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MANAGEMENT ACCOUNTING CHANGE: A MODEL BASED ON THREE DIFFERENT THEORETICAL FRAMEWORKS

MUDANÇAS NA CONTABILIDADE GERENCIAL: UM MODELO BASEADO EM TRÊS DIFERENTES MODELOS TEÓRICO

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ABSTRACT

This paper aims to present and discuss a theoretical framework model to study the process of management accounting change. The paper draws on new institutional sociology, old institutional economics, and the dialectical perspective. Specifically, the theoretical framework model combines three different frameworks that explain organisational change, namely: Dillard *et al.*'s (2004) framework, Burns and Scapens' (2000) framework, and Seo and Creed's (2002) framework. It is expected that this framework will be able to support the understanding of the complex 'mishmash' of inter-related factors at the micro and macro levels that shape management accounting practices. In doing so, this framework will help to understand and explain the process of management accounting change

Key words: management accounting change, new institutional sociology, old institutional economics, dialectical perspective.

RESUMO

Esse estudo objetiva apresentar e discutir um modelo teórico para estudar o processo de mudança na contabilidade gerencial. O estudo se baseia na nova sociologia institucional, na economia institucional tradicional e na perspectiva dialética. Especificamente, o modelo teórico combina três diferentes abordagens que explicam a mudança organizacional: abordagem de Dillard *et al.* (2004), a abordagem de Burns e Scapens (2000) e a abordagem de Seo e Creed (2002). Espera-se que essas abordagens sejam capazes de dar sustentação ao entendimento de "desencontros" complexos dos fatores inter-relacionados tanto no nível micro, quanto no nível macro que moldam as práticas de contabilidade gerencial. Com isso, essa abordagem irá ajudar a entender e explicar o processo de mudança na contabilidade gerencial que ocorre nas organizações.

Palavras-chave: mudança na contabilidade gerencial, nova sociologia institucional, economia institucional tradicional, perspectiva dialética.

INTRODUCTION

This paper aims to present and discuss a theoretical framework model to study the process of management accounting change in private, as well as public companies. The paper draws on new institutional sociology, old institutional economics, and the dialectical perspective. Specifically, the theoretical framework model combines three different frameworks that explain organisational change, namely: Dillard *et al.*'s (2004) framework, Burns and Scapens' (2000) framework, and Seo and Creed's (2002) framework. It is expected that this framework will be able to support the understanding of the complex inter-related factors at the intra and inter-organisational levels that shape management accounting practices. In doing so, this framework helps to understand and explain the process of management accounting change.

The debate over the changing nature of management accounting has been supported by a wide array of research, whose findings are not uniform and, sometimes, contradictory (Burns *et al.*, 1999; Burns *et al.*, 2003; Busco, 2006). On the one hand, management accounting change can be understood as the introduction of new management accounting techniques, such as activity-based costing or the balanced scorecard. This particular view is largely supported by North American accounting scholars (Baker and Bettner, 1997; Hopper *et al.*, 2001). On the other hand, management accounting change can be understood as the process of change in the manner in which traditional and/or new techniques are actually being used. Therefore, management accounting change occurs with the creation and introduction of new techniques or with changes in the way managers use management accounting information generated by traditional systems.

Management accounting is conventionally portrayed as a set of techniques that faithfully represent the economic reality and are able to support managers in the rational decision-making process. This view is underpinned by assumptions of individual rationality and the market equilibrium characteristic of the neoclassical economics theory of the firm (Scapens, 1994), which implies that no consideration is usually given to the social and institutional context in which management accounting operates. On the other hand, institutional theories, in particular new institutional sociology (NIS) and old institutional economics (OIE), have been prominent in extending the study of management accounting and its change towards the inclusion of social and institutional dimensions of organisations and their environment.

The emphasis of institutionalists is on the relationship established between predominant cultural aspects in a social setting, such as symbols, beliefs, values and cognitive systems, and the individuals and organisations that operate in this social setting. These aspects often attain an institutionalised status, in the sense that they reflect the widely shared constructions of reality and tend to be taken for granted as legitimate. The key concerns of institutional theories (NIS and OIE) are: how

institutions shape the actions of individuals and how new rules and institutions may emerge. Under an institutional perspective, management accounting systems are seen as inextricably linked with prevailing rules and norms that structure organisational life.

Therefore, institutional theory's main aim is to provide an alternative framework with a sociological flavour (Wickramasinghe and Alawattage, 2007). Institutional theory has become a popular choice among management accounting researchers who seek to understand why and how accounting has become what it is, or is not (Moll *et al.*, 2006). According to Wickramasinghe and Alawattage (2007, p. 427), since the 1990s institutional theory "has become one of the popular theoretical frameworks in management accounting studies".

Scapens (2006) reviews the achievements of the Burns and Scapens (2000) framework for studying management accounting change in organisations and the utilisation of institutional theories in this field. He concludes that Burns and Scapens' (2000) framework and the institutional theory in general have some limitations and scope for extensions, which involve issues regarding: the interplay of internal and external institutions, the importance of trust in accountants, the impact of circuits of power, and the role of agency in institutional change. Taking these limitations into consideration, this paper proposes a new theoretical framework to explain the process of management accounting change.

