



Is Traditional Management Accounting Still in Use? Contemporary Issues

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ABSTRACT

This study aims to review the relevant literature on the role of management accounting in organizational management. It also compares traditional and new or strategic management accounting and their limitations. It focused on the role of management accounting in the constitution of organizations and the ways in which management accounting systems as structures of intentionality both shape and are shaped by shared norms and understandings. The findings help to understand the concerns of the current mainstream in management accounting literature. In fact, the findings cohere with Hopwood and Scapens and their followers in the sense that management accounting is not a static phenomenon but one that changes over time to reflect new forms and practices. It was also found that management accounting is part and parcel of organizational change. By reviewing a subset of the studies on accounting history published during the period 1980 - 2018, this study updates accounting history literature by focusing on management accounting research. The study also contributes to the existing literature by presenting the discussions of management accounting and organizational change. However, other studies can consider this paper a starting point to examine other areas of accounting such as financial accounting.

Apakah Akuntansi Manajemen Tradisional Masih Digunakan? Isu Kontemporer

ABSTRAK

Penelitian ini bertujuan untuk mereview literatur yang relevan tentang peran akuntansi manajemen dalam manajemen organisasi. Penelitian ini juga membandingkan akuntansi manajemen tradisional dengan akuntansi manajemen strategis atau baru serta keterbatasan dari keduanya. Penelitian ini berfokus pada peran akuntansi manajemen dalam konstitusi organisasi dan cara-cara di mana sistem akuntansi manajemen sebagai *structures of intentionality* terbentuk dan dibentuk oleh norma dan pemahaman bersama. Temuan dalam penelitian ini membantu untuk memahami topik-topik yang menjadi perhatian dari arus utama pada kajian akuntansi manajemen. Faktanya, temuan-temuan penelitian ini konsisten dengan pandangan Hopwood dan Scapens serta para pengikutnya dalam arti bahwa akuntansi manajemen bukanlah suatu fenomena statis, tetapi sesuatu yang berubah seiring waktu untuk mencerminkan bentuk dan praktik baru. Ditemukan juga bahwa akuntansi manajemen adalah bagian tak terpisahkan dari perubahan organisasi. Dengan meninjau sebagian studi tentang sejarah akuntansi yang diterbitkan selama periode 1980 - 2018, penelitian ini memperbarui literatur sejarah akuntansi dengan berfokus pada penelitian akuntansi manajemen. Hasil penelitian ini juga berkontribusi pada kajian yang ada dengan menyajikan diskusi akuntansi manajemen dan perubahan organisasi. Namun, penelitian selanjutnya dapat mempertimbangkan penelitian ini sebagai titik awal dalam melakukan kajian yang sama pada bidang akuntansi lainnya seperti akuntansi keuangan.

1. Introduction

Contemporary accounting studies have shed light on how accounting is practiced in social activities and arrangements. For example, the interpretive studies seek to explore the ways in which, 'the social, or the environment, passes through accounting. Conversely, accounting ramifies, extends and shapes the social' (Burchell, Clubb, & Hopwood, 1985).

The aim of this study is to review the relevant literature on management accounting (MA) and organizational change. It compares the traditional and the new/strategic management accounting. The study focuses on the potentials and limitations of both types of management accounting to highlight which of them is more dominant and popular.

This aim helps in understanding the related pedagogy, policy, and practices. In fact, accounting and organizational objectives are interdependent in the sense that the objectives are influenced by the knowledge of accountings (Swieringa & Weick, 1987). Conceived in this way, accounting lends itself to multiple political uses (Bariff, 1978; Markus & Pfeffer, 1983). This study adheres to this way of thinking, which will improve our understanding of how contemporary organizations design their accounting systems to fit into the current business environment.

Moreover, this study also explores some preliminary ideas about how and why a management accounting approach may initiate and sustain a dynamic action. This study is structured as follows. The introduction is presented in the current section. The second section discusses the role of management accounting in organizational management which highlights the role of planning and other related roles. The third section compares traditional and strategic management accounting and its limitations. It also highlights which is dominant and still in use. It is followed by discussing change in management accounting and its relationship with organizational change. The final section concludes this paper.

