Critical Perspectives on Accounting 23 (2012) 403–419

Contents lists available at SciVerse ScienceDirect

Critical Perspectives on Accounting

journal homepage: www.elsevier.com/locate/cpa

Accounting decoupled: A case study of accounting regime change in a Malaysian company

Shi-Min How[a], Chandana Alawattage[b,*]

[a] The University of Nottingham (Malaysia Campus), Nottingham University Business School, Faculty of Arts and Social Sciences, Jalan Broga, 43500 Semenyih, Selangor Darul Ehsan, Malaysia
[b] University of Aberdeen Business School, University of Aberdeen, Scotland, UK

ARTICLE INFO

Article history:
Received 14 October 2010
Received in revised form 27 April 2012
Accepted 30 April 2012

Keywords:
Critical
Management Control
Praxis
ERP/SAP
Accounting change

Mots clés :
Critique
Contrôle de gestion
Praxis
Pratique

Keywords:
批判性
管理控制
实践

Palabras clave:
Crítica
Control de Gestión
Praxis

ABSTRACT

Using a case study of accounting regime change in a Malaysian company, this paper analyses how an accounting regime was changed to overcome an instance of decoupling that management of the case company perceived to be problematic and, despite certain technological and managerial improvements, why the accounting regime yet remained decoupled from the control of core operations. Through an eclectic use of ANT, neo-institutionalism and political economy, it demonstrates that accounting remains decoupled from operational processes because of the particular manner in which accounting is constructed and enabled; the ostensive characteristics of accounting objects around which performativity of accounting is defined; and the organisational context, which involves certain 'political imperfections' that cannot be narrated within organisational apparatus of modernity. Accounting, being an apparatus of modernity, finds it difficult to codify such 'imperfections' and to offer an operational doctrine to govern the real business processes that are embedded within these 'imperfections'. Hence, it remains decoupled from core operational activities but performs an important role of insulating 'political imperfections' with which business operates.

1. Introduction: the problem of decoupled accounting

How important accounting is in controlling day-to-day business operations has long been debated. The taken for granted orthodoxy has been that accounting plays a vital role in operational controls. Accounting is presumed to be an objective source of information that corporate managers use in pursuit of economic ends (cf. Bryer, 2006; Macintosh, 1994). Bryer (2006) argues that "accounting is the most important control system because it provides the investors and managers with objective

* Corresponding author.
E-mail addresses: How.ShiMin@nottingham.edu.my (S.-M. How), c.g.alawattage@abdn.ac.uk, cgalawattage@hotmail.com (C. Alawattage).

1045-2354/$ – see front matter © 2012 Elsevier Ltd. All rights reserved.
http://dx.doi.org/10.1016/j.cpa.2012.04.007

measures of the generation and realisation of surplus value; . . . accounting is the totality of the control process because it provides an objective framework within which all other control systems and realities are subsidiary and subservient" (p. 552). While Bryer's argument rests on the potential of accounting to translate capitalist ideologies into a set of operational doctrines at the point of production, the managerial functionality and potential of accounting has been much emphasised in relation to the technological potential of computerised accounting packages for unprecedented levels of organisational integration (Davenport, 1995, 1998, 2000; McAdam and Galloway, 2005). Several critical researchers, on the other hand, have different ideas. For Emmanuel et al. (1990, p. 34), for example, accounting is just one technique available to assist organisational control and would be neither the totality of all control systems nor the most important one.

Empirical findings on accounting in Less Developed Countries (LDCs) do not support the attribution of a managerial significance to accounting. Instead, it has been understood that accounting does not constitute a dominant form of control and has become marginal, ritualistic, ceremonial and decoupled from operations. For example, Uddin and Hopper's (2001, p. 643) case study demonstrates how "accounting . . . became marginal, ritualistic, and de-coupled from operations". Alawattage and Wickramasinghe (2008) argue that the role accounting has assumed within political hegemonies of the LDC is not constitutive of the political hegemony of controlling labour. Hoque and Hopper (1994) convey that accounting is not the dominant form of control in LDCs. Jack and Kholeif (2008) and Kholeif et al. (2007) also observed a similar pattern in ERP[1] implementation in Egypt. They demonstrate how ERP implementations failed to achieve their intended integration and control functions (Jack and Kholeif, 2008, p. 43). All these studies, one way or the other, demonstrate that accounting has been decoupled from the operational core of the business.

