Towards Implementation of Sociology Theory on Management Accounting Research

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Abstract: This article aims to give another perspective for Management accounting scholars to potentially implement sociology theories in theirs accounting research. Traditionally, accounting researches have been conducted relying on accounting theory, management theory, economics theory and psychological theory. However, in line with popularity academic research that involves interdisciplinary field of study, it is therefore open possibility to adopt another perspective of theory from related discipline. Since Management accounting discipline is closely associated with organization and behavior of individual within the organization, sociology theory is considered fit to be adopted. This article will figure out potential research in management accounting discipline using framework sociology theory.

1 INTRODUCTION

Management accounting is branch of accounting study that mainly focus on how accountant provide information for decision making, organizational planning, controlling and performance measurements. Mostly, people understand management accounting discipline that is identically with quantitative data and business and economics theory. However, actually in major part of management accounting is dealing with social context originated from sociological and psychological field of study. In line with advanced of information and technology, accountant function as information provider decision making slow but sure replaced by machines. The challenges of management accountant in today’s business environment are technology adaptation and empowering member of organization to achieve maximum benefits for the organization. Therefore, social aspect that appears between member of the organization is obvious.

After a long period of neglect, the roles of accounting in shaping the economy are currently being rediscovered by sociologists (Miller, 2007). Across the following two decades, the researches that are involving interactions between sociology and accounting enormously developed. The sociological analysis of accounting came to be located more within the discipline of accounting, and in the process the concepts used and the definition of the object of attention itself altered (Miller, 2007). Since accounting was identified as a proper object of sociological analysis and the ground was already laid within sociology and organization theory, the analysis of the institutional environments of accounting is widely increasing (Miller, 2007).

Historical studies have played an increasing role in economics and sociology, which provide theoretical bases for management accounting research (Luft, 2007). Organizational and sociological theories explicitly recognize the centrality of issues of social control and coordination in organizations, thus providing intellectual approaches from which to study managerial accounting as important aspects of the manner in which organizations and society function (Covaleski et al., 1996). However, many researches in accounting and management accounting are majority based on economic and business theory. Accounting and management accounting are tool to help business organization achieve their goal. However, success and failure of those tool is very much depending on the executor. Therefore, today’s management accounting research should not only focus on implementation of management accounting techniques but also actors who implemented the techniques.

Since studying people in organization is closely associated with social context, therefore there is...
urgency to adopt and implement sociology theory to conduct research in management accounting. In this paper, several sociology theory and potential research topic relevance with management accounting was discussed and explained. It is expected that the description will give an inspiration for researchers in management accounting study to conduct research in the area of social context. Additionally, by adopting theory from other disciplines, it will open possibilities to conduct collaboration research with other scholar cross field of study. There is increasing acceptance of the contributions that can be made by researchers working at the interface of management accounting research and sociology. By building on these existing links, we can enrich both management accounting research and the discipline of sociology (Miller, 2007). Additionally, sociology theory described in this paper is expected can contribute to enrich horizon of accounting scholars besides economics and business theory that are already widely known previously.

2 LITERATURE REVIEW

2.1 Sociology Theory in Management Accounting Research

Roslender (1995) offers an introductory review of critical Management Accounting Researches. He identifies self-awareness as its basic purpose and stresses how it can help management accountants understand their position in organizations and society, and the effects of their calculative techniques. He points out that in the best Management Accounting research, researchers are aware of the impact of their studies. He identifies several theoretical approaches that emphasize awareness namely interpretive sociology, political economy, labor process and critical theory. The design of management accounting research is guided by economic principles, however, the social context of the firm and the mutability of management accounting suggest that other social sciences (e.g., sociology, psychology, political science) offer equally compelling explanations for observed practice.

Sociology theories provide more explanation for the beyond organization level of a complete model of management accounting than psychology and contingency theories do. Some sociology theories focus on events while others focus on attributes, and linking events and attributes remain problematic (Luft and Shield, 2007). A set of constructs derived from anthropology, social psychology, and sociology to explain and predict how people function in a social context (Birnberg et al., 2007). Managerial accounting research, which has adapted organizational or sociological theories to examine the development, maintenance and change in managerial accounting practices, explicitly recognizes the centrality of issues of social control and coordination in organizations, thus providing intellectual approaches from which to study managerial accounting as problematic aspects of the organizational and social context (Covaleski et al., 1996). The sociology theories employed in management accounting research often focus on beyond organization variables, both attributes of societies (e.g., discourse, symbolic values) and events that occur similarly across a whole society (e.g., capital-labor conflict, resistance to management accounting (Luft, and Shield, 2001).

It seems likely that theories and methods drawn from anthropology and sociology are more suited to understanding how these subtle factors combine to influence how individuals respond to MCS (Chenhall, 2007) and various streams of sociology that have been used in MCS research (Chenhall, 2007). Accounting, in the sense of both budgetary management and capital accounting, was central to his analysis of the sociological conditions of economic activity. He argued that money is “the most perfect” means of economic calculation, that is, “formally the most rational means of orienting economic activity”. Calculation in terms of money, rather than its actual use, was the mechanism by which rational economic provision could be conducted, and capital accounting was the form of monetary accounting peculiar to rational economic profit-making.

2.2 Structural Functionalism Theory

Structural functionalism, or in many contexts simply functionalism, is a broad perspective in sociology and anthropology which sets out to interpret society as a structure with interrelated parts. Functionalism addresses society as a whole in terms of the function of its constituent elements; namely norms, customs, traditions and institutions. Structural Functional Theory in management accounting is identical and widely known as contingency theory. The sociological tradition embedded in contingency theory developed during the 1960s through various structural approaches to organizational studies (Covaleski et al., 1996). Contingency theory represents a rich blend of organizational theory it has roots in the organizational decision-making.
perspectives and sociological functionalist perspectives of organizations, it has roots in the sociological concerns about organizational structure (Covaleski et al., 1996).

Contingency theory took the insights on such critical organizational processes as decision making and control as depicted in the literature on organizational decision making and combined these with sociological functionalist concerns regarding the impact of such structural factors as environment, size, technology, etc., on organizational behavior. Contingency theory is essentially a theoretical perspective of organizational behavior that emphasizes how contingent factors such as technology and the task environment affected the design and functioning of organizations. (Covaleski et al., 1996) These contextual factors are hypothesized to influence dimensions of structure including the degree of formalization, specialization, differentiation and bureaucratization. (Covaleski et al., 1996). These studies suggested that organizations' structures are contingent upon contextual factors which have been variously defined to include technology, dimensions of task environment and organizational size (Covaleski et al., 1996)

Among the earliest managerial accounting research which adopted a contingency perspective was Hofstede's in 1967 classic field work which found that economic, technological and sociological considerations have a significant impact on the way budgeting systems function, concluding that managers used budgetary information in difficult economic environments to pressure workers; but in more lucrative environments, the budget was used more in a problem solving mode (Covaleski et al., 1996). Traditional management accounting research which has been based in the contingency literature (as well as its predecessors—organizational decision making, human relations and scientific management) suggests that managerial accounting information should reflect and promote rationality in decision making.

Important to both the decision-making perspective of organizations and the sociological concerns for organizational structure are issues of organizational control and coordination (Covaleski et al., 1996). Organizational decision-making perspective with the sociological functionalist concerns regarding the impact of such structural factors as environment, size, technology, etc., on organizational behavior. Implementation in management accounting research in the context using contingency theory or structural functional theory such as the influence of characteristic organization (industry classification, size, age, profile) in determining successful implementation of management accounting techniques. Characteristic organization is also relevant used to conduct research about voluntary and mandatory sustainability reporting disclosure. Another perspective implementation of structural functional theory in management accounting research is key factors in determining management control system in organization. The factors refer to structural organization, distribution of power and compensation management.

2.3 New Institutional Sociology Theory

In recent years’ institutional theory has had a major impact on research in a wide variety of fields within the social sciences, including economics, sociology, political science, organizational theory, public administration, and also accounting (Scapens and Varoutsa, 2010). In the accounting literature three particular types of institutional theory have had significant influences on accounting research, and especially on management accounting research. These are generally referred to as new institutional economics (NIE), old institutional economics (OIE) and new institutional sociology (NIS) (Scapens and Varoutsa, 2010).

In general, NIS asks how organizations are influenced by the institutions in their environments. Much of the research documents the impact of the state and professions on organizations, and traces the diffusion of new organizational forms and practices (Scapens and Varoutsa, 2010). The focus of much of this work is on how institutions shape the patterning of organizations and lead to homogeneity in organizational fields (Scapens and Varoutsa, 2010). According to NIS, it is the search for legitimacy and resources that explains why specific organizational forms and procedures are diffused across organizations operating in similar settings – e.g. similar environments, societal sectors, or organizational fields (Scapens and Varoutsa, 2010).

