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Management accounting and organizational change: alternative perspectives

Nizar M. Alsharari
Business Division, Higher Colleges of Technology, Sharjah, Abu Dhabi, United Arab Emirates

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Abstract

Purpose – This paper aims to discuss the alternative perspectives for studying management accounting and organizational change. It provides a comprehensive basis for the research of accounting and organizational change conducted in terms of theories used, influential factors, systems applied, dynamics and aspects of change.

Design/methodology/approach – The paper applies a "theoretical framework" for studying accounting and organizational change based on obtaining an institutional perspective. By achieving this theoretic construction in the integration of a number of different works, this can summarize the common elements, contrast the differences and work in a way that extends the methodology. It is determined exclusively on a hybrid approach through the adoption of alternative perspectives and complements recent recommendations for bridge building and methodological pluralism among the different debates and perspectives concerning accounting and organizational change research.

Findings – The findings emphasize that the nature of organizational change is not static, rather, it is dynamic and varying over time. Organizational changes are occurring in both extra- and intra-organizational factors that shaped changes in accounting systems in organizations. The study concludes that accounting and organizational change literature has divided theoretical strands into two main perspectives: rational perspectives and interpretive and critical perspectives. Rational perspectives represented by the conventional mainstream of research can be classified into two approaches, normative economic models and positive economic models, which are grounded in neoclassical economic theories. On the other hand, the interpretive and critical perspectives emerged as alternatives to rational perspectives to explain accounting and organizational change within its broader social and economic context.

Research limitations/implications – The paper has significant implications for the ways in which change dynamics can emerge, diffuse and implement at multilevel of institutional analysis. It also explains the interaction between the accounting and organizational change, which identified that change is both shaped by, and shaping, wider socio-economic and political processes. This broad sensitivity to the nature of change has important implications for the ways of studying accounting and organizational change. Hence, it has important implications for the way in which successful change can be defined in accounting and organizational change literature.

Originality/value – The study contributes to both accounting and organizational change literature by providing a comprehensive review about the development of institutional theory as it examines how the organization is simultaneously subjected to a high level of efficiency and considerable institutional demands. Thereafter, the domain of accounting and organizational change research itself will be extended.

Keywords Management accounting, Organizational change, Rational, Critical, Interpretive, Alternative perspective

Paper type Conceptual paper

Introduction

The interpretive and critical perspectives have emerged as alternatives to rational perspectives to explain accounting and organizational change within its broader social and economic context (Hopwood, 1987; Hopwood and Miller, 1994). Alternative perspectives have presented different theories, such as institutional and sturcturation theories, in which

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accounting and organizational change have to be seen as a dynamic and social institution, subject to changes under historical conditions, and socially constructed (Hopwood, 1976; Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007). Unlike rational perspectives, the interpretive and critical (i.e. pragmatic) perspective is a research approach that is used to explain accounting and organizational change as processes over time rather than focusing only on the outcomes (Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007). Unlike rational researchers, interpretive and critical theorists believe that rationality[1] can be articulated through subjective interpretations of organizational members (managers and employees) (Hopwood, 1987; Hopwoodand Miller, 1994; Wickramasinghe and Alawattage, 2007). By conducting case-studies of individual organizations, they were able to report how organizational systems produce different consequences (Hopwood, 1987; Hopwoodand Miller, 1994; Wickramasinghe and Alawattage, 2007). Consequently, they believe that organizational practices are outcomes of shared meanings of organizational members rather than artificial (technical) views, as was seen in the rational perspective (Hopwood, 1987; Hopwoodand Miller, 1994; Wickramasinghe and Alawattage, 2007). The objective of this research stream is much more to understand the context in which accounting and organizational change operates (Burchell *et al.*, 1980; Hopwood, 1983, 1987; Collier, 2001), and to explain organizational practices by emphasizing their social, economic and political construction (Hopper and Major, 2007).

Along with the interpretive perspective, another perspective called institutional theory emerged from a critique of the neoclassical economic perspective (Scapens, 1994; Scapens and Burns, 2000; Scapens, 2006). The principal aim of institutional theory was to provide an alternative framework with a sociological essence (Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007). In the literature, institutional theory is divided into three approaches: old institutional economics (OIE) concerning internal dynamics; new institutional economics (NIE) focusing only on economic factors; and new institutional sociology (NIS) concerning external factors, including the economic ones (Burns, 2000; Burns and Scapens, 2000; Siti-Nabiha and Scapens, 2005; Burns and Nielsen, 2006; Ribeiro and Scapens, 2006; Scapens, 2006; Yazdifar *et al.*, 2008). Besides, some researchers have used Giddens' structuration theory (1984) as a helpful framework in accounting and organizational change research (Macintosh and Scapens, 1990; Macintosh and Scapens, 1991), although some contend that it is not useful for explaining the processes of accounting and organizational change because it ignores historical events (Archer 1995; Burns and Scapens, 2000). However, there is still a lack of research adopting the interpretive perspective to explain accounting and organizational change, especially in the public sector. Scapens (2006; 2004; 2008) argues that there is little research into why and how the processes of accounting and organizational change have emerged (or failed to emerge) within organizations over time. Similarly, Dillard *et al.*,(2004, p. 506) established that:

> Accounting scholarship (as well as organizational change) is undergoing a reconceptualization, in part due to the empirical failure of efficient market theory, agency theory and contingency theory to provide rationales for developing accounting techniques and systems [. . .]. As a result, accounting scholars are being asked to refocus their efforts toward the better understanding of how accounting influences, and is influenced by, a "multiplicity of agents, agencies, institutions and processes (Miller 19941).

