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Management Accounting Theory Revisited: Seeking to Increase Research Relevance

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Abstract

Management accounting research has recently been suffering, as its relevance is being seriously questioned. For academic research output to be relevant it should gain scholars' attention and have an impact upon practice, and should address groups with interests beyond the managerial elite. For this a theoretical approach needs to be adopted that addresses the various societal elements that organisations should engage with, such as the environment and social aspects. The theory derives from existing theories used in accounting. However, to gain and maintain relevance with regard to practice, the theory needs to be built based on empirical input from practicing accountants. Thus, several mini- case studies of accountants in practice were undertaken in order inform the theoretical framework. The definitions of management accounting, theory and practice are revisited to discuss the diverse approaches to theories in management accounting. Recommendations for future research are to apply the framework in positivist and interpretive studies.

Keywords: management accounting theory, relevance of management accounting research, decision-making, planning, control, budget, theory and practice

1. Introduction

Recently, publications address the role of management accounting beyond the managerial interests and seek to determine its societal relevance. Societal relevance suggests that the application and use of management accounting extends beyond organisations and their primary economic interests to include individuals, groups and organisations that have interests beyond economic and financial position. These include political, social, environmental, gender (Note 1), religious (Note 2) and ethical issues (Ahrens et al., 2008). Furthermore, if something is relevant it impacts on someone or something, and in the case of managerial accounting we hope for an impact on the academic world but also for an impact on those that apply management accounting in a practical context (Scapens, 2008). The term practitioner is purposefully circumvented, as firstly a definition as to what constitutes a practitioner needs to be provided. Quattrone (2009) rightfully raises the issue of having to define what constitutes a practitioner, in particular if the relevance of management accounting research and theory to the practitioner is focussed on. If our research is to be of relevance, one needs to identify who we seek to target with our innovations, findings and writings. Thus, who is the 'user of management accounting', one needs to ask. Finally, what constitutes management accounting needs to be determined (Quattrone, 2009), as the relevance of our research depends upon what we investigate and whether we focus on all relevant aspects. One particular issue is that management accounting is not a mandatory practice - we do not have to apply any of the suggested and developed practices. This in itself will always bring us back to the question of whether what we do is in fact relevant.

If we are to determine the relevance of our discipline and its related research, we need to determine what our discipline exactly entails, to then question and seek its relevance, and we need to identify what research should focus on order to enhance its relevance. A quarter of a century ago Johnson and Kaplan (1987) were questioning the relevance of management accounting, and proceeded to suggest, in their view, more practically relevant practices (Kaplan, 1994). To study the accountant in their workplace would appear to render the most useful results, be it interpretively (Ahrens et al., 2008) or positivistically, but while many studies have done this (see for instance Hutaibat et al., 2011; Tillmann & Goddard, 2008) we are still debating how relevant our discipline's research really is. In line with Johnson and Kaplan (1987), there is no doubt that if our research is to be relevant, we have to link to our theoretical musings with the practice of management accounting. This approach increases relevance if such innovative new practices are in fact adopted but most businesses do not have the time to engage in introducing new practices and techniques, training everyone in such practice and then continuing to maintain such systems (Innes et al., 2000), in particular if they are optional. While the practice-based research agenda has perhaps influenced practice more than less practically-oriented research studies (Scapens, 2008), researchers must pay attention to not fall into the 'consultancy'-trap (Ahrens et al., 2008; Malmi & Granlund, 2009). In line with Quattrone's (2009) review, we must clarify what constitutes theory before we can make a meaningful theoretical contribution. One major criticism of Malmi and Granlund (2009) is that most research is built on suggestions coming from other disciplines, for instance organisational and economic theories. So not enough has been organically grown out of the management accounting discipline, as a lot of studies apply contingency theory (organisational) (see Chenhall, 2003; Malmi & Granlund, 2009), institutional theory (social) (see for instance Burns & Scapens, 2000; Ma & Tayles, 2010), structuration theory (Tillmann & Goddard, 2008), and the works of various interpretive and critical scholars, such as Foucault, Bourdieu, Habermas (social or political) (for example, Baxter & Chua, 2003; Broadbent & Laughlin, 1997; Goddard, 2005; Modell, 2012).

The objective of this paper is to develop a theoretical approach that is pertinent to management accounting research through a theoretical and a practical investigation of management accounting. The theoretical review addresses the afore-mentioned concepts, theory, practice, practitioner, and management accounting itself, to ensure that the theoretical approach has not adopted any presupposed concepts and beliefs. The practical investigation reviews management accounting in its habitat, in practice, and reviews those that engage with management accounting in the workplace. The focus is on the various individuals that are being researched, what they consider as management accounting, what kind of practices they apply and how these are utilised in the work context. Therefore, this is not a case study of an organisation but 'mini case studies' of various individuals in different organisations, in order to illuminate different 'relevances' of management accounting. The theoretical and empirical parts of the study will contribute to the formation of a theoretical framework borne out of the actual discipline of management accounting, building on existing concepts and new empirical insights. The next section addresses management accounting in theory, reviewing relevant prior literature. There is a plethora of management accounting studies, positivist, interpretive and critical, which adopt various theoretical frameworks. These frameworks are utilised to anchor a study in prior research, to guide the analysis, and to ensure the validity and relevance of findings. Recent criticism (Malmi & Granlund, 2009; Quattrone, 2009) suggests that these frameworks are not relevant and accounting-related enough, and that accounting scholars should seek to develop an accounting-specific theoretical framework that guides our research and should enhance the latter's relevance (Malmi & Granlund, 2009). Others suggest that instead of creating ever more new theories, we should build on existing ones (Burns and Habersam in Ahrens et al., 2008). In management accounting research, specific theories are used for particular types of studies, for instance contingency theory in a positivist research setting, institutional theory more commonly in an interpretive research study, Foucault as an example of a critical study with qualitative research methods. However, no theory has managed yet to bridge the gap between paradigms, and even more importantly, no theoretical contribution has addressed more than one particular constituency, i.e. either managerial elite or a minority interest or a pressure subject. This paper offers one such perspective, although it does not claim to be complete or holistic. This section sought to introduce the subject matter of this research study, the next section will set the literary context by reviewing relevant prior studies, then the research approach regarding methodology, methods and data analysis will be discussed, next the empirical research findings will be discussed, which in combination with the literary findings lead to the proposed theory of management accounting, and finally the theoretical construct will be outlined.

2. Management Accounting and Its Various Theories

2.1 Theoretical Approaches

Research in management accounting has a long tradition with a variety of theories being utilised and applied in the process (Scapens & Bromwich, 2010). Some of the main theories, grand or meta-theories or more accounting or organisation-specific theories (Llewelyn, 2003), are outlined in this section as part of building on the existing accounting-relevant theories (Becker in Ahrens et al., 2008). Scapens (2006) provides a personal account and outlines his own experience with some of the research approaches that were popular throughout the years. The very first studies assumed a quantitative mathematical approach to management accounting with little belief that anything important could be found, as everything had been done already (Scapens, 2006). Some of the earliest studies have adopted a contingency theory approach (Chapman, 1997; Chenhall, 2003; Scapens, 2006) which is derived from organisational studies and says that the successful implementation and use of management accounting practices depends upon particular factors, so-called contingencies. These typically include the environment, technology, size and structure of an organisation, but recently strategy and national culture have been added (Chenhall, 2003). Contingency theory is typically used in positivistic studies (Malmi & Granlund, 2009), where pre-determined hypotheses are delineated and then tested in the empirical part of the investigation, although this does not have to be the case (Chapman, 1997). Uncertainty will drive, however, the adoption of information processing requirements (Chapman, 1997). Contingency theory is still one of the most popular research approaches in management accounting (Chenhall, 2006).

Moving along from the economics-based domain to focus on organisational and social theories, institutional theory has now an established tradition in management accounting research investigating change in management accounting practices, with the earlier studies adopting New Institutional Economics (NIE), Old Institutional Economics (OIE) and New Institutional Sociology (NIS) (Burns and Scapens, 2000; Scapens, 2006) and recent studies having developed the concept further to institutional logics (Rautiainen & Jarvenpaa, 2012; ter Bogt & Scapens, 2009). Meyer and Rowan (1977) found that OIE and NIS support the idea of homogeneity, that is everyone signs up to the same belief system within the organisation, for instance budgeting takes place because external forces, be they coercive, mimetic or normative, force the organisation to do so in order to gain legitimacy (Ma and Tayles, 2009; Moll and Hoque, 2011). In general, NIE focusses on the structures that govern economic transactions, OIE is concerned with institutions that impact upon thought structures of individual human agents, and NIS deals with the institutions that shape organisational structures in the organisational environment (Scapens, 2006). Institutional logics is a recent development of institutional theory, which reflects the idea of heterogeneity. Heterogeneity occurs because individuals act on the basis of their habitus (Bourdieu, 1977; ter Bogt & Scapens, 2009) but also on the basis of detailed deliberation. Contrary to prior forms of institutional theory, institutional logics suggest that an individual can make their own choices, although their internalised habits and routines will guide such choices (ter Bogt & Scapens, 2009).

A further interpretive theory adopted in management accounting is Giddens' structuration theory (Coad & Herbert, 2009; Scapens, 2006; Tillmann & Goddard, 2008), which combines structure, the rules and resources of a society, and the agents, in whose memories these rules and resources are embedded (Coad & Herbert, 2009). This is referred to as duality of structure (Tillmann & Goddard, 2008). In order to manage within the structure, agents call upon their memories in order to perform three possible outcomes on the basis of their knowledgeability: have power, assign meaning and act according to norms (Coad and Herbert, 2009). Power is created through access to resources, acting according to norms is based on the structure's rules (Giddens, 1979).

