Institutional Theory and Management Accounting Research

Robert W. Scapens

ABSTRACT This article discusses the use of institutional theory in management accounting research. Three different types of institutional theory are described and their use in studying management accounting change is explained: new institutional economics (NIE), new institutional sociology (NIS) and old institutional economics (OIE). Whereas NIE and NIS study how external economic and institutional (i.e., social and political) pressures influence the way organisations are structured and the nature of their management accounting and control practices, OIE focuses on the institutions (ways of thinking) within organisations and the internal pressures and constraints that shape management accounting practices. It is recognised that management accounting change is a complex and multi-dimensional process, and it is shown that institutional theory can highlight the different aspects of the 'mish-mash' of inter-related influences. Furthermore, it is explained how taken-for-granted ways of thinking within an organisation can have a direct and important impact on the success (or failure) of a programme of management accounting change.

RELEVANCE FOR PRACTICE Institutional theory shows how differences in the prevailing ways of thinking (i.e., institutions) within organisations can be a source of resistance to programmes of management accounting change. Questions which should be asked when embarking on a programme of management accounting change are suggested in the article.

1 Introduction

Various theories are used by researchers to study management accounting change. In an editorial reviewing the papers published in the first 20 years of the international research journal *Management Accounting Research* (1990-2009), it was pointed out that a large number of theories have been used, but the most used in the period 2000-2009 was institutional theory (Scapens and Bromwich, 2010). Although it was only used by 19% of the papers published in the journal, it is the theory that is most extensively used in studying management accounting change. It is also widely used by organisational researchers in studies of organisational change. Broadly there are three different types of institutional theory: new institutional economics (NIE) which is concerned with the governance of economic transactions; new institutional sociology (NIS) which is concerned with the institutions in the organisational environment which shape organisational systems and practices; and old institutional economics (OIE) which is concerned with the institutions that shape the actions and thoughts of actors within organisations.

Whereas NIE extends the traditional economic approach and applies the assumptions of economic rationality and markets to the governance of organisations, OIE starts from a rejection of the neoclassical economic core and seeks to explain the behaviour of economic agents in terms of rules, routines and institutions. NIS, however, starts by asking why organisations look similar and what are the pressures and processes which shape organisations. The following sections will describe these three types of institutional theory in more detail. The subsequent section will then outline some practical implications of institutional theory for the implementation of management accounting change.

Management accounting change is a complex and multidimensional process which requires careful planning and thoughtful implementation. Furthermore, management accounting practices evolve over time and are subject to a wide array of influences. As the management accountant in a relatively small operating unit of a large UK-based multinational commented about how practices had developed in his company:

> "Well it is, you see, how things evolve. I suppose in the academic world it's all clear cut, but it isn't really, you know. When you come down here, it's all a hell of a big mish-mash, all inter-related influences. It's not clear-cut and logical. It looks completely illogical, but that's how it happens. And I'm sure we're no different from any other outfit. And you'll go back and say 'What a load of idiots!' But that's how it happens."[1]

This comment emphasises that there is considerable complexity and lots of 'things going on' in any organisation which, when looked at from the outside, may appear illogical. But it is this mish-mash of inter-related influences that shape management accounting practices, and thus in studying management accounting change we must try to understand this mish-mash. Clearly, there are broad economic, social and organisational trends that affect the way in which firms and their management accounting practices emerge. But in addition, there will also be unique factors, relating to the specific organisation, which shape its management accounting practices. To understand these practices, we need to study the interplay of the broad systematic trends and the unique idiosyncratic factors - i.e., the mish-mash of inter-related influences. It is here that institutional theory can help us understand management accounting practices.

2 New Institutional Economics (NIE)

New institutional economics encompasses a broad range of economic approaches which have developed out of neoclassical economics. Although the traditional *theory of the firm* treated the firm as a black box, by the mid twentieth century managerial and behavioural theories of the firm had begun to look inside the box. NIE followed this lead and sought to explore the governance arrangements which structure economic activities within firms and organisations more generally. There are various strands of NIE, including work in such areas as property rights and common law, public choice processes, as well as work within organisations; and a number of different theoretical approaches have been developed, including agency theory, game theory and transaction cost economics (TCE). A detailed discussion of the various types of NIE is beyond the scope of this article; here we will focus primarily on TCE as it has had a significant influence on accounting research, especially management accounting research.

