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### Human agency in management accounting change

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## **12 Evaluation and conclusion**

This final chapter will engage both in retrospective sense making as well as in prospective sense making. It will look back in assessing the limitations of this study. The focus will then shift to the present and discuss the implications of the findings for management accounting change. The chapter will also look ahead with a discussion of the possibilities for future research. As the current study has produced questions as well as answers, it could lead to an expansion of the research agenda for management accounting research. The chapter ends with a few final remarks.

### **12.1 Limitations of the current study**

The study presented in this thesis investigates how a particular type of change proceeded at the Rabobank. From the theoretical views that were used to structure and to interpret the study and its outcomes, scripts were found to be important features, as they could be seen as individual representations of the regularities underlying much of human behaviour. However, this focus on scripts exposes the scientific communities' inability to find an empirically meaningful concept of a script. This thesis studies scripts through the use of interviews, observations and written evidence of various sorts to identify regularities in human behaviour. It is then assumed that these individually identifiable regularities are rooted in a set of expectations of other's behaviours and future events; i.e. scripts. However, although there is an abundance of theoretical evidence that scripts play a role in change at a cognitive level, these are difficult to apply in empirical explorations.

Gioia (1992) used an alternative method in a study in which he himself was both the researcher and the primary participant. One could argue that he, as a researcher, had access to all information present in his consciousness. However, for the majority of studies, this is not feasible, simply because being a researcher biases experiences to such extent that accounts of these experiences may not be valid representations of the events. This was not an issue in Gioia's case, as he became a researcher long after the experiences, he reported on, took place. Another alternative method that can be used to study cognitive regularities is the laboratory study. The studies by Michael Cohen (e.g. 1994; 1996) focused on routines and learning. He used controlled environments to eliminate alternative explanations for the emergence of routines. Such a method allows the researcher to control for unwanted influences on behaviours, and thus allows him to better isolate behaviours that have been influenced by cognitive structures; simply because alternative causes have been eliminated. However, the current study did not opt for these alternative modes of research, as they do not allow for a process view of management accounting change. A process of organisational change is virtually impossible to simulate in a laboratory environment, as the complexity of the organisation cannot be replicated. This complexity is an essential influence in how people deal with

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changes and thus it must be included in the research design. Although the method selected for this thesis fits the research objectives, it did expose the scientific community's inability to come up with an empirically meaningful concept of the script (and the institution, for that matter). Although this thesis has made a modest attempt to develop these concepts, it can hardly be considered a finished task.

A second limitation of this study is one of its strengths at the same time. The case studies have been conducted at the Rabobank, which is one of the largest cooperative organisations in the Netherlands. The advantage of conducting case studies at a cooperative bank is that all member banks are formally autonomous. This means that member banks decide for themselves how to plan and execute their own change programs. So cases at the Rabobank provide a unique opportunity to track a change program in a large organisation, where most of its decision-making is located locally. Yet, the cooperative has its own set of unique problems that affected many of the decisions made in the various member banks. For example, the member banks have different relations that affect local decision-making. Relations with private members from the local community, relations with the various boards, and relations with Rabobank Nederland and the collective of member banks are unique to the cooperative. Organisations with different governance structures have different stakeholders and experience different pressures. How these affect the results obtained is unclear.

A third limitation of the study is that it insufficiently recognises that experience can also enter the institutional realm through organisational relics and symbols. This study has implicitly included them in its empirical chapters, through an emphasis on shared interaction. One can argue that relics and symbols can only come to exist through interactions. However, this has not been explicated and no evidence has been presented about the value of symbols and relics, as they were not overtly present at the various member banks under study. However, it should be considered a limitation of this study, and the inclusion of symbols and relics may provide a valuable contribution in the future.

Lastly, this work has used ideas and concepts from disciplines other than management accounting. The thesis is primarily aimed at the introduction of these concepts in the OIE inspired accounting change literature, where these ideas and concepts are not well represented. The accounting domain has a profound influence on the organisation and its participants. So the accounting literature also needs to contribute to other disciplines. But this thesis has not sought to extend its envisaged contributions to other disciplines.

## 12.2 Implications for future research on management accounting change

Two questions are highlighted by this study: -1- how and when do organisational participants recognise a need for change in the management accounting domain? -2- how do institutions present themselves to individuals?

*-1- how and when do organisational participants recognise a need for change in the management accounting domain?* This thesis argues that through the interpretation of different cues, which produce a collectively defined issue, a perceived need for change emerges. This means that the perception of a need for change can be influenced by the presence of cues, the interpretation of cues, and the resulting collective definition of one or more issues. Chapter 8 also introduced the notion of the 'issue elite'; a group of people that have the ability to influence a number of cues, interpretations and the presence and meaning of an issue. The mere notion of an issue elite leads to the proposition that the emergence of issues or problems in organisations is not inevitable, but they can be the product of politics of interpretation (March, 1989b).