This paper is divided into four sections. First, the previous organisational change frameworks that are the basis of the proposed theoretical framework model are discussed and analysed; therefore, Dillard *et al.*'s (2004) framework, Burns and Scapens' (2000) framework, and Seo and Creed's framework are discussed. The next section deals with the proposed framework. Subsequently, the framework justification is presented and discussed; in addition, the reasons for combining the other frameworks are described and analysed. Finally, the main conclusions and the limitations of this paper are presented.

PREVIOUS ORGANISATIONAL CHANGE FRAMEWORKS

This section aims to provide the basis of the proposed framework model by explaining the main assumptions of the previous frameworks that this model is based upon. Therefore, this section describes and explains the three frameworks that support the proposed model. These frameworks are: Dillard *et al.*'s (2004) framework, Burns and Scapens' (2000) framework, and Seo and Creed's (2002) framework.

DILLARD ET AL.'S (2004) FRAMEWORK

Dillard *et al.*'s (2004) framework combines old institutional economic (OIE) research on intra-organisational institutionalisation process with new institutional sociology (NIS) research on external pressure. The main objective of the Dillard *et al.*'s (2004) framework is to explain the institutional dynamics in the process of organisational change (see Figure 1). This model uses the

structural theory principle that action is changed but constrained by structure (institution) to develop a recursive institutionalization model that prioritises processes over outcomes (Hopper and Major, 2007). Dillard *et al.* (2004) advocate that the process of institutionalisation moves in a recursively cascading manner through three levels of socio-historical relationships, namely the economic and political level (PE), the organisational field level (OF), and the organisational level (see Figure 1).

Dillard *et al.*'s (2004) model argues for an institutionalisation process by hierarchically linking the political and economic level (PE) with the organisational field (OF). The PE level establishes the most general and widely accepted norms and practices (taken for granted norms) influenced by politically developed symbolic criteria (CPE), such as accounting principles, laws and regulations (Wickramasinghe and Alawattage, 2007). According to Dillard *et al.* (2004), these norms and practices tend to be strongly influenced by powerful coalitions (power distribution) and represent the macro context for resource allocation.

The second level consists of the organisational field (OF), which includes socio-economic configurations such as industry groups, professional bodies, and consultants. The social, economic and political parameters embedded in the economic level (PE) enter the organisational field through the organisational field criteria (COF), which are a function of the societal level criteria (CPE) (Dillard *et al.*, 2004). COF provide legitimacy for

the actions at the organisational field (OF) level, while CPE provide legitimacy for the existence of COF. The practices in the organisational field (POF) are a function of the organisational field criteria (COF) and provide the legitimating regulative base for action at the organisational level at the bottom of Figure 1.

At the organisational level, individual organisations can be innovators (I) who develop new organisational practices (PI) within the POF and COF constraints from OF or late adopters (LA) who copy innovators' practices. For PLA, legitimacy comes from both OF and PI (Dillard *et al.*, 2004; Hopper and Major, 2007). Finally, Wickramasinghe and Alawattage (2007) point out that in late adapter organisations there could be actual practices which are decoupled from or loosely coupled with PLA, that is, the innovator practices are used in a ceremonial way to give legitimacy to late adapter companies.

New innovative practices can move laterally and upwards. As a result, the innovative practices may modify the set of normative practices (POF) and criteria (COF) at the organisational field level by reinforcing, revising or eliminating existing practices (Dillard *et al.*, 2004; Hopper and Major, 2007). Changes in legitimate and accepted practices (P'OF) and criteria (C'OF) at the organisational field level normally influence the political and economic system criteria (C'PE). In addition, Dillard *et al.* (2004) state that the late adopters also support the process of change in the organisational level by encouraging more late adapters. Dillard *et al.* (2004, p. 514)