2. Literature Review

Traditional Functions of Management Accounting

Management Accounting is one of the key functions within organizations (Hilton, 2001). The objective of MA is to provide the entity's management with relevant financial and non-financial information useful for planning, control, performance measures, and decision-making. According to MA literature, these functions are integrated and interrelated within the management process. Therefore, managers can execute each of these functions more effectively with MA (*ibid.*).

Planning

MA is vital to strategic planning (Johnson and Kaplan 1987), which is concerned with setting goals and objectives for the whole organization over the long term (Anthony, 1965). Strategic plans, budgets, and action programs are inextricably linked. Hence, developing a budget is a critical step in planning any economic activity (Hilton 2001). According to Guilding, Lamminmaki, & Drury (1998) planning plays the most important role in budgeting/ setting out budgets.

Controlling

MA is useful in the control of labor, processes and daily work. In this regard, Foucault (1977) emphasized the significance of the development of new accounting systems focused on watching and controlling what individuals do. Accounting, as a disciplinary technique, is a testament to the link between power and knowledge. In organization, power is linked to the knowledge resulted from accounting systems. For example, Johnson & Kaplan (1987) describe how MA innovations, in particular Return On Investment (ROI) and Budgeting, play a controlling role in large organizations.

The use of budgets and ROI was a means for gaining more knowledge and thus power over the managerial labor processes. Significantly, budgetary control helps to direct operational

activities and is also suitable for a wider set of non-financial objectives, as evidenced by the balanced scorecard (Garrison, Noreen, & Brewer, 2003).

Performance Evaluation

Foucault (1977) also explains how accounting techniques are developed for measuring human performance in addition to highlighting the origins of accounting as a disciplinary technique. New management accounting practices (MAPs) have been developed to improve the performance evaluation process. MAPs provide data to evaluate the individual and the organization-wide performances to decide on future organizational strategies and policies (Kaplan & Norton, 1996, 2001). In fact, effective management requires creating balance in four key areas: financial, internal operations, customer, and innovation and learning (Hilton, 2001; Robert S. Kaplan & Norton, 1992).

Decision-Making

Decision-making is a fundamental part of management. However, most large organizations are decentralized. In such organizations, managers are given autonomy to make decisions for their subunits (Hilton, 2001; Malone, 2003). Neely et al., (2003) and Hansen, Otley, & Stede (2003) point out that budgets and budgeting processes reinforce the centralization of decision-making.

Moreover, Libby & Lindsay (2010) argue that budgets are connected to strategy, and the budgeting process is used in many organizations to support their strategies. In addition, King *et al.*, (2010) conclude that there is a close relationship between budgeting practice and performance and the performance of a business is related positively to budgets. Thus, businesses of all types and governmental organizations of all levels must make financial and strategic plans to carry out routine operations, to plan for major expenditures (e.g. capital expenditure) and to help in making decisions (Hilton 2001).

3. Limitations of Traditional Management Accounting (TMA)

Limitations of TMA Functions

The literature highlights many limitations to traditional budgets and/or their assumptions (Neely *et al.* 2003, Libby and Lindsay 2010). For example, Jensen (2001) criticizes budgets so strongly that it was considered ridicule:

“Corporate budgeting is a joke, and everyone knows it. It consumes a huge amount of executives’ time, forcing them into endless rounds of dull meetings and tense negotiations. It encourages managers to lie and cheat, lowballing targets and inflating results, and it penalizes them for telling the truth.”

Similarly, Neely, Bourne, & Adams (2003) state that budgets are time-consuming and costly to set together. They also argue that budgets add little value, are rarely developed and updated and are based on unsupported assumptions. In this regard, Hansen et al., (2003) add another criticism, that conventional budgets cannot be valid, because they cannot obtain the uncertainty involved in a rapidly changing environment.