The notion of decoupled accounting is not necessarily an LDC phenomenon. Berry et al.'s (1985) classic case of the British National Coal Board (NCB) provides a clearer point of reference for this paper. Berry et al. (1985) observe how NCB manages its business through a vertically and horizontally decoupled management control system where each part of the organisation maintains its own identity and independence. Intra-organisational relationships between its parts were observed to be relatively infrequent, weak in terms of mutual effects and slow in mutual response (Berry et al., 1985, p. 14). Nonetheless, in contrary to the negativity attributed to decoupling in the above mentioned LDC research, they argue, such a decoupling in control systems would not necessarily be undesirable but it has enabled the NCB to manage varying types and degrees of complexity and uncertainty. Covaleski and Dirsmith's (1983) also make a very similar observation of how budgeting operate as a means of loose/decoupling between external imagery and internal operations and, for them, such a decoupling is forced through budgeting. The notion of decoupling is, perhaps, best spelled out by Meyer and Rowan's classic (1977) – *Formal Structure as Myth and Ceremony*, where they argue, "to maintain ceremonial conformity, organisations that reflect institutional rules tend to buffer their formal structures from the uncertainties of technical activities by becoming loosely coupled, building gaps between their formal structures and actual work activities" (p. 341). Such a decoupling is necessary, inter alia, for (1) the insulation of the presumed functionalities of the imagery structure from the anomalies of the organisations operational/technical core and (2) the conformance to the formal structure while still preserving the autonomy and the ability of the operational/technical structure to be responsive to a loosely coupled world (Covaleski and Dirsmith, 1983; Meyer and Rowan, 1977; Weick, 1976).

Accounting research on LDCs 'observes' decoupling of accounting but fails to provide theoretical and empirical explanations of why accounting is decoupled from the operational core. This paper takes up that challenge. Using a case study of accounting regime change in a Malaysian company, this paper analyses *how* accounting regime was changed to overcome an instance of decoupling that management of the case company perceived to be problematic and, despite certain technological and managerial improvements, *why* the accounting regime yet remained decoupled from the control of core operations. Through an eclectic use of actor-network theory (ANT), neo-institutionalism and political economy, it demonstrates that accounting remains decoupled from operational processes because of (1) the particular manner in which the accounting is constructed and enabled; (2) the ostensive characteristics of accounting objects around which performativity of accounting is defined; and (3) the organisational context, which involves certain 'political imperfections' that cannot be narrated within organisational apparatus of modernity. Accounting, being an apparatus of modernity, finds it difficult to codify such 'imperfections' and to offer an operational doctrine to govern the real business processes that are embedded within these 'political imperfections'. Hence, it remains decoupled from core operational activities insulating the 'political imperfections' with which business operates. As such, the thrust of the paper, and its primary contribution to the accounting litereture, is an illustrative case study that extends the theorisation of decoupling (cf. Berry et al., 1985; Covaleski and Dirsmith, 1983; Meyer and Rowan, 1977; Weick, 1976). Moreover, we bring political ideosyncracies of LDCs into our analysis and, hence, contribute to theorising accounting in LDCs. As the case story unfolds around a particular project of SAP implementation, especially in a less resourcefull context, it will also contribute to the stream of accounting

[1] ERP, the acronym for enterprise resource planning, refers to an integrated and modular-based software package that can serve multiple departments within an enterprise. Originated from logistics/inventory management software systems (commonly known as Material Requirement Planning, MRPI, and then Manufacturing Requirement Planning, MRPII), ERP has now evolved into a set of packaged software (rather than in-house developed proprietary software) which need to be customised to firm specific requirements through vendors' proprietary tools and standard programming languages. Common ERP modules include financials, HRM, procurement and logistics, product development and manufacturing, sales and services, corporate services as well as some analytic modules such as strategic enterprise management, financial analytics, operations analytics and workforce analytics. SAP is one of the market leading ERP packages and stands for *Systems*, *Applications* and *Product* in data processing. The original German acronym stands for *Systeme Anwendungen* und *Programme* in *der Dataenverarbeitung* (Quattrone and Hopper, 2006, p. 213).