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Military, 'managers' and hegemonies of management accounting controls: A critical realist interpretation

Junaid Ashraf, Shahzad Uddin*

[a] Lahore University of Management Sciences, Pakistan
[b] Essex Business School, University of Essex, UK

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ABSTRACT

The paper brings to light the horizontal dimension of hegemony, i.e. the relationship between dominant social groups as they form a 'power bloc' and its significance for management accounting control (MAC) changes, drawing on an intensive case study of a public sector unit in Pakistan. The study finds that the political strategies of the two dominant social groups eventually led to a 'conflicted compromise', resulting in changes to the MACs in the case organisation. However, the ideologies of both groups were seriously compromised vis-à-vis the enacted MACs. This necessitated the use of coercive measures to compel the dominated groups, such as lower pay-grade employees and labour, to accept the changes. We argue that the use of coercive measures without ideological support resulted in a weak hegemonic arrangement at the level of the firm, with implications for possible resistance from the dominated groups and for the longevity of the MAC changes. The paper is informed by a critical realist interpretation of hegemony which helps improve our understanding of the role of the state in bringing about MAC changes. Based on our analysis, we argue that it would be useful not only to trace the economic compulsions of the state but also to examine the vested interests of powerful social groups engaged in hegemonic struggles within the state for better understanding of NPM-driven MAC changes in an SOE.

1. Introduction

Given the significance of accounting in the overall control apparatus of organisations, management accounting control (MAC) change is, and perhaps will always be, an important topic for accounting researchers (Bryer, 2006).[1] Empirically, this paper aims to provide an account of why and how a 'new regime' of MAC emerged in a state-owned enterprise (SOE) in the context of changing politico-economic dynamics in Pakistan. In particular, we examine the role of two dominant social groups and their interrelationships in shaping and transforming MAC.[2] We have appropriated Joseph's (2002) work on hegemony as a theoretical basis for this research.

Management accounting researchers have identified the economic interests of dominant social groups, namely the capitalist class and managers, as the major driving force for MAC changes (Hopper and Armstrong, 1991; Armstrong, 2002; Arnold, 1998). In the public sector, it is argued that economic interests or compulsions of the state lead to MAC changes (Broadbent and Laughlin, 1998; Broadbent et al., 2001). While the economic interests of powerful social groups or the state play an important role in bringing about MAC changes, these changes must be implemented, and perhaps accepted, by other (weaker) social groups, e.g. labour (Teulings, 1986); hence, the role of 'politics' becomes important (Oakes and Covaleski, 1994; Wickramasinghe and Hopper, 2005). Politics may involve a combination of different strategies by the dominant groups, including, for example, coercion (Uddin and Hopper, 2001) or consent, by accommodating some of the demands of less powerful groups (Saravanamuthu and Tinker, 2003) as well as ideological narratives to create a 'buy in' to the intended changes

* Corresponding author.
E-mail address: snuddin@essex.ac.uk (S. Uddin).

[1] This paper adopts Hopper et al.'s (2009) broader definition of management accounting controls (MAC). The individual 'elements' of the control apparatus include changes in vision, organizational structure, performance measurement systems and cost management techniques.

[2] A social group means a set of agents sharing the same life-chances and interests (Archer, 1995). In Gramscian language, powerful or hegemonic groups are those that move beyond the defence of their immediate economic interests and aspire to dominate the social and political landscape (Gramsci, 1971; p.XIV). This is contrasted with less powerful or dominated social groups, also referred to as the subalterns or subordinates (ibid). In this paper, the terms dominant and powerful are used interchangeably.

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(Yuthas and Tinker, 1994; Ezzamel and Willmott, 1998; Oakes and Covaleski, 1994).

Previous studies have argued that the nature of the relationship between dominant and dominated groups and their respective strategies is crucial in shaping MAC changes (Armstrong, 1989; Bourguignon et al., 2004; Ezzamel et al., 2004).[3] The relationship between dominant social groups within and beyond the organisational setting is also critical in determining the nature and mode of MAC changes (Armstrong, 1987; Ezzamel and Burns, 2005). It is crucial to acknowledge that dominant social groups operate not only at the level of organisations (Ezzamel and Burns, 2005) and professions (Armstrong, 1987), but also within the state. More importantly, relationships between the dominant groups (managers, politicians, military, etc.) within the state may have a very strong bearing on the nature of relationships between the dominant and dominated groups (managers versus labour) and are important for understanding the nature and mode of implementing MAC changes, especially within public sector organisations. We believe that this relationship between dominant groups within the state is not adequately understood in the extant management accounting literature. This paper fills this gap by exploring the relationship between two dominant social groups within the state and its implications for MAC changes in a state-owned entity.

