
Management Accounting Research: Mainstream versus Alternative Approaches

Cláudio de Araújo Wanderley¹
John Cullen²

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Abstract

This paper presents the results of a research that aimed at analyzing the differences between financial information disclosure practices in the United States (US) and Brazil. The investigation focused on companies of Telecommunications and Consumer Non-Cyclical Industries, traded in the stock exchanges of Brazil (BM&FBOVESPA) and US (NYSE). This descriptive research was based on a qualitative and quantitative approach, comparing the disclosed information of Brazilian companies in the Annual Report submitted to the North American market in Forms 20-F. Among other contributions of this research, that deepens and clarifies some important gaps of the literature, it was observed that the volume and detail of financial information evidenced by companies in Brazil are lower than those reported in the US in all analysed aspects. More than this, it was possible to conclude that the information achievement cost by companies, used by some theorists as a barrier to disclosure, does not explain the phenomenon, since a few months after the Annual Report releasing, the companies submitted to the US market information not disseminated in Brazil. So, it is possible to suggest that factors such as legal structure and development level of Brazilian capital market may help to understand the verified behaviour.

Keywords: Accounting Theory; Financial Disclosure; Corporate Governance; Financial Reporting; Comparative International Accounting.

Pesquisa em Contabilidade Gerencial: *Mainstream versus Pesquisa Alternativa*

Resumo

O objetivo deste trabalho é apresentar e discutir pesquisa na área de contabilidade gerencial analisando as diferenças entre a pesquisa *mainstream* e as pesquisas ‘alternativas’. Pesquisa na área de contabilidade gerencial pode ser caracterizada pela sua diversidade metodológica, o qual inclui pesquisa interpretativista, pesquisa crítica e a tradicional pesquisa funcionalista e positivista. Tem-se usado uma variedade de métodos de pesquisa que incluem *surveys*, pesquisa de campo, estudo de casos e pesquisas etnográficas, além disso, estudos que adotam uma postura mais convencional quantitativa, tal como pesquisa do tipo contingencial. Além disso, pesquisadores usam uma grande variedade de teorias que incluem: as tradicionais teorias positivistas, como a teoria econômica e teoria contingencial; e as teorias ‘alternativas’, como a teoria da estruturação, teoria dos atores e redes, *middle-range thinking*, *labour process theory*, *political economy*, e a teoria do Foucault. Portanto, a contabilidade gerencial é uma área de pesquisa heterogênea sem um paradigma de pesquisa dominante. Finalmente, é defendido nesse trabalho que estudos ‘alternativos’ são em alguns casos mais apropriados do que estudos que adotam uma abordagem da pesquisa *mainstream*, porque a abordagem *mainstream* falha em não reconhecer a contabilidade gerencial como uma prática social.

Palavras-chave: contabilidade gerencial, pesquisa, pesquisa ‘alternativa’, pesquisa positivista em contabilidade.

¹ PhD em Contabilidade Gerencial e Professor Adjunto da UFPE - Universidade Federal de Pernambuco – UFPE - Departamento de Ciências Contábeis e Atuariais Centro de Ciências Sociais e Aplicadas (CCSA) -50.670-901 – Recife – Pernambuco – Brasil - Tel. +558133254691 e +558133254691 - Email: claudio.wanderley@ufpe.br

²Professor in Management Accounting Sheffield University Management School - University of Sheffield 9 Mappin Street Sheffield – Reino Unido S1 4DT Tel. +44(0)1142223429 - Email: john.cullen.shef.ac.uk

1. Introduction

The objective of this study is to present and describe the management accounting research field by analysing the differences between mainstream and alternative approaches. Management accounting has become an important area of research because practitioners and scholars have started to recognise that the information it provides is essential for companies' survival in a competitive environment. Moreover, a well-designed management accounting system can provide competitive advantages to a company relative to its competitors (LANGFIELD-SMITH, 2006; SCAPENS, 2006).

Management accounting research is eclectic and diverse. To the novice it may appear that management accounting researchers are muddling through in their search topics, methodology and type of discourse. However, like every other social science, management accounting conducts its research based upon assumptions about the nature of social science and the nature of society. An approach that has been applied by Burrell and Morgan (1979) to organisational analysis can be used to differentiate between the different visions of research in management accounting. We categorise these "visions" into three main camps: functionalism or rational (mainstream); interpretive and critical (alternative research).