A similar approach that has been applied in interpretive management accounting research is Bourdieu's theory of practice (Bourdieu, 1977). Bourdieu refers to the field (i.e. structure) and the habitus (the agents' knowledgeability), which interact and impact upon each other. An individual is part of the field and adopts the rules and norms of the field into their habitus, for example through education and experience (Bourdieu, 1977). Their habitus, in turn, can adjust rules and norms if needed, and can change the field, depending upon the sources of capital the individual possesses (Bourdieu, 1986). The sources of capital determine the level of power an individual has, which include economic capital, i.e. the amount of resources someone has available, social capital, i.e. the level of influence and connections an individual possesses, cultural capital, i.e. the level of education someone has completed and the level of knowledge someone possesses, and symbolic capital, i.e. the prestige and honour an individual enjoys in their field (Bourdieu, 1986). The more capital an individual has access to, the more powerful they are (Bourdieu, 1986).

Interventionist research suggests that researchers actively instigate change in the field, examples being innovative action research (Malmi & Granlund, 2009; Joensson & Lukka, 2006). Importantly, the study should be academically sound, and should have an impact on the practice of accounting where the study takes place. The researcher switches between the insider (emic) and outsider (etic) perspective, and ultimately intrudes on the organisational practices to institgate change (Joensson & Lukka, 2006). Importantly, the study has to be anchored in academic theory and follow academic research principles to not fall into the realm of consultancy (Joensson & Lukka, 2006; Malmi & Granlund, 2009) but at the same time has to instigate change to not just be another theory-informed case study (Burns in Ahrens et al., 2008).

Actor-Network Theory originates from the sciences, and takes a new approach to investigating relationships between actants, thus it is not really a theory but rather an ontological approach that has been applied in accounting extensively (Justesen & Mouritsen, 2011). It does not engage in how and why questions but rather seeks to analyse the ties within a network, where a network can be comprised of humans and non-humans (Ahrens & Chapman, 2006; Justesen & Mouritsen, 2011; Whittle & Mueller, 2010). The network with the strongest ties will be the most successful, thus deserves attention (Whittle & Mueller, 2010). Scientific truth arises out of the robust network around a scientific theory, by investigating the actors and researching the ways they relate to each other.

With regard to critical research, several scholars' and philosophers' works have been applied in recent years and have been used to guide analysis. Most notably, Habermas, Foucault, and Derrida have featured in accounting studies. Habermas is responsible for such theories as Legitimation Crisis (Habermas, 1976) and The Theory of Communicative Action (Habermas, 1984, 1987), where the former argues that within a societal structure there are four potential possibilities for crisis: economic, rationality, legitimacy and motivation (Dillard & Yuthas 2006). Dillard & Yuthas (2006) adopt this theoretical approach to the increasing popularity and implementation of Electronic Resource Planning (ERP) systems within both organisations in general as well as to a specific organisation, and argue that the increased adoption of ERP systems has led to a crisis in the market managers have to deal with. The Theory of Communicative Action is considered to be Habermas' most influential work and has received the most application within accounting. Broadbent, Laughlin and Read (1991) is an important example because it made a number of refinements to Habermas (1984, 1987) in order to make the theory applicable to specific organisations rather than society as a whole. Foucault's writings on disciplinary power and governmentality have been utilised in several accounting studies (Armstrong, 1994) with the writings on power in the modern world being one of Foucault's main theories being applied.

As part of the interpretive and critical research bodies, researchers have sought to address and include the 'outlier' and the non-elite interest groups and topics of interest, such as feminism and gender concerns (Gallhofer, 1998; Haynes, 2008; Hopwood, 1987), ethical concerns (Gray et al., 1994; McPhail, 2001), environmental and social elements of accounting (Gray & Bebbington, 2001; Gray & Laughlin, 1991; Masanet-Lodra, 2006; Mathews, 1997 and 2004; McPhail, 2001; Owen, 2008; Parker, 2005 and 2011), and politics and power (Carter et al., 2010; Whittle and Mueller, 2010). McPhail (2001) has raised concerns regarding the contribution of accounting education to raising responsible and ethical accounting graduates. In particular in light of the recent financial crisis (Van der Stede, 2009), this is an issue worth re-examining as we have to deal with our contribution to the failure of our economic systems. Gray & Bebbington (2001) address accounting in relation to the environment, and as the environment's condition continues to deteriorate and as natural disasters, such as Fukushima (Note 3) or Hurricane Sandy, cannot be conquered and can cause considerable and long-lasting damage, we must continue to fight for nature's rights and consider its needs as part of our business practices (Gray, 2000). Burritt et al. (2002) and Schaltegger et al. (2010) have focussed on environmental management accounting, and provide a very detailed analysis on how to undertake environmental management accounting. Schaltegger et al. (2010) suggest that two different accounting systems would be needed, one for conventional accounting, and one for environmental accounting. While this may allow for more detail, it may also be why accountants in practice and managers might not adopt such practices. In this study, we seek to amalgamate managerial elitist interest, maximising wealth (Malmi & Granlund, 2009), with more diverse needs, such as the redistribution of power, prioritising the environmental and social agenda, and enhancing academic education, in a proposed theoretical framework. Power is an important element, and Whittle and Mueller (2010) demonstrate that business strategy is ultimately determined by the most powerful, not necessarily in a rational planning-manner. Power is also associated when it comes to the distribution of financial funds, and the ability to invest in particular parts of an organisation (Hutaibat et al., 2011).

