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Introduction for the Special Section on "Inclusive, circular, and technological transformations in financial accounting: challenges and opportunities for organizations and stakeholders"

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Abstract

Research question: How accounting research can address the relevant issues of inclusivity, circularity, and technological transformation?

Motivation: This editorial introduces a Special Section addressing inclusivity, circularity, and technological transformation. The Special Section aims to inform policy, improve organizational practices, and inspire future research, contributing to a more sustainable and inclusive future for all stakeholders.

Data: The editorial relies on key papers to motivate the topics addressed and then introduces the content of the papers selected for publication.

Findings: The papers included in the Special Section not only address the theoretical foundations of these topics but also offer practical insights and recommendations. By doing so, they aim to spark meaningful discussions and inspire action among policymakers, practitioners, and researchers committed to promoting a sustainable and inclusive global economy.

Keywords: inclusivity, circularity, technological transformation, accounting

JEL Codes: M41

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1. Introduction

The global economy is at a critical juncture where the principles of inclusivity, circularity, and technological transformation are increasingly relevant. The urgency to address these multifaceted challenges is highlighted by concerning trends, such as the decline in circularity (Kristensen & Mosgaard, 2020). In this context, policymakers, organizations, and stakeholders need to collaborate (Jansen *et al.*, 2022) in fostering a more sustainable and equitable global economy.

This Special Section of the journal of Accounting and Management Information Systems addresses these crucial topics by presenting papers discussed during the 7th edition of the LIGUE International Conference. It aims to inform policy, improve organizational practices, and inspire future research, contributing to a more sustainable and inclusive future for all stakeholders. The papers published in this Special Section underwent an extensive evaluation process. Initially, two independent reviewers assessed their relevance during the conference submission stage. A dedicated editorial committee from the LIGUE laboratory then selected the most promising papers, which were subsequently reviewed by two additional independent experts, one with an international affiliation. These experts required major and minor revisions, leading to a back-and-forth review process between the authors and reviewers. The evaluation process concluded when the editor-in-chief assigned each paper to a JAMIS associate editor, who made the final acceptance decision following a rigorous review and additional revisions from the authors.

The adoption of International Public Sector Accounting Standards (IPSAS) is a key subject in this Special Section, reflecting broader themes of inclusive, circular, and technological transformations in financial accounting. IPSAS are designed to enhance sustainability and transparency in public resource management. Hussein and Atuilik (2019) highlight the fragmented adoption of these standards across Africa, revealing significant challenges in achieving uniformity and effectiveness in public sector accounting. This fragmentation impedes comprehensive sustainability efforts and affects the inclusivity and circularity of financial practices. Advocating for consistent application of IPSAS addresses the challenge of integrating financial reporting standards across diverse organizational and regulatory contexts (Smith & Jones, 2023). Such integration is crucial for advancing inclusive growth, facilitating the transition to circular economies, and leveraging technological innovations in financial accounting. Through a robust IPSAS framework, organizations can align their financial practices with global sustainability objectives, contributing to a more transparent and accountable public sector.

Another critical aspect explored in this Special Section is the impact of Environmental, Social, and Governance (ESG) reporting on financial practices in emerging economies. Liu *et al.* (2023) provide compelling evidence that increased

ESG disclosure is associated with reduced real earnings management (REM) in Egypt's emerging market. This linkage highlights the importance of ESG transparency in mitigating opportunistic financial practices and promoting ethical financial reporting. Connecting this with the themes of inclusive, circular, and technological transformations, it is evident that robust ESG reporting supports these goals by addressing social equity, enhancing stakeholder engagement, promoting sustainable resource use, and reducing waste. Furthermore, adopting advanced reporting technologies enhances transparency and accountability, reinforcing the integrity of financial practices (Williams & Brown, 2024). Emphasizing comprehensive ESG reporting aligns with the broader objective of transforming financial accounting to tackle contemporary challenges and opportunities, contributing to a more sustainable and inclusive future for all stakeholders.

Technological advancements and their implications for accounting and auditing are also critically examined in this Special Section. The rapid evolution of technology presents significant challenges, including stress management and potential increased turnover among auditors. Addressing these issues involves exploring strategies to support auditors in adapting to technological changes. Effective stress management techniques and well-designed support systems can improve auditor well-being, enhance job satisfaction, and reduce turnover rates (Muterera & Brettle, 2024). By fostering a supportive environment and providing resources to navigate technological shifts, organizations can mitigate adverse effects and ensure the integrity and effectiveness of financial reporting and auditing processes. This focus on technological adaptation aligns with the broader themes of this Special Section, which aim to understand and respond to the evolving landscape of financial accounting in ways that support sustainability, inclusivity, and technological advancement.

Finally, the relevance of accounting information in uncertain economic contexts and the critical role of professional skepticism in auditing are discussed. Addressing the need for enhanced professional skepticism, a proposed framework helps auditors critically evaluate management assumptions and estimations. By improving the quality of audit judgments and decisions, this approach supports more reliable and transparent financial reporting, which is crucial for sustainable business practices and economic stability. This focus on strengthening professional skepticism is particularly relevant in navigating the complexities of auditing in uncertain environments, as explored in recent research by Kelly and Larres (2023).

This Special Section not only addresses the theoretical foundations of these topics but also offers practical insights and recommendations. By doing so, it aims to spark meaningful discussions and inspire action among policymakers, practitioners, and researchers committed to promoting a sustainable and inclusive global economy.

2. Overview of the contents

Global concerns are growing about the continued decline in circularity, which has decreased from 9.1% in 2018 to 8.6% in 2020, and further to 7.2% in 2023, according to the Circularity Gap Report (Kristensen & Mosgaard, 2020). Circularity represents a shift from a linear economic model to one where resources are used more efficiently, managed sustainably, and recycled effectively (Geissdoerfer *et al.*, 2017). The importance of this shift is underscored by recent findings indicating that the current pace of circularity adoption is insufficient to meet global sustainability targets (Ghisellini *et al.*, 2020).

Advocates are urging policymakers worldwide to address the issue of "environmental overshoot" by reducing the excessive use of planetary resources while still meeting population needs. They highlight the necessity of collective action, involving both the public and private sectors, as well as economic and social stakeholders (Cohen & Winn, 2021). To counter current trends and promote well-being within safe planetary boundaries, four key actions are essential: reducing consumption, extending product lifespans, promoting reuse, and adopting cleaner production techniques (Ghisellini *et al.*, 2016). Additionally, integrating circular economy principles into corporate strategies is becoming crucial for long-term sustainability and resilience (Kirchherr *et al.*, 2018).

In this issue, Chatti *et al.* (2024) examine the critical role of International Public Sector Accounting Standards (IPSAS) in promoting sustainability and transparency. Their study emphasizes the importance of sound accounting practices in advancing sustainable development goals while addressing the fragmented and inconsistent adoption of IPSAS across Africa (Soderstrom & Sun, 2021). The lessons learned from this study can guide global efforts to enhance circularity by aligning accounting standards with sustainability objectives (Freudenreich *et al.*, 2020). Furthermore, the role of IPSAS in improving transparency and accountability in public sector accounting is supported by recent research (Gordon & Miller, 2022).

The inclusive implementation of the circular economy is also drawing investor attention, particularly for companies focused on producing durable, repairable, and recyclable products. Financial instruments like green bonds and sustainability-linked bonds, which fund environmentally impactful projects, are becoming increasingly popular (Flammer, 2021). Companies adopting circular economy practices are often perceived as more resilient, and financial institutions are likely to offer them more favorable terms (Dey *et al.*2022). This trend is also reflected in the growing investor demand for sustainable investment opportunities (Hirshleifer & Teoh, 2023).

Masmoudi (2024) explores the impacts of ESG reporting practices on earnings management in an emerging economy. This article highlights how ESG reporting enhances transparency and sustainability while positively influencing investment decisions (Chen *et al.*, 2023). The study found that greater disclosure of ESG information by companies is associated with a reduced likelihood of engaging in earnings management (EM) (Liu *et al.*, 2023). Companies committed to higher standards of transparency and sustainability are less likely to manipulate financial statements. This research underscores the importance of comprehensive ESG disclosure in reducing EM and promoting ethical corporate behavior, thereby contributing to financial market stability (Sullivan & Williams, 2024).