A number of scholars has been discussing ways to conducting research on management accounting by addressing issues regarding ontology, epistemology, methodology, paradigm and other issues and problems in the core of philosophy and sociology of science (MALMI; GRANLUND, 2009). Due to the nature of research on management accounting, there will always exist different research camps arguing for the superiority of their own approach. For instance, Zimmerman (2001) advocates for the utilisation of functionalist approach based on economic theory on management accounting research. He argues that empirical management accounting literature has failed to produce a substantive cumulative body of knowledge, because of the following conjectures: its inductive approach; researchers' incentives, its use of non-economics-

based frameworks, the lack of empirically testable theories, and its emphasis on decision making, not control.

Zimmerman's (2001) paper on the state of management accounting research and theory provoked a debate among a number of scholars (HOPWOOD, 2002; ITTNER; LARCKER, 2002; LUFT; SHIELDS, 2002; LUKKA; MOURITSEN, 2002). In their response to Zimmerman (2001) and Hopwood (2002) refers to the emergence, functioning and impacts of management accounting practices as an object of inquiry, thus extending the scope from cause and effects to include how management accounting is practiced. Luft and Shields (2002) suggest that Zimmerman's (2001) conjectures are based on inaccurate descriptions of current empirical management accounting research and the prescriptions offer potentially misleading guidance for future research. They advocate that the research diversity is appropriate for the applied field of management accounting.

Zimmerman (2001) justifies the importance of management accounting theory by referring to a number of interest groups that have to make decisions. He argues that one important criterion for theory's success is the value of the theory to users. Moreover, even the advocates of positive accounting theory subscribe to the practical purpose for a theory in accounting (MALMI; GRANLUND, 2009). Despite management accounting practical purpose, management accounting research is of criticised for not having an impact on practice. A gap between 'theory and practice' has been identified. Ryan and Scapens (2002, p. 70) point out that "many of the textbook techniques appeared to be little used in practice". Scapens (2006) states that the main reason for this gap is the fact that these books are normative and are based upon neoclassical economics tradition which seeks to explain the observed practices of management accounting.

This gap between theory and practice was analysed by Scapens (1994) in his paper '*Never mind the gap: towards an institutional perspective on management accounting practice*'. The article emphasises that there is a clear gap between the theoretical material in textbooks and the management accounting practices. The Scapens' paper calls for

the utilisation of institutional theory to study management accounting practices. The main message of this paper is “never mind the gap, study management accounting practice” (SCAPENS, 1994, p. 303). Scapens (1994) encourages management accounting researchers to study accounting as a practice, rather than comparing accounting with some ideal approaches developed by normative theories based upon neoclassical economic analysis.

Taking into consideration this discussion regarding the nature of management accounting research, this study aims to shed light on this topic by doing a review regarding the research carried out by the so-called mainstream and alternative approaches. In the same vein to Lukka and Mouritsen (2002), we seek to discuss and demonstrate that management accounting research is not exclusively based on an economics-based monolithic paradigm. We argue that management accounting research is heterogenic and the so-called alternative approaches play an important role in the development of the management accounting field.

The remainder of the paper is organised into four main sections. First, an overview of the management accounting field is provided. The second section is the core part of this paper and it aims to discuss management accounting research by dealing with its two approaches: mainstream and alternative. After this, the paper moves to explain in more detail the alternative approaches in management accounting research. Finally, the closing comments are provided.

2. Management Accounting

The conventional view of management accounting is that it is a branch of accounting and its main purpose is to provide information to assist the decision-making process. Management accounting is concerned with the provision and use of financial and non-financial information to managers within organizations, allowing them to take better decisions regarding the future of their business. Unlike financial accounting which

provides information to external users and produces public reports, management accounting produces confidential information for key managers within an organization.

The process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non management groups such as shareholders, creditors, regulatory agencies and tax authorities (CIMA Terminology, *apud* LUNT, 2006, p. 8).

According to the Chartered Institute of Management Accounting (CIMA), management accounting can be defined as:

Similarly, Horngren and Sundem (2005) state that management accounting measures and reports financial and non-financial information that helps managers make decisions to fulfil the goals of an organization. Therefore, management accounting is framed as providing an important element in the establishment and efficient realisation of goals embedded in a company's strategy.

Management accounting can be considered to have been first practiced when managers began to receive information about their business. As a consequence, it is not easy to determine the start of management accounting practices within organisations. Taking this situation into account the following part of this subsection will describe the evolution of management accounting in the twentieth and twenty-first centuries (RYAN; SCAPENS, 2002).

In the first fifty years of the twentieth century the main focus of management accounting was on the calculation and determination of costs. Great attention was paid to the cost of the product and the control of direct labour, direct materials and overheads. The major concern of cost accounting was the double entry recording systems to control costs

and the identification of the cost of each product or department. Absorption costing was the principal tool that was used by companies to determine the product cost or the department cost. This cost system calculates the full product cost, that is, direct costs plus indirect costs (JOHNSON; KAPLAN, 1987; RYAN; SCAPENS, 2002; HORNGREN; SUNDEM, 2005).