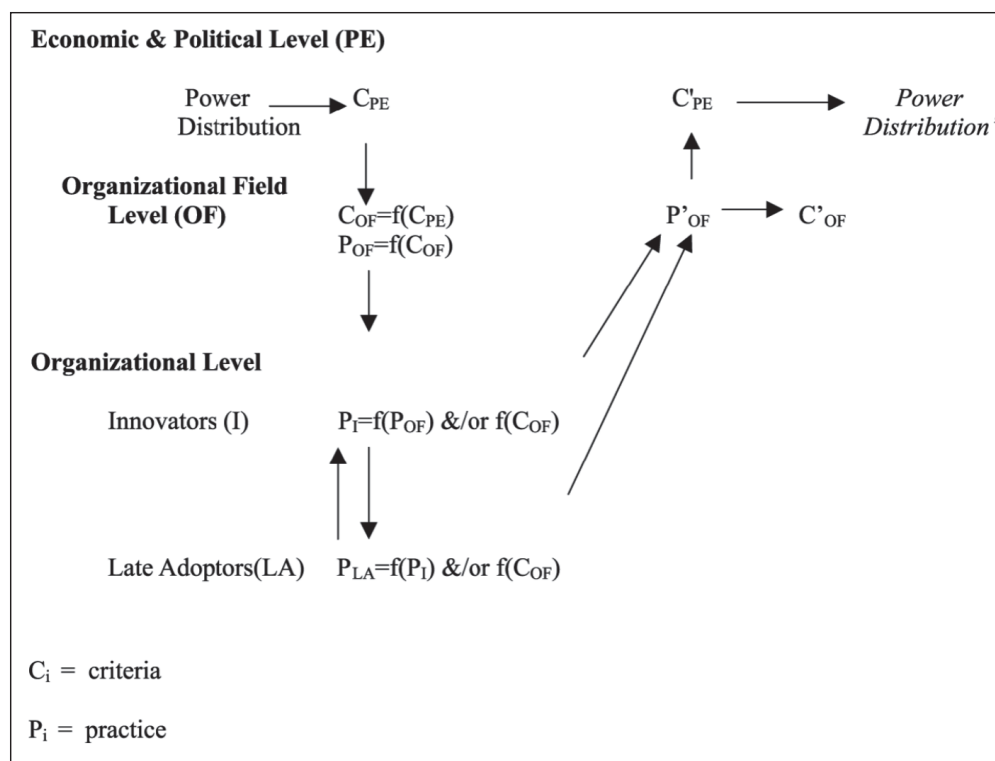


Figure 1 – Dillard *et al.*'s (2004) Framework (Dillard *et al.*, 2004, p. 512).

Notes: CPE – Criteria at the Economic & Political Level; COF – Criteria at the Organizational Field Level; POF – Practice at the Organizational Field Level; PI – Innovators' practice; PLA – Late Adopters' practice.

conclude that the change at the economic and political level and at the organisational field level "may largely support the earlier accepted practices and criteria with some small evolutionary change, or they may involve larger or even on occasion revolutionary change".

The new organisation field practices (P'OF) and criteria (C'OF) will also modify the political and economic criteria (C'PE) by supporting the norms and practices articulated by the powerful interest groups or by modifying the current configuration of power at the economic and political level (Dillard *et al.*, 2004). After that, the process of institutionalisation is inverted again and flows downwards through the three levels as explained above. Dillard *et al.* (2004, p. 514) conclude that "recursivity is the key to understand change in the institutionalization process since taken for granted norms, values, beliefs and assumptions may be continually revised at all three levels of the model". Dillard *et al.*'s framework is also supported by the concept of 'axes of tension' proposed by Weber (1958, 1961, 1968) and insights from structuration theory, in particular three structural type concepts, namely: 'signification', 'legitimation', and 'domination' (Giddens, 1976, 1979, 1984).

BURNS AND SCAPENS' (2000) FRAMEWORK

Burns and Scapens's (2000) framework was influenced by the ideas of old institutional economics, structuration theory and evolutionary economics (Wickramasinghe and Alawattage, 2007). According to Burns *et al.* (2003), this framework was influenced by the management and evolutionary economics literature on change, in particular by the studies developed by Barley and Tolbert (1997), Dawson (1994), and Nelson and Winter (1982).

As mentioned above, Burns and Scapens (2000) draw upon the work of Barley and Tolbert (1997) to develop their framework and to incorporate the idea of 'scripts'. Thus, by focusing on empirical scripts in organisations, management accounting can be studied in respect of how new management accounting systems bring rules, how rules become routines and how routines become institutionalised (Soin *et al.*, 2002; Wickramasinghe and Alawattage, 2007). As a consequence, management accounting practices are depicted as a collection of relatively stable rules and routines. Burns and Scapens (2000) point out that rules refer to the formal ways in which 'things should be done' and they are necessary to coordinate and give meaning to the actions of individuals and groups. Routines refer to the informal practices actually in use. Another modification in Barley and Tolbert's (1997) model was made by Burns and Scapens (2000), who converted the process of institutionalisation into new processes: 'encoding', 'enacting', 'reproduction', and 'institutionalisation'.

The top of Figure 2 shows the institutional realm which comprises the ways of thinking and the underlying assumptions that condition how people behave (Scapens, 2006). Burns and Scapens (2000, p. 8) define institutions as "the shared

taken for granted assumptions which identify categories of human actors and their appropriate activities and relationships". Burns *et al.* (2003) add that institutions are taken for granted assumptions that inform and shape the actions of individuals who mould the company. At the bottom of the Figure 2, there are the actions which are carried out over time by the organisational actors. The institutional realm and the realm of action are linked by rules and routines, which shape the actions that people take.

Burns and Scapens' (2000) framework combines both synchronic and diachronic elements. Burns and Scapens (2000, p. 9) state that "whereas institutions constrain and shape actions synchronically (i.e. at a specific point time), actions produce and reproduce institutions diachronically (i.e. through their cumulative influence over time)". In the framework the arrows a and b represent synchronic processes and arrows (c) and (d) diachronic processes. The process of institutionalisation follows four stages: encoding, enacting, reproduction, and institutionalisation.

The first step (arrow a) concerns the 'encoding' of the existing institution and taken for granted assumptions and meanings into the new rules, routines and procedures which embody organisational values, such as management accounting practices. As a consequence, new rules or procedures are usually interpreted in terms of the current norms and values (institutions) of the group who use the system. Burns and Scapens (2000) introduce the term path-dependent, which means that the existing routines and institutions will shape, to some extent, the selection and implementation of the new set of rules and routines. In addition, Burns and Scapens (2000) point out that even a revolutionary process of change, which involves radical change to existing routines and fundamentally challenges the prevailing institutions, will be path-dependent.

The second process (arrow b) refers to the 'enactment', through the day-to-day activities performed by organisational actors, of the routines and rules which encode the institutional principles. The arrow (b) is shown as a solid line because, according to Burns *et al.* (2003, p. 19), "there is a direct connection between the rules and routines and actions", whereas arrow (a) is depicted as a broad dotted line, because "institutions are normally general, and the connection (to rules and routines) is more abstract and indirect".

