Management accounting as a political resource for enabling embedded agency

Martin R.W. Hiebl

University of Siegen, Chair of Management Accounting and Control, Unteres Schloß 3, 57072 Siegen, Germany

ARTICLE INFO

Keywords:
Management accounting
Embedded agency
Institutional entrepreneurship
Institutional work
Institutional change
Organisational politics
Organisational power

ABSTRACT

How actors embedded in institutions can change those institutions is known as the paradox of embedded agency. Although academic interest in embedded agency has increased in recent years, what enables actors to engage in embedded agency is still not well understood. One resource that may assist actors in realising embedded agency and overcoming political resistance by opponents to change is management accounting, as management accounting can serve as an important information resource for actors willing to engage in embedded agency. Although the existing literature may not explicitly refer to embedded agency, management accounting may be used as a political resource in the identification of a need for and gaining others’ support for and the implementation of institutional change. It further shows that management accounting may be at interplay with other factors in enabling embedded agency. Finally, the review findings suggest that management accounting may be an important resource not only in legitimising institutional change but also in identifying the need for change, gaining others’ support for change and implementing change.

1. Introduction

Incontrovertibly, there exist many different ways to define what constitutes an “institution” (e.g., Barley and Tolbert, 1997; Scott, 1987). Most of these definitions, however, imply that institutions are significant social structures that are often taken for granted and deeply ingrained in certain social settings (e.g., Burns and Scapens, 2000; Ribeiro and Scapens, 2006). Institutions are also regularly viewed as featuring some endurance and thus a high level of resilience and resistance to change (Scott, 2001). To explain how institutions may nevertheless change, that is, to explain institutional change, different theoretical perspectives have dominated during different time frames in the organisation studies literature. In the 1950s and 1960s, studies generally referred to as “old institutionalism” dominated the field (Battilana and D’Aunno, 2009). They primarily focused on the roles of actors (organisations or individuals) in explaining the development of and changes in institutions, and thus, they attributed to these actors free will and the ability to act autonomously and proactively. Actors were thus viewed as the primary sources of change, and a high degree of agency was attributed to them (Green and Li, 2011; Selznick, 1949).

In contrast, studies referenced as “neo-institutional theory” dominated in the 1970s and 1980s (Battilana and D’Aunno, 2009). These studies typically assumed that structural constraints shaped actors’ behaviour and that actors adapted to institutions (Greenwood and Hinings, 1996). Combining the old institutionalism with the neo-institutional view, how actors who are embedded in and experience structural pressure from institutions can be a factor in changing those institutions is viewed as a paradox (Seo and Creed, 2002). This paradox is now widely referred to as the paradox of “embedded agency” (Garud et al., 2007; Greenwood and Suddaby, 2006; Kilfoyle and Richardson, 2011). Thus, as noted by Kilfoyle and Richardson (2011, p. 191), “the paradox of embedded agency consists in having institutionally embedded agents introducing institutional change”.

Actors who engage in embedded agency seek to change existing beliefs and practices and are thus referred to as institutional entrepreneurs (DiMaggio, 1988). It is not difficult to imagine that other actors within an organisation may not wish to change beliefs and practices, thus preferring to retain the status quo and inhibit institutional change (Battilana et al., 2009; Garud et al., 2007; Seo and Creed, 2002). To realise embedded agency, these opponents, or “institutional defenders”

E-mail address: martin.hiebl@uni-siegen.de.

http://dx.doi.org/10.1016/j.mar.2017.03.003

1044-5005/ © 2017 The Author(s). Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/BY-NC-ND/4.0/).

Please cite this article as: Hiebl, M.R., Management Accounting Research (2017), http://dx.doi.org/10.1016/j.mar.2017.03.003
(DiMaggio, 1988), must be overcome. Given resistance by institutional defenders, it is clear that institutional change may be very difficult to achieve. At the same time, not least due to the recent financial and economic crisis, many contemporary organisations currently seek, or are deemed to have achieved, institutional change (Battilana et al., 2009; Riaz et al., 2011). Factors that enable institutional entrepreneurs to implement institutional change are thus not only of academic but also of practical interest.

We know that power and politics may be one such factor (Hardy and Maguire, 2008; Pfeffer, 1992). Whereas power is conceptualised by Weber (1978, p. 53) as “the probability that one actor within a social relationship will be in a position to carry out his will despite resistance”, politics is generally referred to as the “tactics and strategies actors use to articulate this power or attempt to resist it” (Fleming and Spicer, 2014, p. 238). Among such strategies, there is evidence that management accounting may be used as a political resource to change institutions and thus enable embedded agency (Markus and Pfeffer, 1983; Yazdifar et al., 2005; Wickramasinghe, 2006).

Recent studies propose that the embedded agency perspective offers a promising framework for analysing management accounting phenomena. For instance, Kilfoyle and Richardson (2011) suggest that the embedded agency perspective may significantly contribute towards a better understanding of the budgeting process and how embedded agency may arise from budgeting processes. Extending the work of Kilfoyle and Richardson (2011), Englund and Gerdin (2011) propose four principal origins of embedded agency and identify a number of future opportunities in management accounting research along these four origins. Focusing on some endogenous triggers of embedded agency, Horton and de Araujo Wanderley (2016) suggest that the identity work and identity conflicts of management accountants may be important factors in explaining embedded agency in management accounting.

