



Management accounting change in a subsidiary organisation

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Abstract

Parent–subsidiary relationships are commonplace nowadays, yet surprisingly there is a paucity of research analysing their dynamics over time. This paper presents a (longitudinal) case study, illuminating the dynamics implicated when a UK chemicals company imposed its systems and rules on a new subsidiary. Drawing on observations from a longitudinal case study (from 1993 to 2001), the study considers: (1) the extent to which a parent imposes its (management accounting) systems, rules and procedures on a subsidiary; (2) the role which (local) political, cultural and institutional factors in a subsidiary play in shaping the dynamics of such change implementation; (3) how new systems and practices become accepted and take root as values and beliefs and how they supplement earlier norms? The study provides insight for the questions above, and draws on institutional theories and a power mobilisation framework to assist in the interpretation of observations. We find that the operations of the subsidiary company are influenced by inter-related forces, both inside and outside the organisation encompassing issues of power, politics and culture. As such, existing institutions in a subsidiary organisation are influenced, sustained, and changed by the socio-economic context in which the subsidiary is located. Organisational practices designed to secure external legitimacy are not however always symbolic and decoupled from internal operations.

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1. Introduction

This paper investigates why and how management accounting systems (MAS) in a subsidiary company emerge, are sustained, and change over time. Drawing upon theoretical insights from new institutional sociology (NIS), old institutional economics (OIE) and power perspective (Hardy, 1996), this paper focuses on management accounting change in a group organisation. The multi-theoretical framework and empirical focus on the parent–subsidiary context in this paper, which has been largely unexplored in the management accounting literature (Granlund, 2003), is particularly novel and represents a significant contribution.

In the 21st century, parent–subsidiary relationships are commonplace. However, the extant research in this area predominantly adopts a static view of such relationships (Johanson and Vahlne, 1977; Jones, 1985, 1992; Vernon, 1966), and has focused on the complexity of change at parent company level rather than giving consideration to the subsidiary level as well (Kostova and Roth, 2002). To date, there is little understanding of the reasons why subsidiary organisations choose to retain or change their (accounting) systems (Granlund, 2003; Jones, 1985, 1992; Vamosi, 2000) and of how a change programme such as change in MAS should take place following mergers and acquisitions (M&A) (Granlund, 2003; Jones, 1985). Jones (1985, 1992) emphasises there is little understanding of the processes of why and how new MAS have emerged (or failed to emerge) in subsidiary organisations over time. Furthermore, the management accounting (MA) choice literature tends to lie in the market theory camp, which argues that firms select their MAS according to a rational economic cost–benefit calculus. Indeed, as Granlund (2003, p. 208) states, M&A “have rarely been analysed from management accounting’s point of view, and this is especially so if we are looking for studies that try to understand the human and social aspects of these processes”. Interesting research questions abound, which are examined in this paper. For instance, to what extent does a parent organisation impose its rules, procedures, and/or systems (including management accounting) on a subsidiary, and how? How important are (local) political, cultural, and institutional factors in shaping the dynamics of such change implementation? How do new systems and practices (e.g., management accounting) become accepted and take root as values and beliefs and how do they supplement earlier norms?

As already alluded to, this paper aims to contribute towards the shortfall in our knowledge of parent–subsidiary relationship dynamics and MA change in group organisations, using observations from a longitudinal case study. The study adopts an interpretative, (multi) institutional theory (Burns and Scapens, 2000; DiMaggio and Powell, 1991; Scott, 2001) alongside a power mobilisation framework (Hardy, 1996), to assist in the analysis of the development of the processes (emergence, continuity, change, etc.) of new and old rules, procedures and systems that underpin the relationship dynamics in the case study. Overall, it contributes towards furthering our understanding of parent–subsidiary dynamics and highlights the need for bridge building between (institutional) theories to expand levels of analysis.

The paper is structured as follows. As a starting point, the two sections below provide the theoretical background (including details key concepts used to structure the analysis) and methodological issues relevant to the study. The following two sections present the

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