Economy and politics in Pakistan have been subject to volatile changes since the country gained independence in 1947. The military has always been a dominant group in Pakistan. The last military coup took place in 1999, when General Musharraf ousted the civilian government on charges of corruption and bad governance leading to poor economic conditions. However, this changed after the 2001 terrorist attacks in the US, which made Pakistan a frontline ally of the West in the war on terror. International financial assistance and loans began to flow into Pakistan, but with certain implicit and explicit conditions regarding reforming the economy and, in particular, SOEs (Dee, 2012). This led to the rise of a second dominant socio-economic group, economic technocrats (private sector managers) in the state, especially the SOEs.[4] The empirical site for this research was the Civil Aviation Authority (CAA), the organisation responsible for managing the aviation affairs of the country, set up by the Pakistan Air Force (PAF) in 1982. The Ministry of Defence (MoD) and PAF became the central actors in the strategic and day-to-day activities of the organisation. In 2006, as a result of reforms initiated by the Prime Minister, the CAA underwent a series of management accounting and control changes linked to the rise of the second dominant group. Thus, this case presents us with a unique opportunity to study the dynamics of the relationship between two dominant social groups, namely the military and managers, and its implications for MAC changes. Utilising Joseph's (2002) work on hegemony, this paper aims to explain the changes in MAC practices in an SOE by linking them with structural reasons for shifts in the hegemonic arrangement emerging at the national level, the cascading down of this arrangement to the case organisation, and the political strategies of the players in the 'power bloc' within the case organisation.[5] This will be detailed and justified in later sections of the paper.

The paper begins with a brief analysis of the existing literature on hegemony and MAC change to identify gaps that the current research aims to fill. Section 3 describes the basic tenets of critical realism and the concept of hegemony seen through the lens of critical realism, and provides justifications for its use in the current research. Research methods are presented in Section 4. The empirical findings are then presented, followed by the discussion section. The concluding section summarises the theoretical and empirical contributions of the research.

2. Hegemony and management accounting and control change

The notion of control and domination has been often linked with the economic interests of powerful social groups in the traditional Marxist school of thought (Neimark, 1994; Bryer, 2000). Accounting researchers in this tradition tried to explain MAC changes by linking them with the efforts of capitalists to control the labour process in, for example, the US steel and textile industry (Hopper and Armstrong, 1991) and the British cotton industry (Toms, 2005) during the eighteenth and early nineteenth centuries, and British manufacturing industries during the British industrial revolution (Bryer, 2005).

The Marxist notion of economic relations between labour and the capitalist class as the sole foundation of social relations was later challenged and refined by neo-Marxist scholars (e.g. Gramsci, 1971; Althusser, 1970; Poulantzas, 1967; Burawoy, 1983) using the notion of hegemony. While maintaining that the domination of certain social groups, for example capitalists, remains an important condition for the reproduction of capitalist modes of production, these scholars discounted the significance of the market whip as the main element of this control (Burawoy, 1983). Instead, they emphasised the role of politics and ideology in maintaining this domination, a phenomenon generally known as hegemony.

Researchers have also highlighted the central role of the state in maintaining the domination of certain social groups over others primarily by generating consent amongst the dominated groups rather than through coercion (Althusser, 1970; Burawoy, 1983). It is argued that material concessions, such as social welfare and minimum wages, as well as ideological narratives disseminated through the media, education and religion contribute to the manufacturing of consent (Gramsci, 1971; Burawoy, 1985; Althusser, 1970). It is also argued that, for a state to perform this function of hegemony, it must forge an alliance between different social groups with various interests to create a power bloc (Poulantzas, 1967; Gramsci, 1971). Aided by the state, the groups in the power bloc reinforce their ideologies, or provide material concessions if necessary, to place them in a position to dominate the entire sphere of social and political lives (Gramsci, 1971). Dominated groups, on the other hand, may organise open or subtle resistance to dislodge the power bloc (Gramsci, 1971). We would argue that the study of management control and hegemony must thus involve an exploration of this tripartite relationship between the state, the dominant groups (the power bloc) and the dominated groups.

This tripartite relationship has been subject to some radical shifts in the recent past, in both private and public sectors. In the private sector, mobility of capital has increased the power of dominant groups (especially capitalists) over dominated groups and over the state (Burawoy, 1983). In the public sector, which is of greater interest to us in this research, the advent of a new public

[3] This relationship includes the nature of interests of different groups and the extent to which these collide with each other. Another important factor is the differential between material and cultural powers of powerful and less powerful players. Less powerful players generally have less access to organizational resources but may still draw on material or cultural powers as a result of other factors such as unions, ethnic ties with power actors outside the organization, etc. (Wickramasinghe and Hopper, 2005).

[4] The rise of economic technocrats (private sector managers), especially in SOE, is not a new phenomenon. This is closely linked with changing structures of global politics and economy and the promotion of new public management worldwide.

[5] The development of a power bloc involves fostering alliances between factions and classes with various interests.