NIE uses economic reasoning to explain diversity in the forms of institutional arrangements. Williamson's (1975) work on *Markets and Hierarchies* provided a bridge between the managerial and behavioural theories of the firm, and it contributed significantly to the development of TCE. The essence of Williamson's work is that markets and firms (hierarchies) are alternative means of organising economic transactions - i.e., alternative governance structures. The extent to which transactions are conducted within the firm, rather than through markets, depends on the relative transaction costs associated with each governance structure. Certain characteristics of transactions, namely environmental uncertainty, asset specificity and frequency of transactions, influence transaction costs. To explain differences between markets and hierarchies, TCE adopts a rational economic approach, with assumptions of bounded rationality and opportunism (Williamson, 1975; see also 1985). Bounded rationality refers to the computational limitations of human actors - they have both limited information and limited informational processing capabilities. Opportunism implies seeking *self interest with guile* (Williamson, 1985, p. 47); in other words, human actors behave opportunistically in pursuing their self-interest.

Transactions will take place within hierarchies (i.e., organisations) when transaction costs are lower than in markets. Given the assumptions of bounded rationality and opportunism, it has been recognised that it may be impossible to organise economic transactions exclusively by contracts, either within the firm or in markets. This leads economists to study such problems as moral hazard and adverse selection. These problems arise from different types of information asymmetries[2] and their effects can be minimised by the use of appropriate governance structures, including monitoring mechanisms such as management control systems. Various management accounting researchers have used such economic reasoning to study the management control systems used in different types of organisations (see for instance, Van der Meer-Kooistra and Vosselman, 2000; and Speklé, 2001).

NIE has drawn attention to the economic factors which shape organisational structures and also control systems and management accounting practices. As mentioned above, TCE was initially developed to explain why some transactions take place within hierarchies, while others take place within markets. For example, in situations where there is uncertainty, high levels of asset specificity and frequent transactions, economic transactions are likely to be conducted within a hierarchy; whereas if there is little uncertainty, few specific assets and relatively infrequent transactions, economic transactions are likely to be conducted through the market. However, between these two extremes there may be hybrid structures, such as joint ventures, strategic alliances, supply chains and so on, which provide alternative governance structures. Much of the recent work using TCE has focussed on such hybrid governance structures. Similarly, although the early work using TCE in management accounting research was concerned with explaining the historical emergence of firms and their management accounting systems (see for example, Johnson, 1983), more recent work has attempted to use transaction cost reasoning to explain the diversity of management control and accounting systems (e.g., Speklé, 2001), particularly in new organisational forms - i.e., hybrid governance structures. The studies applying NIE to management control in such organisations have pointed to the need to understand the use of management accounting in lateral, as well as vertical, relationships (Vosselman, 2002; see also Van der Meer-Kooistra and Scapens, 2008).

As the above references indicate, there is a significant group of Dutch researchers who have used TCE to study management accounting. Speklé (2001) used TCE to set out nine different control archetypes which are appropriate for certain types of organisational activities, but not for others. As such, TCE is used to describe the governance structures (i.e., control systems) which are appropriate for specific types of organisational activities. Furthermore, TCE has been used by Dutch researchers to explore management controls in inter-organisational relationships. For example, TCE has been used by Dekker (2003, 2004 and 2008) to study the control mechanisms, such as contracts, monitoring systems and incentive/reward systems, which can deter opportunistic behaviour and align the interests of parties in inter-organisational relationships. In addition, Van der Meer-Kooistra and Vosselman used TCE to study the design of management control structures for inter-firm transactional relationships. A particular feature of their work is that they combine TCE with notions of trust in studying various types of hybrid governance structures (see Van der Meer-Kooistra and Vosselman, 2000 and 2006; Vosselman and Van der Meer-Kooistra, 2009; see also Kamminga and Van der Meer-Kooistra 2007 on the management control of joint venture).

As indicated above NIE developed out of neoclassical economics and as such NIE brings institutions into mainstream economic analysis. It allows economic reasoning to be used to explain governance structures and it can be used to provide economic explanations for management control and management accounting systems and practices. In this context institutions are the governance structures which are used to organise economic transactions - or to shape/constrain economic activity. As Hodgson (1999, p. 34)[3] noted: "it is a defining characteristic of the 'new' institutional economics that institutions act primarily as constraints upon the behaviour of given individuals". As such, a key difference between NIE and OIE (which will be described in more detail below) is that, whereas OIE seeks to explain the nature and formation of institutions, NIE tends to treat them as determined by the characteristics of the transactions. Nevertheless, despite these differences, NIE and OIE both recognise that institutions are important, and that they tend to be ignored in more orthodox economics. But whereas OIE treats institutions as *taken-for-granted* assumptions which exist at the cognitive level (see below), NIE regards institutions as the external rules or constraints that shape economic behaviour.

