Management accounting innovations in a time of economic crisis

Odysseas Pavlatos\textsuperscript{a,}\textsuperscript{*}, Hara Kostakis\textsuperscript{b}

\textsuperscript{a}Athens University of Economics and Business, Department of Business Administration, Greece
\textsuperscript{b}London School of Hygiene and Tropical Medicine, UK

\textbf{A B S T R A C T}

Although there have been several callings, research in Management Accounting has given very few or even no guidelines as regards the way enterprises can handle the economic crisis in their everyday operations (e.g. Hopwood, 2009). Zawawi and Hoque (2010) argue that the new economic environment forces enterprises to adopt Management Accounting Innovations - MAIs. The purpose of this study is to cover the gap in the literature about the effect of the economic crisis on the adoption and the extent of use of MAIs. For this reason, a quantitative research with the use of questionnaires was carried out. Data analysis showed that those business units that have been most affected by the economic crisis tend to adopt more and use MAIs more extensively than those companies that have been less affected by it. Management Accounting Innovations provide broader and better information to handle the uncertainty that the economic crisis has created.

1. Introduction

The economic crisis, which emerged in 2008 has been a constant threat for the enterprises (Waymire & Basu, 2011). According to James, Wooten, and Dushek (2011), the economic crisis causes problems in cash flows, reduces available resources and demand, as well as causes political turmoil. Moreover, it raises uncertainty in the enterprises (Pearson & Clair, 1998) and makes the decision-making process and the exercise of management control more difficult (e.g. Mangena, Tauringa, & Chamisa, 2012).

In the literature, it is argued that the economic crisis has had an impact on the operation of Management Accounting and this is something that should be studied in more detail (Arnold, 2009; Van der Stede, 2011). Although there have been several callings (Hopwood, 2009; Abernethy & Mundy, 2014; Van der Stede, 2011), the relevant research in Management Accounting has given very few or even no guidelines as regards the way to handle the economic crisis on behalf of the enterprises. The new economic environment that has been now formed calls for new management tools, in order to achieve better crisis management (Arnold, 2009).

Zawawi and Hoque (2010) argue that the new economic environment forces the enterprises to adopt innovative Management Accounting techniques (Management Accounting Innovations - MAIs), which should be further investigated. Recently, Chenhall and Moers (2015) argued that Management Control Systems should incorporate Management Accounting Innovations, in order to be able to handle the uncertainty of the external environment and make management control more effective. There have been several works that study the adoption and the use of MAIs (e.g. Chiwamit et al., 2017; Al Sayed & Dugdale, 2015; Naranjo-Gil et al., 2009), but to the best of our knowledge none of them has linked them to the economic crisis.

Van der Stede (2011) introduces opportunities and threats in Management Accounting research in a crisis environment. This study attempts to give an answer to those challenges, by providing knowledge about the effect of the economic crisis and the adoption and the
extent of use of MAIs. According to Van Der Stede, the economic crisis provides opportunities for research that are not present in a “normal change” period (Van der Stede, 2011).

Pavlatos and Kostakis (2015) report that there are differences between the level of importance and the extent of use of Management Accounting tools before and during the economic crisis. They found that the importance and the usage of Activity Based Costing, Planning, and Strategic Management Accounting tools increased during the crisis, while at the same period, the usage and the importance of traditional cost accounting practices were decreased. Most of the budgeting techniques are still considered important and are still widely used by firms.

The aim of this study is to cover the gap in the literature about the effect of the economic crisis on the adoption and level of use of MAIs, by formulating the following research question:

RQ1 How does the perception about the intensity of the economic crisis affects the adoption and the extent of use of MAIs?

One of the countries that has been most affected by the economic crisis is Greece. The country has been under recession for the last 7 years. In 2010, Greece requested and received financing from the IMF and the European council, with the condition to start a strict austerity program and fiscal discipline, in order to reduce its deficits. Under the threat of the economic crisis, the Eurozone countries introduced the European Stability Mechanism (EMS) to warrant the economic stability of the Eurozone. The country signed 2 memorandums of understanding (MoU), which are periodically evaluated by the troika (now the so-called Institutions) (European Commission, 2010; 2011). Due to the changing environment in the political scene in Greece, the program was not implemented and, finally, the country applied capital controls’ scheme. The new government that was elected in the next elections signed a 3rd MoU for the years 2015–2018 (European Commission, 2015). It is widely known that the business activity in Greece has been shrunk since 2008, which makes the enterprises difficult to survive. The crisis has led to the reduction in demand, sales, production, as well as problems in cash flows and loan repays (Capital, 2016). Under those circumstances, Greece is the ideal environment to study the effect of the economic crisis in the adoption and use of MAIs.

