

# The diffusion of management accounting innovations in the public sector: a research agenda

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## Abstract

There have been numerous studies of the transformation of the public sector. This paper has a different focus: the dissemination and adoption of management accounting practices within the new public sector. The aim of the paper is to explore the manner and means of diffusion, the obstacles to adoption and to establish a research agenda. The paper discusses findings of a survey on diffusion sent to public sector financial managers. The results of the survey indicate, *inter alia*, that adoption of accounting innovations by public sector organisations is largely affected by government influence. This study has interesting findings, but also points to the need for a new research agenda on the diffusion of management accounting practices in the public sector.

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## 1. Introduction

In recent years, reform of the public sector has been a major focus of policy makers and accounting techniques and policies have played a central role in initiatives for change. Given the frequency with which new management accounting ideas have been advocated as a result, the way in which accounting innovations diffuse through organisations (or not) is of particular interest to researchers, policy makers and practitioners. This paper extends prior research by focussing on the manner and means of diffusion and by eliciting the views of key actors in the diffusion process. The study is based upon a survey of

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practising accountants in the public sector. The results are examined from a communications perspective, whereby diffusion is regarded as the exchange of information through formal and informal processes by accounting professionals and institutions. This study has interesting findings, but also points to the need for a new research agenda on the diffusion of management accounting practices in the public sector.

The structure of the paper is as follows; [Section 1](#) outlines the conceptual basis for diffusion theory. [Section 2](#) explains the research method and rationale behind the study, whilst [Section 3](#) summarises the results obtained. This is followed by [Section 4](#), which discusses the results and suggests further research areas. The final part of the paper concludes on the research findings and a proposed research agenda.

## **2. Diffusion of innovations theory in management accounting research**

At its most basic, diffusion is the ‘spreading’ of something throughout a population. For diffusion to take place, Rogers (1983, 1995) maintains that there must exist, to begin with, an idea or innovation to be diffused. What makes diffusion different to any other type of message spreading is the ‘newness’ of the innovation. Secondly, there must exist a population of potential adopters for the innovation. Finally, there must be communication flows between the innovation’s developers and potential adopters. Diffusion is said to occur when an innovative technique has been adopted by an organisation; dissemination is distinguished by an absence of adoption of the relevant technique. Diffusion is not an automatic consequence of innovation and its ease of progress is subject to favourable factors existing within its environment. Adoption, for example, is contingent upon the degree of benefit the innovation will bring to the organisation; the consistency of the innovation with the adopters’ existing values; the complexity of the innovation; the potential of the idea for being implemented on a trial basis, and the ease of observing the resulting benefits (Rogers, 1995). Individually, potential adopters must be involved in a boundary spanning process, whereby they are involved with networks external to their own organisation in order to keep up to date with accounting developments, and be influential enough internally to use this knowledge to the benefit of the organisation (Swan and Newell, 1995).

A crucial element in all diffusion processes therefore is the internal and external networks through which potential adopters learn about innovations that are relevant to their organisation’s requirements. Clegg et al. (1996, p. 9) state that networks “encompass a loosely coupled cellular structure of value-adding activities that constantly introduce new materials and elements”. Literature on internal and external organisational networks has tended to focus on the relatively formal relationships between organisations, assuming that information flows along existing lines, is direct and every actor has equal opportunity to engage with any other actor in the network. Yet this is not true in all cases, and as such, the structure and scope of the network can impact on the way accounting information is diffused (Midgley et al., 1992). Informal networks such as collaboration between organisations, universities, professional institutions and informal meetings between friends may also play an important role in the diffusion of an innovation (Swan and Newell 1995; Rogers, 1983).

Studies on diffusion tend to concentrate on the demand for an innovation, with potential adopters seeking a change in their accounting practices. However, suppliers may be promoting new accounting ideas independently of whether a new technique is perceived as required by an organisation (Bjørnenak, 1997). To this end, promoters must choose the right channels of communication in which to propagate the idea and promote it in a suitable way (Rogers, 1995). Along the way, they may experience barriers

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