2.2 Management Accounting-Definition and Practices

The subject matter of the current study is management accounting but as Quattrone (2009) rightly asks what management accounting entails. In line with the theory – practice divide, management accounting has a theoretical scientific character, i.e. a scientific character, and a practical character, which reflects what happens management-accounting related in practice and how practitioner apply and utilise management accounting information. Quattrone (2000) illustrates this two-fold nature of (management) accounting being conceived through knowledge of theory, how and why such theories are being produced, and knowledge of practice, how and why do practitioners use accounting. Can we just take any definition for granted, as it has been output by professional accounting bodies or fellow academic scholars? In 1954, the Institute of Chartered Accountants England and Wales (ICAEW) suggested that management accounting be any form of accounting that enables a business to be more efficient (in Boyns & Edwards, 1997). Drury (2007) explains that management accounting entails three main purposes: decision-making, planning and control. Malmi and Granlund (2009) assume CIMA's definition (1996 in Malmi & Granlund, 2009) that management accounting is 'the process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for its resources'. For the current study, Quattrone's (2000) two-fold approach of theory and practice knowledge of accounting, and Baldvinsdottir et al., (2010) focus on social and technical matters of accounting are being taken into consideration. With regard to the definition of management accounting, providing supportive information to those in control, to those that have to manage an organisation is assumed, and the three basic functions: planning, decision-making and control, are used to represent management accounting in the theoretical model.

Over the years, a great deal of practices have been developed and researched (Scapens & Bromwich, 2010), and for theory development, one must ask now whether we should consider these practices to be incorporated in the actual theory, like Granlund (2008) and Malmi & Granlund (2009) suggest, for example theory of cost accounting or theory of management control systems, or whether we should focus on a theory that is abstract enough to be applied in a variety of accounting and non-accounting settings. Several of the polyphones argue against adding yet another theoretical approach that ultimately only offers a variation of what already exists, and instead suggest enhancing existing theoretical structures to accommodate management accounting developments (Ahrens et al., 2008). Quattrone (2008, 2009), however, believes that we should challenge the common assumptions we make and beliefs we adopt, in particular in light of the recent disappointments with transparency, stability etc. during the 2008 financial crisis. Baldvinsdottir et al. (2010) state that we should turn our focus back to the technical core of the management accounting discipline as the management accounting research of recent years has focussed too much on the social aspects of accounting, and has veered too far away from technical issues. Arguably, it is these technical aspects of our discipline that distinguish us from economic and social science researchers (Baldvinsdottir et al., 2010).

Scapens and Bromwich (2010) provide us with an overview of what type of studies have been published in Management Accounting Research in the last 20 years, subsumed under relevant headings. These include, amongst others, activity-based costing, capital budgeting, budgeting and standard costing, cost accounting systems, management control systems, management accounting practices and management accounting change, performance measurement, strategic management and risk management (Scapens & Bromwich, 2010). Some are more prominent research areas, e.g., management accounting change, performance measurement and management and organisational control, than others, e.g. budgeting, activity-based costing and strategic management. This illustrates the vast variety of studies that have been undertaken in the area of management accounting, and discussing each of these is beyond the scope of this article. Instead attention should be paid to which aspects have been researched in the various studies. Almost all studies address the objectives of the managerial elite and as such, they cannot be eliminated from any theoretical construct that addresses management accounting. However, there are various developments that extend beyond the original managerial interests, such as environmental management accounting (Burritt et al., 2002), power in strategic decision-making (Whittle & Mueller, 2010), ethical concerns in accounting in general (McPhail, 2001), and factoring in an element of risk management (Van der Stede, 2009). Hansen et al. (2004) attribute four distinctive functions to the budget – planning, performance measurement, goal communication and strategy formation. Malmi and Granlund (2009) state that planning and control, i.e. performance, need to be linked in a research study for the findings to be complete. Thus, the main practical functions of management accounting, decision-making (strategy formation), planning (budgeting), and control (performance management) will be at the heart of the theoretical framework.