It can be said that in that phase the utilisation of management accounting information was extremely limited. However, in the second half of the twentieth century there was an increasing awareness that management accounting should meet the demand for information required by managers. As a consequence, the emphasis of management accounting moved to the managerial decision making process. This was possibly due to the fact that managers started to recognise that management accounting information could be useful for planning, as well as for the process of control (ANDON; BAXTER, 2003; BAXTER; CHUA, 2006).

According to Horngren and Sundem (2005), the process of planning deals with two aspects (a) selecting organisational goals, predicting results under various alternative ways of achieving these goals, deciding how to attain the desired goals and (b) communicating the goals and how to achieve them to the entire organisation. Control is related to taking actions that implement the planning decisions and to decide how to evaluate performance and what feedback to provide that will help future decision making.

Management accounting literature expanded rapidly in the 1960s. In this period new techniques for providing accounting information to managers were created and developed. A noticeable example of this process was the performance measurement system developed by General Electric. This system aggregated a considerable number of new tools to evaluate performance. Ryan and Scapens (2002) point out that the change in the nature of the internal accounting function which took place in this period is apparent from the decision taken by the Institute of Cost and Work Accounting to change the name of its journal from *Cost Accounting* to *Management Accounting* in 1965 and its own name to the Institute of Cost and Management accountants in 1972.

Despite these advances in management accounting in the 1960s, management accounting practices in the 1970s and 1980s were focused exclusively on financial control systems, with particular emphasis on budgeting, cost control and product costing techniques. The management control system was generally based upon systems of responsibility, which divide a company into responsibility centres that can be monitored separately, with individuals given incentives for meeting budgets or other goals in their areas of responsibility. As a result, this system emphasises the role of individual business units, departments, sections, group and individual personal responsibility for the activities of an organisation (SCAPENS, EZZAMEL, 2003; BERRY; BROADBENT, 2005; BROADBENT; CULLEN, 2005).

The role of this performance system is to monitor the performance of each area of responsibility, and produce financial reports which will be consolidated to produce financial reports for the business as whole. The underlying assumption of this model is that there should be someone responsible for each area of the business, and their performance can be quantified so that an incentive can be applied. Consequently, the incentive is linked to individual performance. According to Scapens and Ezzamel (2003) this approach is based upon a narrow economic view of rationality and motivation. Moreover, it can lead to potentially negative actions as employees are likely to focus on their own area of responsibility and compete against their colleagues.

This kind of system and the technique of determining the cost of production (absorption costing) were severely criticised by many authors, in particular by Johnson and Kaplan (1987) in their book *Relevance Lost: the Rise and Fall of Management Accounting*. Johnson and Kaplan (1987) argued that much of the development of management accounting practices took place in the early twentieth century, and there were few further developments over the following sixty years; and by the 1980s management accounting had lost its relevance, having become subservient to the needs of external financial reporting.

This book was very controversial and many studies were developed around the world to discuss the relevance of management accounting

for the business environment. In the United Kingdom this book influenced a series of papers and books which were mainly supported by the Chartered Institute of Management Accountants (CIMA). Bromwich and Bhimani (1989; 1994) produced works that stress the evolutionary rather than revolutionary nature of change in management accounting practices. Bromwich and Bhimani (1989, p. 3) state that “no general crisis has been identified within the management accounting profession vis-à-vis a changing manufacturing environment and therefore no radical reforms are recommended in this stage”.

Enlarging the controversy and the discussion regarding the relevance of management accounting, Johnson (1992; 1994) published one book and one paper. In these studies, he presents a different view to the one he supported in the book *Relevance Lost*. The main argument is that the problems caused by management accounting after World War II were not due to poor management accounting. The real problem was the fact that managers started to use accounting information to control operations. Johnson (1994, p. 262) concludes that “relevance was not lost by using improper accounting information to manage. It was lost by improperly using accounting information to manage”.

Despite the changed view of Johnson (1992; 1994) regarding the reasons for the loss of relevance of management accounting, Kaplan (1994) continued to support the book *Relevance Lost* which criticises the obsolescence of established costing practices and the inability of traditional financial performance measurement techniques to provide useful information for managerial decision-making process, especially from an operational perspective.

To summarise, the book *Relevance Lost* generated a huge discussion about the role of management accounting as a vital system for the decision-making process in the business environment. As a consequence, it had important implications for management accounting research and practices around the World. Because of these debates and the changes in the organisational environment, new approaches to management accounting were introduced in 1990s. For instance, new techniques of cost management, such as activity-based costing (ABC),

target costing, and throughput accounting were introduced. In addition, companies were encouraged to recognise that organisational and managerial factors need to be considered in the accounting information systems design. The importance of strategic management accounting was also emphasised as was the need to extend the boundaries of the management accounting system to encompass supply chains and the like. Another important system developed in this period was the Balanced Scorecard (BSC) which is based upon a balanced representation of the operational and financial measures organized according to four perspectives: financial, customer, internal business process and learning and growth (KAPLAN; NORTON, 1992; 1996; 2001).

In the first years of the twenty-first century, these management accounting approaches have become embedded in organisational practice around the world. Management accounting is perceived as an essential instrument in the decision-making process and an important element in the establishment and realisation of the strategic organisational goals. In fact, much of the contemporary debate about management accounting involves the need to maintain its relevance in guiding an organisation towards the achievement of its goals and mission (BAXTER; CHUA, 2006).

3. Management Accounting Research – Mainstream versus Alternative Approaches

“Research is a process of intellectual discovery, which has the potential to transform our knowledge and understanding of the world around us” (RYAN; SCAPENS, 2002, p. 7). Therefore, management accounting research deals fundamentally with the discovery, interpretation and communication of knowledge regarding management accounting issues.

In order to facilitate the process of creation and evaluation of research in management accounting, some researchers classified management accounting research according to philosophical issues, such as ontology, epistemology and methodology. For example, Hopper and

Powell (1985) used a subjective-objective perspective to classify management accounting research.

Hopper and Powell (1985) drew on the framework developed by Burrell and Morgan (1979) to elaborate their taxonomy of accounting research. This framework is constructed from two independent dimensions: (a) the nature of social sciences (assumptions about ontology, epistemology, human nature, and methodology); and (b) the nature of society (regulation and radical change).

Ontology is related to the status of reality. An objectivist position (concrete construction) assumes that reality exists independently of human cognition, while subjective ontology (individual consciousness) assumes that what we take to be reality is an intangible mental construction, that is, reality exists in the mind of the individual (BURRELL; MORGAN, 1979; HOPPER; POWELL, 1985; GUBA; LICOLN, 1994; JOHNSON; CASSELL, 2006; KAKKURI-KNUUTTILA; LUKKA, 2007).

Epistemology is concerned with the nature of knowledge, that is, what forms knowledge takes and how it can be obtained and transmitted. Gill and Johnson (2002, p. 226) define epistemology as ‘the branch of philosophy concerned with the study of the criteria we determine what does and does not constitute warranted or valid knowledge’. The objectivist view of epistemology presupposes that there is a theory-neutral observational language. As a result, it is possible to access the world objectively. On the other hand, the subjectivist view refutes the possibility of a neutral observation. From this point of view, the social world can be understood only by first acquiring knowledge of the subject under investigation (HOPPER; POWELL, 1985; CHUA, 1986).

Assumptions about human nature are related to the relationship between human beings and their environment (HOPPER; POWELL, 1985). The status of human behaviour can be understood in a deterministic way (*eklarer/objectivism*), which treats people as if they were analogous to unthinking entities under the influence of external forces, or in an inter-subjective way (*verstehen/subjectivism*), which believes that a human

being is an agent capable of making choices and interpreting different situations (JOHNSON; CASSELL, 2006).

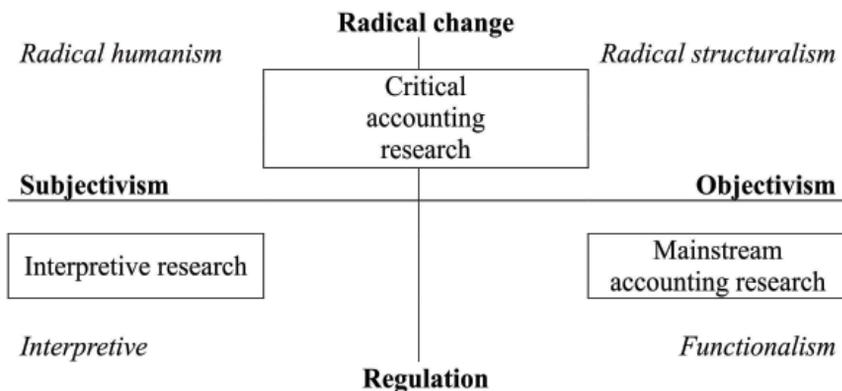
These three sets of assumptions have direct impact on methodology. Ryan and Scapens (2002) point out that when reality is viewed as concrete and objective, and human behaviour is deterministic, knowledge is gained through observation, and a positivistic method will be appropriate. However, if the subjective experiences of individuals and the creation of a social world is stressed, then knowledge is most appropriately gained through interpretation (HOPPER; POWELL, 1985; CHUA, 1986).