To summarise, NIE draws attention to the economic factors which shape the structure of organisations and their management accounting practices. As such, it can be helpful in understanding certain aspects of the mish-mash of inter-related influences. However, economic factors are only part of this mish-mash and we need to look beyond economics to get a fuller understanding of all the inter-related influences. In the next section we will discuss how NIS can be helpful in this respect.

3 New Institutional Sociology (NIS)

The early NIS research was concerned with why organisations, particularly not-for-profit and public sector organisations, in particular fields appear to be quite similar. The early NIS theorists distinguished between technical and institutional environments, and argued that they each place different pressures on organisations (see Meyer and Rowen, 1977). The former relate to the need to achieve technical efficiency in the operations of the organisation, while the latter relate to the need to embrace the rules, social norms and expectations of others outside the organisation. In this context, organisations have to appear legitimate to their broader constituencies and stakeholders in order to secure the resources they need for their continued survival. To gain this legitimacy organisations have to be *seen* to conform to what is expected of them (DiMaggio and Powell, 1983)

To explain this conformance NIS focussed on different types of isomorphism - coercive, mimetic and normative. Isomorphism is the process through which one organisation tends to resemble others in the same (organisational) field (DiMaggio and Powell, 1991, p. 66). Coercive isomorphism occurs due to political and regulative influences; mimetic isomorphism occurs when organisations seek to copy the practices of other successful organisations; and normative isomorphism when the norms of society and professional bodies influence the practices of organisations. Competitive isomorphism through the influence of market forces was not dismissed, but the emphasis on the three types of institutional isomorphism highlighted the social and political dimensions of the environment in which organisations are located. This early NIS work tended to emphasise the structural nature of institutions. In other words, how organisations are moulded by institutional forces: forces which are external to the organisation. Rather less attention was given to the way in which institutions are created and how institutions change. It was generally argued that in order to protect the technical core of their activities – i.e., their primary operations – organisations loosely couple their operational systems and the systems they use to respond to the external institutional pressures. This loose coupling was usually seen as a rather passive organisational response. However, some institutional theorists argued that organisations are not necessarily passive; they can act strategically in their response to institutional pressures (see Oliver 1991). As such, they may purposefully comply with external requirements by adopting specific formal structures and procedures, but in a strategic and manipulative fashion, in order to gain legitimacy and thereby secure the resources which are essential for their survival.

The recent work in NIS, however, has begun to explore the processes which shape practices within organisations, and as such NIS research has become concerned with the processes through which organisations respond to external institutional pressures. This has moved the focus of NIS away from processes of isomorphism and questions of why organisations appear homogenous, and towards the processes which shape practices within individual organisations (and organisational fields) and give rise to organisational heterogeneity. For example, Lounsbury (2007, 2008) calls for a greater focus on *practice variations*. He argues that different logics can shape organisational responses to institutional pressures and consequently there can be variations in the way they respond. This does not mean that these responses are irrational; on the contrary, they can be quite rational given the particular logic(s) within the organisation and the organisational field. Such research has notable similarities with the way in which OIE has been used in management accounting research, as we will see below. However, first we will look at the management accounting research which has drawn on NIS.

The management accounting researchers who adopted the early NIS approach used the concept of loose coupling to study the apparently 'non-rational' and often ceremonial use of accounting information, especially in the public sector. Loose coupling occurs when accounting practices, which are introduced to meet institutional requirements, are used in a ceremonial way: i.e., decoupled from the control systems used to manage the technical core of the organisation. Examples of such an NIS approach to the study of management accounting practices include the work of Covaleski and Dirsmith (1983, 1988) and Covaleski, *et al.* (1993) who studied public sector budgeting and case-mix accounting in US hospitals; Modell (2001) who studied new public management in Norwegian health care (see also Brignall and Modell, 2000, who contrasted public sector reforms in the UK and Sweden); and Collier (2001) who studied local financial management in a British police force.

By recognising the way in which organisations tend to conform to what they perceive as the expectations of their broader environment, such research has provided useful insights into the social and political factors which shape management accounting practices within organisations. However, the early studies tended to focus on the institutional environment and paid relatively little attention to the technical environment, even though some NIS writers recognised that the institutional and technical aspects of organisational behaviour are inter-related (e.g., Powell, 1991). For example, the implementation of ABC may be driven by technical concerns to achieve the most appropriate allocation of overheads for economic decision making, but it may also be driven by the desire to conform to external expectations and to appear to be adopting the modern techniques which are used by other organisations. In such situations, it may be difficult to disentangle these two types of organisational conformance.