Issue elites do not necessarily include all senior managers, although it is likely that some are included, because of their access to information. But also others in the organisation who are located proximately to relevant networks can come to be included in the issue elite. The issue elite actually influences the agenda of the organisation, and this view resembles of a Foucaultian concept of power, where power is exercised through networks rather than through the hierarchy. To the accounting community, the issue elite as an agenda-setting entity has some interesting consequences for explanations of the persuasiveness of management accounting information in the organisation. One could argue that the composition of the issue elite (which roles are represented) affects the types of issues that are highlighted, as the role-incumbents have greater knowledge of some functional areas of the organisation than others. Moreover, these incumbents can have an interest in increasing the salience of issues that appeal to their specific area of expertise. Similarly, members of the issue elite need to take an active part in agenda setting, to make sure that they remain included in the issue elite, because they are seen to provide necessary expertise. The centrality of the management accountant in these relevant networks could be of importance to the instigation of changes in the management accounting system. However, this is speculation that requires greater insights into the composition of the groups that instigate change. Not only to obtain more knowledge about the influence of the management accountant on agenda setting in the organisation, but also to obtain insights into the processes that lead to a change in management accounting systems and practices. Therefore, I call for a further exploration of the processes preceding management accounting changes. It is reasonable to assume that these processes continue to exercise their influence through the episodes of collective sense making, which can be instigated and influenced by the issue elite.

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*-2- how do institutions present themselves to individuals?* Institutional theory has had its fair share of criticism. In particular, critiques relating to the abstract nature of institutions and the difficulties associated with empirical studies as a result of varying definitions of these phenomena have resounded over recent decades (Zucker, 1991). To make the notion of institutions empirically more meaningful, it is important to find phenomena that can serve as proxies for institutions. The current study used cognitive scripts to model how institutions can underpin behavioural regularities; these behavioural regularities were analysed at the level of the individual. This appears to be a promising avenue for research. Although institutions come to exist by virtue of collective processes of sense making and invention, they can be represented to the individual by repeated patterns of action and discourse. Therefore, theories of cognitive psychology can provide insights into the processes enabling and constraining action alternatives, and how these present themselves to the individual. In all, to produce more compelling institutional explanations for the process of management accounting change, we need to know how institutions present themselves to individuals and how they affect their behaviour. This knowledge can then be applied to the accounting system to study the processes through which the management accounting systems impinge on the behaviour of individual persons and of groups of people. I therefore propose that extending the idea of the institutions, beyond the change agenda in management accounting research, can offer much insight in the interaction between the accounting system and the organisational participants who operate under its influence. However, to study this interaction, we first need to gain knowledge about how an institution in general, and the accounting system in particular, represents itself to the individual at the cognitive level. I therefore call for further studies into the cognitive representation of institutions. Once we have obtained more knowledge on these representations, we can use them as a proxy for the presence of institutions in social settings, and it should then be possible to better chart the influence of these institutions on human behaviour; a particularly fruitful area for students of management accounting and control.

### 12.3 And finally....

The literature (e.g. Nooteboom, 2000) has hinted at relations between cognitive psychology and institutional theories. But so far, the OIE inspired management accounting change literature has not discussed these relations extensively, although it builds on some of these areas separately. This thesis has discussed some of these relations.

The manner in which issues come to the attention of organisational participants is a consequence of organisational sense making. Some cues can come to mean similar things to many people, and through sense making they come to constitute an issue that needs resolution. The idea of sense making was included in virtually all phases of the study. In retrospect, this is not surprising, as sense making is an on-going human quality. Sense

making can be seen as attempts to be as rational as possible in light of all the constraints that people impose on themselves as the price for their ability to communicate and to engage in intelligible social interaction. At the other end of the spectrum, we find the individual's inability to make sense of everything *all the time*. People resolve this inability by unconsciously allowing themselves to simplify their expectations of others and of their own alternatives by using a script. This thesis argues that scripts can qualify as individual representations of institutions. As such, it does justice to the features found in sociological studies, which state that structure is maintained by the ongoing enacting of this structure. Scripts can cause people to "mindlessly" reproduce those actions that form the foundation of structure. When changes are imminent, people can engage in collective sense making that results in both invention of new practices as well as increased reliance on existing scripted knowledge.

This thesis has taken as point-of-departure the premise that human action is not wholly constrained by institutions, nor is behaviour purely economically rational; where an actor selects the appropriate alternative based on some identifiable criteria. Rather, people perform many tasks rather automatically, and these tasks can be invoked automatically as well. However, under specific conditions, people are prone to be as rational as they possibly can be, under the constraints imposed by existing institutions, their past and various other elements. They make conscious efforts to make sense of their experiences, and to reduce the discomfort they are feeling. Sense making is an integral part of lasting change. Sense making is a requirement for internalising changes. As a consequence, organisations need to strive for appropriate opportunities for organisational sense making. At the Rabobank, the MT+ groups were seen as think tanks, in that they would come up with information needed for the ROM processes. They were also assumed to act as ambassadors of the ROM program. However, none of people in the member banks were aware that group-wise sense making and invention could not be communicated. These are experiences that cannot be carried by the mere communication of the outcomes of discussions of the MT+ group. This was one of the primary reasons for the increasing gap in knowledge between the MT+ groups and the rest of the employees.

The Rabobank case shows that sense making plays a central role in management accounting change. Scripts can be altered through sense making, and through changes in scripts alterations in the institutional realm can emerge. One of the greatest challenges for the future will therefore be to specify the processes through which people make sense of their day-to-day world, and how this sense making impinges on scripts, routines, and ultimately on institutions. To gain deeper insights into the role of management accounting change, we need to study its effect on the use of scripts and the propensity of people to engage in conscious sense making.