This process of diffusion can create pressures that lead organizations to become isomorphic with other organizations in their institutional field. Competitive isomorphism, for instance, through market forces, is not dismissed, but the emphasis is placed instead on three types of institutional isomorphism namely coercive, normative and mimetic isomorphism that highlight the social and political dimensions of the environment in which organizations are located (Scapens and Varoutsa, 2010).
The early NIS work tended to emphasize the structural nature of institutions. In other words, how organizations are molded by institutional forces; forces which are external to the organization. Rather less attention was given to the way in which institutions are created and how institutions change (Scapens and Varoutsa, 2010). NIS to explore how organizations respond to pressures from the institutional environment and that organizations are not necessarily passive, they can act strategically in their response to institutional pressures (Scapens and Varoutsa, 2010) Organization may purposefully comply with external requirements by adopting specific formal structures and procedures, but in a manipulative fashion, in order to gain legitimacy and thereby secure the resources which are essential for their survival (Scapens and Varoutsa, 2010). Recent work in NIS has begun to explore the processes which shape practices within organizations.

Implementation of NIS in management accounting research is to study about management accounting practice such as adoption of strategic management accounting techniques. Practice in business organization showed that adoption strategic management accounting techniques is increasing. NIS can be applied to understand the nature of adoption of strategic management accounting techniques. Why certain management accounting techniques is adopted and neglected other is fundamental research question that can be answered using NIS. Another perspective of adoption of NIS in management accounting research is understanding behavior of organization that following others organization in terms of adoption certain management accounting techniques considered successful. In order to get detail understanding about the behavior, qualitative method of research is suggested.

2.4 Actor Network Theory

Actor-Network Theory (ANT) enables researchers to explore inter-connections between accountants, inscriptions and the technology they use and how accounting intercedes local actions. (O’Connell et al., 2014). Everything in the social and natural worlds does not exist separately, but is being constantly generated by relationships between actors in networks (Law, 2007). ANT explains how, over time, networks of actors are built to support claims to specific knowledge by those who use accounting numbers and reports in an effort to persuade and influence (Mouritsen et al., 2001)

Alongside other sociological method theories, ANT has thus changed our understanding of management accounting from the consideration of only technical and functional system characteristics to the study of the social and organizational contexts in which accounting operates (Lukka and Vinnari, 2005). The fundamental premises of ANT may be expressed in terms of four key notions: actors, translation, alliances and trials of strength. An actor is defined as any human or non-human thing which has an effect on another thing (Lukka and Vinnari, 2005). ANT is considered particularly suitable for the study of innovations (Lukka and Vinnari, 2005)

Another branch of ANT-inspired management accounting research has investigated processes related to the fabrication or implementation of various innovations such as Activity-Based Costing, the Balanced Scorecard and ERP (Lukka and Vinnari, 2005). ANT has been used by accounting researchers to provide insights into the organic nature of change (O’Connell et al., 2014). ANT specifically examines how networks are developed and maintained and the interacting role of the various actors (human and non-human) within these changing accounting processes (O’Connell et al., 2014).

Actor Network theory fits perfectly to management accounting research about management accounting changes. Nowadays, business environment is changing quickly and adoption management accounting techniques follows the trend. Historically, adoption management accounting in business practice is changing gradually. However, motive and reason why business practice tends to change their management accounting techniques is still mystery. Therefore, there is urgency to understand behavior among industry practice regarding changing the management accounting techniques. Actor Network Theory will provide answer the motive of changing from perspective internal organization (Actor) and External organization (Network). Qualitative research is suggested in order to get detail understanding of the behaviour.

3 CONCLUSIONS AND DISCUSSION

Management accounting is field of study that is not merely related with quantitative data. In line with advanced of information technology, role of management accountant as information provider for decision making is reduced and replaced by
technology. However, challenges of management accountant in assisting organization to achieve its business objective are still existing. Management accountant is forced to make sure process serial process of planning, budgeting, controlling and performance measurement functional properly. Those serial process is heavily about interaction with member of organization. Therefore, understanding social context is urgently required by management accountant. Sociology theory is believed as relevant theory to understand nature of human behavior in organizational context.

Structural Functionalism theory or contingency provide framework in management accounting research that there is no single management accounting technique that fits to all organization. It is very much depending on many factors that make implementation has different impact in one organization to another organization. New Institutional Sociological (NIS) Theory posits that there are institutional factors that influence why certain organization adopt certain management accounting techniques. NIS is basically asking motive behind in decision making in organization. Lastly, Actor Network Theory (ANT) is framework of management accounting research about innovation. ANT is best theory suggested to be adopted to understand behavior among business organization related management accounting changes.

REFERENCES


