



Management accounting systems and organizational configuration: a life-cycle perspective

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Abstract

This study adopts a configurational approach that captures possible variables (strategy, structure, leadership and decision-making styles) and their relationships with management accounting systems (MAS) from an organizational life-cycle perspective. Using Miller and Friesen's life-cycle model (Miller, D., & Friesen, P. H. (1983). Successful and unsuccessful phases of the corporate life cycle, *Organization Studies*, 339–356; Miller, D., & Friesen, P. H. (1984). A longitudinal study of the corporate life cycle, *Management Science*, 1161–1183), a set of hypotheses were tested with data from mail survey and field studies of firms in the clothing and footwear industry. Results indicated that MAS formality changed to complement organizational characteristics across life-cycle stages. In uncovering how and why MAS formality changed during organizational development, our results indicate that it is growth firms that pay particular attention to increasing the formality of their MAS. Furthermore, between stages, it is the selection of management accounting tools that dominates the presentation of information in explaining the different MAS life-cycle stage designs. While based on cross-sectional data, the homogeneity of organizational configurations at each life-cycle stage does suggest that these results imply a longitudinal development of MAS. © 2001 Elsevier Science Ltd. All rights reserved.

1. Introduction

Over the last 20 years, researchers have attempted to explain observed variations in management accounting systems (MAS)¹ in terms of a range of

contextual factors.² Gordon and Miller (1976) was among the first to encourage this line of contingency-based inquiry when it posited that MAS are associated with environmental, organizational and decision-making style factors. Subsequent researchers have investigated these factors as individual and interactive variables to explain variations in MAS with mixed results (Moore & Chenhall, 1994; Otley 1980; Otley & Wilkinson, 1988).

It is notable that most MAS researchers have overlooked the second part of Gordon and Miller's (1976) suggestion that many of the contextual variables would cluster together as "commonly occurring configurations" or "archetypes". Accordingly, they recommended that rather than analyzing an "unmanageable" number of permutations of variables, MAS researchers need only to focus

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¹ Although there are some slight disparities in the conceptual definitions of MAS, they all refer to three aspects: (1) the formality of the routines and procedures; (2) the fact that such systems deal with information; and (3) a focus on patterns of activities (Simons, 1992).

² Examples of these studies include Amat, Carmona and Roberts (1994); Bruns and Waterhouse (1975); Chenhall and Morris (1986); Govindarajan (1984); Otley (1978, 1990); Ross (1995); Selto, Renner, and Young (1995); Simons (1987, 1990, 1991, 1994).

on a few select variables from which a host of peripheral factors generally follow.

Miller (1981) also highlighted not only the systemic nature but also the internal consistency of configurational approaches. He found that most changes in any one variable, such as controls, would be dysfunctional unless accompanied by changes in other variables such as centralization or technology. Miller (1981) emphasized that a complementary alignment among organizational variables, as a configuration, is an important determinant of performance.

The aim of this paper is to return to Gordon and Miller's (1976) suggestion by exploring whether one such configuration, based on organizational life cycles, is systematically associated with observed variations in MAS. Thus far, life-cycle configurations have been found to manifest as different patterns of strategies, structural characteristics, leadership and decision-making styles at various stages of organizational development (Miller & Friesen, 1984). Accordingly, the objective of this paper is to explore whether different life-cycle configurations help in explaining variations in MAS. This exploratory study addresses the following questions:

1. Do MAS differ across stages of development (life cycle)?
2. And if so,
 - a. do these differences constitute a pattern of change?
 - b. what is the nature of the differences?

2. Organizational configurations

An organization is often interpreted as a configuration³ or archetype of different characteristics. According to Meyer, Tsui and Hinings (1993), organizational configurations refer to any multidimensional configuration of conceptually distinct characteristics that commonly occur together. Numerous dimensions of external context (such as environments, industries and technologies) and internal organizational characteristics (such as strategies, structures, cultures, processes, practices and outcomes) have been said to cluster into configurations.

Child (1977) suggested that every organization is located within a particular configuration of contingencies derived from its own context. These contingencies depend on the market and technological environment in which the organization operates, its scale and diversity of operations, the technology applied to its work and the type of personnel it employs. To achieve congruence, an appropriate design is the one which best suits the contextual and operational contingencies that apply. To be internally consistent, organizations must have tightly interdependent and mutually supportive parts in terms of strategies, structures and processes (Miller, 1981, 1987a, 1990, 1996; Mintzberg, 1990; Miller & Mintzberg, 1983; Tosi & Slocum, 1984).

Different types of configurations have emerged in the organizational theory literature. For example, strategic archetypes demonstrate different patterns of action in striving against competition. These recurring patterns have been identified and found to cluster into configurations in terms of competitive strategies (Miles & Snow, 1978; Mintzberg, 1973; Utterbeck & Abernethy, 1975). There has been some limited application of strategic archetypes in contingency-based MAS research (e.g. Simons, 1987, 1990; Abernethy & Guthrie, 1994).

While empirical evidence has indicated the impact of strategic archetypes on MAS, this type of configuration fails to include other variables previously shown to be associated with MAS.

³ In the organizational behavior and theory literature, the term "configuration" is often viewed as synonymous with both "gestalt" and "archetypes" (Dess, Newport & Rasheed, 1993). Configurations may be represented by typologies developed conceptually or captured in taxonomies derived empirically (Miller, 1986, 1987a, 1987b; Meyer, Tsui & Hinings, 1993). A configuration also contains relationships among elements or items representing multiple domains. Miles and Snow's (1978) classification of organizations into defenders, prospectors, analyzers, and reactors uses multiple domains (strategy, structure, process and environment) and therefore, clearly represents configurations or archetypes (Dess et al., 1993). When such configurations represent frequently occurring and adaptive patterns and scenarios that have predictive values, they are called "gestalts". Adaptive patterns refer to configurations of attributes at a point in time, while adaptive scenarios imply the processes by which these attributes relate over time (Miller, 1981).

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