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The role of structure and agency in management accounting control change of a family owned firm: A Greek case study

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ABSTRACT

This study seeks to understand the changes in management accounting controls in a large Greek company (pseudonym: FA), with a focus on understanding the role of structure and agency in this change. In order to do this, we have employed a critical realist philosophy, pioneered by Roy Bhaskar (Bhaskar, 1979; 1997). We believe that the empirics of the case, the time span under consideration, and our theoretical approach provide us with a unique opportunity to explore the role of structure and agency in changing management accounting controls within the case firm. Our analysis revealed that changes in management control practices in FA were a function of different interacting structural conditions as mediated through human agency. This paper contributes to the debate about how to conceptualise agency and structure in management accounting control change (Kilfoyle and Richardson, 2011). Our analysis also demonstrates that the 'dualism' approach to agency and structure will result in a better analysis of management accounting control changes within firms.

1. Introduction

This study seeks to understand the changes to management accounting controls in a family-owned business in Greece. The paper conducts an in-depth investigation into the case of FA (here anonymised), a Greek dairy company, as it has been transformed from a small family-run firm to one of the biggest companies in Greece. Little or nothing is known about management accounting controls in Greek companies. Previous studies in Greece have been based solely on descriptive research (Ballas and Venieris, 1996; Venieris and Cohen, 2004). So far, case study evidence on management accounting

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control change has been drawn largely from Anglo-Saxon and Scandinavian countries (Shields, 1997; Burns and Vaivio, 2001; Laitinen, 2001; Granlund, 2001) and there are very few case studies that focus exclusively on management accounting change in family-owned companies[1] (Amat et al., 1994; Uddin, 2009).

The importance of family firms in the economies of both the developed and the developing countries has been extensively discussed in the literature (Corbetta, 1995; Poza, 1995; Astrachan and Shanker, 2003). In Greece, 80% of businesses are family owned (Kostea, 2003). These firms are located across different industries, and are central to the economic development of Greece and other European countries. Indeed, in most European countries, including Greece, it has been reported that family-owned companies contribute a significant amount to the country's GDP (Corbetta, 1995; Tsamenyi et al., 2008). Nonetheless, there has been a noticeable lack of research on management accounting in family firms (Tsamenyi et al., 2008).

The Greek economy and politics, like those of many other European countries, have undergone major political and economic changes, especially during the 1980s, such as the structural adjustment programmes and joining the European Economic Community (EEC). Unique features of family-owned companies, such as succession, usually bring additional but significant dimensions, especially in the context of changing environments (Louis and Simon, 1989). This paper offers insights into how a family-owned company copes with the new reforms and how these changes affect management accounting controls.

Many studies have been devoted to understanding changes in management accounting by drawing insights from various theoretical perspectives (e.g., Burns and Scapens, 2000) in different settings. This paper is in line with Busco et al.'s (2007) call for further reflections on management accounting change. Different conceptualisations and the role of structure and agency in explaining social change have been a topic of great interest to all social science disciplines, and accounting is no exception (Kakkuri-Knuuttila et al., 2008). Accounting researchers have recognised the importance of theoretical schemes that incorporate both structural and agential aspects of social life (Kilfoyle and Richardson, 2011), and some have argued for adopting the 'duality' approach suggested by Giddens (1984) (Macintosh and Scapens, 1990; Englund and Gerdin, 2011). However, this paper, in attempting to contribute to the structure-agency debate in accounting literature, takes the 'dualism' approach, giving due consideration, ontologically and epistemologically, to both structure and agency by using the critical realist philosophy pioneered by Bhaskar (1979, 1997).

The paper is structured as follows. First, previous research on management accounting changes and the theoretical constructs underpinning the research are discussed. Then research methods are described, followed by a brief section on the socio-economic history of Greece. The case study is presented next: the first part presents the nature of the controls during the early periods followed by the first attempt at management accounting changes; then, there is a discussion of the second attempt at changing the controls. The final section discusses the empirical findings with theoretical constructs and provides some concluding remarks.

2. Structure and agency in management accounting control change literature

Drawing on Ashraf and Uddin (2011) and Kilfoyle and Richardson's (2011) distinctive 'traditions' of management accounting control research, the paper briefly reviews theoretical approaches and previous research in relation to the role of structure and agency in management accounting control changes. Within critical traditions, streams of research have adopted 'agential perspectives'[2] to explain management accounting control changes through the actions and meaning systems of individuals (Dent, 1991; Boland, 1993; Mouritsen, 1999; Cruz et al., 2011). For example, Mouritsen (1999) reported that the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the production manager of a firm had altogether different meanings for production-related issues within the plant. These differences in interpretation frames resulted in different managers vying for different types of management accounting control within the same organisation.

Contrary to agential perspectives, 'structural/institutional perspectives' of management accounting control change primarily from the perspectives of changes in relations between the different 'economic classes' involved in production or changes in broader 'institutions' prevalent in a society (Hopper and Armstrong, 1991; Toms, 2005; Bryer, 2005). For example, Toms (2005) traced the changes in the financial and managerial controls in the British cotton industry from the early eighteenth century onwards; he linked these changes with changes in the industrial structure and in the capital and credit markets in that time period. In institutional analyses of management accounting control changes within firms, changes in 'institutions'[3] receive more in-depth attention (Burns and Scapens, 2000; Greenwood and Hinings, 1996; Granlund, 2001; Granlund and Malmi, 2002; Ezzamel et al., 2007; Major and Hopper, 2005).

[1] There has been some research on performance in family-owned companies based on surveys and secondary data (McConaughy et al., 1998; Pérez-González, 2006).

[2] Positivist tradition employing agency and behavioural theories is not discussed here.

[3] Institutions are defined either as broad social values (in new institutional sociology-based research) or as the beliefs and institutionalised values of groups of individuals within an organisation (old institutional economics-based research). In any case, the institutionalised beliefs of groups of individuals within an organisation have to be influenced by broader socially institutionalised values; hence, at some level, the two strands of institutional theory have a common perspective.