3. Research Approach

This study's research approach is interpretive in nature but assumes inductive and deductive analytical stages. The analysis is split into two parts: the review of the existing literature to identify relevant prior literature deductively, and to identify concepts that should be included in a theory of management accounting due to their perceived importance by prior researchers. Baldvinsdottir et al. (2010) and Quattrone (2000) suggest two-fold natures of (management) accounting, which reflect the research approach. Firstly, the knowledge of accounting in theory (Quattrone, 2000) was reviewed, and main points that will be carried forward to the theoretical framework were identified. Secondly, the empirical investigation will be presented, in which eighteen accounting practitioners in various settings took part. While the ideal case is an academic being a practitioner, many accounting researchers may engage in industry-linked activities, such as interventionist research, but primarily remain academics. Therefore, to achieve the most relevant research output craft knowledge needs to be examined and findings need to be incorporated into theoretical knowledge (Scapens, 2008). This paper does not investigate a particular organisation or institution but instead focuses on individual accountants across different organisations at different points in time. This seeks to enhance the robustness of findings and the relevance of the suggested theory, which is grounded in the collected data. Participant observation and/or interviews were the method of data collection, and the analysis was done on the basis of coding (Glaser and

Strauss, 1967). Thirteen accountants were closely interviewed and observed, and another five were only observed. The interviews and observations took place at different points in time, from 2003 to 2012. Interviews ranged anywhere from 30 minutes to 1.5 hours and interviewees were interviewed at least twice. The participants' characteristics are summarised in Table 1.

Table 1. Participant details

No	Gender	Age	Country	Level of Education	Position	Organisation
1	Female	45	Jordan	Bachelor	Head of Finance	Public University
2	Male	37	UK	Bachelor & CIMA Qualification	Accountant/Consultant	Public University
3	Male	32	Germany	Bachelor	Cost Accountant	For profit production business
4	Female	26	UK	Masters	Finance Assistant	Not-for-profit
5	Male	54	Jordan	Bachelor	Head of Finance	For profit service business
6	Female	40	Germany	German equivalent to Bachelor	Accountant	For profit production business
7	Male	43	Jordan	Masters	Accountant	For profit service business
8	Female	38	UK	Masters	Finance Officer	Public University
9	Male	28	Germany	German equivalent to Bachelor	Corporate Finance	For profit service business
10	Male	35	Austria	Austrian equivalent to Bachelor	Accountant	Public University
11	Female	42	Austria	Austrian equivalent to Bachelor	Accountant	Public University
12	Male	37	UK	Masters & ICAEW qualification	Accountant	For profit service business
13	Female	50	Germany	German equivalent to Bachelor	Head of Finance	For profit production business
14	Male	51	UK	Bachelor &CIPFA Qualification	Professor of Accountancy	Public University
15	Female	61	Jordan	Bachelor	Accountant	Public University
16	Female	22	Jordan	Bachelor	Accounts Assistant	NGO
17	Male	37	UK	Masters & CIMA Qualification	Management Accountant	Financial institution
18	Male	40	Germany	Doctorate	Head of Finance	Public University

They have different educational backgrounds, different business mindsets and different workplace concerns.

4. Empirical Data and Findings-Review of Craft Knowledge

Interviews and observations took place with the view of investigating the accountants' daily activities. The interviews were semi-structured and commenced with the question of discussing the main accounting activities each accountant was involved in habitually. The following themes emerged out of the coding activity: functions of management accounting, budgeting and financial position, performance measurement, power, strategy, culture, education and technology.

4.1 Functions of Management Accounting

'Well, I serve several purposes: first of all, I am the accountant for the division, so I keep track of their financial

transactions and advise and explain where necessary. Really, their funding streams are complicated and often they don't understand how to deal with those. So this covers the daily activities, also just keeping track of expenditures. Then I am involved in the strategic planning and budgeting process of course, especially the budgeting template is very hard to understand for all of the senior managers, so this is my responsibility. Then I liaise with the other accountants and the finance director, so in that sense I am a mediator between the unit and the central management. I am also responsible for some of the key performance indicators but I think this area still needs improvement. And then I am an advisor, when the divisional management needs financial advice, for example whether a particular project is doable or what the cost of a particular investment would be' (Participant No. 2).

'My job tasks are preparing monthly cost statements at the end of the month for control purposes, accumulating of cost information throughout the month, contributing to the annual budget preparation exercise, here I am responsible for two of our production lines, and for those maintaining the environmental targets, like CO2 Emissions, environmental costs involved with Research and Development (especially cost of disposing of waste in an environmentally-friendly manner) and material supply (we know that some material are produced for much less but using child labour and we do our best to not buy these materials' (Participant No. 3).

One example is participant No. 1 who was observed and it transpired that her main job description was heading the finance department of a Jordanian public university. As such, her main tasks were daily financial management, advisor to the university president, liaising with the senior managers in the university, preparing financial documents, but timeframes were short-term.