Another limitation is made by Hope & Fraser (2003), who claim that budgeting should be eliminated because it has not been able to support command and control culture. Moreover, they argue that budgets impede adaptability Neely et al., (2003) and Hansen et al., (2003) express the view that budgets and budgeting processes enhance the centralization of decision making. Conversely, King, Clarkson, & Wallace (2010) found that there is a relationship between budgeting practice and performance and business’s performance correlates to budgets positively.

Limitations of the TMA Systems

Johnson & Kaplan (1987) declared that the failure of a management accounting system is manifested via three significant results. Firstly, management accounting information presents little assistance to organizations who try to decrease

costs and enhance productivity. Contrarily, productivity decreases because management accounting information needs a long time to be understood by employees who are non-accountants (Johnson and Kaplan 1987, Scapens *et al.* 2003).

Secondly, management accounting systems do not offer the exact product costs. In particular, overhead costs are distributed to products based on estimation methods such as the direct labor cost or hours of labor. In management accounting terms, these methods might misguide the decisions relating to product pricing, product sourcing, product mix and responses to rival products. This is because the data are generated from the systems concerned with product costs only. So, many companies become victim to the risk of misleading decision-making.

However, Noreen (1987) disagrees with Johnson and Kaplan in that every overhead cost must be allocated to product lines by estimating long-run costs. Noreen disagrees with Johnson and Kaplan by declaring that academic researchers emphasize contrasting alternatives before selecting a particular method (Noreen, 1987).

The Successful Domination of Financial Accounting

Johnson & Kaplan (1987:156) state that “cost accounting had hardly become subservient to goals of external reporting and only occasionally emerged to aid managerial decisions and control”. Solomons (1987) supports Johnson and Kaplan in their thinking about management accounting, especially cost accounting, which serves external financial statements and auditors’ purposes. In this sense, management accounting services external financial statements’ aims (Johnson and Kaplan 1987). Roslender (1996) announces that this resulted in damaging short-termism in the business view, coupled with problematic cost allocation techniques underpinning stock valuation and an over-reliance on historical information for process control.

Strategic Management Accounting Systems

SMA is “Strategic Management Accounting” where strategic management is “an integrated management approach that draws together all the individual elements involved in planning, implementing, and controlling business strategy” (Collier & Gregory, 1995). Lord (2007) states that strategic actions have to be decided based on quantitative, financial and internal information on costs, payoffs, and benefits. Therefore, traditional management accounting (TMA) information cannot be useful for strategic decision-making.

In management accounting literature, different perspectives discuss strategies and their relationships with management accounting. However, the majority of SMA focuses on terms related to competitive advantage. Dixon (1998) affirms that SMA can make a significant contribution to gaining competitive advantage in a global environment if it succeeds in addressing some major challenges. He presents these challenges in the following points:

The first is to “legitimize and balance functional, area and product perspectives”. The second is to coordinate interaction across business units using formal systems. The third relates to competitor analysis, where Dent identified a need for greater attention to be given to emerging threats in proximate markets. The fourth concerned resource allocation. Finally, there is the challenge of preventing fragmentation within the global company by developing clarity of strategic intent (Dixon 1998).

Any strategy has to be assessed. This principle has become a hot subject in recent decades. While there are performance measurement systems (PMS) to evaluate SMA, it has failed to regain the (lost) relevance of strategy formulation and implementation. Traditional PMS was related to financial performance measures, which were problematic for companies (Johnson and Kaplan 1987).

There are some specific problems faced in applying traditional PMS (Tangen, 2004). Firstly,

financial performance measures are not directly related to the manufacturing strategy. Secondly, traditional performance measures, for example cost efficiency and utilization, may pressure managers and supervisors for short-term results and discourage long term improvements. Thirdly, financial measures do not accurately report the cost of processes, products, and customers. Fourthly, financial measures are not applicable to new management techniques. Finally, financial measures do not penalize overproduction and do not adequately identify the cost of quality (Al-Shboul & Alsharari, 2018).