This paper is structured into Introduction, followed by the discussion of intellectual puzzle of accounting and organizational change. The research methodology is presented next. The final sections of the paper discuss alternative perspectives and the relevance of institutional theory in accounting and organizational change research. It is all, then, summed up in the final part, which is the conclusions, implications and contributions.

Accounting and organizational change

Various types of organizations, be they for profit or not for profit, affect our daily lives and practices by providing a wide array of goods and services. Such organizations, in the course of their operations, should have two important criteria in general:

(1) They should have a set of goals or objectives.

(2) To achieve these goals, managers need information (Kaplan and Norton, 1992; Hilton, 2001).

This information, if it is to be relevant and beneficial, requires management coordination among different organizational levels, especially in complex organizations. Management accounting (MA), as an integral part of the organizational process, and management accountants, as strategic partners in the organizational team, both contribute to create value for the organization by managing resources, activities and people to achieve the organizational goals (Hilton, 2001; Bhimani, 2009). Hence, the main objective of MA is to provide organizational management with financial and non-financial information that is useful and relevant for purposes of planning, control, performance measurement and decision-making. In contrast, financial accounting can only provide financial information for interested parties to help them make decisions (Hilton, 2001).

The relevance of accounting in organizational change is problematic. Over the past few decades, accounting and its relevance have been extensively debated. For example, starting from the 1980s, the debate about MA witnessed a great contention that was commenced by Kaplan (1983) in the USA and Hopwood (1983) in Europe. On the one hand, Johnson and Kaplan (1987), in their acclaimed book *Relevance Lost*, stated that MA had lost its relevance; as a result, MA practices were becoming subservient to financial accounting practices to fulfill external reporting purposes, and the conventional MAPs were failing to provide decision-makers with relevant information suitable for current business problems (Johnson and Kaplan, 1987). They also mentioned that MA techniques had not changed or developed since 1925, in spite of changes in information technology and environment. On the other hand, Hopwood (1987) argued that MA is not a static phenomenon but one that frequently changes over time to reflect new patterns and techniques of organizational activities. In this regard, Bromwich and Bhimani (1989) claimed that MA was in crisis and there was a clamour for change in accounting practices.

Since the publication of that *Relevance Lost* book, many authors have suggested that contemporary organizations need to reconsider and re-examine their existing practices and replace them with new practices to deal with environmental change (Chua, 1986; Roberts and Scapens 1990; Burns *et al.*, 1999). In the 1990s, there was a considerable amount of research examining contemporary problems of conventional accounting systems, and aiming to introduce new accounting innovations in response to the changes in the business environment. These innovations included the following: activity-based costing (ABC) and activity-based management (ABM) (Soin *et al.*, 2002); Total Quality Management (TQM) (Powell, 1995; Connor 1997; Hoque, 2003; Kaynak 2003; Prajogo and Sohal, 2006); Balanced Scorecard (BSC) (Kaplan and Norton, 1996; Kaplan and Norton, 1996; Kaplan and Norton, 2001); Just In Time system (JIT) (Malone, 2003; Libby and Lindsay, 2010); and Strategic Management Accounting (SMA) (Cinquini and Tenucci, 2007; Lord, 2007; Langfield-Smith 2003; Cinquini and Tenucci, 2010).

Despite all these innovations, organizations continue using conventional accounting systems, and making different uses of the information thus generated, rather than adopt revolutionary accounting systems (Bromwich and Bhimani, 1989; Burns *et al.*, 1999). However, success in today's complex and competitive business environment relies on the ability to achieve organizational change, which clarifies the work of organizational actors in following the organizational strategy (Scapens, 1994; Hardy and Redivo, 1994; Burns *et al.*, 1999). As noted by new accounting innovations have faced a number of problems in their implementation, such as ABC. So, it is important to adapt a new business environment to a new system by establishing some changes inside the organization before applying this system. Scapens and Burns (2000) argue that the change in accounting practices and systems undoubtedly took place in many organizations, but this change was in terms of methods used rather than adoption of new advanced systems. Hence, there is a need to answer this question: "Why have accounting practices and systems been particularly slow to change, despite the rapidly changing technological and organizational environment in recent years?" (Scapens and Burns, 2000:9). Accordingly, two different strands of organizational change including accounting have emerged: one argues that conventional accounting practices continue to be used (Bromwich and Bhimani, 1994); while others believe that there have been changes in the ways of using accounting practices and systems (Scapens and Burns, 2000).

MA literature has divided these strands into two main perspectives: rational perspectives, and interpretive and critical perspectives (Ashton *et al.*, 1991; Ryan *et al.*, 2002; Wickramasinghe and Alawattage, 2007). Rational perspectives represented by the conventional mainstream of MA research can be classified into two approaches, normative economic models and positive economic models, which are grounded in neoclassical economic theories. On the one hand, normative economic models were developed in the 1970s and were concerned with providing managers with a set of decision techniques to help them in their day-to-day work and to find optimal solutions (Scapens, 1984; Ashton *et al.*, 1991). On the other hand, positive economic models tried to explain and predict economic behavior by using different organizational theories, such as contingency and agency. In this approach, some researchers have used contingency theory to study the relationships between different organizational factors and MAPs (Baines and Langfield-Smith 2003), while others have focused on MAC typology (Sulaiman and Mitchell, 2005). Others have used agency theory to open up the black box and to explore new insights into managerial control within the organization (Walker 1989; Williamson 1991; Ogden 1993; Lambert 2001). Their studies have drawn on survey questionnaires and statistical models to derive frameworks of contingency or agency theories.

For neoclassical researchers, organizations are portrayed as coherent units that are oriented to attaining specific goals, employees are described as behaving in a consistent and purposeful manner toward rational ends, and accounting is considered as an information system that offers assistance to decision-makers (Hopper and Powell, 1985). The fundamental assumptions of rational theories and their application in MA studies are looking beyond rationality and optimalizition. These types of studies can only provide prescriptions for managerial practices, assuming that hypothesis-testing and cross-sectional analysis and normative models are functionally helpful for daily practice (Hopper and Powell, 1985; Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007). Studies based on these assumptions can only provide a very limited picture of an organization's motivations to adopt new MA system. Obviously, taking a rational perspective is far from addressing the complexity of the organizational realm and expressing human behavior appropriately. Lukka and Granlund (2002) state that this type of research refers to the nature of traditional, mainstream accounting research, and can be described as 'the genre of consulting research'. It has also been criticized for failing to present an understanding of the complexities and dynamics of organizational change (Burns and Scapens, 2000). Thus far, MA researchers have still been more concerned with improving senior managers' ability to manage and control than with studying accounting systems in practice (Scapens, 1990). In this regard, Scapens affirms that:

> [. . .] we still need to know how and why particular management accounting practices are adopted. Despite the case studies published to date, we still have only limited understanding of the factors which influence the nature of management accounting practice (1991: pp. 218-19).

The interpretive and critical perspectives thus emerged as alternatives to rational perspectives to explain accounting and organizational change within its broader social and economic context (Hopwood, 1987; Hopwood and Miller, 1994). Alternative perspectives have presented different theories (such as institutional and sturcturation theories) in which accounting has to be seen as a dynamic and social institution, subject to changes under historical conditions, and socially constructed (Hopwood, 1976; Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007). Unlike rational perspectives, the interpretive and critical (i.e. pragmatic) perspective is a research approach that is used to explain MAC as a processes over time rather than focusing only on the outcomes (Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007). Unlike rational researchers, interpretive and critical theorists believe that 'rationality'[1] can be articulated through subjective interpretations of organizational members (managers and employees) (Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007). By conducting case-studies of individual organizations they were able to report how accounting produce different consequences (Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007). Consequently, they believe that organizational practices are outcomes of shared meanings of organizational members rather than artificial (technical) views, as was seen in the rational perspective (Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007). The objective of this research stream is to understand the context in which MA operates (Burchell *et al.*, 1980; Hopwood, 1983, 1987; Collier, 2001) and to explain accounting and organizational changes by emphasizing their social, economic and political construction (Hopper and Major, 2007).

Indeed, few references in MA literature reveal disparate views concerning factors influencing the introduction, diffusion and implementation of accounting systems (Burns *et al.*, 2003; Yazdifar, 2004). Moreover, the existing research has been criticized because, amongst other things, "it often fails to consider change in systems over time, their functioning in dynamic conditions and the general dearth of empirical evidence" (Jones 1985:178). Consequently, there have recently been calls for more intensive case-study research, using both interpretive and critical perspectives, to enhance the comprehension of MA in practice (Roberts and Scapens 1990; Scapens, 1990; Scapens 1991; Scapens 1992; Scapens and Roberts, 1993; Scapens, 1994; Baker and Bettner, 1997). It is assumed that only by conducting intensive and in-depth case-studies might it be possible to understand why and how an organization's accounting practices become what they are, or are not, over time, i.e. accounting change as a process (Burns and Scapens, 2000).

In response to these recent calls, Institutional theory starts from structuration theory as a way of extending the theoretical domain of accounting theory into organizational and social realm. The study also focuses on the interaction between three levels of institutional analysis. Alternative assumptions can be constructed through the dynamics of institutions, which aid an understanding of the processes of change by locating accounting practices in their historical context, as well as their economic, cultural and social contexts (Ryan *et al.*, 2002). As a result, institutional theory shares the views of structuration theory (Wickramasinghe and Alawattage, 2007). Both OIE and NIS assumptions are compatible with the structuration theory assumptions. However, these theories have some limitations; while OIE focuses only on intra-organizational factors and ignores power and politics influences, NIS considers extra-organizational pressures on accounting and organizational change (Dillard *et al.*, 2004; Yazdifar, 2004; Yazdifar *et al.*, 2008; Ma and Tayles, 2009).

Recently Alsharari *et al.* (2015) introduced an institutional 'contextual' framework that could serve as a basis for understanding and analyzing processes of accounting and organizational change after the introduction of NPM reforms. Particularly, to further understand change processes in organizations, including the causes of their introduction and their effects, it may be interesting to provide a broad analysis of accounting and organizational change in the public sector that is based on multi-levels of institutional theory (Ter Bogt 2008). As far as the author is aware, little pragmatic research has been conducted with respect to the possible contributions of institutionalism to an understanding of gradual accounting and organizational change in the public sector at multi-stages. The processes of accounting and organizational change play a significant part in shaping the organizational change processes (Scapens and Jazayeri, 2003; Senior and Swailes, 2010). Hence, accounting and organizational change is usually seen 'in terms of organizational reform and improvement' (Hopwood, 1987:209), specifically the introduction of new accounting systems to obtain better results or enable managers to control and make better decisions (Yazdifar, 2004). Consequently, managing organizational change in general, and accounting and organizational change in particular, requires a comprehensive understanding of the existing context of the organization, especially organizational routines and institutions (Burns and Scapens, 2000) add references.

Research methodology

The methodology part serves in describing the method(s) used to investigate the research problem at hand and how to it describes the approach used to reach the findings. One of the main issues is highlighting the procedures or techniques that were followed by researchers through the research steps, to establish the research concepts, collect data and methodological approach to answer the research question which is by reviewing the MA literature, is it possible to produce another alternative perspective for studying MA change (Alsharari *et al.*, 2015; Alsharari 2016a, 2016b,2016c, Alsharari, 2017; Alsharari and Abougamos, 2017; Alsharari and Youssef, 2017; Lasyoud and Alsharari, 2017; Alsharari, 2018).

Such method relies on using the accounting functions to move; through using the management by results approach instead of using the management by objectives approach from accounting perspectives; by discussing in details a set of accounting functions. The interpretive approach has been used to collect the needed data to investigate the phenomenon at hand which is how to view the alternative perspectives of accounting and organizational change. Such approach has been followed to gather and treat the information at hand. This method helps in reviewing the literature and observing the links among a set of issues that connect to the research problem (Urquhart and Fernandez, 2013). To produce the proper understanding of the phenomenon at hand, the interpretive approach has been used by bringing a set of management functions such as planning, controlling and performance evaluation and decision-making to legitimize the need of another MA approach. Such method has been used widely in different similar situations such as Stockdale and Standing (2006) and Roberts and Scapens (1985). The study relies on reviewing the interrelated studies and theoretical approaches and supporting the discussed interrelated theories to defend its proposal. Then, the paper discussed in details the environment and conditions that lead to propose the new change perspective. The descriptive and interpretive approaches have been used in this stage. Such stage is leaded by Elliott and Timulak (2005) to lead collective data and information to propose the new terminological and theoretical alternative.

Researchers studying the accounting and organizational change have various choices to achieve their targets; one of the most widespread methods is the institutional theory. However, testing the theory can be done in various other ways other than conducting surveys and developing the theory can be done without interviews and observations. Even though there is a great need for new researches within the extensive field of accounting and organizational change to data, there are quiet few institutional theoretical frameworks which are significantly required to help in the understanding of the challenging assortment of the inter-related elements at both the intra- and extra-organizational level. Those organizational levels should force the accounting practices to change (Alsharari *et al.*, 2015; Alsharari 2016a, 2016b, 2016c, Alsharari, 2017; Alsharari and Abougamos, 2017; Alsharari and Youssef, 2017; Lasyoud and Alsharari, 2017; Alsharari, 2018).

Moreover, a lot of websites and software such as Elsevier, EBSCO, Science Direct and Emerald can be used for the data collection. Throughout the preliminary searches on accounting and organizational change and the Institutional theory a widespread database of the significant interrelated literature was established. The references of the research paper were inspected and added to the database of the developing literature as soon as a relevant research paper was found. The research paper published by Dillard *et al.*, was nominated to be the core of the theoretical framework followed. The features of the framework emphasize the institution outside of the organization. Yet, the internal institution can have a significant influence to understand accounting and organizational change. It is the collaboration of both the internal and external institution that shapes accounting and organizational change within the organizations (Alsharari *et al.*, 2015; Alsharari 2016a, 2016b,2016c, Alsharari, 2017; Alsharari and Abougamos, 2017; Alsharari and Youssef, 2017; Lasyoud and Alsharari, 2017; Alsharari, 2018).

The intra-organizational processes of change and the function of power in a change were both explained referring to Burns and Scapens' (2000) framework and Hardy's and Redivo (1994) model. Through a sophisticated and purified process the conceptualization was described implicating a huge amount of time for reading, synthesis, additional collection of literature and improvement of the framework through continuous discussion with the coworkers. Aiding advance confirmation of the framework, the results of the conceptualization were presented in two international conferences (Alsharari *et al.*, 2015; Alsharari 2016a, 2016b, 2016c, Alsharari, 2017; Alsharari and Abougamos, 2017; Alsharari and Youssef, 2017; Lasyoud and Alsharari, 2017; Alsharari, 2018).

Alternative perspectives of accounting and organizational change

Various theories have been introduced and used to examine the nature of accounting and organizational change. Both approaches have an important role in the emergence of a number of issues and interesting disciplinary insights (Baxter and Chua, 2003). There is evidence that MA has changed its emphasis from a positivistic approach to a non-positivistic or interpretive approach (Ashton *et al.*, 1991; Ryan *et al.*, 2002). Accounting and organizational change literature has classified theoretical perspectives into two main groups: the rational perspective; and the interpretive and critical perspective (Ashton *et al.*, 1991; Ryan *et al.*, 2002; Cooper and Hopper, 2006; Wickramasinghe and Alawattage, 2007).