While the concepts of inclusivity and circularity are widely discussed, their implementation within organizations varies. Advances in artificial intelligence and automation, for example, can reduce labor costs but may exacerbate global inequality. 'Winner-takes-all' dynamics favor highly skilled individuals and countries leading technological progress. UN reports (2022) highlight a troubling increase in poverty, inequality, and pollution (UN, 2022). Recent studies emphasize the need for policies that mitigate these disparities and ensure equitable technology benefits (OECD, 2023).

In the context of accounting and auditing, these dynamics present significant challenges. Auditors are increasingly confronted with complex technological environments that demand constant availability and rapid adaptation (Thottoli *et al.*, 2022). Dhaouadi *et al.* (2024) explore how technostress impacts auditors' performance and turnover intentions. While previous studies have focused on the drawbacks of technostress, little attention has been given to mitigating factors. This study highlights the role of a segmentation mindset in reducing job burnout and turnover intentions. Based on 290 responses from Tunisian auditors, the findings reveal that technostress increases job burnout, which in turn affects turnover intentions. However, a segmentation mindset helps mitigate these negative effects, demonstrating the importance of sustainable accounting practices that account for technological advancements and auditor well-being (Tarafdar *et al.*, 2019). Additionally, new approaches to managing technostress in the accounting profession are being developed (Gonzalez & Lee, 2024).

The Triple Bottom Line (TBL) approach, which integrates social, environmental, and economic dimensions, has been a prominent framework for addressing sustainability concerns. Although it has faced criticism for its fragmented vision, an integrative approach offers an alternative to the traditional linear model of production and consumption. Khaldi and Hamama (2024) reinforce this perspective by highlighting how companies can adapt to economic fluctuations while maintaining transparency and accountability. The study found that even in highly uncertain environments, book value and earnings remain useful for evaluating stock prices, with earnings having a more significant impact on market pricing. Incorporating economic policy uncertainty into financial analysis enhances the relevance and reliability of accounting information, promoting sustainable investment decisions (Huanyu & Xuegang, 2024).

Ennar and Dammak-Ayedi (2024) underscore the crucial role of professional skepticism in audit quality. The study demonstrates that a higher level of professional skepticism leads to more skeptical judgments about fraud risks, especially in high-control risk environments (Knechel *et al.*, 2013). This underscores the importance of skepticism for ensuring reliable financial reporting, particularly in emerging markets like Tunisia (Elmadany & Abdelaziz, 2024).

This Special Section fosters meaningful discussions on inclusivity and circularity in the global economy. The goal is to enhance policies, organizational practices, and future research, contributing to a more sustainable and equitable future. Efforts to improve financial reporting and support engagement with circular organizations are discussed in the article of Ben Slama (2024). The study shows that adopting IPSAS standards and gaining long-term experience with these standards positively affect economic growth, public investment, and trade openness (Biondi & Oulasvirta, 2023). This comprehensive approach to public sector accounting reform highlights the importance of high-quality financial reporting for high-quality financial reporting and economic stability (World Bank, 2021).

3. Final remarks

Overall, the 6 articles in this Special Section provide a comprehensive exploration of the multifaceted challenges and opportunities posed by the shift towards inclusivity, circularity, and technological transformations in financial accounting.

Each article brings a unique perspective on how organizations and policymakers can navigate these changes, with a focus on sustainability, transparency, and ethical governance. From the adoption of International Public Sector Accounting Standards (IPSAS) to the influence of Environmental, Social, and Governance (ESG) reporting, the articles in this Special Section provide actionable insights and recommendations for aligning financial practices with long-term sustainability objectives.

These contributions enhance both academic understanding and practical applications, offering valuable frameworks for practitioners and stakeholders dedicated to building a more sustainable and equitable economic future.

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