

# Accounting research: An analysis of theories explored in doctoral dissertations and their applicability to *Systems Theory*

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## Abstract

This study examined theories used in accounting doctoral dissertations and found that dissertations in this discipline test theories drawn from economics, finance, psychology, and sociology, with 53% from economics and finance and 27% from psychology. Further, a primary conclusion of this paper is that doctoral research in accounting explores subsets of organizational activity consistent with the premises of Systems Theory. © 2007 Elsevier Ltd. All rights reserved.

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## 1. Introduction

In a comprehensive study of accounting theory, the *Committee on concepts and standards for external financial reports* concluded that the accounting profession does not have a generally accepted base theory (AAA, 1977). Nevertheless, accounting theorists have focused on the ability of accountants to provide information useful for decision purposes (Carnegie & Napier, 1996) and information usefulness was incorporated into the FASB's (1978) *Statement of Financial Accounting Concepts No. 1* as a primary function of the financial accounting discipline. Similarly, recent editions of college accounting textbooks emphasize the importance of accounting information for the successful conduct of a 'value adding' transformation process (Edmonds, Edmonds, & Tsay, 2003; Ingram, Albright, & Baldwin, 2004; Reimers, 2003).

The use of the transformation process as a basis for structuring textbooks highlights accounting information's contribution to organizational growth and prosperity. Textbooks, however, fail to identify *Systems Theory* (ST) as the framework from which the model is drawn. Furthermore,

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Miller (1972) points out that an organization, regardless of its social function, is a collection of specialized subsystems that must be effectively coordinated in order to grow and prosper. Coordination requires decision-useful information that promotes organizational learning. Senge (1990) posits that an organization does not start as a superior performer. Rather, it learns to achieve through ‘systems thinking’. Thus, by omitting ST from accounting textbooks, and discussions of accounting theory, educators overlook not only an inter-disciplinary educational opportunity, but also an opportunity to show how subsystem accomplishment and coordination is important to organizational sustainability.

Morgan and Willmott (1993) lament the invisibility of accounting in organizational management textbooks, and point out that students in other business disciplines, such as leadership, marketing, and human resources are not well grounded in accounting’s contribution to organizational well-being. They encourage authors in these disciplines to incorporate a discussion of the social value of accounting. Interestingly, Morgan and Willmott fail to call for accounting textbooks to do the same in regards to other disciplines. They conclude with a call for increased research that demonstrates the relationships between organizational subsystems that remains unanswered. Similarly, Morgan and Smircich (1980) and Williams (2003) point out that most accounting research, grounded in positivist economic science, has a subsystem orientation. Troubled by the dominance of positivist economic research that imposes a rigid framework on organic, dynamic, multi-dimensional organizations (systems), they encourage a discourse on how accounting benefits both organizations and society.

The purpose of this study is three-fold: first, to explore accounting theory from a systems perspective; second, to identify theories employed in accounting research; and third, to stimulate the discourses of accounting and Systems Theory. To accomplish these aims, we examine the accounting profession’s search for a theoretical framework; through a review of classical literature and by analyzing doctoral dissertations to identify the theories tested. In addition, we appraise ST literature and the theories motivating doctoral dissertations from a ST perspective to assess their relationship to this theoretical framework.

It was found that accounting dissertations investigate theories borrowed from the disciplines of economics, finance, psychology, and sociology. The most commonly used theories are the efficient market hypothesis, the capital asset pricing model, and the discounted cash flow valuation model. When considered from an organizational perspective, accounting research is reductive in scope because each study investigates a specific subset of accounting activity. However, all of the theories used in accounting dissertations relate to an aspect of subsystem operation and, therefore, dissertation research was in harmony with the tenets of ST.

## 2. Literature review

### 2.1. Early theoretical literature

Prior to the conclusion by the *Committee on concepts and standards for external financial reports* that ‘a single universally accepted basic accounting theory does not exist at this time’ (AAA, 1977, p. 1), a robust dialogue on accounting theory was exchanged in the literature, primarily in *The Accounting Review*. While complete coverage of this debate is beyond the scope of this paper, representative examples highlight the dynamic nature of the discourse. For example, Soujanen (1954) identified among large corporations a trend of embracing a social concept of the firm. In that paper, he defined an organization as a group of persons pursuing a common goal and following certain rules of conduct, the essence of which he drew from

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