What transpires from the above data is that management accounting and management accountants have a variety of tasks to address and deal with. In the case of Participant No. 2,, 4, 7, 9, 10 and 15 tasks were very varied and their position is that of a hybrid (i.e. the combination of two different positions or roles (Baldvinsdottir et al., 2010) between classic accounting tasks and more managerial activities. However, the classic three management accounting tasks: decision-making, planning and control/performance measurement remain intact, and regardless of actual techniques and practices shall form the base of a management accounting theory.

4.2 Budgeting, Financial Position and Strategy

All four accountants agreed that the budget represented the central management accounting tool/technique that was used for different purposes.

'Budgeting comprises our main planning technique as we budget for the next 5 year in advance. However, after the first year the numbers get fuzzy, we cannot be 100% certain, and the further ahead we want to predict, the less certain the numbers are. I mean, the cost figures are pretty certain, it is the revenues we can't be very sure about. But we have to budget ahead to support the strategic plan, so once we set our strategic objectives, we start the budget process. If there is one problem we want to work on it is the feedback loop. It is also important when entering negotiations with the central management – we are in a powerful position because we are important as a division, so we usually have enough leverage to get our wishes through. We have a number of divisions that are very successful and recently they have pooled their influence and argued their case together, as technically our structure is such that the money we earn stays with us' (Participant No 17).

'No doubt our budget is the most important part of the management accounting function – we call this here controlling by the way. We set our financial plans and we factor in our environment-related expenditures, like all the other expenditures. At the end we plan our financial position at the end of the year and the year after that. This is usually quite a struggle because different departments have different wishes and needs. You have to make sure that distribution is fair but at the end you have to maintain those departments that are the revenue-makers, so often their needs get covered first' (Participant No 10).

'Our budget is set by the divisional manager, she will consult with the accountant but her budget is part of the bigger NGO budget. So we are not directly involved with setting the budget but we have to manage it here in the unit. Our resources are tight and the manager likes to stick to the budget, so we manage on a daily basis, record expenditures and also revenues when they come through to us. However, we don't have access to the general accounting system, so we can only use a spreadsheet and this has limitations, plus we don't have access to all data.' (Participant No 7).

From the above quotes emerges that the budget is an important planning tool, which in the case of twelve organisation was adapted for environmental measures and elements, such as specific costs. However, the budget is also used as a performance measurement tool, amongst others, as each organisation has its key performance indicators.

4.3 Performance Measurement

Both budget and specialised performance indicators, chosen by each organisation individually, are utilised in all case organisations. The budget can feedback on financial performance, both flexibly, i.e. ongoingly and with relevant amendments, and statically, i.e. only should—is comparison without any adjustments. The environmental aspects of the budget have also performance indicators assigned, for instance total level of CO2-Emissions, amount of waste material, and total environment-related expenditure. Malmi & Granlund (2009) state that research needs to incorporate the link between accounting choice and performance to be complete and useful. Additional indicators assess the performance of different divisions and individuals in all organisations, although these are too specific, varied and large in quantity to address all here individually.

'Performance is important – we measure performance, sometimes we try to manage it as well, in order to maintain our expected performance levels, for example financially we should have at least a surplus, academically we should hold a particular position, (although this is not my area). So for each area we have outlined appropriate performance indicators, however we should put more emphasis on controlling our financial indicators (Participant No. 14).

4.4 Management Accounting Special Issues

This heading subsumes a number of specific factors that all featured in the empirical research but not necessarily for all accountants alike. These specific concepts include power, education, technology, culture, risk management and ethics. In interviews, these concepts were addressed by either the interviewee in the context of their answers or by the interviewer as these issues arose out of the literary review. Power was unanimously addressed when discussing the budgeting process, as the most powerful usually achieve their aims and financial plans, thus power in the organisation is an important feature. Education was referred to by the interviewer in the context of societal issues, such as the environment, ethics, and social accounting. All participants agreed that education plays an important role in raising awareness and increasing practitioners' willingness to extend existing practices.

'If they had shown us how to amend a budget or introduce a new practice that deals with environmental or social issues, or the latest concern of the accounting profession, ethics, perhaps the outcome would have been different. For sure, I would have appreciated relevant case studies and practical application as it would make it much easier to adapt our budget accordingly. Really, since I don't know how to do it exactly, there is no chance for me to introduce such practice by myself, I don't have time or sufficient knowledge. However, it is important to display ethical behaviour in accounting, we must be ethical and act accordingly (Participant No. 18).

Ethics being the most discussed topic of recent accounting developments was identified by all as an important issue, more so by the more recent interviewees. As part of education, accounting students should be instructed in ethical accounting practices and should be taught to plan for ethical behaviour and related financial information in a budgeting process, for example. One instance could be the calculations of the costs of producing abroad with workers under acceptable working conditions.

Risk management was only addressed in the context of including an element of risk management in their budget, so that if there are unexpected events that lead to changes in the budget, the organisation has a margin of safety it can fall back on. While all participants believed this was a good idea, it was actually not part of any of the budgets and management control systems. Thus, some margin of safety, or emergency fund in more simple terms, would be one, albeit simple, option to include risk management elements in budgeting. Technology was only briefly mentioned by participants no. 4, 10, 15 and 18, as they explained that they have limited access to the actual accounting information system and that the basic spreadsheet technology limits their analytical ability or requires significant time and extra effort to reach the same conclusions. Thus, technology is a factor when it comes to efficient information provision.

Lastly, culture was mentioned in several instances, be it to highlight the difference between national cultures (Participant No. 4 and 15), to discuss the organisational culture (Participant No. 2 and No. 3) and the culture between difference academic disciplines (Participant No. 6 and 13). Culture, similar to power, features in all parts of a society and its organisations, thus it cannot be neglected as a backdrop to management accounting.

Both the literary elements and empirical findings will now be joined in a theoretical framework of management accounting, and will be discussed in the next section.

4.5 Towards a Theory of Management Accounting

This section outlines the theoretical framework for management accounting on the basis of the theoretical review and the empirical investigation. The main aspects that are carried forward from the literature are natural environment, social environment, ethics, power, and the three main functions of management accounting: decision-making, planning and control. The empirical investigation has illustrated that the main features are budgeting, performance measurement, power, strategy, culture, education and technology. Below figure illustrates how they connect on the basis of the coding analysis:

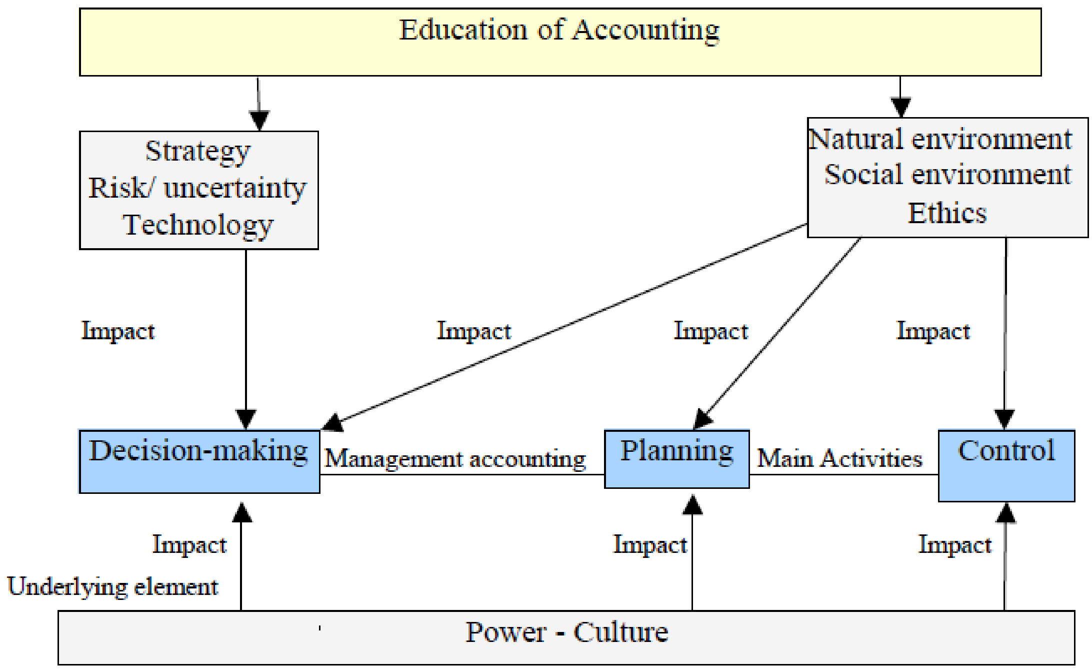

Figure 1. Theory of management accounting

The theoretical framework depicts the most important elements that transpired both from the literature review and from the empirical investigation. While figures usually are a technique of positivist researchers, they help illustrate and allow for the reader to visualise the relationships between different concepts. Akin to Bourdieu (1977) management accounting takes place in the field within which actors move and interact. Management accounting is illustrated in three stages: decision-making, planning and control. The underlying concepts are power and culture, which form the backdrop to management accounting activities. Power features strongly for instance when setting the budget for an organisation, as more powerful agents/participants will seek to take advantage of their privileged position. Power is important when wanting to pursue a particular point of view, as the more powerful can achieve more, especially in reference to change. Culture is also part of the backdrop of the organisation and society because it strongly influences actors' perceptions of budgeting and performance, but also environmental, social and ethical issues. Culture and its implied beliefs can be a hindrance to and a perpetuator of any developments, adoptions and changes in the system.

Input in the actual management accounting system can take place in two stages: firstly at the decision-making stage actors and participants decide on their strategic aims and objectives, which will then in turn be considered when setting up the budget for the respective organisation. Also at this stage actors should consider whether they want to include an element of risk management in their budget and how they want to address any uncertainty, and finally, newer technologies may help in budget setting and may provide more accurate information. These inputs take place at the decision-making level but are then carried forward to the planning and control stages. It is also suggested to broaden management accounting's reach to include societal, environmental and ethical elements alongside the conventional financial aims and objectives. At all three stages organisations should adhere to ethical standards and factor in environmental and social aspects in order to extend the management accounting function, so for instance when discussing buying cheaper materials or acquiring lower cost labour organisations should ensure that such materials are not harmful to the environment and that labourers are treated in accordance with human right acts.

Importantly, this framework is not guided by any specific meta-theory (Llewelyn, 2003) but instead is designed to be applicable to several possible research approaches. Based on the review of prior management accounting studies, this framework was developed devoid of any particular theoretical guidance, akin to Actor-Network-Theory only focussed on how particular aspects of the management accounting discipline relate to each other. In that sense, the framework is skeletal in nature only highlighting the main features that researchers and practitioners should consider in their approach to management accounting. This does not mean that no theoretical assumptions should be made but it allows the researcher to adopt the theoretical point of view they would like pursue.

Relationships between factors can be explored depending on the various possible research approaches –contingency theorists will seek to identify contingent factors and determine a cause-effect relationship between the factors and management accounting. Actor-network theorists will seek to explain the strongest network relationships but not on the basis of cause-effect relationships. Bourdieu's followers will seek to explore the field further and then determine habitus of management accounting (decision-making/planning/control) on the basis of forms of capital. And critical theorists can address the elements of power, for instance with regard to the societal elements: environment, social and ethical. In particular with regard to these elements, education is a necessary element of the theoretical framework, as education still needs to be optimised beyond the conventional accounting function.

5. Discussion and Conclusion

The relevance of our discipline has long been discussed (Baldvinsdottir et al., 2010; Johnson and Kaplan, 1987; Spicer, 1992), in particular with regard to our influence on practice (Scapens, 2008). Our research can only be relevant to practitioners if we address issues that are their foremost concerns, and if we provide them with practical solutions, although we must take care to not fall into the consultancy trap. Thus, we must walk the fine line of being academically challenging and outputting practice-relevant research. To this end this study sought to contribute a theoretical framework that considers both research- and practice-based elements, and seeks to extend the focus of the management accounting discipline. While we can address different issues with different theories (Malmi & Granlund, 2009), it is much harder for practitioners to be able to relate. Since we seek to extend management accounting beyond the interest of the managerial elite we must incorporate elements of such focus in our research, and ultimately in our teaching (Scapens, 2008). If we continue to consider the environment and society at large as separate from the 'mainstream' accounting function, we cannot expect accounting practitioners to equalise financial performance, environmental concern, and social and ethical behaviour. The powerful need to be interested in such approach, as they are the ones who will get their agenda noticed first (Whittle & Mueller, 2010), and ultimately education is the answer, as new generations can make changes to existing practice based on their newly acquired knowledge (Becker & Habersam, in Ahrens et al., 2008). This paper has addressed the various theories utilised in prior management accounting research in order to allow for multiple angles when adopting the framework, as it addresses the functions of management accounting and the main issues that transpired from the theoretical and empirical investigation. An inherent limitation is that ultimately researchers and their interaction with the subject matter are part of the building process, thus the framework reflects what one researcher was extracting from the literary review and empirical analysis. Thus, for some it may not pass the test of neutrality and reliability but future research can extend this and add to the current theoretical framework. Future research could exclude the application of the framework to a management accounting study, be it in a positivist, interpretive or critical mindset. While this study has addressed and discussed the notion of management accounting, it may be of interest to revisit this discipline and search for more 'truths' that may add to the current definitions of management accounting. Management accounting offers a broad spectrum of research opportunities and while relevance is an important reflection on one's work, we do not have to doubt all research findings of the last several decades. The discipline remains as long as organisations have to manage in a world of uncertainty and risk, and recent events have shown that this is the case now more than ever. Thus we must not doubt our right to exist but should instead adopt a constructive approach of re-connecting with practitioners.

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Notes

Note 1. The question that arises is whether women still have to be compartmentalised and be admitted based on quotas? Can we not all just be judged based on merit, may the best man or woman win? We thank Baxter, Beattie, Bebbington, Broadbent, Chua, Haniffa, Khalifa, Langfield-Smith and Weetman, amongst others, for being a great inspiration to any aspiring academic.

Note 2. Burns (in Ahrens et al., 2008) calls for 'amalgamating research traditions of different cultures and backgrounds' (pp. 843), and inevitably religion is a part of that.

Note 3. In the wake of the dramatic Fukushima disaster the German conservative government very quickly changed its policy regarding nuclear energy, a move that would have taken otherwise decades. It is of course regrettable that only after a major disaster the world listens and makes amends, but perhaps the 'green' change is finally happening.

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