A cultural political economy of management accounting controls: a case study of a textile Mill in a traditional Sinhalese village

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Abstract

A cultural political economy of management accounting, drawing from political and economic history, modes of production (MOP) theory in development studies, and cultural anthropology is used here to inform a longitudinal case study of management control in a textile Mill in a traditional Sinhalese village in Sri Lanka. Successive attempts to impose conventional management accounting failed due to workers’ resistance. Management accounting, an embodiment of capitalist MOP and modern industrial culture, took unexpected roles when confronted by a traditional, rural culture based on Kingship obligations. The Mill was founded by the state as a public enterprise. Government interference into operational affairs was considerable and performance was disappointing, leading to pressures for privatisation. Results improved after privatisation, partly because the Mill adopted more commercial budgeting practices. However, problems of cultural asymmetry were inflamed by a coalition of workers and local managers against foreign owners, who fled when financial irregularities were discovered. The government resumed ownership and budgeting practices of previous eras returned. The conclusion examine the study’s implications for further research on management accounting in the Third World.

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1. Introduction

Most management accounting and control (MAC) research—political economy or otherwise—is in developed countries (exceptions include Hoque and Hopper, 1997; Uddin and Hopper, 2001), so its neglect of development economics and anthropology is unsurprising. Yet, theories of cultural political economy in development studies have much in common with accounting research of a political economy hue. The latter’s argument that accounting is influenced by, and influences, the organisational and social context within which it operates (e.g. Burchell et al., 1980) is consistent with development research on modes of production (MOP) and culture (Seneviratne, 1997; Taylor, 1979). This paper will illustrate why and how these factors are relevant to accounting in developing countries.

The paper proceeds thus. First, it outlines the cultural political economy approach adopted and how it informs the case study. Second, it portrays Sri Lankan politics and village culture. Third, it describes the research methods adopted. The fourth and fifth sections analyse the case data on MAC within state capitalism and market capitalism, respectively. The conclusion discusses the findings’ implications for future MAC research of this ilk.

2. Cultural political economy of management accounting

Given the constraints of space, it is impossible to fully articulate a cultural political economy framework here (see Wickramasinghe, 1996 for a fuller account), hence the truncated account of our theoretical position. Relationships between MOPs, the state, culture and MACs are complex and reciprocal. One can build ideal models tracing associations between a capitalist MOP, modern market-based cultures, and a bureaucratic rational state, on the one hand, and a non-capitalist MOP, traditional rural culture, and semi-feudal beliefs about political order on the other. However, Third World countries are in a process of transition where both ideal types prevail and interact dynamically. Ensuing contradictions and conflicts render the operation of the MOP, the state, and culture varied and unstable, with, as demonstrated later, implications for MACs. Policies and discourses of development propound a shift from tradition to modernity (increasingly equated with market-based capitalism). However, this is problematical. Transformation is indeterminate, unpredictable, and not necessarily unidirectional: non-capitalist MOPs and cultures do not suddenly cease, nor are modern values and neo-liberal market economies quickly adopted. Ideological clashes, individual and institutional pursuit of self-interest, and mediation and accommodation, produce an actuality different from that anticipated in idealised models of development. The latter’s depiction of transition, progress and development may represent rhetorical aspirations and ideologies of change agents rather than what is happening on the ground (Randall and Theobald, 1998). In contrast, this paper argues that theorising transition and accounting change in developing countries must be developed bottom-up iterating indigenous data with a theory that incorporates the effect of changing MOPs and cultures upon social and political dynamics.

A MOP describes the economic activities and social relations when members of a society transform natural objects into useful things. The effects of MOPs extend beyond work relationships to exchange relations, classes and dominant elites, cultural beliefs, ideologies, politics and urbanisation, provoking tensions that spill into the workplace and domestic politics.
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