

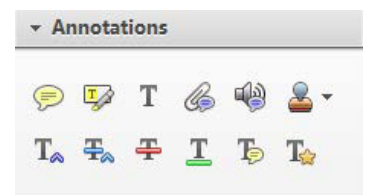
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Swimming in a sea of uncertainty – business, governance and the coronavirus (COVID-19) pandemic

Business,
governance
and the
coronavirus

AQ:1

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AQ:2

Received 26 July 2020
Revised 30 July 2020
Accepted 24 August 2020

Abstract

Purpose – The purpose of this paper is to examine accounting-related issues that have emerged during the coronavirus (COVID-19) pandemic.

Design/methodology/approach – The discussion is based on personal experience and observation of events and media reports in the UK, the USA and New Zealand.

Findings – Many problems that have emerged have varied owing to differences in the national governance of each country regarding the emphasis their governments and businesses have placed on short-run financialisation policies; the comprehensiveness of their information and control systems; their leadership and whether their discourse accords with events and expert advice; their degree of accountability and concern for public wellness; and the need to consider new taxation policies to meet the costs of the pandemic.

Research limitations/implications – This paper is based on personal observations owing to the restrictions on research access during the pandemic, and thus it reflects the author's political opinions and beliefs.

Practical implications – This paper outlines areas where accounting could and has addressed the issues examined and recommends greater adoption globally of policies and systems designed to meet the United Nation's sustainable development goals.

Social implications – The social implications are vast for they extend to major issues concerning preserving the planet, its species, humankind and enhanced democratic processes for civil society and developing countries.

AQ: 3 **Originality/value** – This lies in the eyes of the beholder.

Keywords Accountability and responsibility, USA, UK, New Zealand, Coronavirus

Paper type Viewpoint

Introduction

I have always maintained that to understand an organisation and the environment it operates in, one must question and observe its members' behaviour and hence derive conclusions bottom up. But in a coronavirus lockdown this is either impossible, difficult, illegal or potentially dangerous to health. Also, I have been contemptuous of journalists with opinion columns who, presumably short of copy, rely on fleeting personal contacts or armchair opinions to formulate sweeping statements on current events. My advice to researchers has been to avoid current issues in the media and popular concern for once a publication ensues, interest in the topic may have receded, or the issues are resolved, or transpired to be unimportant. The prediction business is fraught with dangers for academics, for their pronouncements remain on record and can come back to haunt them. Thus, this paper comes with caveats and breaks my previous rules. My observations are



Journal of Accounting &
Organizational Change
© Emerald Publishing Limited
1832-5912
DOI 10.1108/JAOC-07-2020-0091

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based on my experiences during the first six months of 2020 when situated in New Zealand, which has so far been spectacularly successful in dealing with the crisis, and thereafter at home in the UK, where its government has spectacularly failed, like its populist counterpart in the USA. These experiences have been supplemented, like many others seeking to track the crisis, by reports on the BBC, CNN, TV New Zealand and Al Jazeera TV channels and in newspapers, especially the UK *Guardian* and the US *New York Times*. Given the concerns detailed previously, this paper reproduces personal understandings and reflection gleaned from sources open to many other citizens. They are undoubtedly influenced by my cognitive biases and political prejudices.

Several themes have emerged from the crisis according to my observations, namely, the problems emerging from short-run financialisation policies of governments and businesses; the need for information and control systems that embrace a wide spectrum of functions; the importance of effective leadership promoting a discourse that accords with events and expert advice; accountability and concern for public wellness; and the need to consider new taxation policies to meet the costs of the pandemic.

Financialisation of policy, public health and survival

The first theme concerns the effects of the obsession with short-term financial efficiency and cost minimisation in the business and government sectors over the past four decades. This has left many countries, especially the UK, and many businesses bereft of resources, structures and agencies that can cope with exceptional adverse circumstances. Contemporary accounting and finance have played a central role in influencing both sectors. Economic theories emphasising the value of sub-contracting and assigning risk to “employees”, evaluating companies by short-term criteria of profitability and dividends and slashing government services to finance tax cuts has left countries and firms following these strictures bereft of means to respond. The lesson of systems theory is that the major management control issue is responsiveness to environmental disturbances, and ultimately to survive, an ideal now held by many citizens fearful of infection. Being wealthy but dead has few attractions.

The coronavirus has not been unexpected, but the predictions and warnings of medical experts were spurned by many, including the UK and USA Governments. Consequently, businesses and governments without substantial financial reserves set aside for “a rainy day” lack resources to cope with crises. Having stripped out departments serving needs not immediately missed but were established to deal with possible crises or having denuded them of resources, often to finance tax cuts, they lack the requisite variety and flexibility to cope with crises. What might at first glance appeared to be “organisational slack” is sorely missed then. What is necessary may not always operate at 100% capacity. For example, unlike New Zealand, the UK Central Government has slashed local government finance, leading to reduced and straightened local public health departments, which has hindered developing test and tracing activities, especially by experienced teams knowledgeable of their locality. Moreover, in the private sector, rendering former employees and those in the gig economy as independent entrepreneurs has created a class of persons rendered acutely poor when economies are in shutdown. So much contemporary practice has assumed environmental predictability and stability. For example, just-in-time systems remove inventories that can buffer shocks. They operate on the assumption of predictable, regular supplies across unfettered borders. The changed circumstances may encourage more local and sometimes in-house supply chains. Whatever, financialisation policies, reinforced by conventional accounting confined to short-run and financial matters, can become an end

rather than a means of furthering public well-being, especially when unexpected shocks occur. Hence the need to rethink the basis of accounting systems, as discussed later.

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Pulling all the levers of control

Currently, we lack data and studies of how businesses have responded to the crisis and its effectiveness. This is still work in progress. A personal surprise has been how the public and many businesses (though clearly not all) have followed public health advice and exercised caution about returning to work and trading, despite sometimes contrasting government advice, insofar it has been coherent in the UK and USA. Obviously faced by a financial crisis threatening their survival, firms need good conventional financial diagnostic analyses to guide their responses. Decisions on who, what and where to cut and develop are vital but hard. However, management control issues are especially complex and difficult. Dealing with a crisis requires quick decisive central leadership that can co-ordinate decentralised operations based on real-time reliable data. In a small firm, this may be achievable centrally but in larger more complex organisations the centre must constantly re-adjust strategies, as its environment changes and liaise with decentralised departments empowered to quickly respond to local circumstances within the strategy set or, if not, then there are opportunities for dialogue across and within hierarchical levels on resetting the strategy. That is, organisations need to be interactive across hierarchical levels. Diagnostic systems providing financial analyses may deal with short-term problems, but interactive systems are needed to develop emergent strategies. Highly flexible budgeting is likely to be an essential means of achieving this. This requires skilled and committed employees who are informed and involved and recognise threats to their organisation's survival, i.e. the belief systems propagated must support the intrinsic motivation of employees, and the organisation's rules and regulations must clearly determine the boundaries of their roles. Businesses able to do this may be less likely to fail. In summary, organisations need skilled management able to exercise all four levers of Simons (1994) delineation of different control systems, i.e. diagnostic, interactive, beliefs and boundary. Preparing accounting and business studies students for this through a pedagogy that emphasises not only technical skills but also problem-solving, interpersonal relations and multi-disciplinarity, long sought by many teachers and businesses, has become even more pressing.

The USA and UK Governments have been unable to effectively control the pandemic. In the USA, the president and the Republican Party leadership have not provided any coherent strategy or national co-ordination. The leadership vacuum has to some degree been mitigated by state governments with powers to respond to the crisis, which some have done, albeit very differently, with varying degrees of success and failure. In contrast, the UK response has been highly centralised, albeit by a government unable to formulate or effectively communicate coherent strategies. Until recently, they were unwilling to supply infection data to, or involve, under-resourced local governments' public health departments with expertise lies in controlling infections in their area. Some delegations of powers to control the pandemic are now being passed to local governments but many are on the verge of bankruptcy following the central government's decade long policies of austerity. The UK and USA Governments' growing shift of responsibility (but not resources) to a local level, should aid identifying specific clusters of infections, testing and tracing and quarantining at an operational level, but the suspicion is that it owes more to seeking to shift accountability from the centre to the periphery, in anticipation of inevitable future political blame games. Both governments have failed to centrally co-ordinate and resource, within clear strategies, the activities of local agencies dealing with infections on the ground. In the UK, there has

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been over-centralisation, whereas in the USA, effective centralised direction has been lacking.

In contrast, the New Zealand Government, whose government debt is relatively modest, acted quickly and decisively with a clearly articulated strategy of not merely to control but to eliminate the virus from its shores. The initial lockdown was severe, monitored, test-and-tracing systems quickly established throughout the country and borders quickly closed to non-New Zealand citizens. For example, in Whakatane, a small town of 15,000 people, near where we temporarily resided, a drive-in testing station was established by late March. The result was data on infections that had laser-like precision, enabling local teams to act immediately on individual cases, unlike the UK and USA, that had only general aggregated data and hence could only rely on lockdowns, strictures on washing hands and maintaining social distancing and, after contradictory messages, pleas for the public to wear masks. The moral for all organisations is the importance of capable leadership that is willing to use and make public data from reliable, speedy and detailed management information systems. The devil lies in the detail, linking a strategy to actual operations backed up by comprehensive information systems, something the UK and USA Governments have been unable or unwilling to do, unlike their New Zealand counterpart. The New Zealand Government has managed to pull all four levers of Simon's control model, unlike the USA and UK Governments.

Leadership and discourse

Thus, leadership has proven vital. This includes constructing narratives through discourse, reliance on experts, clear messaging, accountability and creating trust. A feature of the UK and USA Government's responses has been their determination to discursively control the narrative, with scant regard for expert opinions or empirical data. Disparagement of "experts" has been a feature of their rise to power, e.g. in the UK, the lies about Brexit, and in the USA, the litany of Trump's lies make Pinocchio look snub-nosed – his advice to drink bleach was a waterstone of scientific ignorance. Both sets of leaders initially responded to the crisis by denial and have subsequently prioritised returning to "normality" and the economy (not irrelevant issues) more speedily than public health officials advice. Both have tried to manipulate opinion in public addresses that restrict access to experts who may dispute over-optimistic or misleading claims and by manipulating or restricting information. This has promoted public division, scepticism and scorn, confusion, bewilderment and satire, and in some quarters, an unwillingness to follow medical and/or government advice. In both countries, media propaganda has maintained this facade: in the USA via Murdoch's Fox news TV channel, and in the UK, through tabloid newspapers such as *Murdoch's Sun*, the *Daily Mail* and the *Daily Express*.

In contrast, the New Zealand Premier accompanied by its senior public health official, consistently and regularly, gave public reports on the crisis with accurate and reliable data and detailed clear and unambiguous operational and policy responses. Throughout, they have emphasised national unity, have been empathetic but firm and have been frank and open in disclosing information and impending dangers and difficulties. This may have been aided by New Zealand lacking the propaganda media channels that have infected the UK and USA and the long tradition of "experts" being prominent in broadcasting and policy circles. Nevertheless, the result of accurate and informed reporting and government communication by leaders and the media has been widespread support and compliance by New Zealand citizens, unlike in the UK and USA.

Symbolic but material gestures are important means of garnering public support, especially in an era of growing inequalities in wealth distribution. In New Zealand, the prime

minister, ministers, chief executives of public sector organisations and the leader of the opposition voluntarily took 20% pay cuts early in the initial lockdown. Such gestures have been lacking in the USA and UK Governments and business circles. The effect of this on their finances may be negligible, but symbolically, it gives an image of shared pain to citizens and employees facing deteriorating economic circumstances. Senior executives of large corporations, already enjoying stellar salaries, might heed salary cuts, ideally for ethical and egalitarian reasons but also for pragmatic ones, if they seek employee co-operation and commitment to dealing with the impending difficult circumstances. Will partners of firms in the accounting industry reduce their salaries and bonuses to say help reduce auditing costs of beleaguered clients?

Accountability, priorities and engendering trust

There have been national differences in accountability, which has affected public trust and commitment to government guidelines. In the UK, the government's failure to sanction its chief advisor when he broke lockdown rules after travelling the length of England with his family when infected and later drove to a popular beauty spot to test his eyesight, brought public scorn. Other citizens had been prosecuted and fined for lesser violations, and the government had dismissed a science professor advising the government (unpaid) after an unexpected but prohibited visit to his home by his girlfriend. Widespread beliefs about the government having double standards has dissipated public solidarity and adherence to government health guidelines. There has been a similar lack of accountability by the USA president so often that it does not warrant illustration. This, coupled to the politicisation of public health advice for electoral purposes, has contributed to public scepticism and opposition to following sound medical advice, with disastrous consequences.

In contrast, the New Zealand prime minister initially demoted and later dismissed her health minister for driving his family to the beach early in the initial lockdown in defiance of social distancing rules. She made the military responsible for auditing and overseeing quarantine arrangements for New Zealanders returning from overseas after several breaches of quarantine. Throughout, and based on personal observation, adherence to the guidelines was closely monitored by the police. Violations could bring large fines or even imprisonment. Someone evading quarantine after returning from abroad could be immediately deported. In summary, individual accountability was monitored and breaches sanctioned, which has had widespread public support, unlike in the UK and USA. Perceptions of equity reinforced by an effective, complete and legally enforced control system with sanctions that does not exclude political leaders, have contributed to New Zealand's current success in containing the epidemic, something that has eluded the UK and USA governments.