More recent studies question the earlier emphasis on loose coupling, especially the assumption that loose coupling is a rather passive and somewhat automatic organisational response. For example, a case study of the development of performance measurement in the Swedish universities' sector by Modell (2003) showed that loose coupling emerged over time as a result of conflicts and power struggles between various actors in the institutional field. Furthermore, a case study of a public utility in Malaysia by Nor-Aziah and Scapens (2007) showed how contradictory institutional pressures for both greater efficiency and improved public service can generate conflicts and resistance inside an organisation which lead to the loose coupling of operating systems and financial control systems. This study illustrated the importance of studying the way actors within an organisation respond to institutional pressures from outside (see also Modell, 2005 and Østergren, 2006). Some management accounting researchers who use NIS, for example Hopper and Major (2007), are now suggesting that NIS needs to be supplemented by other theories, e.g., actor network theory, to understand how actors within organisations shape organisational responses to institutional pressures (see also Lounsbury, 2008[4]).

Taken together, NIE and the early NIS research indicate that the various external pressures can influence the way organisations are structured and governed. While NIE explores the economic pressures, NIS explores the institutional pressures. However, although NIE and the early NIS can help us understand the nature of the external pressures on organisations, not all organisations will conform to these pressures in the same way and some organisations may be more responsive to some pressures rather than others (see Oliver, 1991). So, to explain the accounting practices of individual organisations we have to look within those organisations. Some of the more recent work in NIS is starting to look at how the agency of multiple actors within organisations can construct what is seen as legitimate in the institutional environment, as well as within the organisation (for a review in the context of performance measurement in the public sector see Modell, 2009). For example, in a study of programme budgets in a Dutch province, which were shaped by New Public Management reforms in the Netherlands, Ter Bogt and Van Helden (2011) explored how the new outcome-oriented performance indicators are shaping new institutionalised ways of thinking about budgeting. The focus of such research is similar to the OIE inspired studies of management accounting change which have been studying organisational responses to institutional pressures and resistance to change for almost 15 years. As we will see below, this branch of OIE studies institutions *within* organisations and focuses on the internal pressures and constraints that shape management accounting practices.

4 Old Institutional Economics (OIE)[5]

As indicated above, NIE and the early NIS work look to the broader external environment and explore how it shapes management accounting practices in organisations. However, to get a fuller understanding of the mishmash of inter-related influences it is essential to go inside the organisations and study how specific management accounting practices are shaped. While some NIS researchers are starting to look within organisations, other management accounting researchers have used OIE to provide a framework for studying management accounting change. To understand of the nature of OIE it will be helpful if we first contrast old and new institutional economics.

Whereas NIE extends neoclassical economics, OIE starts by questioning its basic assumptions. Instead of simply assuming bounded rationality and opportunism, OIE tries to explain why people appear to be opportunistic, and why particular types of economic behaviours are prevalent. It argues that behaviour within economic systems (and also within organisations) is embedded in and shaped by institutions. Whilst there is no generally agreed definition of an institution, a commonly accepted definition used within OIE was set out as long ago as the 1930s in an *Encyclopaedia of the Social Sciences*: an institution is "a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of people" (Hamilton, 1932; see Hodgson, 1993b). In other words, institutions are the taken-for-granted ways of thinking which underpin (economic) behaviour.

OIE has its origins in the work of the early American institutionalists, especially Thorstein Veblen (e.g., 1898), who critiqued the impact that large corporations were having on social democracy in the US at the beginning of the twentieth century. More recently, amid growing concerns about the ability of neoclassical economics to address contemporary economic problems, there has been a resurgence of interest in (old) institutional economics,[6] often combined with other perspectives, such as the behavioural economics of Herbert Simon (e.g., 1955, 1959) and the evolutionary economics of Nelson and Winter (see 1982). This work explores the way in which habits, rules and routines structure economic activity, and importantly how they evolve through time (Hodgson, 1993a). By adopting an OIE perspective, management accounting can be conceptualised as the rules and routines which shape organisational activity. Burns and Scapens (2000) defined *rules* as the formal statements of procedures and *routines* as the (both formal and informal) procedures that are actually used. Building on these definitions, Burns and Scapens (2000) developed a framework for studying management accounting change.

This framework sees (management accounting) rules and routines as the link between actions and institutions. In other words, institutions, i.e., taken-for-granted ways of thinking, underpin how people behave, although over time actions can lead to changes in institutions. The rules and routines reflect and put into action the taken-for-granted ways of thinking in an organisation. On an ongoing basis, the actions follow the rules and routines, although actions may also lead to changes in the rules and routines - for instance as people adapt to new situations. Although rules and routines can be modified relatively quickly, as the actors repeatedly undertake the actions, institutions tend to change more slowly, as it is more difficult to change taken-for-granted ways of thinking. Central to the Burns and Scapens framework is the notion that management accounting practices are part of the rules and routines which enable organisational members to make sense of their actions and the actions of others. Over time as some individuals leave the organisation and new individuals replace them, the new individuals will learn how things are done within the organisation and come to share the taken-for-granted ways of thinking.