The second dimension of Burrell and Morgan's (1979) framework is the nature of society. This dimension deals with the different approaches which researchers can take towards society. On one hand, researchers are concerned with 'regulation' and the creation of order and stability and the main aim is to explain why society tends to hold together. On the other hand, researchers are interested in conflicts, inequalities and unequal distribution of power in society. As a consequence, researchers are concerned with the potential for 'radical changes' (BURRELL; MORGAN, 1979; HOPPER; POWELL, 1985)

By combining these two dimensions, Burrell and Morgan (1979) obtained four mutually exclusive frames of reference: functionalist, interpretive, radical humanism, and radical structuralism. These terms are used by Burrell & Morgan to categorise organisational research which can be reclassified into three categories of management accounting research: (a) mainstream research; (b) interpretive research; and (c) critical research (see figure 1) (CHUA, 1986; CHUA; LOWE, 1989; LAUGHLIN, 1995; BAKER; BETTNER, 1997).

Figure 1: Taxonomy of Management Accounting Research

Source: Ryan and Scapens (2002, p. 40)



Management accounting mainstream research is the dominant type of research in this area and it is concerned with the function of management accounting. This category of research has the following characteristics: an objective view of the world, regards individual behaviour as deterministic, the utilisation of empirical observation and a positivist research methodology (HOPPER; POWELL, 1985; CHUA, 1986; RYAN; SCAPENS, 2002; ANDON; BAXTER, 2007; TUTTLE; DILLARD, 2007). Therefore, mainstream management accounting research is grounded in a set of philosophical assumptions based upon the instrumentalist and positivist perspectives which are characterised by an ontological belief about a generalisable world waiting to be discovered (LAUGHLIN, 1995; BAKER; BETTNER, 1997).

Therefore, the functionalist paradigm represents the mainstream of management accounting research. Its theoretical stance is built on neoclassical economics (New Institutional Economics) and theory of organisation (WICKRAMASINGHE; ALAWATTAGE, 2007). While neoclassical economics provides frameworks for seeing management accounting as a set of calculative practices which help decision-makers to maximise their utility, organisational theory comes to understand the

relationships between management accounting systems and external and internal factors. Functionalist theories of management accounting which developed from both neoclassical economics and organisational theory can be threefold: (a) transaction cost theory; (b) agency theory; and (c) contingency theory.

Transaction cost theory of management accounting takes the view that managerial coordination within organisations, rather than market transactions, is key to achieve economies and, in turn, efficiency (COASE, 1998). The role of management accounting is to reduce the cost of this managerial coordination. Agency theory aims to formulate the relationship between principals and agents, whereby agents are appropriately motivated to act in the interest of the principal. The role of management accounting is to resolve the problems of divergent interests between agents and principals by developing the models of performance evaluation, management control, and decision-making (RUTHERFORD, 1994). The contingency theory is based upon the open system approach that studies the organisation and its subsystems by reference to its wider environment. As a consequence, contingency theory views management accounting practices as an attempt to match organisational properties and arrangements with internal and external circumstances (GROOT; LUKKA, 2000). The aim is to generate generalisation about the relationship between environmental, organisational and accounting variables, as well as to prescribe how management accounting can be best used in different situations. If present techniques do not match the changing environmental demands, new techniques must be developed in conformity with new demands.

The outset for interpretive research is the belief that social practices, including management accounting, are not natural phenomena. As a result, interpretive studies are based upon the belief that accounting practices are socially constructed and can be changed by the social actors (BURRELL; MORGAN, 1979; HOPPER; POWELL, 1985; KAKKURI-KNUUTTIKA; LUKKA, 2007). Such studies in management accounting have the main objective of interpreting and understanding management accounting as a social practice (RYAN, SCAPENS, 2002; KAKKURI-KNUUTTIKA; LUKKA, 2007).

In order to conduct an interpretive study in management accounting it is necessary to investigate current practices taking into account historical, economic, social and organisational contexts (RYAN; SCAPENS, 2002). In so doing, Hopper and Powell (1985, p. 447) highlight that “by using interpretive research methods, to study how accounting meanings are socially generated and sustained, a better understanding of accounting will be obtained”. Baxter and Chua (2003) and Ryan and Scapens (2002) give some examples of interpretive approaches applied to management accounting which include: structuration theory by Giddens; institutional theory; and the Latourian approach. *Critical Perspectives on Accounting Journal* published a special issue (issue 19 volume 6) about the future of interpretive accounting research. This issue has 9 papers (AHRENS; BECKER, 2008; ARMSTRONG, 2008; BAXTER; BOEDKER, 2008; DAVILA; OYON, 2008; DILLARD, 2008; MERCHANT, 2008; PARKER, 2008; SCAPENS, 2008; WILLMOTT, 2008) with the aim of discussing that interpretive research was needed to connect to practice and to functionalist accounting research.