Besides such conceptual work, a few recent empirical works in management accounting research also draw on the embedded agency perspective. Among these, some studies show that embedded agents may use management accounting information to identify contradictions between existing social structures and use these contradictions to challenge and change existing institutions (Baños Sánchez-Matamoros et al., 2014; Burns and Baldvinsdottir, 2005; Sharma et al., 2010; Yang and Modell, 2013). Other empirical studies develop a deeper understanding of how embedded agents may rely on external institutions when institutionalising new management accounting systems (Gooneratne and Hoque, 2016; Sutheewsinanon et al., 2016). Englund et al. (2013) added the idea that not only the content of management accounting information may spark embedded agency but also the ambiguities of management accounting information. Focusing on the aftermath of institutional change, further studies (Déjean et al., 2004; Lockett et al., 2015) have suggested that measures and metrics may be decisive political resources in legitimising institutional change. For instance, Lockett et al. (2015) suggest that a highly important resource for legitimising institutional entrepreneurship ex post may be performance measures and metrics.

While these insights support the above mentioned notion that a political usage of management accounting information may be an important factor in creating embedded agency, explicit insights into why and how such usage materialises are scarce. Because “embedded agency” is a relatively new term in organisation studies, existing management accounting studies of power and politics may not have identified their findings as relating to embedded agency, although these findings potentially do relate to embedded agency (see also Englund et al., 2013). Therefore, the present paper aims to fill this void and systematically reviews and re-analyses the existing empirical literature for explicit and implicit evidence regarding why and how management accounting can be used as a political resource that enables embedded agency.

The paper contributes to the literature in three ways. First, the paper develops six roles concerning how management accounting may be utilised to identify a need for and gain others’ support for institutional change and the implementation of institutional change. Overall, these six roles suggest that power and politics are important aspects for furthering our understanding of management accounting and the paradox of embedded agency but have received little explicit research attention to date. In particular, the present paper shows that measures and metrics such as management accounting information may be important resources not only in legitimising institutional change ex post (Déjean et al., 2004; Lockett et al., 2015) but also in identifying a need for and gaining others’ support for change as well as implementing change.

Second, the paper shows that management accounting is likely to be at interplay with various other factors in enabling embedded agency. For instance, developments in organisational fields such as new technologies and increased competition may become visible to an organisation via management accounting information. Thus, management accounting does not work in isolation in such cases, but is rather at interplay with other endogenous and exogenous factors in triggering embedded agency. By highlighting various such interplays, the paper responds to calls for evidence regarding the interplay between various factors enabling embedded agency (Battilana et al., 2009).

Third, the paper suggests that management accounting is important not only for institutional entrepreneurs in developing a desire to change the institutions that surround them (e.g., Baños Sánchez-Matamoros et al., 2014; Englund and Gerdin, 2011; Englund et al., 2013; Kilfoyle and Richardson, 2011), but also for overcoming resistance to such embedded agency efforts.

The remainder of the paper proceeds as follows. Section 2 presents the applied review methods. The findings of the review are presented in Section 3. Section 4 discusses these findings and identifies valuable future research opportunities. Section 5 concludes the paper with its most important implications.

2. Review methods

2.1. Identification of relevant articles

As suggested by many guidelines for conducting systematic literature reviews (e.g., Tranfield et al., 2003; Booth et al., 2016), the identification of relevant literature sources for the present review began with a broad literature search of electronic databases to identify relevant material published in academic journals.1 For the present paper, various combinations of the search terms “management account*”, “management control*”, “power*”, “political*” and “resist*” were used to search the following databases: Scopus, EBSCO Business Source Premier, Thomson Reuters Web of Science and ProQuest.2 All papers published until 2015 were considered for inclusion in this

---

1 Of course, the standard disclaimer—that it cannot be ruled out that material not published in academic journals may also contain relevant information for the present paper’s research aim—is also valid for the present review. For reasons of accessibility, traceability and replicability, and in line with most applications of the framework of Tranfield et al. (2003), the present paper nevertheless focuses only on material published in academic, English-language journals.

2 Note that the asterisks allowed for different suffixes to be found in electronic databases. For instance, “political*” would find both “political” and “politics”.

3 Not only institutional entrepreneurs but also institutional defenders engage in institutional work (Battilana and D’Aunno, 2009) and may draw on management accounting for this purpose. As Englund et al. (2011, p. 505) note, "continuity may well also be a highly active and political accomplishment". Thus, the literature search also encompasses the term "resist*" to capture studies on how institutional defenders may try to use management accounting to resist change. Such studies may also contain evidence on how such defenders can be overcome and thus how embedded agency may be realized.

4 No variations of "embedded agency", "institutional work" or "institutional entrepreneurship" were included in the search phrases because, as noted in Section 1, these terms can be considered rather novel, and thus, empirical findings relevant to this paper’s research focus might have been excluded because relevant studies did not use these terms.
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت‌های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات