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Why is research on management accounting change not explicitly evolutionary? Taking the next step in the conceptualisation of management accounting change

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ABSTRACT

In this article we discuss the evolutionary foundation of the OIE-guided management accounting change research building on the framework of [Scapens R.W. 1994. Never mind the gap: towards an institutional perspective on management accounting practice. Management Accounting Research, 5, 301–321.] and [Burns, J. and Scapens, R.W., 2000. Conceptualizing management accounting change: an institutional framework. Management Accounting Research, 11, 3–25.]. We argue that research on management accounting change should be based on evolutionary theory, but that the full potential of evolutionary theory has not yet been described or used in management accounting research. The conceptualisation and understanding of management accounting change can be improved and expanded if the evolutionary approach is developed beyond the general belief that it describes only small and gradual, often slow, changes. In this article we show that an evolutionary perspective on management accounting change implies that management accounting's development is explained as the interaction between the evolutionary sub processes of *retention* (inheritance), *variation* and *selection*. Thus, both continuity and change are seen as evolutionary outcomes. These processes follow the cumulative causality that Charles Darwin proposed and Thorstein Veblen applied to the social sciences. Such a comprehensive theory, here labelled *Universal Darwinism*, must, however, be given substance with supporting details.

1. Introduction

In 1898, in an article in *The Quarterly Journal of Economics*, Thorstein Veblen asked why economics is not an evolutionary science. That article, together with Veblen's other writings, laid an important foundation for both Evolutionary Economics and other institutional theories, not least Original (Old)[1] Institutional Economics (OIE). A commonality of these theories is the assumption that economic behaviour is formed by institutions and it is argued forcefully and persistently against the fundamental assumptions of neo-classical economics concerning profit-maximizing actors and economic equilibrium. Scapens (1994) introduced these ideas into accounting research when he advocated an institutional economics perspective in such research. Burns and Scapens (2000) developed these ideas further when they proposed a framework to explain why (or why not) management accounting changes

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[1] This institutionalism is often called *Old* Institutional Economics, but the principal proponents prefer *Original* Institutional Economics to avoid the impression that it is out-of-date (see Dequech, 2005; Redmond, 2005; Dolfsma and McMaster, 2007; Groenwegen and vad der Steen, 2007; Potts, 2007).

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in organisations. They emphasised that their framework was a starting point and urged researchers to continue with its development. Responding to their request, several researchers extended and refined the framework in a number of articles (e.g., Burns, 2000; Soin et al., 2002; Johansson and Baldvinsdottir, 2003; Burns and Baldvinsdottir, 2005; Siti-Nabiha and Scapens, 2005; Scapens, 2006; Ribeiro and Scapens, 2006; Coad and Cullen, 2006; Busco et al., 2006; Yazdifar et al., 2008). Guided by Burns and Scapens' framework, many important observations have resulted that increase our understanding of what happens when new management accounting techniques are introduced in organisations.

In this article we discuss an idea that has been introduced in the OIE-guided management accounting change research but that has not been much developed. What we are referring to is the evolutionary foundation that the framework of Scapens (1994) and Burns and Scapens (2000) rests on and that is implicit in much OIE research in management accounting. We argue, in agreement with Burns and Scapens and others such as Coad and Cullen (2006), that research on management accounting change should be based on evolutionary theory. However, we also claim that the full potential of evolutionary theory or an evolutionary ontology still has not been described or used in management accounting change research. The conceptualisation and understanding of management accounting change, in general and from an institutional economics perspective in particular, can be improved and expanded if the evolutionary approach is developed beyond the general belief that it describes only small and gradual, often slow, changes. It should be stressed that there is an immense difference between applying evolutionary theory in the development of management accounting and studying the evolution (through space and time or spacetime) of management accounting in more common terms. The latter does not imply any specific ontology, theory or methodology, whilst the former does.

In this article we show that an evolutionary perspective on management accounting change implies that management accounting's development is explained as the interaction between the evolutionary sub processes of *retention* (inheritance), *variation* and *selection*. Thus, both continuity and change are seen as evolutionary outcomes. These processes follow the cumulative causality that Charles Darwin proposed and Thorstein Veblen applied to the social sciences. Such a comprehensive theory, here labelled *Universal Darwinism*, must, however, be given substance with supporting details.

Drawing upon evolutionary theory in general and recent developments in evolutionary economics and institutional theory, the purpose of our article is to describe the significance of an explicitly evolutionary perspective on the conceptualisation of management accounting change and to derive implications from such a perspective. Our aim is not to falsify existing efforts but rather to take the next step in the development of an evolutionary and institutional economics of management accounting change. Inspired by Veblen, and following the management accounting OIE-tradition introduced by Scapens (1994), we modestly pose the question: *Why is research on management accounting change not explicitly evolutionary?*

In the next section, we present Burns and Scapens' framework for management accounting change as well as some observations from the research that has followed their work. Thereafter, we describe how the evolutionary trains of thought have arisen and developed in the social sciences and why evolutionary theory sometimes has had difficulty in making a breakthrough in this science. In the three following sections, we present a deeper explanation of the evolutionary ideas of retention, variation and selection. After focusing on these three sub processes, we combine them to illustrate how they interact through time. The article concludes with implications and limitations.

2. Original institutional economics and management accounting change

Since the mid-1990s, management accounting research, especially research on management accounting change, has been enriched by ideas derived from neo-institutional economics, also called Original Institutional Economics (OIE). In this tradition, critique is directed towards the basic assumptions of neo-classical economics concerning rationality and equilibrium, concluding instead that economic behaviour is influenced by structure, in particular by social institutions (see Scapens, 1994). Because of the influences of this tradition, many researchers realise it is necessary to construct a process-oriented approach in order to explain and understand stability and change in management accounting. This realisation has led to a number of notable articles and conference papers where researchers have used OIE, often with longitudinal case studies, to develop a framework for explaining why management accounting has, or has not, changed.

The essential starting point for this research is Burns and Scapens' (2000) framework for management accounting change. They regard management accounting as largely driven by routines. These routines are developed to create meaning and to facilitate behaviour in a world characterised by bounded rationality and genuine uncertainty. In organisations, routines are formed by the organisations' histories, by the members' performance and by the environment. In order to understand organisations' management accounting-related behaviour, we must make an analysis based on other assumptions about human behaviour than those inspired by mainstream economists' atomistic management accounting research.

In their framework, Burns and Scapens place management accounting in a context of institutional cumulative causality where management accounting behaviour is influenced by institutions, routines and rules that in turn influence and are influenced by each other. The rules are instructions coupled to various management accounting techniques and models such as budgeting, costing and performance measurement.

> 'In the context of management accounting, *rules* comprise the formal management accounting systems, as they are set out in the procedure manuals' (Burns and Scapens, 2000, p. 7).