Many researchers claim that there is a need for more specific information about the organizational activities, as TMA systems are unable to provide that information to decision-makers (Drury, 1998, 2006; Kaplan, 1994). Cooper & Kaplan (1988) confirm that activity-based costing (ABC) is not designed to produce automatic decisions. "It is designed to provide more accurate information about production and support activities and product costs so that management can focus its attention on the products and processes with the most leverage for increasing profits" (Cooper and Kaplan 1988). However, significant difficulties emerge during the implementation of ABC, in that:

"Over the past 15 years, activity-based costing has enabled managers to see that not all revenue is good revenue and not all customers are profitable customers. Unfortunately, the difficulties of implementing and maintaining traditional ABC systems have prevented them from being adopted on any significant scale" (Kaplan and Anderson 2004)

However, ABC has been successful in large industrial companies in terms of improving operational performance by providing suitable and correct information on the allocation of resources (Gunasekaran and Singh 1999). Nonetheless, ABC received criticism in some countries around the world. For example, in New Zealand, companies adopt contrasting perceptions on the success and

importance of some ABC applications (Cotton *et al.* 2003). It has not received significant attention from small companies (Gunasekaran and Singh 1999). Scapens (2000) points out that many organizations changed the method by which management accounting has been employed, rather than the use of new management accounting systems and techniques, such as ABC, BSC, and SMA (Scapens 2000; Sulaiman and Mitchell (2005), Alsharari 2013, Lasyoud *et al.* 2018).

At the same time, the balanced scorecard (BSC) was first introduced in the early 1990s. Harvard Business School and Professor Robert Kaplan, in particular, have played an important role in developing balanced scorecard (Ax and Bjørnenak 2007). BSC is based on using financial indicators with other performance indicators, especially non-financial indicators, to create a perspective that incorporates both financial and non-financial parts, which were suitable for measuring the performance and value creation of business.

Thompson & Mathys (2008) confirm that the effective application of BSC is problematic regarding four aspects (Thompson and Mathys 2008). Firstly, there is a lack of understanding of the importance of processes within organizations. Secondly, there is a lack of understanding of the alignment between items within the scorecard. Thirdly, there is a need to measure the right information, because some users of BSC do not understand the linkages between the dimensions. Fourthly, there is a need for understanding how organizational strategy relates to the scorecard (Al-Shboul & Alsharari, 2018)

Traditional Management Accounting (TMA) Still in Use

TMA systems were designed for use in an environment completely different from what became available starting from the end of the 20th century to the 21st century (Drury 1998). SMA systems were not being widely utilized (Burns *et al.* 2003). The present business environment of

intense competition is leading modern organizations to a renewed commitment to excellence (Burch 1994). However, managers will require both traditional and non-traditional management accounting systems to make better decisions (N M Alsharari, 2013).

Many researchers have disclosed that TMA systems, such as budgeting, are still in use as a common system (Burns and Vaivio 2001, Burns and Yazdifar 2001). A number of researchers have reviewed studies on management accounting practices applied in developed and developing countries. In an Indian survey, it was found that 20% of the responding organizations implemented ABC (Joshi 2001). Another survey reports that approximately 30.3% of the responding companies in South Africa still use direct labor/machine hours as their allocation bases (Waweru et al. 2005). Also, there are many examples in developed countries.

Gowthorpe (2008) stated that a recent survey shows that traditional costing continues to be used widely in manufacturing organizations. A survey conducted in the USA found that 35% of manufacturing companies utilized traditional costing systems, 8% used the ABC system, 30% used both traditional costing systems and ABC system and 26% used variable-cost (Hughes and Gjerde 2003). The UK survey reports that 7% of the organizations introduced ABC (Drury *et al.* 1993). Another UK survey asserted that 19.5% of the responding organizations implemented ABC, while a further 27% were considering ABC adoption, whereas 40.2% were not considering it (Innes and Mitchell 1995).

Roslender (1996) confirms that addressing the relevant concerns would require discontinuing the gap that occurred in the previous four decades between the theory and practice of management accounting. Declares that there has been a lack of technology development within management accounting to respond to the main recent changes in the business environment. Management accounting appeared to be unable to increase

productivity, flexibility, and quality, or to decrease inventory and time (Roslender 1996).