In critical research, society is perceived as a component of contradictory elements supported by systems of power that lead to inequalities and alienation in all aspects of life. Critical researchers are concerned with developing an understanding of the social and economic world to provide a social critique and promote change in society (HOPPER; POWELL, 1985). One of the criticisms of interpretive research made by critical researchers is that interpretive studies do not incorporate a programme for social change. Baker and Bettner (1997) conclude that the main distinction between an interpretive study and a critical study is that the latter has a concern about the political and societal research implications. Some examples of critical approaches in management accounting are: critical theory by Habermas; labour process theory by Braverman; and Foucault’s approach (RYAN, SCAPENS, 2002; BAXTER; CHUA, 2003; 2006).

Chua (1986) in her paper describes and presents the main assumptions regarding mainstream accounting research, interpretative

research and critical research. For each category, Chua (1986) summarises the principal points regarding epistemology (beliefs about knowledge) and ontology (beliefs about physical and social reality). In addition, she adds some comments about the relationship between accounting theory and practice. In table 1, the summary of dominant assumptions about the three categories of research in management accounting can be seen. This is based upon Chua's (1986) paper with slight modifications. It is important to highlight that this typology aims to facilitate the discussion regarding management accounting research, but the differences between the paradigms is not clear and simple in some of the research carried out in management accounting. For instance, Ahrens and Becker (2008) discusses the difficult of define interpretive research and differentiate it from the other stances on accounting research.

Table 1 - The Main Assumptions of Mainstream Research, Interpretive Research, and Critical Research

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1. Mainstream Accounting Research
 - a) *Beliefs about knowledge*

Theory and observation are independent of each other. Data analyses should be based upon quantitative methods to allow generalisations.
 - b) *Beliefs about physical and social reality*

Empirical reality is objective and external to the subject (and the researcher). Human beings are passive objects, who rationally pursue utility maximisation. Society and organisations are basically stable, and dysfunctional behaviour can be managed through the design of adequate management control systems.
 - c) *Relationship between accounting theory and practice*

Accounting is related to means, not ends. A theory can be value neutral, and existing institutional structures are taken for granted.
 2. Interpretive Accounting Research
 - a) *Beliefs about knowledge*

Theory is used to provide explanations of human intensions. The adequacy of a theory is evaluated via logical consistency, subjective interpretation and common-sense interpretations. In this type of research, ethnographic study, case studies, and participant observation are the most adequate research methods to investigate actors' everyday world.
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Table 1 - The Main Assumptions of Mainstream Research, Interpretive Research, and Critical Research
(continuation)

	<p>b) <i>Beliefs about physical and social reality</i></p> <p>Reality is socially created and objectified through human interaction. All human actions have meaning and intention and they are grounded in the social and historical context. In addition, social order is assumed and conflict is mediated through a common set of beliefs and values.</p> <p>c) <i>Relationship between accounting theory and practice</i></p> <p>Accounting theory aims to explain action and to understand how social order is produced and reproduced.</p>
3.	<p>Critical Accounting Research</p> <p>a) <i>Beliefs about knowledge</i></p> <p>Criteria for judging theories are temporal and limited by the environmental context. Historical, ethnographic research and case studies are the most appropriate research methods for doing critical research.</p> <p>b) <i>Beliefs about physical and social reality</i></p> <p>Empirical reality exists and is objective, but it is transformed and reproduced through subjective interpretation. Human intention and rationality are accepted, but have to be critically analysed because human potential is supported by false consciousness and ideology. Moreover, it is assumed that conflict is common in society because of social injustice which restricts human freedom.</p> <p>c) <i>Relationship between accounting theory and practice</i></p> <p>Theory plays an important role in the process of identification and removal of domination and ideological practices.</p>

Source: Adapted from Chua (1986) and Ryan and Scapens (2002)

To summarise, management accounting research can be classified into three streams: mainstream research, interpretive research, and critical research. In the mainstream approach, the researcher is assumed to be a neutral and objective observer of the phenomenon in question, and attempts to measure associations between relevant variables in order to make predictions about these phenomena. On the other hand, researchers who adopt interpretive or critical perspectives (alternatives approaches) reject the position of positivist researchers. For them, a study about so-

cial science is neither objective nor value-free. The main difference between interpretive research and critical research is that the former seeks to understand the world, while the latter adds an element of social critique and need for change in the research agenda.

