

# Towards Implementation of Sociology Theory in Management Accounting Research

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

**Keywords:** *Management accounting; Sociological Theory; Economics theory; Management accounting techniques*

## Introduction

Management accounting is a branch of accounting study that mainly focuses on how the accountant provides information for decision making, organizational planning, and controlling and performance measurements. Mostly, people understand that management accounting discipline is identical with quantitative data, business, and economic theory. However, a major part of management accounting is dealing with social context originated from the sociological and psychological field of study. In line with advanced information and technology, accountant function as information provider decision-making slow but sure replaced by machines. The

challenges of the management accountant in today's business environment are technology adaptation and empowering a member of the organization to achieve maximum benefits for the organization. The interaction between the individual in the organization is vital for successful empowering human resources. Therefore, the social aspect that appears between a member of the organization is visible.

After a long period of neglect, the roles of accounting in shaping the economy are currently being rediscovered by sociologists (Miller, 2007). Across the following two decades, the researchers that are

involving interactions between sociology and accounting enormously developed. The sociological analysis of accounting came to be located more within the discipline of accounting, and in the process, the concepts used and the definition of the object of attention itself altered (Miller, 2007). Since accounting was identified as a proper object of sociological analysis and the ground was already laid within sociology and organization theory, the analysis of the institutional environments of accounting is widely increasing (Miller, 2007). Therefore, the implementation of sociology theory in management accounting research is potential to be conducted

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

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

## Literature Review

### *Sociology Theory in Management Accounting Research*

Roslender (1995) offers an introductory review of critical Management Accounting Researches. He identifies self-awareness as its essential purpose and stresses how it can help management accountants understand their position in organizations and society and the effects of their calculative techniques. He points out that in the best Management Accounting research, researchers are

aware of the impact of their studies. He identifies several theoretical approaches that emphasize awareness, namely interpretive sociology, political economy, labor process, and critical theory. The design of management accounting research is guided by economic principles. However, the social context of the firm and the mutability of management accounting suggest that other social sciences (e.g., sociology, psychology, political science) offer equally compelling explanations for observed practice.

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

resistance to management accounting (Luft, and Shield, 2001).

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

### ***Structural Functionalism Theory***

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

organizational decision-making perspectives and sociological functionalist perspectives of organizations, and it has roots in the sociological concerns about organizational structure (Covaleski et al., 1996)

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

Among the earliest managerial accounting research which adopted a contingency perspective was Hofstede's (1967) classic fieldwork which found that economic, technological and sociological considerations have a significant impact on the way budgeting systems function, concluding that managers used budgetary information in demanding economic environments to pressure workers; but in more lucrative environments, the budget was used more

in a problem-solving mode (Covaleski et al., 1996). Traditional management accounting research which has been based in the contingency literature (as well as its predecessor's organizational decision making, human relations, and scientific management) suggests that managerial accounting information should reflect and promote rationality in decision-making.

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

### ***New Institutional Sociology Theory***

In recent years institutional theory has had a major impact on research in a wide variety of fields within

the social sciences, including economics, sociology, political science, organizational theory, public administration, and also accounting (Scapens & Varoutsas, 2010). In the accounting literature, three particular types of the institutional theory have had significant influences on accounting research, and especially on management accounting research. These are generally referred to as new institutional economics (NIE), old institutional economics (OIE) and new institutional sociology (NIS) (Scapens & Varoutsas, 2010)

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

DiMaggio and Powell (1983) suggested that this process of diffusion can create pressures that lead organizations to become isomorphic with other organizations in their institutional field. Competitive isomorphism, for instance, through market forces, is not dismissed, but the emphasis is placed instead on three types of institutional isomorphism namely coercive, normative and mimetic isomorphism that highlight the social

and political dimensions of the environment in which organizations are located (Scapens & Varoutsas, 2010)

The early NIS work tended to emphasize the structural nature of institutions. In other words, how organizations are molded by institutional forces; forces which are external to the organization. Instead less attention was given to the way in which institutions are created and how institutions change (Scapens & Varoutsas, 2010). NIS explores how organizations respond to pressures from the institutional environment and that organizations are not necessarily passive, they can act strategically in their response to institutional pressures (Scapens & Varoutsas, 2010) Organization may purposefully comply with external requirements by adopting specific formal structures and procedures, but in a manipulative fashion, in order to gain legitimacy and thereby secure the resources which are essential for their survival (Scapens & Varoutsas, 2010). Recent work in NIS has begun to explore the processes which shape practices within organizations

Implementation of NIS in management accounting research is to study management accounting practices such as the adoption of strategic management accounting techniques. Practice in business organization showed that adoption strategic management accounting techniques are increasing. NIS can be applied to understand the nature of the adoption of strategic management accounting techniques. Why certain management accounting techniques are adopted and neglected others is a fundamental research question that can be answered using NIS. Another perspective of adoption of NIS in management accounting research is the understanding behavior of an

organization that following other organization in terms of adoption certain management accounting techniques considered successful. In order to get detail understanding about the behavior, the qualitative method of research is suggested

### ***Actor-Network Theory***

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

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

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

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

### ***Conclusion and Discussion***

Management accounting is a field of study that is not merely related to quantitative data. In line with advances in information technology, the role of the management accountant as an information provider for decision-making is reduced and replaced by technology. However, challenges of

management accountant in assisting the organization in achieving its business objective still exist. The management accountant is forced to make sure the process serial process of planning, budgeting, controlling, and performance measurement functional properly. That serial process is heavily about interaction with a member of the organization. Therefore, understanding social context is urgently required by the management accountant. Sociology theory is believed as a relevant theory to understand the nature of human behavior in an organizational context.

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

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