It might be confirmed that management accounting has been affected by internal organizational and external environmental factors. Some organizational factors which seem to be forming change within organizations are briefly outlined here. Besides, intra-organizational factors must not be ignored, because such factors have also interplayed with each other in order to shape management accounting practices. Therefore, this paper will discuss the influence of intra-organizational factors in the following sections.

4. Call for Management Accounting Change

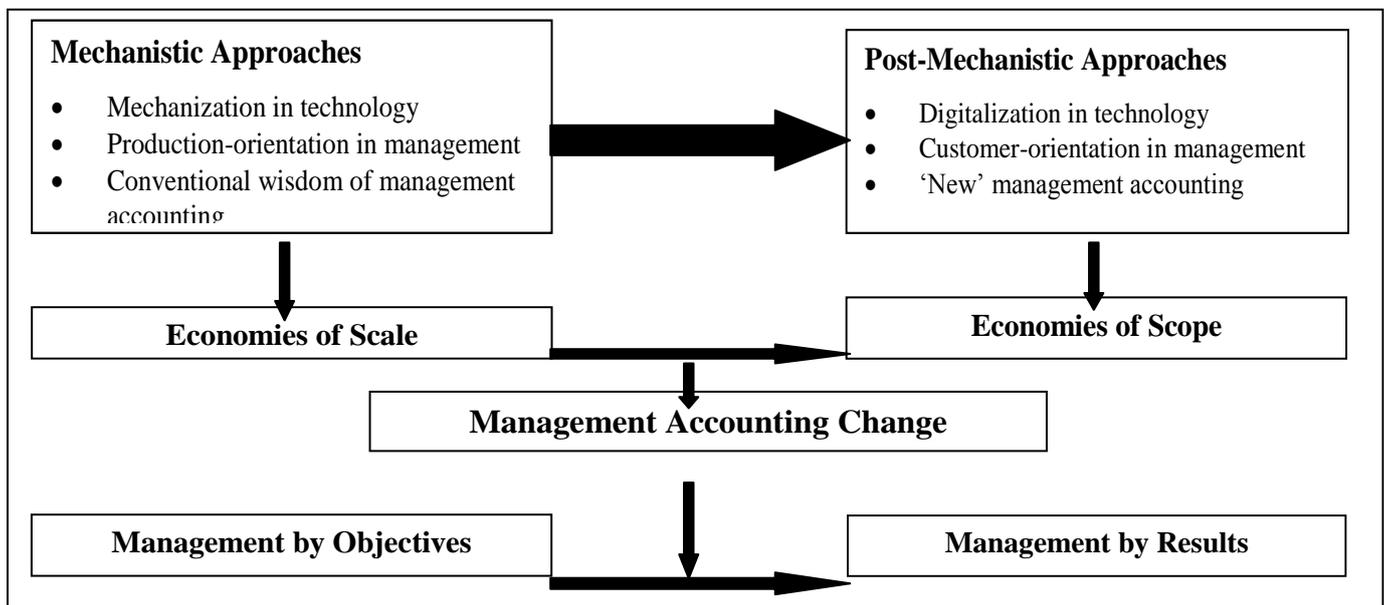
MA is an integral part of the management process as it focuses on the optimal use of organizational resources (Malmi and Brown 2008, Macintosh and Quattrone 2009). MA refers to the managerial processes and technologies that add value to organizations by achieving the effective use of resources, activities, and people in a dynamic and/or competitive context (Bunce *et al.* 1995.).

Accordingly, MASs and practices constitute organizational systems and practices (Burns and Scapens 2000, Baines and Langfield-Smith 2003). In other words, the processes of MAC play a significant part in shaping the organizational change processes (Alsharari *et al.* 2015, Alsharari 2017, Alsharari and Abougamos 2017, Alsharari and Youssef 2017, Lasyoud *et al.* 2018, Scapens and Jazayeri 2003, Senior and Swailes 2010). Managing organizational change in general and MAC, in particular, requires a comprehensive understanding of the existing context of the organization, especially organizational routines and institutions (Burns and Scapens 2000; Alsharari *et al.* 2015).