This framework suggests that both the institutions and the rules and routines can change over time, but in a relatively slow, evolutionary way. However, Busco *et al.* (2006) showed in a study of an Italian company acquired by the US multinational General Electric (GE) that management accounting change can happen quite quickly - in that case it could be considered revolutionary change. However, the accounting change was accompanied by the introduction of Six Sigma[7] which built on the existing *quality-oriented* ways of thinking. As such Six Sigma linked the accounting changes to current ways of thinking in the company (i.e., the prevailing institutions). So in that case there was both evolution and revolution. There was a revolutionary accounting change, but within it there were also evolutionary processes building on the existing quality-oriented ways of thinking. Thus, there were elements of stability within the process of change.

So it is important not to regard stability and change as mutually exclusive - there can be elements of stability within change, and change may be necessary if things are to remain stable. Stability and change were also present in a case study of a South East Asian oil company (see Siti-Nabiha and Scapens, 2005). This company introduced value-based management in the late 1990s. However, the KPIs which were an essential part of the value-based management were used in a ceremonial way - i.e., something that had to be done, but not something that was used to manage the company. However, over time managers began to develop KPIs for their own use, but these were different to the originally intended KPIs. Thus, despite apparent initial resistance to value-based management, there was change; however, not the change that the system designers had intended. As such, there was both stability and change.

To summarise, the Burns and Scapens framework emphasises that management accounting change is a continuous process and it draws attention to the relationship between actions, rules and routines, and the taken-for-granted ways of thinking *within* the organisation. In contrast, in NIS (including the more recent work) the focus is on external or 'supra-organisational' institutions: i.e., the institutions which shape activities at a social level or at the organisational field (group of similar organisations) level. Although Burns and Scapens (2000) recognise that ways of thinking within an organisation will be shaped by such external institutions, they point out that the specific history and experience of people within the organisation will also shape the internal institutions. This notion of internal institutions has some similarities with the concept of corporate culture in the organisation literature (see Busco *et al.*, 2002). The recognition that existing ways of thinking within an organisation can influence processes of management accounting change has important implications for the management of change. As we will see below, attempts to introduce new management accounting systems and techniques, without carefully considering the prevailing institutions within the organisation, may encounter resistance. Furthermore, the institutions shape the character and content of the processes of change.

5 Managing management accounting change: an institutional perspective

Burns *et al.* (2003) report a number of case studies of successful and unsuccessful management accounting change. However, they recognised that there can be no simple prescriptions for coping with, or managing a programme of accounting change. Solutions that prove successful in one context, or at a particular point in time, cannot be assumed to be appropriate for other companies and at other times. Nevertheless, lessons can be learnt from these cases and some (tentative) guidelines for coping with management accounting (and broader organisational) change can be suggested. One clear message from these case studies is that *institutions matter*. The taken-for-granted ways of thinking within an organisation can have a direct and important impact on the success (or failure) of a programme of change.

In two case studies of failure to implement a new accounting system, the proposed system did not align with the existing ways of thinking (i.e., the prevailing institutions) and attempts were made to use incentives built around the new accounting system to 'force' people to change their ways of thinking. In one case, called RetailCo in Burns *et al.* (2003)[8 9], an attempt was made to introduce economic value added (EVA™)[10] and individual bonuses were based on EVA figures. However, managers in this company did not recognise the need to reflect the cost of capital in their day-to-day decisions and did not see the relevance of using EVA. Unfortunately, the accountants emphasised the technical merits of the system and did not recognise the differences in ways of thinking. This led to tensions between the managers and the accountants and to resistance to EVA which eventually led to the system being abandoned.

In two cases of successful management accounting change Burns *et al.* (2003) showed that there were changes in ways of thinking, or at least a recognition of the need to change ways of thinking, *prior* to the introduction of the new accounting system which was then offered as a way to cope with the need to change ways of thinking. For example, in a case called Polymer in Burns *et al.* (2003)[11] the senior management recognised the need to replace its internally focused production orientation with a more externally focused customer orientation. It then instituted a programme to change the focus/orientation within the company. As well as extensive staff training, everyone was encouraged to contribute to the creation of a new *vision statement* and five year plan. Only then was a new set of management planning and reporting tools introduced, tools which were intended to assist in achieving this vision and five year plan.

