

# The validity of management control topoi Towards constructivist pragmatism

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## Abstract

For decades, management accounting research paradigms have been in competition without reaching any apparent closure, and struggles to bridge the gap between knowledge and doing [Pfeffer, J., Sutton, R.I., 1999. Knowing what to do is not enough: turning knowledge into action. *Calif. Manage. Rev.* (Fall), 83–108] have not been successful either. This paper argues that this state of affairs is due to an insufficient understanding of reality, which is rooted in the management accounting paradigms. The paper establishes a concept of reality as an integrated set of conditions for actions and argues that, without such a concept, the issue of validity cannot be addressed: management accounting and control only provide valid results in practice if they incorporate the four aspects of the world of human life—facts, logic, values and communication. On the basis of these aspects, some predominant research paradigms are subsequently analysed and, using a case study, the paper shows how the four dimensions are integrated in the practice of a successful manager. Finally, the paper explains why the integration of the four aspects is always unique and company-specific, forming what is termed topoi.

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## 1. Introduction

Competition among different perspectives is a well-known phenomenon in management accounting research. Such competition may reflect the fact that, in terms of the main dimensions of reality involved,

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the various research perspectives are different and seem to be reductionist. Thus, one perspective may focus on the rationality of the decision-maker; others on the power structure of the organization or the subjectivity of the actors. The research discourses in the field of management accounting often seem to be concerned with one form of perspective to the exclusion of all others. In addition, the gap between the theories of knowing what needs to be known and knowing how to do what needs to be done is a matter of some urgency (Pfeffer and Sutton, 1999). The gap between knowledge and doing reveals that much theoretical knowledge is not translated into practice. The gap may be narrowed in several ways but, for example, the management-guru way of solving the problem by giving practical guidelines for action (Pfeffer and Sutton, 1999) provides only a superficial solution to the problem (Staw and Epstein, 2000; Nørreklit, 2003).

This paper suggests that there is a need for a perspective which, in order to develop methods assessing practical validity, integrates some of the central aspects, or dimensions, of the various paradigms. Specifically, the contribution of this paper is to establish a concept of *reality* as a new perspective. In debates on management accounting research paradigms and, generally, in discussions about realism and anti-realism, any analysis of the concept of reality seems surprisingly absent. This is problematic in as much as it is a prerequisite for addressing validity issues. In the present paper, the focal point is reality as a construction.

Reality is characterized by the integration of four dimensions—fact, logic, value and communication—each of which is a necessary source of reality. Consequently, management accounting and control only provide valid results in practice if they incorporate the four aspects of the world of human life. Lack of integration makes the research community and the actors slip into something unreal and purely abstract. Thus, a knowledge–doing gap arises from lack of validity in theoretical, or theoretically grounded, statements. Alternatively, such reductionist models may, if applied, create dysfunctional results. Therefore, researchers in management accounting and control should be aware of the need to integrate the four dimensions, when aiming to diminish the knowledge–doing gap.

Section 2 of this paper defines the four aspects as interrelated dimensions in a formal model describing (i) how the four dimensions, when integrated, constitute the functioning practice of human reality and (ii) the need for validity to satisfy the four conditions simultaneously. For the purpose of establishing validity, methodologies are needed which integrate the four dimensions and, as we argue at the end of Section 2, there is no a priori logic to this; finding a company-specific *topos*,<sup>1</sup> where *topos* refer to the concepts and arguments applied in a specific setting, through the use of communication as the primary dimension is imperative. Section 3 applies the four dimensions in an analysis of three research paradigms within management accounting, namely “mainstream management accounting”, “agency theory/positive accounting research”, and “social constructivism”. The purpose of the analysis is to identify suppressed dimensions in each of the paradigms in order to establish which aspects of the paradigms need to be further developed or supplemented in order to reduce knowledge–doing gaps. Some of the conclusions in that section are that: (i) mainstream management accounting relies on extrinsic common values and lacks communication about intrinsic values to the detriment of a valid workable control; (ii) the agency theory and positive accounting research apply a fixed logic, thus suppressing human values, which at best leads to instrumentalism without socially valid explanations of accounting and control phenomena; and (iii) social constructivism—in the way it is interpreted in management accounting research—suppresses

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<sup>1</sup> *Topos* (plural *topoi*) (cf. *topik*) Greek: place. The term ‘*topoi*’ is used to express the ‘repeatable and acceptable themes’ (Prelli, 1989) that are used to deal with situationally relevant activities, problems, thoughts and actions.

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