This paper extends the previous research in many ways. Firstly, it examines for the first time, the impact of the economic crisis on the adoption and the extent of use of MAIs. Previous surveys examined the level of importance and the extent of use of traditional and innovative management accounting practices at different periods of time (i.e. before and during the economic crisis) and identified differences between them. This study measured the perceptions regarding the intensity of the economic crisis, as a new construct, and investigated the impact of crisis’ perception on the adoption and the extent of use of MAIs. Secondly, this research used more powerful statistical tests, such as multivariate data analysis techniques, compared to previous surveys, which mainly they used t tests. Thirdly, the choice of only one sector (the manufacturing sector) guarantees internal validity and allow to control for industry effects, as compared to previous studies, that were performed among different sectors (e.g. Becker, Mahlendorf, Schäffer, & Thaten, 2016; Janke, Mahlendorf, & Weber, 2014; Pavlatos & Kostakis, 2015).

Furthermore, it extends the limited knowledge about the effect of the economic crisis in Management Accounting, by providing insights about the adoption and the extent of use of MAIs in a period of economic crisis. This means that his paper gives relevant answers to Hopwood’s challenges (2009) about how the economic crisis affects Management Accounting. Lastly, it gives insights about the use of Management Accounting techniques in Greece, which has not been extensively studied.

This work is divided into the following sections: The next section is about literature review and hypothesis development. In the third section, a description of the methodology is provided. The fourth section presents the findings of the study, while the last section discusses the findings and concludes.

2. Theory and hypothesis development

It is widely accepted that innovation is a prerequisite for a business to succeed (e.g. Naranjo-Gil et al., 2009). According to the relevant literature, innovation is the adoption of an idea or a behavior, which is linked to a product or a service, or a technical procedure, which is something new for the business that adopts it (Damanpour, 2014). Innovation in Management Accounting (Management Accounting Innovation- MAI) is the adoption of a practice in Management Accounting for the first time by an enterprise (Zawawi & Hoque, 2010).

Innovative Management Accounting tools, such as activity-based costing (ABC) (e.g. Al-Omiri & Drury, 2007; Al Sayed & Dugdale, 2015), target costing (e.g. Ansari, Bell, & Okano, 2007), lifecycle costing (e.g. Cravens & Guilding, 2001), EVA (e.g. Chiwamit et al., 2017) and Balanced scorecard (BSC) (Ax & Greve, 2016; Kaplan & Norton, 1996) have been studied empirically by many researchers (e.g. Ax & Greve, 2016; Zawawi & Hoque, 2010). A great number of those researches have focused on the underlying features of the enterprises that affect the adoption of MAIs (e.g. Chenhall, 2007; Naranjo-Gil et al., 2009; Reid & Smith, 2000; Brown et al., 2004). It is also argued that the contingencies of the enterprises affect the adoption of MAIs (Naranjo-Gil et al., 2009).

This work is based on contingency theory. This theory is principally derived from organizational theory and it was later implemented in Management Accounting. According to contingency theory, environmental factors affect Management Control Systems design (Chenhall, 2003). One of these factors is uncertainty. Uncertainty is the difference between the information that is needed to execute an operation or an activity and the information that is available at this point of time (Janke et al., 2014). Gordon and Narayanan (1984) present various types of uncertainty that are linked to changes in technological, competitive, economic and customer-based environment of the company.

The economic crisis has created a condition of increased uncertainty for the organizations (Ury & Smoke, 1991). Janke et al. (2014) argue that there is a positive relationship between the intensity of the economic crisis and the level of uncertainty that the companies experience. They regard that the companies that have been most affected by the crisis, experience greater levels of uncertainty in the
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 کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات