Management Accounting Research 22 (2011) 105–124

Contents lists available at ScienceDirect

Management Accounting Research

journal homepage: www.elsevier.com/locate/mar

The effect of leadership style on the information receivers' reaction to management accounting change☆

E. Pieter Jansen*

Department of Accounting, University of Groningen, P.O. Box 800, 8700 AV Groningen, The Netherlands

ARTICLE INFO

Keywords:
Accounting change
Leadership style
Work satisfaction
Support
Resistance

ABSTRACT

Although we know that the use of accounting information and the leadership styles of managers are related, only little is known about how the leadership styles of managers affect the information receivers' reaction to management accounting change. Therefore, using a case study of a company that owns ten car dealerships, this paper explores how the leadership styles of managers can affect the use of newly introduced management accounting information. In the case, new senior management introduced new accounting information to facilitate their leadership style. Interestingly, the individual car dealerships differed in the extent to which they used the new information and also in the history of their senior management's leadership style. Different leadership styles appeal to different work-related needs of employees and the paper explains (1) how the change affected the satisfaction of these needs; (2) how this resulted in support for or resistance to the change and (3) how this resistance was overcome.

1. Introduction

Many papers have been published that contribute to our understanding of management accounting and management control systems' change (for example, Baines and Langfield-Smith, 2003; Burns, 2000; Burns and Scapens, 2000; Burns and Vaivio, 2001; Jermias, 2001; Kasurinen, 2002; Malmi, 2001; Shields and Young, 1989; Speckbacher et al., 2003; Vámosi, 2000; Williams and Seaman, 2002). However, the existing literature does not address the relationship between management accounting and management control change and the leadership styles of the managers. This gap in knowledge is surprising, as several seminal publications pointed out that the leadership style of a manager and the use of accounting data are related. For example, Argyris (1952) and Hofstede (1967) addressed the role of budgets in the communication between superiors and subordinates and Hopwood (1974) investigated the role of accounting in performance evaluation. Therefore, this paper seeks to contribute to our understanding of how management accounting and management control change on the one hand and the leadership styles of managers on the other hand are related.

It seems to be widely recognised that a manager's leadership style affects the way in which he uses accounting data (see Abernethy et al., 2010 for a recent study; and Hopwood, 1974 for an early study). Abernethy et al., 2010 and Hopwood (1974) used the concepts of "initiating structure" and "consideration" to analyze leadership behaviour and how this behaviour affects the use of accounting information. Initiating structure is the degree to which a leader defines and organizes his role and the roles of followers, is oriented toward goal attainment, and establishes well-defined patterns and channels of communication (Fleischman, 1973; Judge et al., 2004). Leaders that initiate structure use accounting data to evaluate whether employees' performance meets the short-run budget or the

☆ I am indebted to G. Jan van Helden, Kim Langfield-Smith, Tatiana Sandino, Robert W. Scapens and two anonymous reviewers for their comments on earlier versions of this paper.

* Tel.: +31 50 363 6382; fax: +31 50 363 7356.
E-mail address: e.p.jansen@rug.nl

1044-5005/$ – see front matter © 2010 Elsevier Ltd. All rights reserved.
doi:10.1016/j.mar.2010.10.001

long-run objectives of the organization and, in return for realizing this performance, employees receive rewards that satisfy their physical needs, such as income and job security (Hopwood, 1974). In an initiating structure style of leadership, managers use the planning and control system to structure the planning process (Abernethy et al., 2010, p. 12). Consideration is the degree to which a leader shows concern and respect for followers, looks out for their welfare, and expresses appreciation and support (Judge et al., 2004; Bass, 1990b). In a consideration style of leadership, leaders seek to build trust and express respect in communicating with subordinates (Hopwood, 1974, p. 486). Managers with a consideration style of leadership use the planning and control system as an interactive communication device (Abernethy et al., 2010, p. 12). Contingency theory work indicates that a manager's leadership style is associated with participative budgeting, and managers with a consideration style of leadership are more likely to apply participative budgeting than managers who adopt a style of initiating structure (Brownell, 1983; Chenhall, 2003, p 147).