Rational perspective

The rational perspective is also called the technical or managerial perspective. It represents the conventional wisdom of MA and the mainstream MA researchers. It views MA as a set of calculative practices and a subsystem (a managerial function) of the overall organizational information system (Wickramasinghe and Alawattage, 2007). According to the literature, this perspective builds on the assumptions from different theories including neoclassical economic theory, NIE, agency theory and contingency theory.

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Neoclassical economic theory

Neoclassical theory appeared in the second half of the nineteenth century, taking economics out of the political arena (Scapens, 1990). It came as a result of increasing attacks from both inside and outside the economics profession (Scapens, 1990). Accordingly, neoclassical theory has changed its emphasis from value into utility and from production into demand, in response to political implications of classical economics (Samuels 1995). It has been referred to as the marginal revolution, which aims to interpret prices in terms of marginal estimations and opportunity costs (Tinker 1984). Methodological aspects of this theory have moved into mathematical techniques to refine economic models, but its core of microeconomics has stayed intact (Scapens, 1990; Prasad 2003). Noteworthy, this theory has two faces: positive and normative. While positive models intend to describe and predict the general economic behavior of agents and systems; normative models attempt to prescribe the optimal behavior for them (Wickramasinghe and Alawattage, 2007).

New institutional economics

NIE is an extension of normative neoclassical economics (Burnes, 1996; Williamson 1998). According to NIE, individuals have constant tastes and preferences and seek to maximize their self-interest (Burnes, 1996). NIE extends the traditional economic (neoclassical) approach and applies the assumptions of economic rationality and markets to the governance of organizations (Scapens, 2006). NIE has laid the foundations for what has since become more widely known as transaction cost economics (TCE), which is also grounded in neoclassical economic theory (Williamson 1985; 1998). NIE utilizes economic logic to explain diversity in forms of institutional arrangements. In the same way, TCE, as a product of NIE, seeks to explain the differences in markets and hierarchies (Williamson 1985; 1989). It adopts a rational economic approach, starting from assumptions of bounded rationality and opportunism, to explain why transactions are organized in particular ways and why organizations have hierarchical structures exchange (Scapens, 2006).

Agency theory

Agency theory derived from neoclassical economics is also called the principal-agent theory. It was intended to tackle the shortcoming in TCE by resolving agency and control problems. The agency problem occurs as result of agency relationship, which exists when one or more individuals (i.e. principals) hire others (i.e. agents) to delegate responsibilities to them. The agency relationship is governed by a written or unwritten contract between principal (an organization) and agents (employees) to execute specific contractual arrangements, such as specific objectives, duties, responsibilities, etc. Unlike TCE, where the focus is on the transactions, agency theory regards ‘agency relationships’ as basic unit of analysis. In addition, agency theory has a tendency to focus on the relationships between individuals within an organization, whereas the TCE theory has a tendency to focus on the relationships between organizations.

Contingency theory

Unlike agency theory, where there is an optimal (general) model of MA relationships, contingency theory assumes there is no generally appropriate accounting system equally applicable to all organizations in all circumstances. Hence, contingency theory extends agency theory and draws on organizational and behavioral theories (Otley, 1984). It proposes a way of designing and studying accounting systems under different circumstances (Otley, 1978). It views the world of MA in terms of ontology and epistemology, in contrast to agency theory, which views the world as unrealistic and optimal (Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007).

Interpretive and critical perspective

As we explained earlier, the fundamental assumptions of the previous rational theories and their application in MA research look beyond rationality and optimalizition. Also, contingency theory is seen as a deviation from the economic rationality perspective, although it still focuses on rationality through the investigation and generalization of the relationships between accounting practices and contingent factors. These types of studies can only provide prescriptions for managerial practice, assuming that hypothesis-testing and cross-sectional analysis, as well as normative models, are functionally helpful in daily practice (Hopper and Powell, 1985; Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007).

MA in line with this perspective, tends to generate both intended and unintended organizational outcomes, such as resistance and conflict (Birkett and Poullaos, 2001). MAPs is a result of four interrelated factors: social institutions, organizational context, technologies, and academic instituions (Birkett and Poullaos, 2001). In the same way, Scapens (1984;1994) points out that MA has been seen as social and institutional practice. Hence, accounting practices must be studied and interpreted through what has actually occurred (Birkett and Poullaos, 2001). Thus, accounting and organizational change occurs through natural organizational dynamics equipped with subjective meanings and competing actions (Scapens, 1990; Ryan *et al.*, 2002; Ahrens and Chapman, 2006; Wickramasinghe and Alawattage, 2007; Ahrens, 2008). Accordingly, interpretive theorists have developed their perspective by drawing on social theories to enrich explanations of accounting and organizational change by adopting a case-study approach (Scapens, 1990; Ryan *et al.*, 2002; Ahrens and Chapman, 2006; Wickramasinghe and Alawattage, 2007; Ahrens, 2008).