Although the enactment process may involve conscious choices, it is generally the outcome of reflexive monitoring informed by the agent's tacit knowledge (Busco, 2006). In addition, Burns and Scapens (2000) state that resistance to change can arise in this stage, especially if the new rules and routines challenge existing meanings and values, and if actors have sufficient power to intervene in the process of enactment.

The third process (arrow c) represents the 'reproduction' of the rules and routines over time, through their repeated use in practice (Burns *et al.*, 2003). According to Burns and Scapens (2000), the reproduction process may involve conscious and/

or unconscious change. Conscious change is likely to happen only when actors are able to understand and incorporate the rationales necessary to challenge the previous rules and routines. On the other hand, unconscious change may occur when the rules and routines are not adequately understood and accepted by the individuals.

The last step (arrow d) refers to 'institutionalisation' of routines and rules which have been reproduced through behaviour of the individual actors. According to Burns and Scapens (2000, p. 11), this process involves "a disassociation of the patterns of behaviour from the particular historical circumstances, so that the rules and routines take on a normative and factual quality". In other words, the new set of rules and routines are taken for granted by the large collective of actors. Burns *et al.* (2003) point out that arrow (d) is shown by a broad dotted line because the process of institutionalisation is gradual and indirect.

To summarise, the process of institutionalisation (Figure 2) can be described as a process in which rules and routines are first encoded within the institutional realm and then enacted by organisational members and gradually reproduced through their everyday actions, ultimately being institutionalised, that is, taken for granted by the majority of the organisational actors.

SEO AND CREED'S FRAMEWORK

Seo and Creed (2002) proposed a framework which uses a dialectical perspective based upon Benson's (1977) paper to explain institutional change. The main pillar of this framework is the view that institutional change should be understood as an outcome of the dynamic interactions between institutional contradictions and human praxis.

The concept of contradictions is key to Seo and Creed's (2002) framework, because it can explain when, how and why institutionally embedded agents might come to challenge, and subsequently attempt to change, their and others' taken for granted beliefs and ways (Burns and Baldvinsdottir, 2005). As a consequence, institutional contradictions can contain the seeds of institutional change. Contradictions, which generate conflicts among the organisational actors, create the conditions for institutional change to take place, because groups or individuals recognise the need for change and, subsequently, put ideas into practice through human praxis. Burns and Nielsen (2006, p. 451) state that contradictions represent ruptures and inconsistencies among, and within, established social arrangements that can incite tension or conflict and create the conditions for institutional change to occur, as group or individuals, as an effect of their perception of such contradictions, recognize the potential (and/or need) for change."

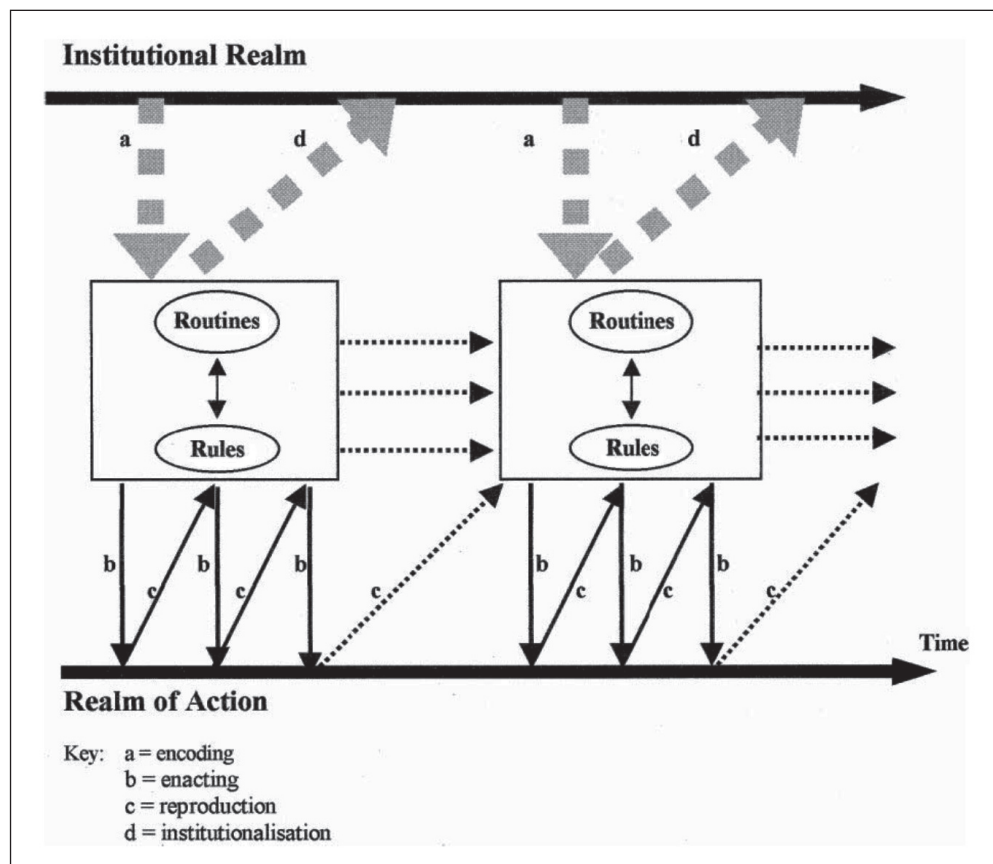


Figure 2 – Burns and Scapens' (2000) Framework (Burns and Scapens, 2000, p. 9).

Seo and Creed (2002) identified four sources of contradiction: technical inefficiency, non-adaptability, institutional incompatibilities, and misaligned interests. First, isomorphic conformance to the prevailing institutional arrangements to obtain legitimacy might be at the expense of technical efficiency. A number of authors highlight that conformity to institutional arrangements may conflict with technical activities and efficiency demands (Meyer and Rowan, 1977; Powell and DiMaggio, 1991). The possibility of loose coupling can lead to a discrepancy between the functional/technical requirements of the company and institutional requirements. This possible discrepancy can be a source of institutional contradictions. Seo and Creed (2002, p. 227) conclude that "even if institutionalized organizations make decisions that improve both legitimacy and technical efficiency in the short run, those decisions easily become suboptimal if new optimal solutions are not continually pursued and adopted".

Second, contradictions can arise from non-adaptability to the external environment. According to Burns and Baldvinsdottir (2005), once institutions are in place, they tend to be self-enforcing and taken for granted. As a result, there is little or no response to shifts in external factors due to psychological and economic lock-in towards (internal) institutional arrangements. Seo and Creed (2002, p. 228) summarise this source of contradiction by stating that "although institutionalization is an adaptive process, once in place, institutions are likely to be both psychologically and economically locked in and, in a sense, isolated from and unresponsive to changes in their external environments". As a consequence, this non-adaptability creates a space where contradictions between the present institutions and their external environments develop and accumulate over time.

The third source of contradiction is related to intra-institutional conformity that creates inter-institutional incompatibilities. In other words, conformity to specific institutional arrangements often leads to conflict with alternative institutions. Seo and Creed (2002) emphasise that individuals and organisations are increasingly exposed to multiple and contradictory, yet interconnected, institutional arrangements. As a consequence, an organisation or individual that conforms to particular embedded institutional arrangements may be incongruent to other institutional settings and different time-space circumstances (Burns and Baldvinsdottir, 2005). Therefore, these incompatibilities between institutions are the third source of institutional contradiction.

Finally, the fourth source of contradiction is due to political struggles among various participants who have divergent interests and asymmetric power (Seo and Creed, 2002). Seo and Creed (2002) point out that the actors whose ideas and interests are not adequately served by the existing social arrangements can act as potential change agents who, in some circumstances, become conscious of the institutional conditions. Therefore, contradiction can emerge due to mis-

alignment between institutionalised ways and the divergent perceived interests of actors embedded in such ways (Burns and Nielsen, 2006). Seo and Creed (2002) suggest that these four sources of contradictions are not separate and mutually exclusive, but are likely to be interconnected over time rather mutually exclusive.

Institutional contradictions are the essential driving forces of institutional change, but they do not inevitably lead to institutional change. Seo and Creed (2002) state that human praxis is a necessary mediating mechanism between institutional contradictions and institutional change. Praxis defines human agency of a political nature which, though embedded in existing institutions, attempts to influence and secure change in the institutional configuration (Burns and Nielsen, 2006). In the same vein, Benson (1977, p. 5-6) emphasises that "people under some circumstances can become active agents reconstructing their own social relations and ultimately themselves". Praxis can be defined as "a particular type of collective human action, situated in a given socio-historical context but driven by the inevitable by-products of that context-social contradiction" (Seo and Creed, 2002, p. 230).

Although contradictions may create openings for institutional change, it is praxis that encapsulates the 'doing' of change (Burns and Baldvinsdottir, 2005). According to Seo and Creed (2002, p. 230), praxis has three component parts: (i) actors' self-awareness or critical understanding of the existing social conditions, and how these social conditions do not meet actors' needs and interests; (ii) actors' mobilisation, rooted in new collective understandings of the institutional arrangements and themselves; and (iii) actors' multilateral or collective action to reconstruct the existing social arrangements and themselves. In addition, Benson (1977) points out that praxis involves two moments: (a) reflective, when actors critique existing institutions and search for alternatives; and (b) active, when political mobilisation and collective action take place.

To summarise, the seed of institutional change is the accumulation of institutional contradictions (technical inefficiency, non-adaptability, institutional incompatibilities, and misaligned interests) both within and between institutions. Institutional contradictions may trigger, enable, and limit praxis for institutional change (see Figure 3). However, Seo and Creed (2002) highlight that the relationship between contradictions and praxis is not a linear causal model, because of the complex dynamics possibly involved in the process of institutional change.