4. Alternative Approaches in Management Accounting Research

Management accounting practices are portrayed as ‘a highly situated phenomena’ (BAXTER; CHUA, 2003, p. 108). According to Baxter and Chua (2003), management accounting systems are limited by: (a) historical conditions that are specific to given times and places; (b) local meanings and values; (c) local rationalities found in particular organisational settings; and (d) the individual habits of organisational participants who are connected to the conduct of management accounting work.

The main criticism of mainstream management accounting research is the fact that it does not consider all the limitations (described above) of management accounting practices to investigate management accounting phenomena (LUKKA; MOURITSEN, 2002). Ryan and SCAPENS (2002, p. 79) state that management accounting research based upon positivist theories; “may be useful for predicting general trends, but they will not be helpful in explaining individual behaviour; nor are they likely to be useful as guides to individual managers or firms about their own economic behaviour”.

The criticisms of mainstream management accounting based upon neoclassical economics encouraged a number of management accounting researchers to develop alternative approaches. The popularity of these alternatives has expanded rapidly over the last 35 years, in particular in the UK (HOPPER; OTLEY, 2001; RYAN; SCAPENS, 2002; BAXTER; CHUA, 2003; BAXTER, 2006; BUSCO, 2006; SCAPENS, 2006). To address this trend in management accounting research Baxter and Chua (2003) carried out an investigation of the publications of alternative approaches in management accounting research in the journal *Accounting, Organizations and Society* (AOS) between 1976 and 1999.

They identified seven different streams of alternative management accounting research. Such streams can be synthesised as follows:

1) *Non-rational design school*: This is considered one of the earliest streams of alternative management accounting research. This frame emphasises the contributions of management accounting to the processes of experimentation that help organisations discover and learn about their goals. Management accounting has an important aim to serve in assisting organisations confront their futures and uncertainties. “This is frequently achieved in ways that do not conform to images of economic rationality” (BAXTER; CHUA, 2006, p. 46). Overall, this perspective questions presumptions of rationality in organisational choice. Moreover, according to Baxter and Chua (2003, p. 98), ‘the non-rational design school help us to appreciate the problematic construction of management accounting information systems and their constitutive/constraining role in organisational sense-making’.

2) *Naturalistic approach*: This approach seeks to study and understand management accounting in its day-to-day or ordinary context. In addition, the naturalistic theorists believe that management accounting practice is socially constructed. This approach stems from an interpretive philosophy of the production of knowledge. As a result, it does not accept the objective nature of knowledge as postulated by a positivist stance (BAXTER; CHUA, 2006). Baxter and Chua (2003, p. 99) conclude that from naturalistic studies ‘we learn that management accounting technologies are enacted quite differently from one organisation to another; conveying local values, meanings and nuances.

3) *The radical alternative*: This perspective basically draws on two theories: critical theory (see HABERMAS, 1968; 1976; LAUGHLIN, 1987) and labour process theory (see Braverman, 1974; Hopper e Armstrong, 1991). The main aim of this approach is to connect management accounting research to major struggles and conflicts caused by capitalism. Baxter and Chua (2006, p. 49) point out that “research conducted under this banner is united by, and distinguished from, other reframings of management accounting by its affiliation with, and commitment to, the politics of emancipation”. It can be said that radical

research provides a platform for critique, change, and improvement within organisations and society.

4) *Institutional Theory*: Institutional theory is based upon the belief that individuals will accept and follow social patterns without any reflection or resistant behaviour, doing nothing more than defending their interests. Such behaviour goes against the idea that humans are always rational, that is, identifying costs and benefits associated with different kinds of action, and always trying to maximize their utility. There are basically two streams of research: studies which draw on new institutional sociology (NIS), and works which draw on old institutional economics (OIE). The former draws fundamentally on the works of Meyer and Rowan (1977); DiMaggio and Powell (1983); and Powell and DiMaggio (1991). Researchers adopting NIS argue that management accounting is influenced by technical and institutionalised environments and the latter plays an important role in the design of management accounting systems because companies seek external legitimacy. Researchers who adopt OIE seek to explain management accounting practices as a set of rules and routines that enable organisations to reproduce behaviour and achieve organisational cohesion (Busco, 2006).

5) *Structuration theory*: This perspective is based upon the work developed by Giddens (see GIDDENS, 1984; STONES, 2005). The duality of structure is the main concept of this theory. This emphasises that structures provide rules and resources, which shape and inform humans in terms of signification (or meaning), legitimation (or morality), and domination (power relations) (DILLARD; RIGSBY, 2004; CONRAD, 2005; GURD, 2008). Baxter and Chua (2006, p. 54) state that human agency perpetuates and changes in the structures and these changes “may result from either conscious choices to act differently or the unintended consequences of behaviour”. Researchers who adopted structuration theory tend to investigate the links between micro-accounting practices and institutional structures (see ROBERTS; SCAPENS, 1985; MACINTOSH; SCAPENS, 1990).

6) *Foucauldian approach*: This approach is based upon the work of the French philosopher Michael Foucault (see FOUCAULT, 1972). This approach influenced the emergence of the so-called ‘new history’ of management accounting (HOPWOOD, 1987; BUSCO, 2006). This frame seeks to understand how management accounting systems emerged. In addition, this approach takes into consideration the relations of power embedded in the management accounting systems. To conclude, Baxter and Chua (2006, p. 57) state that management accounting researchers who have used Foucault’s approach seek to understand how and why management accounting ‘truths’ emerge.

7) *Latourian approach*: This theory is based on the works developed by Bruno Latour (see LATOUR, 1987; 1993). Latour has been a key figure in the area of sociology of technology and the Latourian approach is known as actor-network theory. This theory assumes that the actors (both human and non-human) take the shape that they have due to the relationship between one and another. Management accounting practices are seen as action nets shaped by the interests of human and non-human actors. As a consequence, actor-network theory aims to demonstrate that management accounting information is constructed to accommodate different interests within the organisation (Busco, 2006). Baxter and Chua (2003, p. 102) conclude that actor-network theory assumes that “management accounting numbers are ‘fabrications’ or inscriptions ‘built’ to take on the appearance of ‘facts’”.

To conclude, it can be stated that these alternative approaches have one characteristic in common which is the critique of the rational view of management accounting in which management accounting is implicated primarily in the efficient and effective realisation of organisational strategy. In addition, these alternative approaches, in contrast to the positivistic mainstream research, seem to be able to shed more light on the process of understanding and interpreting management accounting phenomena.

5. Closing Comments

Research in the field of management accounting can be characterised by its methodological diversity which includes interpretive research, critical research and the traditional functionalist and positivist research. A variety of research methods have also been used, including surveys, fieldwork, case studies and ethnographic studies, as well as studies that have adopted a more conventional quantitative approach, such as contingency-type studies. In addition, researchers have drawn on a wide range of theories, including traditional positivistic theories, such as economic theory and contingency theory, and alternative theories, such as institutional theory, structuration theory, actor network theory, middle-range thinking, labour process theory, political economy, and Foucault's theory. Therefore, management accounting is a heterogenic field of research with a non-dominant paradigm.

This study provided an overview of the management accounting research area. Two streams in management accounting research were identified: mainstream accounting research and alternative approaches. The former is the dominant type of research in the management accounting field, in particular in the USA (BAKER; BETTNER, 1997). This category of research is based upon instrumentalist and positivist perspectives and it is grounded in neoclassic economics theory assumptions.

In contrast, the alternative approaches are divided into two categories: interpretive research and critical accounting research. The interpretive research aims to understand the social world. As a consequence, this stream of research is based upon the view that accounting practices are socially constructed and can be changed by the individuals. Critical research aims to promote changes in society by incorporating into its studies a programme for social change. Finally, it was advocated that alternative studies in some cases are more adequate than mainstream research, because the latter fails to locate management accounting as a social practice. In other words, the mainstream studies do not take into consideration the historical, economic, social and

organisational context when they are studying the management accounting phenomena. On the same vein to Luft and Shields (2002), it was argued that the current research on management accounting is guided by theory from a variety of social sciences and that this diversity is appropriate for the applied field of management accounting. It was also argued that while mainstream research provides a good basis for conducting research in management accounting, the alternative approaches offer more potential to explain important features of management accounting such as understanding people's preferences, how they think, how they interact with other people and the process of change.

There is one point in common among the mainstream and alternative researchers, the concern that management accounting research should provide explanations that are useful for those we study – managers, organisations and society. The main challenge that management accounting research has in the future is to provide insights which are relevant and useful for practitioners and researchers. Scapens (2008, p. 916) points out that over the years, the research has tended to follow practice and although “we can now explain what is going on, the research has had only a very limited impact on what actually happens in practice”. Ahrens (2008) and Ahrens and Chapman (2007) also discuss the interrelationship between theory and practice in management accounting. Ahrens and Chapman (2007, p. 24) conclude that “the key question for management accounting theory is not how to constrain individuals and overcome resistance. Rather, it needs to bring into focus the possibilities of management accounting systems as a resource for action”. Taking this situation into consideration, Scapens (2006, p. 28) gives a call for a change in management accounting research by stating that “the challenge for the future is to use this theoretically informed understanding to provide insights which are relevant and useful for practitioners; for management accounting research to have more of *an impact* on practice”.

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