is working (Habermas, 1987). Similarly, accreditation instruments only an instrument that is an all-in-one (generic) and is unable to accommodate the values of the locality in which the PT was being developed.

Actually representative of Higher Education realize that accountability is limited to the reporting of financial information and performance reports are not enough, the next needed sustainability reporting. The concept of accountability is based on the findings of the study indicate a shift in orientation as the organizational changes that occurred at the Trunojoyo University (TU), when still existed as a private known as Bangkalan University (BU), so the accountability more concentrated on financial and the dimensions of sustainability only assessed to the economic aspect. Instead, after the change of state universities, the broader concept of accountability is accountability assessed not only be material to the government as fund supplier, but also the community and other stakeholders, especially the vertical accountability to God known as holistic accountability. This have consequences for the sustainability dimension of universities that are considered multi-face economic, environmental, social and spiritual.

Demand of accountability would influence to form of information presented by universities. Awareness of the need for sustainability-based information has exceeded during the information presented by universities that not only focus on the financial aspects, but also other aspects. However, the understanding of sustainability concept itself should be an agreement between information providers and users of information. The concept of sustainability is based on the findings indicate: 1) sustainability is understood as sustainability organization as an entity through a continuous improvement process, and 2) sustainability is understood as the role of universities in sustainable development. The main foundation for sustainability of HE rests on the concept of sustainable development, where HE can play an active role through *Tridarma perguruan tinggi* : education, research and community service in order to create economic sustainability, environmental, social, cultural and spiritual. This is in line with the Weenen (2000), that the primary concern of PT can be realized through better engagement at the operational level and at the level of the commitment set out in the vision and mission of the organization. Continuous process improvement while referring to the technical mechanism shows how continuous improvement is done in order to maintain the sustainability of the organization is always directed towards the achievement of sustainable university (SU).

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