Nowadays, organizations recognize the necessary changes needed in their organizational designs, information systems, and competitive strategies (Pettigrew *et al.* 2001). In particular, organizations identify the technology influencing

accounting innovation and change in the assembly and analysis of information within and between organizations. Such change has implications for MA, and MAC is potentially an integral part of the organizational life in today's global and technology-driven world (Burns and Vaivio 2001, Carter 2008). Wickramasinghe & Alawattage (2007) argue that the orientation of MA changed in the late 1980s from a mechanistic approach (i.e. production orientation) with conventional wisdom to a post-mechanistic approach aimed at satisfying various needs of customers by using new MA techniques, such as TQM and JIT (see figure 1). Furthermore, there has been more emphasis on the

scope rather than the scale of world economies (Mitchell and Onvural 1996, Koshal and Koshal 1999) to achieve competitive advantage through the integration of digitalization of technology and customer orientation in MA (Mouritsen *et al.* 2009). This has contributed to changing the focus of management from management by objectives to management by results. Accordingly, "new" MAPs emerge from new ways of doing business and new business enterprises, such as continuous improvement (e.g. using TQM), strategic planning, and business process re-engineering (Prajogo and Sohal 2006, Wickramasinghe and Alawattage 2007).



(Source: Adapted from Wickramasinghe and Alawattage, 2007:14)

Figure 1 the Orientation of Management Accounting Change

Recently, MAC has been debated by many MA researchers, who asked whether MASs has changed, or should change (Alsharari *et al.* 2015, Alsharari 2017, Alsharari and Abougamos 2017, Alsharari and Youssef 2017, Lasyoud *et al.* 2018, Burns and Scapens 2000). Some scholars apparently did not agree that the fundamental nature of MAPs and systems is changeable, and traditional MAPs and systems are still in use, although there have been advances in new systems such as ABC (e.g. Dury *et al.* 1993). However, other scholars emphasize that the use of MAPs

within management processes has changed (Bromwich and Bhimani, 1994). Accordingly, the focus of the current research is on understanding the processes of MAC (Scapens 2006, Scapens and Bromwich 2010). Burns and Scapens (2000) confirm that MAC has become common in recent years, and more research is, therefore, required.

A considerable number of studies have supported the notion of the dynamic nature of MA, although the findings are not homogeneous and are sometimes contradictory (Burns *et al.* 2003, Busco 2006). On one hand, MAC could be

conceived as the introduction of new MASs, such as BSC or ABC. This particular view is largely provided by North American accounting authors (Hopper et al. 2001; Kaplan and Norton 1996). On the other hand, MAC can be conceptualized as the process of change in the manner in which traditional and/or new systems are actually implemented (Hopwood and Miller 1994, Scapens 1994). Hence, MAC occurs with the introduction and implementation of new techniques or with changes in the way managers use MA information generated by traditional systems (Alsharari *et al.* 2015, Alsharari 2017, Alsharari and Abougamos 2017, Alsharari and Youssef 2017, Lasyoud *et al.* 2018,).

Studies of MAC were primarily motivated by the criticisms of Johnson and Kaplan (1987), who argued that MAPs and systems had changed little over the recent decades, as result of which MA had lost its relevance. They opened up the discussion and encouraged the use of strategic systems (Lasyoud & Alsharari, 2017). Accordingly, many scholars, practitioners, and accountants have sought to find new solutions to develop MAPs and systems in order to provide managers with relevant and timely information to keep up with advance technology and environmental change (Burns and Vaivio 2001, Langfield-Smith and Smith 2003, Rom and Rohde 2007).

In this approach, some researchers have examined the relationships between various organizational factors and MAPs (Langfield-Smith and Smith 2003, Sulaiman *et al.* 2004, Auzair and Langfield-Smith 2005, Koc and Ceylan 2007, Tatnall 2009, Askarany *et al.* 2010, Lasyoud *et al.* 2018). Other researchers have focused on the technical side of change by developing a new typology of MAC (Sulaiman & Mitchell, 2005) The main finding of Sulaiman & Mitchell (2005) supports the evidence from the previous literature that the nature of MA is not static (Hopwood 1987). These studies have examined MAC as an outcome.