Although there is some evidence concerning the relation between the use of accounting information and the leadership style of managers, the issue of accounting change has not been investigated. Furthermore, studies on management accounting change have not used the leadership styles of managers to explain processes of accounting change (see, for example, Baines and Langfield-Smith, 2003; Burns, 2000; Burns and Scapens, 2000; Jermias, 2001; Kasurinen, 2002; Malmi, 2001; Shields and Young, 1989; Speckbacher et al., 2003; Vámosi, 2000; Williams and Seaman, 2002). Therefore, this paper seeks to contribute to the existing literature by exploring this relation. More specifically, the paper addresses the effect of the leadership style of managers on the use of newly introduced management accounting information, rather than the process of the initiation, development and planning of the management accounting change. The research question is: *how do the leadership styles of managers affect (the information receivers' reaction to) management accounting change?*

The paper is based on a case study of a company that owns ten car dealerships, located in ten different towns in the Netherlands. The company is family-owned and at the time of the study a younger generation of the family had just taken over the ownership and senior management positions from their fathers and mothers. This young generation has introduced new accounting information into all the ten dealerships. Each dealership now has its local (non-family) managers, and they differ considerably in the extent to which they use the new accounting information. These differences between the dealerships were the starting point for a research project. This paper explores how differences in the leadership styles of managers in the various dealerships affect the use of the new accounting information.

Section 2 introduces the relevant concepts and proposes how these concepts may be related. Section 3 introduces the case setting and the research methods. Section 4 presents the results: comprising a comparison of three dealerships which are strikingly different in the way in which they use the new accounting information. Section 5 concludes the paper.

2. Management accounting change, leadership style and work satisfaction

The key concepts in this paper are accounting change, leadership style and work satisfaction. The concepts of accounting change and leadership style are included in the paper's research question. Work satisfaction is also an important concept, because leadership styles differ in the emphasis given to the satisfaction of the work-related needs of the organization's employees. This section defines these key concepts. In addition, it proposes how these concepts are related and, more specifically, how the effects of accounting change on work satisfaction can result in support for or resistance to the change.

2.1. Accounting change

Management accounting change is a change in the accounting information that is available to managers. The literature provides several classifications of management accounting change (Sulaiman and Mitchell, 2005; Burns and Scapens, 2000; Quattrone and Hopper, 2001). Sulaiman and Mitchell (2005, pp. 423–426) defined five types of management accounting change: (1) the introduction of new techniques which are an extension of the existing management accounting system; (2) the replacement of (the whole or part of) the system; (3) the modification of the information output; (4) the modification of the technical operation of the system and (5) the removal of management accounting techniques, without replacement.

Burns and Scapens (2000, p. 19) made a distinction between intentional and unintentional change. Intentional change is the result of the introduction of new accounting information, whereas unintentional change takes place more incrementally. According to Burns and Scapens (2000, p. 19) most processes of management accounting change are likely to incorporate a mixture of both intended and unintended elements. They argued that "in studying management accounting change researchers need to explore the informal processes and unintentional change, as well as the formal processes and intended change." Quattrone and Hopper (2001, p. 430) made the distinction between a-centred and centred organizations. In 'centred' organizations control is a prescriptive activity by which central management establishes rules to programme activities throughout the organisation (Quattrone and Hopper, 2001, p. 430).

This paper analyzes a case study in which senior management intentionally changes the organization's accounting information by *introducing new techniques which are an extension of the management accounting system* in order to program the organization's operational processes – (Sulaiman and Mitchell's first type of management accounting change). As will be explained in more detail below, the company studied can be described as a *centred* organisation (in the terms of Quattrone and Hopper, 2001) – i.e., it is the senior (central) management which has the intention of introducing management accounting