THE MANAGEMENT ACCOUNTING CHANGE MODEL

The theoretical framework model (see Figure 4) adopts Dillard *et al.*'s (2004) view that the process of institutionalisation moves in a recursively cascading manner through three levels of social-historical relationships, namely the economic and political level (PE), the organisational field level (OF),

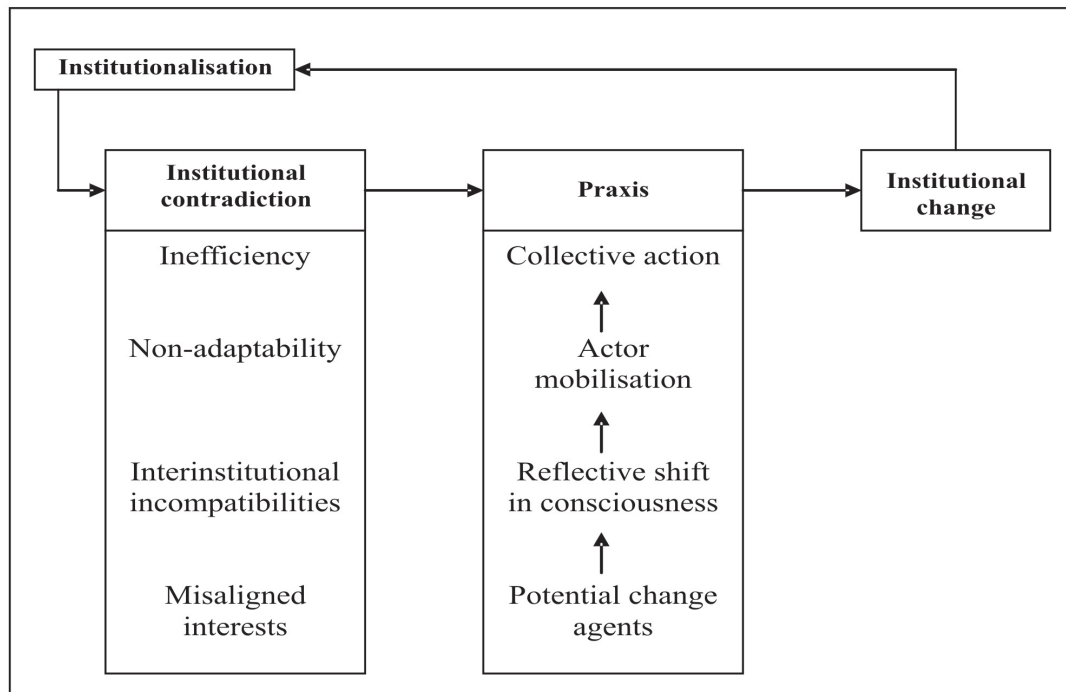


Figure 3 – Seo and Creed's (2002) Framework.

Source: Adapted from Seo and Creed (2002, p. 232).

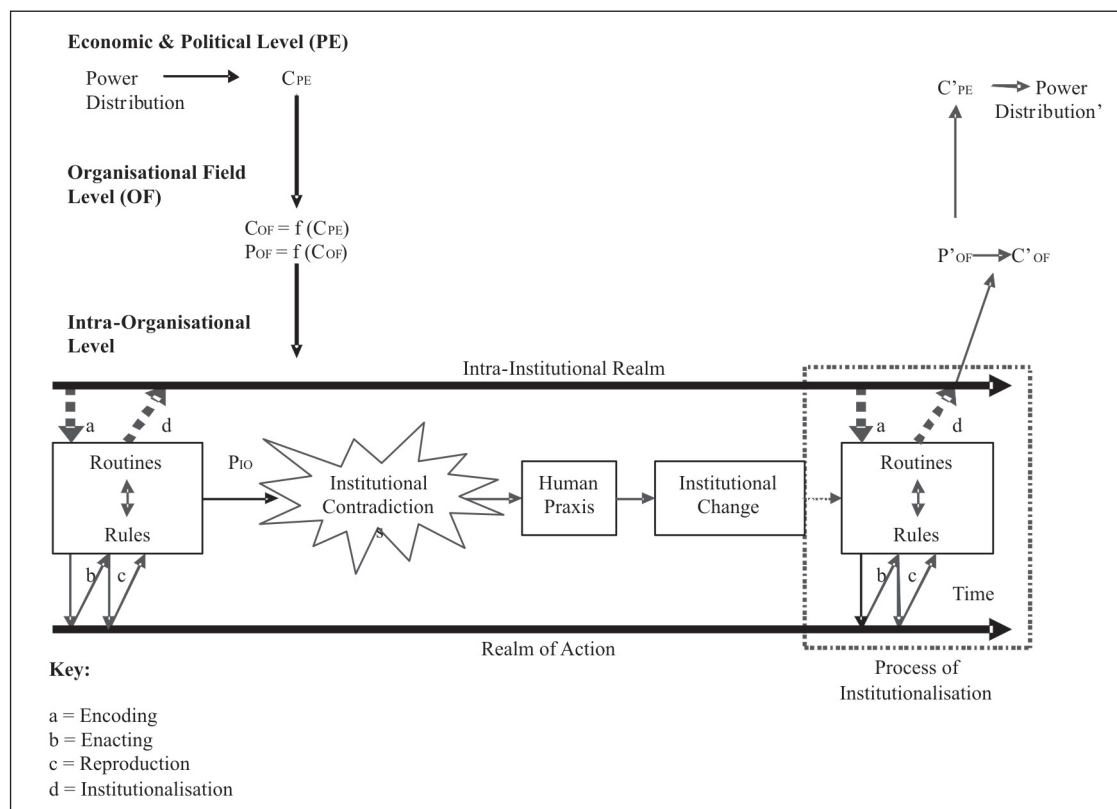


Figure 4 – Management accounting change framework.

and the intra-organisational level. The framework model re-labels the 'organisational field level' of Dillard *et al.*'s (2004) framework as 'intra-organisational level' to denote how companies are functionally and hierarchically different. In doing so, this model can focus on the impact of external, as well as internal factors on management accounting systems in a specific company.