MAC has become the most popular focus for research and is not a uniform phenomenon (Sulaiman and Mitchell 2005). Its nature and form may vary across different contexts. However, this variation has been neglected by researchers who tend to study change as an outcome (i.e. focusing on the technical side only) rather than as a process taking place within specific organizational contexts (Ryan et al. 2002). In the same way, a few studies have investigated why and how MAPs within the organization become what they are, or are not, over time, such as MAC as processes (Covaleski et al. 1993, Burns and Scapens 2000). To study MAC as a process, it is necessary to conceptualize the ways in which new MAPs evolve over time and the implications thereof (Nelson *et al.* 2005).

However, MAC is not an isolated phenomenon (Yazdifar et al. 2008). The literature on MA change argues that intra-organizational factors have a major influence in shaping MAPs (Burnes 1996). Some researchers emphasize how different internal factors (such as organizational culture, power, and politics) have a significant role in shaping and directing organizational change (e.g., Quattrone and Hopper 2001). At the same time, DiMaggio & Powell (1983) argue that the extra-organizational factors also influence organizational change including MAC. Furthermore, other researchers argue that such factors (both internal and external) have an active role in the success or failure of change, and these factors impact the encoding or enacting of MAPs and systems over time (e.g., Burns 2000, Scapens and Burns 2000, Scapens 2006, Yazdifar et al. 2006). In other words, MASs and practices have been affected by both internal (micro) and external (macro) environmental factors (Nor-Aziah and Scapens 2007).

Consequently, the study of MAC can extend our understanding of MA. It directs us to recognize that MA is a social science rather than a mere set of technical techniques available for practice. The idea of MAC explains how MA

relates to social systems, through which dynamic relations are manifested. As a result, traditional MAPs and systems tend to be changed by new ones, and new systems become maintained and upgraded when new challenges from the dynamic environment require it. Such a process of change can be reflected by asking how MAPs have emerged, developed, and changed. This means that both MAPs and interrelated social and organizational contexts cannot be understood through straightforward explanation (Burns and Vaivio 2001, Scapens 2006, Carter 2008, Johansson and Siverbo 2009).

5. Management Accounting and Organizational Management

Management accounting is considered an integral part of organizational management and organizational change. Organizational change has been a central concern of research over the last few decades, especially in management accounting. Although many studies have focused on organizational change, there is no consensus on its definition. Mohrman, Mohrman, Ledford, Gummings, & Lawler (1989) defined organizational change as “change in the charter of an organization that significantly alters its performance”. This definition consists of two important constructs: change in character and change in performance.

Organizational change in the character requires changes in the organization’s design and processes. The organizational design includes organizational strategies, configurations of technology, formal information systems, decision-making systems, and human resource systems. Meanwhile, change in performance is a wider term that may refer to the systems’ effectiveness as measured by a number of aspects, or to the nature of the aspects themselves, such as an organization’s relationships with its environment, the way it transforms inputs into outputs, the nature of its outputs, and its design and processes. Hence it may become part of an integrated system

rather than a stand-alone system (Mohrman, Mohrman, Ledford, Gummings, Lawler and Associates 1989).

Understanding organizational change refers to understanding alterations within organizations at the widest level among individuals and groups, and at the collective level across the whole organization (Burnes 1996). Consequently, organizational change occurs when there is a change in structure and operations, or any change in management control systems, new information systems, and MASs. Individualism and realism argue that organizational change happens when individuals’ actions modify the organization based on certain criteria. For example, organizations will be more efficient after the adoption of the ABC system, which explains how the allocation costs are treated.

Significantly, contextualism and socio-constructivism see change as a process of institutionalization created during the implementation of rules, routines, and norms. For example, using ABC is a process of homogenization that directs organizations towards adopting technologies resulting from contextual urgency; both sides may have diverse epistemological emphasis, but they share the new terms of change and the entities involved (Quattrone and Hopper 2001).