Hopwood (1976) states that accounting has been seen as a static and purely technical phenomenon; in fact, the processes, techniques, and ways in which accounting information is used have never been static. The opportunity should be taken to move beyond static forms of analysis to study the complexities and dynamics of accounting change (Hopwood, 1976). As a consequence, alternative perspectives have presented different theories from which accounting can be seen as a dynamic and social institution, subject to changes under historical conditions, and socially constructed (Hopwood, 1976; Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007). Ryan *et al.* (2002) argue that research-based social theories have been classified into two types: interpretive and critical perspectives. The interpretive perspective tends to understand MA as a social practice within a social context, while the critical approach tends to examine the interplay between the organizational systems and their broader socio-economic and historical contexts by consulting other social sciences, such as sociology and political economy. Both perspectives have shared common criticisms of conventional research (rational perspective) in MA (Ryan *et al.*, 2002; Scapens, 2006; Wickramasinghe and Alawattage, 2007).

Unlike rational perspectives, the interpretive and critical (i.e. pragmatic) perspective is a research approach which is used to explain accounting and organizational change

(Wickramasinghe and Alawattage, 2007). Unlike rational researchers, interpretive and critical theorists believe that 'rationality[1]'can be articulated through subjective interpretations of organizational members (managers and employees) Wickramasinghe and Alawattage, 2007. They have conducted case-studies of individual organizations to report how accounting systems produce different consequences Wickramasinghe and Alawattage, 2007. Therefore, they believe that accounting practices are outcomes of shared meanings of organizational members, rather than artificial (technical) views, as was seen in the rational perspective Wickramasinghe and Alawattage, 2007. The three perspectives can be summarized by comparing them in the following Table I. This comparison indicates that accounting and organizational change research has changed from technical-managerial (rational) perspective to a sociological (pragmatic) perspective.

Accordingly, the origin of sociological theories is the belief that social practices, such as accounting and organizational changes, are not objective phenomena but are socially

Essential aspects	Rational perspective	Critical perspective	Interpretive perspective
The view	Technical-managerial view	*Sociological view*	*Sociological view*
Orientation	Prescriptive	*Interpretive*	*Interpretive*
Focus	Organizational/technical	Social (environmental)	Human and social meanings (both)
Aims	To develop MAPs and systems to ensure efficient and effective management of organizations	To highlight social problems and issues in the use of MAPs and system	To describe, interpret and theorize what is being practised (both MAPs and systems)
Level of Analysis	Individuals, subunits and systems	Social interaction and institutionalized subordination of labor	Human behavior and consciousness/ interpretation
Image of Organizational Reality	Rational and cooperative behavior	A set of individuals worried about others actions and a site of class (and power) struggle,, domination, disciples and colonization	A shared meanings and institutions system
Theoretical Foundation	Neo-classical economics, agency theory, contingency theory, and the like	*Sociological theories* (including actor-network, structuration, and institutional theory, etc..)	*Sociological theories* (e.g., Marxism, neo-Marxism, political economy, and the like)
State of MA	A technical and neutral information service for decision-making	A process whereby certain powerful actors negotiate shared meanings and a set of control devices shaped by dominant mode of production	Interpretive process subject to changes under actions and institutions by organizational actors
Contribution to MA	A mirror-like objective depiction of reality	A partial and subjectively created of accounting information	Subjective and/or theoretical explanations
MA Change	As *outcome* of technical and organizational progress	As *process* of interaction between human actions and institutions No historical analysis as depicted by naturalism.	

Source: Adapted from Hopper 1985, and Wickramasinghe and Alawattage, 2007

Table I. Three perspectives on accounting and organizational change constructed and changed by social and organizational actors. To study social practices in this way it is necessary to observe the relationships between social action and different elements of social structure without looking for universal law and generalization as we have seen in previous theories. However, social theory is used in MA research to examine the homogenity between organizations to get legitimacy or survival (Ryan *et al.*, 2002). In this regard, MA researchers have used different theoretical approaches from social sciences to deepen their understanding of the nature of accounting and organizational changes. These theories are actor network theory, structuration theory, and institutional theory (Macintosh and Scapens, 1991; Scapens, 2006).

The relevance of institutional theory

The purpose of this section is to recognize and articulate the institutional dynamics associated with organizational practices. Institutional theory is a way of thinking about formal organization structures and the nature of the historically grounded social processes through which these structures develop. A predominant factor underlying the growth of institutional theory in the organization change literature is its wide range of applicability. Initially, the sociologically-based institutional theorists supposed that institutional themes were only applicable to institutionalized organizations. However, it has recently become apparent that institutional theory can be used to analyze all types of organizations because all organizations are institutionalized organizations, albeit to varying degrees (Scott, 1995; Dillard *et al.*, 2004). That is, all organizations are subject to regulative processes and operate under local and general governance structures. All organizations are socially constituted and are the subject of institutional processes that “define what forms they can assume and how they may operate legitimately” (Scott, 1995:136).

Unlike the functionalist researchers, who have considered the context as a given phenomenon, interpretive researchers explore how context can be an explanatory variable for understanding accounting and organizational change, and the interplay between the context and the function of accounting (Burchell *et al.*, 1980). While functionalists believe that individuals and organizations play passive roles in relation to the functioning of accounting, interpretive researchers look at how individuals construct meanings and values for those functions (Hopper and Powell, 1985; Chua, 1986; Wickramasinghe and Alawattage, 2007). Thus, to understand MA in practice, accounting researchers began to conduct case-studies (rather than surveys) by locating them in particular contexts (Scapens, 1990, 1994; Scapens and Burns, 2000; Scapens, 2006). As a result, the interpretive perspective developed from a critique of functionalism. Another perspective called institutional theory emerged from a critique of the neoclassical economic perspective (Scapens, 1994; Scapens and Burns, 2000; Scapens, 2006). The principal aim of institutional theory was to provide an alternative framework with a sociological flavor (Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007).