In the cases of success the need to change existing ways of thinking (i.e., to change the prevailing institutions) was explicitly recognised at the outset and these existing ways of thinking were challenged. Although the need to change could be considered to be a 'problem', the new accounting/management systems were offered as a way of addressing that problem. However, in the unsuccessful cases the management accounting systems were used as a way of forcing people to change their ways of thinking. As the new systems did not align with existing ways of thinking it was difficult for people to understand and accept them, and this created tensions between the accountants and the managers. As a result, the new accounting systems came to be seen as 'the problem', and were eventually withdrawn. These cases illustrate the difficulties of introducing new accounting systems which conflict with existing institutions, especially if the purpose of the new systems is to 'force' people to change their ways of thinking. This does not mean that such new systems should not be introduced, but it suggests that initiatives designed to *explicitly* challenge/change existing ways of thinking should accompany or preferably precede the introduction of the new accounting systems.

Burns *et al.* (2003) recommended the following questions should be asked when embarking on a programme of management accounting change (Burns *et al.*, 2003, p. 45):

- What are the company's taken-for-granted ways of thinking, and how internally consistent are they?
- Where do these taken-for-granted ways of thinking come from?
- How are these ways of thinking reproduced and reinforced - for example, are they encouraged by existing incentive schemes?

- Who are the powerful groups within the company and what are their taken-for-granted ways of thinking?
- Are these taken-for-granted ways of thinking potentially incompatible with the new systems within the change programme?

By asking these questions, those responsible for implementing management accounting change can anticipate potential problems and sources of resistance, and where necessary initiatives which directly challenge and then change the prevailing institutions could be introduced. This illustrates the importance and practical implications of understanding the role of institutions in processes of management accounting change.

6 Concluding comments

As indicated earlier, management accounting change is a complex and multi-dimensional process, and the evolution of management accounting practices is subject to a mish-mash of inter-related influences. However, the three different types of institutional theory – NIE, NIS and OIE – can help in understanding some of this mish-mash of inter-related influences. NIE in general, and TCE in particular, can be used to explain how the nature of economic transactions can influence governance structures and control systems, including management accounting practices. The early NIS perspective provides insights into how social and political dimensions of the environment can influence management accounting practices within organisations. However, the approaches taken in the later NIS work, and also in the OIE inspired management accounting research, are needed in order to explain the organisational processes through which management accounting practices evolve and can be changed.

All three types of institutional theory emphasise that *institutions matter*, although they are seen in somewhat different ways in each. In NIE they constrain economic activities and shape governance structures. In NIS they embed the social and political norms and values to which organisations have to conform if they are to be seen as legitimate by their broader constituencies and stakeholders. Finally, in OIE they are the taken-for-granted ways of thinking within an organisation, which need to be recognised and where necessary challenged in managing processes of change and in implementing new management accounting systems. Together the various types of institutional theory have made important contributions to management accounting research and especially research into processes of management accounting change.

Notes

1 This comment was cited in Scapens and Roberts (1993, p. 1).
2 Moral hazard occurs when the principal (superior) is unable to directly monitor or even infer the behaviour of the agent (subordinate) as the agent possesses information which is not available to the principal and adverse selection occurs when the agent (subordinate) claims to have knowledge and skills which the principal (superior) is unable to verify.
3 This conference paper of Hodgson was cited by Dequech (2002, p. 567).
4 Although Lounsbury is a management (not a management accounting) researcher, he called on accounting researchers to study actors within organisations using, for instance, actor network theory to supplement NIS (Lounsbury, 2008).
5 For an extended discussion of the use of OIE in management accounting research – its achievements, extensions and limitations – see Scapens (2006).
6 While we will refer to this resurgence of interest in (old) institutional economics as OIE, it is sometimes also called Neo-Old Institutional Economics to emphasise its contemporary nature (see Ribeiro and Scapens, 2006).
7 Six Sigma is a package of quality improvement techniques which include financial evaluations of the proposed quality improvement initiatives.
8 Burns et al. (2003) used pseudonyms for most of the case studies.
9 For an extended and more theoretically informed discussion of this case study see Ezzamel and Burns (2005).
10 EVA is a registered trade mark of Stern Stewart & Co.
11 See Jazayeri and Hopper (1999).

References

- Bogt, H.J. ter, and G.J. van Helden (2011), The role of consultant-researchers in the design and implementation process of a programme budget in a local government organization, *Management Accounting Research*, vol. 22, no. 1, pp. 56-64.
- Brignall, T.J. and S. Modell (2000), An institutional perspective on performance measurement and management in the 'new public sector', *Management Accounting Research*, vol. 11, no. 3, pp. 281-306.
- Burns, J., M. Ezzamel and R. Scapens (2003), *The challenge of management accounting change: behavioural and cultural aspects of change management*, Oxford: CIMA Publishing/Elsevier.
- Burns, J. and R.W. Scapens (2000), Conceptualising management accounting change: an institutional framework, *Management Accounting Research*, vol. 10, no. 1, pp. 1-19.
- Busco, C., A. Riccaboni and R.W. Scapens (2002), When 'culture' matters: management accounting change within processes of organizational learning and transformation, *Reflections: the Society for Organizational Learning Journal*, vol. 4, no. 1, pp. 43-52.
- Busco, C., A. Riccaboni and R.W. Scapens (2006), Trust for accounting and accounting

for trust, *Management Accounting Research*, vol. 17, no. 1, pp. 11-41.

- Collier, P.M. (2001), The power of accounting: a field study of local financial management in a police force, *Management Accounting Research*, vol. 12, no. 4, pp. 465-448.
- Covaleski, M.A. and M.W. Dirsmith (1983), Budgets as a means of control and loose coupling, *Accounting Organizations and Society*, vol. 8, no. 4, pp. 323-340.
- Covaleski, M.A. and M.W. Dirsmith (1988), The use of budgetary symbols in the political arena: a historically informed case study, *Accounting Organizations and Society*, vol. 13, no. 1, pp. 1-24.
- Covaleski, M.A., M.W. Dirsmith and J.E. Michelman (1993), An institutional theory perspective on the DRG framework, case-mix accounting systems and health care organizations, *Accounting Organizations and Society*, vol. 18, no. 1, pp. 65-80.
- Dekker, H.C. (2003), Value chain analysis in interfirm relationships: a field study, *Management Accounting Research*, vol. 14, no. 1, pp. 1-23.
- Dekker, H.C. (2004), Control of inter-organizational relationships: evidences on appropriation concerns and coordination requirements, *Accounting, Organizations and Society*, vol. 29, no. 1, pp. 27-49.
- Dekker, H.C. (2008), Partner selection and governance design in interfirm relationships, *Accounting, Organizations and Society*, vol. 33, no. 7-8, pp. 915-941.
- Dequech, D. (2002), The demarcation between the 'old' and the 'new' institutional economics: Recent complications, *Journal of Economic Issues*, vol. 36, no. 2, pp. 565-572.
- DiMaggio, P. J. and W. Powell (1983), The iron cage revisited: institutional isomorphism in organizational fields, *American Sociological Review*, vol. 48, no. 2, pp. 147-160.
- DiMaggio, P. J. and W.Powell (1991), The iron cage revisited: institutional isomorphism and collective rationality in organisational fields, in: W.W. Powell and P.J. DiMaggio (eds), *The new institutionalism in organizational analysis* (pp. 63-82), Chicago: University of Chicago Press.
- Ezzamel, M. and J. Burns (2005), Professional competition, economic value added and management control strategies, *Organization Studies*, vol. 26, no. 5, pp. 755-777.
- Hamilton, W.H. (1932), Institution, in: E.R.A. Seligman and A. Johnson (eds), *Encyclopaedia of social sciences* (pp. 560-595), London: Macmillan.
- Hodgson, G.M. (1993a), *Economics and evolution*, Cambridge: Polity Press.
- Hodgson, G.M. (1993b), Introduction, in: G.M. Hodgson, *The economics of institutions* (pp. xi-xx), Aldershot: Edward Elgar.
- Hodgson, G.M. (1999), Structures and institutions: reflections on institutionalism, structuration theory, and critical realism. Paper presented at the *European Association for Evolutionary Political Economy Conference*, November 4-7, in Prague, Czech Republic.
- Hopper, T. and M. Major (2007), Extending institutional analysis through theoretical triangulation: regulation and activity-based costing in Portuguese telecommunications, *European Accounting Review*, vol. 16, no. 1, pp. 59-97.
- Jazayeri, M. and T. Hopper (1999), Management accounting within world class manufacturing: a case study, *Management Accounting Research*, vol. 10, no. 3, pp. 263-301.
- Johnson, H.T. (1983), The search for gains in markets and firms: a review of the historical emergence of management accounting systems, Accounting, *Organizations and Society*, vol. 8, no. 2/3, pp. 139-146.
- Kamminga P.E. and J. van der Meer-Kooistra (2007), Management control patterns in joint venture relationships: a model and an exploratory study, *Accounting, Organizations and Society*, vol. 32, no. 1, pp. 131-154.
- Lounsbury, M. (2007), A tale of two cities: Competing logics and practice variation in the professionalizing of mutual funds, *The Academy of Management Journal*, vol. 50, no. 2, pp. 289-307.
- Lounsbury, M. (2008), Institutional rationality and practice variation: new directions in the institutional analysis of practice, *Accounting, Organizations and Society*, vol. 33, pp. 349-361.
- Meer-Kooistra, J. van der, and R.W. Scapens (2008), The governance of lateral relations *between* and *within* organisations, *Management Accounting Research*, vol. 19, no. 4, pp. 365-384.
- Meer-Kooistra, J. van der, and E.G.J. Vosselman (2000), Management control of interfirm transactional relationships: the case of industrial renovation and maintenance, *Accounting, Organizations and Society*, vol. 25, no. 1, pp. 51-77.
- Meer-Kooistra, J. van der, and E.G.J. Vosselman (2006), Research on management control of interfirm transactional relationships: whence and whither, *Management Accounting Research*, vol. 17, no. 3, pp. 227-237.
- Meyer, J.W. and B. Rowan (1977), Institutionalized organizations: Formal structure as myth and ceremony, *American Journal of Sociology*, vol. 83, no. 2, pp. 340-363.
- Modell, S. (2001), Performance measurement and institutional processes: a study of managerial responses to public sector reform, *Management Accounting Research*, vol. 12, no. 4, pp. 437-464.
- Modell, S. (2003), Goals versus institutions: the development of performance measurement in the Swedish university sector, *Management Accounting Research*, vol. 14, no. 4, pp. 333-359.
- Modell, S. (2005), Students as consumers? An institutional field-level analysis of the construction of performance measurement practices, Accounting, *Auditing and Accountability Journal*, vol. 18, no. 4, pp. 537-563.
- Modell S. (2009), Institutional research on performance measurement and management in the public sector accounting literature; a review and assessment, *Financial Accountability & Management*, vol. 25, no. 3, pp. 277-303.
- Nelson, R. and S. Winter (1982), *An evolutionary theory of economic change*, Harvard: Belknap Publishers.
- Nor-Aziah, A.K. and R.W. Scapens (2007), Corporation and accounting change: The role of accounting and accountants in a Malaysian public utility, *Management Accounting Review*, vol. 18, no. 2, pp. 209-247.
- Oliver, C. (1991), Strategic responses to institutional processes, *Academy of Management Review*, vol. 16, no. 1, pp. 145-179.
- Østergren, K. (2006), The institutional construction of consumerism: a study of implementing quality indicators, *Financial Accountability & Management*, vol. 22, no. 2, pp. 179-205.
- Powell, W.W. (1991), Expanding the scope of institutional analysis, in: W.W. Powell and P.J. DiMaggio (eds.), *The New Institutionalism in Organizational Analysis* (pp. 183-203), Chicago: University of Chicago Press.
- Ribeiro, J.A. and R.W. Scapens (2006), Institutional theories and management