Understanding why a change is taking place is an essential prerequisite for the analysis and discussion of change. The two different pressures or sources of change typically noted are the following: (1) external environment and (2) internal environment (Burnes 1996, Rajagopalan and Spreitzer 1997). The external environment can thus play an active role in organizational change. The evolutionary framework of change focuses on the interaction between the external environment and the organization.

This interaction is seen as the major impetus for change. Internal sources that are noted for initiating change include the gathering of surplus resources, culture, and institutions, readiness and

willingness of at least a dominant coalition to endure change (e.g. power and politics mobilization), and transformational leadership. The main assumption underlying evolutionary theories, including the institutional theory, is that change is a response to internal and external circumstances, situational variables, and the environment faced by each organization (Morgan 1986). Social systems are diversified and interdependent. Also, complex social systems evolve naturally over time as a result of the interaction between internal processes and external demands (Morgan 1986).

The internal environment of an organization affects whether the change processes would be long-term and slow or not. Change occurs because organizational members see a need to grow, learn, and change their behavior. In cultural aspects, the change process occurs naturally as a response to alterations in the human environment; therefore, organizational cultures are constantly changing (Morgan 1986).

The change process is a key element in the roles of most functional and general managers at all levels of the organizational structure, and they usually combine change responsibilities with their daily work. Hence organizational structure creates roles and departments which compete with one another, and organizational decisions cannot be resolved by reason and logic alone. In fact, organizational decisions depend on the values, institutions, politics, and preferences of the key members involved (Buchanan and Badham 1999).

Organizational change cannot be understood without knowledge of the role of power and political behavior. Power and political behavior are both positive and negative. Understanding power and political behavior may thus benefit those who deploy such strategies and tactics and support those who seek to challenge and counter such change (Buchanan and Badham 1999). Although we are aware that political processes shape change, and we have gained some insight into how this process occurs, we know less about

how politics overlap with other aspects of change. Do politics hinder or enable adaptability? How does the environment affect politics? How do politics influence organizational character? As notions of power and politics are changing, how might politics be an enabler of reasonable change?.

6. Conclusion

Management accounting change (MAC) rarely occurs in a vacuum. The findings cohere with Hopwood and Scapens and their followers that management accounting is not a static phenomenon but one that changes over time to reflect new forms and practices. MAC is part of organizational change so MAC rules and routines are thus part of organizational rules and routines. The literature referred to in this article has shown that the dynamics of MAC were clearly manifested in planning, controlling, performance evaluation, and decision-making processes. The literature has identified that changes in both extra and intra-organizational factors have influenced changes in MASs in organizations. Hence, it is highly significant to recognize the role of power, politics, and culture as internal factors, as well as political and economic and other external factors. When organizational context responds to pressures by embarking on a changed management path, the organization has to consider which of the many MA techniques, practices and systems would be most effective.

This paper has articulated an overview of understandings of management accounting and organizational change, and a review of literature on MAC. Management accounting literature asserted that accounting systems emerge and change over time regardless of whether they are traditional or new. It 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, as well as political and

economic factors as external factors. This study emphasizes the importance of using contextual approach in analyzing the processes of MAC. MAC literature also discussed that MAC is part and parcel of the organizational change. In fact, management accounting is considered an integral part of organizational management.

Globalization has contributed to the advancement of new technology which has made the business environment more competitive (Alsharari, 2018); however, several studies have criticized the role of traditional management accounting systems in meeting the today's business expectations. Therefore, the focus is on the use of strategic management accounting practices such as ABC, ABM, BSC, and etc. There may be a diffusion of such new MAPs; however, there is a lack of consensus that the strategic management accounting practices have really made significant organizational changes except some changes in performance evaluation system.

The discussion of the management accounting literature shows that the processes of organizational change interact with many factors, including external and/or internal, which shows the increasing role of contingency theory in the organizations. These factors may contribute significantly to shaping management accounting systems in organizations. Thus, it is important for future studies to investigate the influences of factors such as authority, power, politics, and culture, in addition to economic and/or external factors on organizational change. Furthermore, this article may be useful in understanding pedagogy, policy, and practices.

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