On the other hand, a new approach to institutional theory emerged with Meyer and Rowan (1977) and who highlighted the role of exogenous factors in institutional analysis, drawing on Selznick (1948). From a macro perspective, Meyer and Rowan (1977) emphasized the role of modernization in rationalizing taken-for-granted rules, leading to isomorphism in the formal structures of organizations[2]. From a micro perspective, also emphasized the taken-for-granted nature of institutions and the role of cultural persistence as a measure of institutionalization. DiMaggio and Powell (1983) extended Meyer and Rowan’s (1977) focus on isomorphism from the societal level to the level of organizational fields. With their emphasis on coercive, normative, and mimetic sources of isomorphism, DiMaggio and Powell’s approach led to an explosion of empirical analysis (Thornton and Ocasio, 2008).

Along the same lines as Scott (1995, 2005, 2008) stated that the fundamental components of external institutions had to be the regulative (coercive), the normative, and the cognitive-cultural (mimetic). Recently, Dillard *et al.* (2004) developed a framework combining OIE research on internal institutionalization processes with recent NIS research on extra-organizational pressures.

Dillard *et al.'s* (2004) framework has theoretical roots characterized by the assumptions of structuration theory (Giddens, 1984). Also, Burns and Scapens' (2000) framework was influenced by the notions of OIE (Hodgson, 1988), structuration theory (Giddens, 1984), and evolutionary economics (Nelson, 1995). Burns and Scapens' framework is grounded in the duality of action and institutions. This duality has been further elucidated by drawing on Giddens' (1984) structuration theory (Macintosh and Scapens, 1990; Barley and Tolbert, 1997). As a result, institutional theory shares the views of structuration theory (Wickramasinghe and Alawattage, 2007). Both OIE and NIS assumptions are compatible with the structuration theory assumptions. Hence, Dillard *et al.*'s framework can be integrated with Burn and Scapens' framework to explain the process of institutionalization at the organizational level, as well as at societal and organizational field level, by adopting recent NIS ideas. As a result, institutional theory has become the most popular choice among MA researchers seeking to understanding why and how accounting has become what it is, or is not (Moll *et al.*, 2006).

Hopper and Major (2007) extended institutional analysis by adopting theoretical triangulation (including NIS, drawing on Dillard *et al.*'s Model, ANT and labour process) to examine why ABC was adopted in a Portuguese telecommunications company (Major and Hopper, 2005). The contributions of their study are several. First, it confirms various criticisms of ABC; second, it also confirms criticisms of early NIS research; and finally, Dillard *et al.'s* model requires an extension using theory triangulation. Cruz *et al.*(2009, 2011) looked at a joint venture (JV) set up by a Portuguese company and a global corporation (GC) in the hospitality sector. They have examined how and why the JV's managers launched variations (heterogeneous practices) in the management control (MC) rules and procedures in institutionalizing the global MC system imposed by the GC. They conclude that, although institutional and technical criteria were not in dialectical tension, the JV's managers adapted the global MC system by developing loosely coupled MC rules and practices to satisfy the multiple logics informing it.

For example, an interpretive case study in Jordan Customs (JC), pursued to clarify the implementation of changes to state-sector budgeting systems, considering the factors' complexity that drives and shapes the cumulative processes of accounting change. It uses triangulation of data collection methods including interviews, observations, and documents and archival records. The study adopts a multilevel analysis of institutions to better understand the implications of public accounting changes for the re-engineering and improved delivery of public services. Participants interviewed were holding different positions at numerous levels to gather evidence of accounting change process and its consequences and of the internal and external factors that have affected the existing and new results-based budgeting system. Consequently, the change analysis has been applied to the accounting systems in the public sector organizations at three institutional levels. In addition, it embarked on the development of new methodologies for budgeting and reproduced on the basis of the revision of the rules of accounting theory and re-released and procedures. Over this process, the reform of the accounting change itself, and the new accounting procedures led to the institutions included the current accounting rules. It has been applied to the fundamental change in Budgeting, which is resulted by external and institutional pressures in accounting procedures over time (Alsharari *et al.*, 2015;

Alsharari 2016a, 2016b, 2016c, Alsharari, 2017; Alsharari and Abougamos, 2017; Alsharari and Youssef, 2017; Lasyoud and Alsharari, 2017; Alsharari, 2018).

However, most of previous studies have been conducted in two ways: at a purely intra-organizational level by adopting OIE theory, or a purely extra-organizational level by adopting NIS theory. A few studies in accounting and organizational change literature have adopted a hybrid (contextual) framework that combines OIE, NIS and power mobilization theory (Dillard *et al.*, 2004; Yazdifar, 2004; Yazdifar *et al.*, 2008; Ma and Tayles, 2009). Yazdifar *et al.* (2008) state the NIS theory tends to be harmonized with other institutional perspectives, which focus on internal organizational factors. When NIS and OIE are combined, they lead to the adoption of a holistic framework (Yazdifar *et al.*, 2008). In this regard, Dillard *et al.* (2004: 512) affirm that "Burns and Scapens' ideas could be integrated" into Dillard *et al.'s* (2004) framework at the organizational level. They also declare that "the framework provided by Burns and Scapens (2000) might be applied in describing the micro process taking place" (2004: 533) within an organization. MA authors use the integration between OIE and NIS theories to avoid the flaws in each theory (Ribeiro and Scapens, 2006; Scapens, 2006; Ma and Tayles, 2009). More recently, Alsharari *et al.* (2015) introduced a new institutional framework which can be considered as a holistic view drawing on integration between OIE, recent NIS, and power mobilization theory to explain the processes of accounting change.

Conclusions, implications and contributions

The study concludes that accounting and organizational change literature asserted that the nature of accounting change is not static, rather, is dynamic and changing over time. This literature has shown that the dynamics of accounting change were clearly manifested in organizational processes especially in planning, controlling, performance evaluation, and decision-making processes. The literature has also identified that changes in both extra and intra-organizational factors have influenced changes in accounting systems in organizations. Hence, it is highly significant to recognize the role of power, politics and culture as internal factors and political and economic and other external factors. When organizational context responds to pressures by embarking on a changed management path, the organization has had to consider which of the many accounting techniques, practices and systems would be most effective. This is significant as accounting system plays a key role in providing relevant information to management, especially in the decision-making process. Accounting researchers have concentrated on understanding the methods through which accounting and organizational changes respond to the changing business environment. However, various theoretical perspectives have been argued in this study. Some of these perspectives have examined the change in accounting systems from rational and optimal perspectives. Commonly, most of these perspectives have been unable to explain accounting and organizational change as process. Thus, they have seen the process of change as a static, an outcome, planned and simple phenomenon. However, the change is a dynamic, emergent and complex process, which should be studied in its social and organizational context by adopting alternative institutional framework.

The study concludes that accounting and organizational change literature has divided theoretical strands into two main perspectives: rational perspectives and interpretive and critical perspectives (Ashton *et al.*, 1991; Ryan *et al.*, 2002; Wickramasinghe and Alawattage, 2007). Rational perspectives represented by the conventional mainstream of research can be classified into two approaches, normative economic models and positive economic models, which are grounded in neoclassical economic theories. Normative economic models were developed in the 1970s and were concerned with providing managers with a set of decision techniques to help them in their day-to-day work and to find optimal solutions (Scapens, 1984; Ashton *et al.*, 1991). Positive economic models tried to explain and predict economic behavior by using different organizational theories, such as contingency and agency theories. On contrary, the interpretive and critical perspectives emerged as alternatives to rational perspectives to explain accounting and organizational change within its broader social and economic context (Hopwood, 1987; Hopwood and Miller, 1994). Alternative perspectives have presented different theories (such as institutional and sturcturation theories) in which organizational change has to be seen as a dynamic and social institution, subject to changes under historical conditions, and socially constructed (Hopwood, 1976; Ashton *et al.*, 1991; Wickramasinghe and Alawattage, 2007). Unlike rational perspectives, the interpretive and critical (i.e. pragmatic) perspective is a research approach that is used to explain organizational change as a processes over time rather than focusing only on the outcomes (Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007). Unlike rational researchers, interpretive and critical theorists believe that 'rationality' can be articulated through subjective interpretations of organizational members (managers and employees) Hopwood, 1987; Hopwood and Miller, 1994; Wickramasinghe and Alawattage, 2007.

The study has important implications for the ways in which change dynamics can emerge, diffuse, and implement at multilevel of institutional analysis. It also explains the interaction between the accounting and organizational change, which identified that change is both shaped by, and shaping, wider socio-economic and political processes. This broad sensitivity to the nature of change has important implications for the ways of studying accounting and organizational change. Some theoretical and empirical implications for practitioners and researchers have resulted from this study. The findings confirmed criticisms of rational perspectives. Social and economic pressures were inseparable, public organizations were not immune from institutional pressures, and extra-organizational competitiveness and innovative diffusion were significant. Along with interpretive and critical proponents, the findings agree with Hopwood and Scapens and their followers that accounting and organizational change is not a static phenomenon; it changes over time to reflect new forms and practices, accounting is part of organizational change, and accounting rules and routines are part of organizational rules and routines. Besides, the study confirmed that organizational change including accounting takes place in response to external pressures, and the relationships between accounting practices (routines) and systems (rules) are recursive.

The study contributes to both accounting and organizational change literature by providing a comprehensive review about the development of institutional theory as it examines how the organization is simultaneously subjected to a high level of efficiency and considerable institutional demands. Thereafter, the domain of accounting and organizational change research itself will be extended. If the pressures on accounting change is seen to have extended beyond the organization, processes have worked in the opposite direction too - accounting itself may come to be seen as contributing to the shaping of those social and economic relations. This study has a significant contribution in terms of methodological issues by alternative perspectives for studying accounting and organizational change. In general, it provides rich insights into the practical problems and methods experienced in conducting case-study fieldwork and in analyzing data to empirically examine processes of accounting and organizational change.

Notes

1. Interpretive theorists see rationality as an interpretive project instead of a universal reality that can be seen in each organization.
2. Meyer and Rowan (1977) argue that organizations had to conform to the requirements of external environments for legitimacy, which meaning that parts of organizations had to be loosely coupled from their technical core.

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Corresponding author
Nizar M. Alsharari can be contacted at: nizaralsharari@gmail.com