The process of organisational change starts within the economic and political level. At this level the most general norms, such as laws, and practices (CPE) are established. According to Dillard *et al.* (2004), the economic and political level criteria are influenced by the present distribution of power in society. These macro set of norms and practices shape the organisational field level criteria (COF), which is a function of the societal level criteria (CPE). As a consequence, the organisational field practices (POF) are influenced by the organisational criteria which were previously shaped by the economic and political level principles.

At the intra-organisational level, the theoretical framework model (Figure 4) adopts Burns and Scapens' (2000) view that the intra-institutional realm and the realm of actions are linked by rules and routines. The intra-organisational realm represents the ways of thinking and the underlying assumptions that are taken for granted by the organisational actors, while the realm of actions comprises the actions that are carried out by the organisational individuals. It is important to highlight again that the 'intra-organisational level' substitutes the 'organisational level' in Dillard *et al.*'s (2004) framework, because the former concept emphasises that the analysis of the process of management accounting change is being carried out in one specific company.

The actual process of organisational change at the intra-organisational level starts with the accumulation of institutional contradiction resulting from external environment (economic and political level and organisational field level) pressures, as well as intra-organisational practices and their underlying assumptions (PIO), such as divergent interests among organisational actors. In this model the intra-organisational factors (PIO) are represented by the set of rules, routines, and assumptions that the organisational actors followed before the process of change. This variable was introduced into the model to demonstrate that the intra-organisational factors play an important role in the process of management accounting change, as well as to consider the concept of path-dependent.

Seo and Creed (2002) identified four sources of institutional contradiction: technical inefficiency, non-adaptability, institutional incompatibilities, and misaligned interests. The first three sources of contradictions are intrinsically connected with the external environment, while the latter is more related to the intra-organisational factors, such as relations of power within the organisation. The accumulation of contradictions may create conflicts among the organisational actors, generate the conditions for institutional change to take place, because these contradictions will trigger and enable human praxis for

introducing institutional change. This change will be introduced into the organisation through a new set of rules and routines which will be institutionalised. In other words, they will be taken for granted by the large collective of the organisational actors. According to Burns and Scapens (2000), this process of institutionalisation has four phases: encoding (arrow a), enacting (arrow b), reproduction (arrow c), and institution-alisation (arrow d).

After the process of institutionalisation of the management accounting practice, the new intra-organisational institutionalised practice may influence the set of normative practices (POF) and criteria (COF) at the organisational field level by reinforcing, revising or eliminating existing practices (Dillard *et al.*, 2004). Changes in organisational field practices (P'OF) and criteria (C'OF) will normally influence the political and economic system criteria (C'PE). As a result, the new political and economic criteria will challenge the present configuration of power at the economic and political level.

This recursive model is the same as the one presented by Dillard *et al.* (2004), which is influenced by the concept of duality of structure from the structural theory. This concept postulates that structures (institutions) provide recursive rules and resources, which shape and inform human interaction in terms of its signification, legitimisation, and domination. But human agency may change these structures. Such changes might result from either conscious choices to act differently or the unintended consequences of behaviour (Baxter and Chua, 2006). Therefore, this framework is supported by the concept of duality of structure (Giddens, 1976, 1979, 1984) according to which institutions are the background for action but may, in turn, be recursively modified through the action of human agents (Seal *et al.*, 2004).

FRAMEWORK JUSTIFICATION

Old institutional economics (OIE) has been criticised because its focus is primarily on the intra-organisational level rather than the macro level. As a consequence, OIE is incapable of explaining the impact of environmental pressures on the process of management accounting change. In contrast, new institutional sociology (NIS) has been subject to criticism because it focuses on the inter-organisational level. According to Greenwood and Hinings (1996, p. 1023), NIS "is weak in analysing the internal dynamics of organisational change. As a consequence, the theory is silent on why some organisations adopt radical change whereas others do not, despite experiencing the same institutional pressures". The main criticism is that insufficient attention has been paid by OIE and NIS theorists to the intra and inter organisational level, respectively. NIS arguments are insufficient to explain adequately intra-organisational behaviour. On the other hand, OIE is criticised for insufficient attention to environmental pressures. Therefore, the two theories can cover these flaws and complement each other.

The combination of OIE and NIS is possible by applying Dillard *et al.*'s (2004) framework, which combines OIE and NIS.

Therefore, the adoption of Dillard *et al.*'s (2004) model in the thesis framework is important to understand the interplay between inter-organisational and intra-organisational factors in the process of management accounting change. However, Dillard *et al.*'s (2004) framework can be extended by improving the analysis of the influence of intra-organisational factors, such as the relations of power within the company, and how accounting technologies are established at the intra-organisational level. In order to deal with this limitation Burns and Scapens' (2000) framework is combined with Dillard *et al.*'s (2004) model. The reason for this is that Burns and Scapens' (2000) framework provides a more comprehensive and detailed explanation of the process of institutionalisation of new management accounting practices at the intra-organisation level than Dillard *et al.*'s (2004) framework. Therefore, Burns and Scapens' (2000) framework seems to be more useful than Dillard *et al.*'s (2004) framework to explain the intra-organisational process of institutionalisation of new accounting systems.

The combination of Dillard *et al.*'s (2004) framework with Burns and Scapens' (2000) model will not lead to inconsistencies regarding epistemology and ontology, because both frameworks share similar views about the world and human beings. According to Dillard *et al.* (2004, p. 512), "Burns and Scapens' ideas could be integrated" into Dillard *et al.*'s (2004) framework at the organisational level. Dillard *et al.* (2004, p. 533) also state that "the framework provided by Burns and Scapens (2000) might be applied in describing the micro process taking place" within an organisation. Therefore, it seems that the integration of Burns and Scapens' (2000) framework with Dillard *et al.*'s (2004) framework can be made without any ontological and epistemological problem of inconsistency.

Another point that should be taken into consideration is that the institutional theorists have been able to offer more insights into the process that explain institutional stability than those that explain institutional change (Seo and Creed, 2002). Institutional theory is incapable of explaining the role of agency in the process of organisational change, because this theory has a dilemma, which is: "When and how do actors actually decide to revise behavioural scripts when their actions and thoughts are constantly constrained by the existing institutional system?" (Seo and Creed, 2002, p. 224). In order to deal with the role of agency in the process of management accounting change and to overcome the institutional theory dilemma, the paper framework model incorporates the Seo and Creed (2002) framework. Burns and Baldvinsdottir (2005) support the utilisation of Seo and Creed's (2002) framework. In their view, this framework can complement the existing institutional perspectives on management accounting, in particular Burns and Scapens' (2000) framework.

To summarise, the main justification for combining these three frameworks is that each framework complements the others. Dillard *et al.*'s (2004) framework is particularly useful to understand the interplay between inter-organisational and intra-organisational factors in the process of management

accounting change. Burns and Scapens' (2000) framework is adopted to explain the intra-organisational process of institutionalisation of new management accounting systems. Finally, Seo and Creed's (2002) framework is important to deal with the role of agency in the process of management accounting change. Seo and Creed's framework is in particular essential to answer the question: How do embedded agents engage in institutional change?

Scapens (2006) states that in order to make sense of diversity in management accounting practices it is essential to understand the complex mishmash of inter-related influences which shape management accounting practices in individual organisations. These influences come from broad systematic pressures that have economic and legitimacy considerations. In addition to these external pressures, there are internal pressures for and constraints on management accounting which include: The importance of trust in accountants, the relations of power, and the role of agency in institutional change (Scapens, 2006). Therefore, the understanding of the interplay between internal and external institutions is primordial to explain the process of management accounting change.

Taking this situation into account, the proposed framework model aims to explain the process of management accounting change by understanding the complex 'mishmash' of inter-related influences (both inter-organisational and intra-organisational) which shape management accounting practices. The proposed framework also seeks to demonstrate that management accounting can shape and influence the inter-organisational environment by adopting the concept of duality of structure from the structuration theory.

CONCLUSION

Drawing upon the new institutional sociology (NIS), old institutional economics (OIE), and the dialectical perspective, a theoretical framework for management accounting change was constructed. The theoretical framework combines three previous models for organisational change, namely: Dillard *et al.* (2004), Seo and Creed (2002), and Burns and Scapens (2000). As a consequence, the theoretical framework was not constructed from scratch; as this model used well-known frameworks in the field of organisational change that have been providing useful insights in understanding organisational change. The innovative aspect of the paper's theoretical framework is the fact that it was the first attempt to combine these three models in order to develop one framework for management accounting change. It is important to highlight that the reason for developing this new framework is that none of these frameworks alone can fully explain the complexity of accounting practices and the process of management accounting change. In addition, each framework complements the other without ontological and epistemological incompatibilities.

It is claimed that the theoretical framework provides a theoretical model capable of supporting the understanding

of the complex mishmash of inter-related factors at both intra and inter-organisational levels that influence management accounting practices. However, some people would argue that the framework model seems somewhat overschematised and that it intends to provide a comprehensive consideration of all factors that may be involved in a process of management accounting change, which it is unlikely to be achieved by studying a specific organisation. However, these criticisms do not invalidate the theoretical framework model. We could argue the opposite, as these criticisms show how flexible this model is, because this model could be used in different cases of change. For example, in cases where the inter-organisational factors are more important the focus of the analyses can be on this level. Therefore, this framework can be used in cases of management accounting change in different contexts and industries.

By combining these three frameworks, the theoretical model aimed to address the issues, which according to Scapens (2006), are essential to explain the process of management accounting change in an organisation. In addition, the framework was designed to be able to analyse the social and political dynamics of the external environment that had an influence on the process of management accounting, as well to analyse the intra-organisational dynamics involved in the process of change.

A limitation identified in the theoretical framework is that the framework can be interpreted as a linear causal model (Andon *et al.*, 2007; Quattrone and Hopper, 2001) which could by no means capture the complex dynamics possibly involved in the process of change. It is important to stress that the theoretical framework does not assume that the process of organisational change is a transition from one well-defined point (stage A) to another (stage B). Figure 4 depicts the theoretical framework that can mislead readers to interpret the process of change as being linear one. This figure is just a representation of the theoretical grounds that explain the process of change designed to support the discussion and analysis. This study assumes that management accounting change is a continuous process rather than a series of discrete and identifiable events in organisational life. Therefore, there are overlaps between the events at the three levels of analysis of the theoretical framework: Political and economic level, organisational field level, and intra-organisational level.

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