



# Continuity and change; management accounting during processes of transition

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This study examines how the interpretation of (new) concepts and ideas affects management accounting in a Hungarian, previously government-owned company. Through a case study it is analysed how the concepts ‘market’ and ‘market economy’ are brought into the company and affect priorities and the logic related to management accounting just as they change the relations between economy and production. There is especially focus on how ‘economic matters’ and management accounting are constituted between ‘cargoes-of-thoughts’ and a new ‘reality of everyday life’. With Berger and Luckmann (1966) as the primary frame of reference the article will focus on institutionalization and practices in selected parts of management accounting in the case company. It is shown that calculation practice (surprisingly) technically is almost unchanged in the new ‘reality of everyday life’ despite a new purpose, whereas cash management is a quite new discipline; the market economy appears as an alternation but with recognizable inscriptions. In conclusion, the analyses will reveal that post-rationalizations and alternations have attributed to rationality—in a struggle against former ‘cargoes-of-thoughts’.

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## 1. Introduction

This article will examine how the concepts market and market economy—the idea of market economic rationality—are adapted to the management accounting in a Hungarian transition company, including the actions that derive from the adaptation. Today, the case company—Budapest Chemical Works (BCW)—is privatized, but under the command economy it was government-owned. We know that accounting systems change over time in general even though we (still) know relatively little about the preconditions for change, the process of change and the organizational consequences (Hopwood, 1987, p. 207). We also get more knowledge about the changing roles of management accounting and management accountants (Matthews, 1998; Burns *et al.*, 1999), and the impact of for instance budgets in organizations facing

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strategic changes (Abernethy and Brownell, 1999). This article with its explorative approach is trying to describe and analyse selected issues concerning the topic 'change' related to the case company's management accounting in the light of its continuation *and* reorganization. A continuation and reorganization rooted in the company's former existence as a production company under command economy and oriented toward financial survival under market economy.

The point of departure is to understand what management accounting is and what role it plays in a transition company—to explore how institutional changes affect agents' ways of thinking (rationales), and especially how meaning is ascribed to the new rationales, if any, in management accounting. In this light, the article's institutional and sociological approach abandons the idea of absolute rationality. The objective is to understand why rationales look the way they do, how they result in organizational logic and why it may be a problem to leave, supplement, adjust or replace one logic and rationality with another when a set of logics is socially, organizationally and individually institutionalized. This way dealing with issues concerning the relationship between (the introduction of) managerial practices and cultural settings (Smith, 1998). In other words, the article will try to examine how a micro-social system—management accounting in a transition company—is constructed, institutionalized, changed and interpreted in the light of dramatic macro-institutional and social changes in the company's environment.<sup>1</sup>

Despite the dramatic changes in the former command economies in Central and Eastern Europe, the article focuses on a transition company characterized by both *continuity* and *change* (of techniques and mentality). This perspective relies especially on Berger and Luckmann (1966) and their universe of social constructions as a central frame of reference. It will be argued that the calculation practice in BCW is an anchor of stability in a new 'reality of everyday life' but with a new purpose (somehow distinct to the findings of Shields, 1998), whereas cash management is a new discipline (that sometimes defeats the idea of profitability) and represents the new 'reality of everyday life'. In this frame of reference for BCW the market economy appears as an alternation but with recognizable inscriptions.

By modifying Berger and Luckmann's 'BC/AD metaphor' the article becomes rooted in an organization of history, where concepts such as transformation and continuity seem more to the point than immediate change and revolution in a description of how agents understand 'changes in realities-of-everyday-life'. By means of this metaphor the management accounting in BCW will be described, where former actions are reinterpreted in a market economic framework (a framework that has generated rationales in the company through the institutional changes), but/and legitimized through the former command economic rationales and institutions.

Through the article's historically organizing analyses, the management accounting in the case company is characterized as a target for change *and* as instrumental in the process of generating a new constitution and institutionalizing BCW's identity in the

<sup>1</sup>Already at this point it is important to emphasize the papers two applications of the concepts 'institution' and 'institutionalization'. They will be used on two levels: on one level the meaning will be based on a common-sense understanding in terms of 'social, macro-economic and/or political and social rules or systems'. In other words, a non-theoretical, non-sociological understanding and view of the systems. Accordingly, the other level is given implicitly: a sociological application where the above mentioned 'macro-institutional systems' as well as the 'social micro-(organizational or individual) systems or phenomena' will be discussed. The latter level will primarily rely on Berger and Luckmann (1966).

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