The crisis has revealed the limitations of political strategies that defy experts and scientific facts. Hopefully, we are witnessing the decline of populist politics experienced in countries such as Brazil, the USA and the UK, whose leaders' support have declined, according to opinion polls. How different countries have reacted chrysalises diverging national policy options. Is economic growth or wellness the major goal? There have long been debates about the validity of cost-benefit analyses involving loss of lives, which has implicitly been reproduced in debates during the crisis. A personal surprise based on my experiences has been how many businesses, whether for ethical and/or self-preservation and/or commercial reasons have shown more concern for public safety than the UK and USA Governments, insofar as any overall government strategy is discernible. From the start of the crisis, the latter governments have appeared to prioritise economic factors and propagate unfounded optimism.

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In contrast, the New Zealand Government has emphasised public health. It will be interesting to examine whether initiatives such as its “wellness budgeting”, introduced in 2019, will gain popular support and spread beyond the few countries currently using it. Here, rather than prioritising economic growth and focussing on short-term output measures the emphasis is on the long-term impact of policies on the quality of people’s lives. New Zealand’s first wellness budgeting exercise has had five priorities: aiding the transition to a sustainable and low-emissions economy; supporting a thriving nation in the digital age, lifting Maori and Pacific incomes, skills and opportunities; reducing child poverty; and supporting mental health for all New Zealanders. As the pandemic grows, questioning of the financialisation of public policy may increase and turn to issues of wellness. The sadness is the neglect of such issues in accounting education, whether by accounting firms or universities. Accounting reporting and management control systems and accounting research and teaching needs to focus less on market-based actions and commercial ends and more on sustainability issues, ethical considerations and social and environmental reporting. Accounting needs to be not only based on ecological factors but all the United Nation’s sustainable development goals, such as gender equality and the quality of working life ([Hopper, 2019](#)).

Dealing with the economic ramifications

The government debts incurred to protect businesses, and those unable to work under lockdowns or are unemployed, and to maintain public health, will need repayment. Such support cannot be sustained indefinitely. The repayments may commence when incomes remain squeezed, unemployment is high, and many businesses are struggling. Taxes will have to rise in potentially volatile political situations, not least regarding who should carry the burden. No doubt advocates of “trickle down” economics will continue to proclaim such policies, despite their previous failure to increase incomes of those other than the rich. There will be pressure and good reasons for generating increased government revenue. A major untapped source is the abolishment of tax havens and tax avoidance schemes used by individuals and multinational corporations. Given the accounting industry’s complicity in promoting such schemes, sadly, it is unlikely it will promote such reforms or offer effective advice and practices in the public rather than private interests, including those of accounting firms and their partners. They are part of the problem not the solution.

My observation is that academics, especially scientists, have been more prominent than normal in media channels during the pandemic. Despite governments’ attempts, especially in the UK and the USA, to discursively create narratives inconsistent with expert opinions and events on the ground, backed by false information propagated on social media, when these cover tangible, popularly experienced events, then science often wins in the court of public opinion, though this is a constant struggle. If academic accountants fail to advocate the need for and provide means of eliminating these taxation abuses, often collaborating with advocacy non-governmental organisations such as the Tax Justice Network, then who else has the expertise to do this? Given the vacuum of leadership from politicians, the accounting industry and sections of the media in this field, and the power of private interests to shape taxation policies, then academia is one of the few sources of advice and factual information open to the public and can serve the public interest. As the economic impact of the crisis unfolds, the public and the media will pay greater attention to economic and commercial matters and accounting, finance and economic experts may face similar challenges to those experienced by scientists. Accounting academics need to be prepared to comment on and help citizens to deconstruct unreliable government discourses and to point

them to truthful sources of reporting and research and more fruitful financial reporting and taxation systems.

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Conclusions

The sadness of the pandemic is that in many countries better governance, aided by effective information and control systems, could have drastically reduced infections and death rates, as is evident in more successful countries. Whether or not the lessons learned will trigger more egalitarian policies consistent with the United Nation's sustainable development goals nationally and globally is an open question. I hope so. The causes of the pandemic lie in humankind's exploitation of the earth's resources unsustainably and regarding itself as distinct from, rather than part of, nature. To finish, I make one prediction. While coping with the current pandemic is obviously vital, in the medium-term, it will fade into insignificance, given the need to cope with the impending global disasters emanating from climate change.

AQ: 4 The pandemic is merely an illustration of humans' abuse of nature.

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