



Management accounting system design in manufacturing departments: an empirical investigation using a multiple contingencies approach

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Abstract

This paper proposes a multiple contingencies model that examines the combined effect of departmental interdependencies and organization structures on management accounting system (MAS) design. The model was tested by means of empirical data collected from a questionnaire addressed to 160 production managers. The response rate was 82.5%. The findings provide some support for the notion that organizations adapt their MAS design to the control requirements of the situation. Furthermore, the study offers some empirical support for the existence of suboptimal equifinality. That is, in situations which lack of a single dominant imperative, several alternative, and functionally equivalent management control system (MCS) designs, may arise.

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Introduction

Since the mid-eighties, there has been a trend in manufacturing towards customization and novel approaches to organizing production, including JIT/TQM models of control (Schonberger, 1986; Womack, Jones, & Roos, 1990). The pursuit of such strategies poses significant challenges for the management since they typically imply intensified interdependencies among functionally differentiated departments and new means of managing the workflow (Bouwens & Abernethy, 2000; Kalagnanam & Lindsay, 1998). As organizations adapt to these developments, they must make sure that

the MAS is designed congruent with the new control requirements (Chenhall, 2003). Drawing on contingency-based approaches, it is argued that the study of appropriate MAS designs in these new settings can be enhanced by considering the fit between the MAS, departmental interdependencies¹ and organizational structure (Chenhall & Morris, 1986; Hayes, 1977; Macintosh & Daft, 1987; Williams, Macintosh, & Moore, 1990). This study adds to research in this area by proposing a multiple contingencies model that examines the combined effect of departmental interdependencies

¹ Departmental interdependencies are defined here as the extent to which departments need to rely on other departments for resources, such as materials and knowledge, to accomplish their respective tasks (Thompson, 1967).

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and organization structure on MAS design. Fig. 1 outlines the proposed model.

The multiple contingencies model stems from recognition that the demands placed on MAS design by multiple contingencies may conflict (Fisher, 1995), i.e., attempts to satisfy one demand may mean that other demands cannot be satisfied. It is also explicitly assumed that the need for coordination and control can be met by several alternative, and equifinal, management control system design strategies. The assumption is justified by the long-held view that management control subsystems may not only complement each other but also substitute for each other (Fisher, 1995; Galbraith, 1973; Mintzberg, 1983). Finally, the current study contributes to the management control literature by adopting a more holistic approach than has typically been the case. It is true that a so-called systems approach has been used for some time in the organization design literature (see e.g., Drazin & Van de Ven, 1985; Miller & Friesen, 1984; Mintzberg, 1983). However, very few researchers have looked on the MAS as a system with internal consistency among multiple structural characteristics (see e.g., Chenhall & Langfield-Smith, 1998a; Greve, 1999).

The remainder of the paper is structured as follows. The following two sections define the constructs, develop the theoretical model, and conclude with a number of exploratory propositions. The process of data collection and data analysis is then detailed in the fourth section. The results of the study are presented and discussed in the fifth and sixth sections, respectively. The last section contains concluding comments and some suggestions regarding future research.

Definition of constructs

For a long time there has been an interest among scholars in documenting fit relationships between features of context in which the organization operates and its management control arrangements. One key characteristic of the literature is that the identification of variables is typically based on the assumption that they are related to each other in a one-to-one manner, i.e., in a particular context, there is only one optimal combination of management control mechanisms (Gresov, 1989; Gresov & Drazin, 1997). For example, it is normally expected that low task uncertainty will be coupled with a mechanistic organization structure and an “efficiency-focused” performance evaluation system, if the organization is to perform well (Abernethy & Lillis, 1995; Macintosh, 1994).

A second key characteristic is that definitions normally are derived from prior literature (see e.g., Bouwens & Abernethy, 2000; Macintosh & Daft, 1987). Although the merits of this approach are acknowledged, in terms of providing stringency in theory development and testing, it is also important that the limitations be understood. One such limitation is that the sole use of established typologies, e.g., the extensive use of the mechanistic/organic structure continuum developed by Burns and Stalker in 1961 (cf. Abernethy & Lillis, 1995; Gordon & Narayanan, 1984; Kalagnanam & Lindsay, 1998), *risks overlooking more recently developed structural designs*. For example, Chenhall (2003, p. 21) notes that “an important element of contemporary structures is teams. As yet there are few studies that have considered the role of MCS within team based structures”. The absence

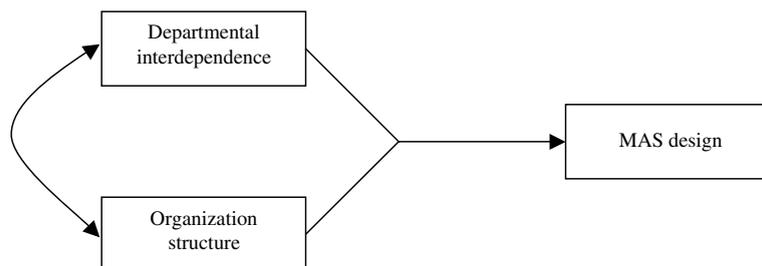


Fig. 1. Research model.

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