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Cognitive dissonance and resistance to change: the influence of commitment confirmation and feedback on judgment usefulness of accounting systems☆

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Abstract

This study investigates the effects of commitment, confirmation and feedback on people's judgment about the usefulness of costing systems and, in turn, people's resistance to change. Building on the theory of cognitive dissonance, this study predicts that commitment to a particular course of action will cause people to become insensitive to the potential benefits of the rejected alternative. A laboratory experiment was conducted to examine why people are motivated to resist change and what mechanisms they use to rationalize their judgment. Results from the experiment indicated that people's judgments about the usefulness of costing systems were influenced by their commitment to their favored system. People assessed only a subset of their knowledge to support their desired conclusion. Consequently, committed people refused to change their chosen system even when facing negative feedback. In addition, the results confirmed that people normatively know that their judgment should be objective yet they unconsciously make prejudiced judgments biased toward their committed course of action. © 2000 Elsevier Science Ltd. All rights reserved.

1. Introduction

The topic of innovation adoption and resistance to change has inspired voluminous research aimed to explain why new initiatives intended to improve performance of organizations often encounter resistance from people in the organizations. Researchers have studied this phenomena from a variety of perspectives. For example, some researchers have studied organizational factors that influence changes (Cummings & Blumberg, 1987; Kelly & Amburgey, 1991; Moch & Morse, 1977) and the process involved (DiMaggio & Powell, 1983; Knight 1967; Majchrzak, 1988).

Other researchers have focused their investigation on the process of implementing organizational change with issues including how change occurs (DiMaggio & Powell 1983; Kanter 1983), what inhibits it (Dunk, 1989; Foster & Ward, 1994; Libby & Waterhouse, 1995; Ness & Cucuzza, 1995; Tiessen & Waterhouse, 1983), and how to overcome resistance to change (Argyris & Kaplan, 1994; Chao & Koslowski, 1986; Majchrzak, 1988; Nystrom, 1977).

Despite numerous studies about changes and how to implement innovation in organizations, researchers have found that the potential advantages of new initiatives are often not fully realized.

☆ Instrument of the experiment is available upon request from the author

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In his survey of US firms, Majchrzak (1988) reported that the failure rate when implementing advanced manufacturing technology for US firms is about 50%. Besides economic and technical constraints, it has been repeatedly reported that individual factors play an important role in the successful adoption of new initiatives. The introduction of new initiatives can be seen as a threat by middle management and employees (Nadler & Robinson, 1987). Individual resistance to change has been found as a major factor that prevents companies from fully realizing the advantages of new initiatives (Argyris & Kaplan, 1994; Sulivan & Smith, 1993).

Automation and technology improvements have caused significant changes in the cost structures of today's companies. Hardy and Hubbard (1993), for example, report that in many companies, direct labor, which used to constitute 40 to 60% of the total cost of a product, has decreased to five percent or less. Indirect costs, on the other hand, have significantly increased and may account for 50% or more of the total cost. Traditional costing systems that usually use direct labor as a base for allocating indirect costs, do not reflect these changes. Activity-based costing (ABC) improves the accuracy of product costing by more accurately tracing the cost of the activities to products.

ABC is considered one of the best tools for refining the traditional costing systems (Horngren, Foster, Datar & Teall, 2000). ABC enhances the accuracy of product cost information by assigning costs based on the most direct causal factors that consume the resources. Consequently, one would expect that many companies would use ABC to improve the accuracy of their product cost information. Empirical studies have shown, however, that ABC is not widely applied in practice (Armitage & Nicholson, 1993; Innes & Mitchell, 1994; Malmi, 1999). Researchers (e.g. Argyris & Kaplan, 1994; Ness & Cucuzza, 1995; Sulivan & Smith, 1993) found that even after ABC revealed new insights about the relative cost and profitability of activities, managers often resist to change their costing systems.

The lack of innovation in management accounting has been studied extensively. Dunk (1989), for example, argues that one reason for the lack of innovation in management accounting is that the potential benefits of accounting innovations are less tangible than technical innovations. Other researchers use the argument of internal labor markets to explain this phenomenon. Tiessen & Waterhouse (1983) argue that management accounting systems are an integral part of internal labor markets because the systems provide the method for performance evaluation and histories. Therefore, people will value the rigidity (or the stability) of the systems. Frequently changing these rules and conventions would decrease the credibility of the accounting measures and the internal labor market. Consequently, a stable management accounting system produces benefits to internal labor market participants (see also Foster & Ward, 1994).

The existing literature on changes in management accounting, however, has focused their investigations on the organizational factors. Few, if any, studies have looked at resistance to change at the individual level. While studies about resistance to change at organizational level have provided some insights into factors that inhibit change at the organizational level, researchers have found that a major stumbling block for implementing new initiatives in management accounting is the rejection at the individual level. In a series of field studies, Kreitner and Luthans (1991) and Latham and Locke (1991) found that new initiatives, no matter how compelling, were often resisted by people even though the new initiatives had been approved at the organizational level.

The study reported here is designed to investigate the mechanisms underlying the motivation to resist change and the impact of cognitive dissonance on people's judgments about new initiatives. The study predicts that commitment to a particular course of action will cause people to become insensitive to the potential benefits of the rejected alternative. Consequently, commitment will result in high inertia. The study also examines the extend to which cognitive dissonance is mitigated by feedback.

Examining these issues is important for several reasons. First, organizations' resistance to change has been associated with declining competitiveness and people's resistance to change is often a major

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