accounting change: Contributions, issues and paths for development, *Qualitative Research in Management and Accounting*, vol. 3, no. 2, pp. 94-111.
- Scapens, R.W. (2006), Understanding management accounting practices: A personal journey, *British Accounting Review*, vol. 38, no. 1, pp. 1-30.
- Scapens, R.W. and M. Bromwich (2010), Management Accounting Research: 20 years on, *Management Accounting Research*, vol. 21, no. 4, pp. 278-284.
- Scapens, R.W. and J. Roberts (1993), Accounting and control: a case study of resistance to accounting change, *Management Accounting Research*, vol. 4, no. 1, pp. 1-32.
- Simon, H.A. (1955), A behavioral model of rational choice, *Quarterly Journal of Economics*, vol. 69, no. 2, pp. 99-108.
- Simon, H.A. (1959), Theories of decision making in economics and behavioral science, *American Economic Review*, vol. 49, no. 2, pp. 253-283.
- Siti-Nabiha, A.K. and R.W. Scapens (2005), Stability and change: an institutionalist study of management accounting change, *Accounting Auditing and Accountability Journal*, vol. 18, no. 1, pp. 44-73.
- Speklé, R.F. (2001), Explaining management control structure variety: a transaction cost economics perspective, *Accounting, Organizations and Society*, vol. 26, no. 4-5, pp. 419-441.
- Veblen, T. (1898), Why is economics not an evolutionary science? *Quarterly Journal of Economics*, vol. 12, no. 4, pp. 373-397.
- Vosselman, E.G.J. (2002), Towards horizontal archetypes of management control: a transaction economics perspective, *Management Accounting Research*, vol. 13, no. 1, pp. 131-148.
- Vosselman, E.G.J. and J. van der Meer-Kooistra (2009), Accounting for control and trust building in interfirm transactional relationships, *Accounting, Organizations and Society*, vol. 34, no. 2, pp. 267-283.
- Williamson, O.E. (1975), *Markets and hierarchies: Analysis and antitrust implications*, New York: Free Press.
- Williamson, O.E. (1985), *The economic institutions of capitalism*, New York: Free Press.