



Contents lists available at [ScienceDirect](http://www.sciencedirect.com)

Management Accounting Research

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



Regulation and adaptation of management accounting innovations: The case of economic value added in Thai state-owned enterprises

Pimsiri Chiwamit^a, Sven Modell^{b,c,d,*}, Robert W. Scapens^{b,e,f}

^a Chulalongkorn Business School, Chulalongkorn University, Bangkok, Thailand

^b Alliance Manchester Business School, University of Manchester, UK

^c NHH – Norwegian School of Economics, Bergen, Norway

^d Turku School of Economics, University of Turku, Finland

^e University of Groningen, The Netherlands

^f Birmingham Business School, University of Birmingham, UK

ARTICLE INFO

Article history:

Received 29 July 2015

Received in revised form 27 February 2017

Accepted 3 March 2017

Available online xxx

Keywords:

Adaptation

Diffusion

Economic value added

Management accounting innovations

Regulation

State-owned enterprises

ABSTRACT

Research on the diffusion of management accounting innovations (MAIs) has grown into a substantial literature which draws attention to how diffusion processes can be fuelled by compulsory regulation. However, relatively little is known about how MAIs interact with wider regulatory processes in society and how this affects the adaptation of such innovations as they diffuse across organisations. This paper extends research on this topic by addressing the questions of how regulators mediate the adaptation of MAIs and how this mediation affects the use of such innovations across regulatees. We explore these questions in relation to the evolution of Economic Value Added (EVATM) as a compulsory performance management system for state-owned enterprises (SOEs) in Thailand. Theoretically, we extend research on management innovations with sociological research, which sees regulation as an evolving and collaborative process that unfolds as an integral part of broader, societal reform programmes. Consistent with this perspective, we show how regulators can fill a key role as mediators by engaging in ongoing consultations with the suppliers of MAIs as well as regulatees, and how this imbues the regulatory standards that govern the use of such innovations with considerable flexibility. We also extend this perspective on regulation by showing how the regulatory standards governing EVATM were influenced by multiple, and partly competing, reform programmes centred on other innovations. In addition, we show how the mediating role of regulators enables regulatees to influence the evolution of regulatory standards and how this facilitates compliance with regulation and allows regulatees to adapt MAIs to industry-specific regulations and cultural characteristics. We discuss the implications of these findings for the sociological literature on regulation informing this paper and for research on the diffusion of MAIs.

© 2017 Elsevier Ltd. All rights reserved.

1. Introduction

The last three decades have witnessed a surge of innovation in management accounting techniques and practices. Academic research on management accounting innovations (MAIs), such as Activity-Based Costing and the Balanced Scorecard, has also flourished and now constitutes a substantial but rather diverse literature (see [Euske and Malina, 2013](#); [Ittner and Larcker, 2001](#); [Zawawi and Hoque, 2010](#)). An important stream of research concerns the diffusion of MAIs across organisations (see [Ax and Bjørnenak,](#)

[2007](#); [Granlund and Lukka, 1998](#)). Empirical inquiries into this topic have been dominated by survey-based studies exploring the influence of various contextual factors on the adoption, implementation and use of MAIs (e.g., [Ax and Greve, 2017](#); [Baird et al., 2004](#); [Bjørnenak, 1997](#); [Burkert and Lueg, 2013](#); [Gosselin, 1997](#); [Johansson and Siverbo, 2009](#); [Krumwiede, 1998](#); [Lovata and Costigan, 2002](#); [Naranjo-Gil et al., 2009](#); [Speckbacher et al., 2003](#)). Most of this research portrays diffusion as a process of voluntary adoption of innovations, driven by either rational choice or imitation of other organisations, but also includes a smaller number of studies exploring how diffusion processes can be fuelled by compulsory regulation (e.g., [Cavalluzzo and Ittner, 2004](#); [Jackson and Lapsley, 2003](#); [Lapsley and Wright, 2004](#); [Malmi, 1999](#)). This latter body of research has studied the regulatory pressures to adopt MAIs in terms of coercive isomorphism ([DiMaggio and Powell, 1983](#)) or

* Corresponding author at: Alliance Manchester Business School, University of Manchester, Crawford House, Booth Street West, Manchester M15 6PB, UK.
E-mail address: Sven.Modell@mbs.ac.uk (S. Modell).

forced selection (Abrahamson, 1991), but pays scant attention to how the regulatory standards that govern such innovations take shape. This arguably leads to a rather simplistic view of regulation as flowing unilaterally from regulators, such as government bodies or corporate headquarters,¹ and imposing relatively rigid standards on regulatees. However, a small but growing number of field studies have started to enrich this picture by showing how MAIs can be implicated in complex regulatory processes which leave considerable scope for the adaptation of such innovations (e.g., Ahrens and Khalifa, 2015; Hayne and Free, 2014; Hopper and Major, 2007; Modell, 2012a; Modell et al., 2007; Suutheewasinnon et al., 2016). This has recently led to calls for more research into how MAIs interact with wider regulatory processes in society (Modell, 2012b, 2014; Van der Stede, 2011; Wagenhofer, 2016).

Answering the calls for more research into how MAIs interact with regulatory processes, whilst recognising that such processes can entail significant adaptations, is important for enhancing our understanding of how innovations come to vary as they diffuse within particular populations of organisations. Whilst much of the earlier research on the diffusion of management innovations tended to associate diffusion with strong pressures for uniformity (Abrahamson, 1991; DiMaggio and Powell, 1983; Strang and Soule, 1998), more recent work shows that diffusion processes almost inevitably foster variations as organisations adapt innovations to fit their specific circumstances (e.g., Ansari et al., 2010, 2014; Birkinshaw et al., 2008; Canato et al., 2013; Fiss et al., 2012; Gondo and Amis, 2013; O'Mahoney, 2007; Slager et al., 2012). Some of this recent research draws attention to the ways in which regulatory standards, governing the use of management innovations, come to entail a considerable amount of flexibility due to mutual adjustments between regulators and regulatees (Ansari et al., 2014; Canato et al., 2013; Slager et al., 2012). Similar observations have been made in the literature on MAIs by scholars who show that specific innovations can become imbued with considerable flexibility and that this flexibility enhances their applicability in a broad range of organisational contexts (Ax and Bjørnenak, 2005, 2007; Modell, 2009). However, little attention has been paid to how regulators and regulatees collectively work towards imbuing MAIs with the necessary degree of flexibility, and how this affects the use of such innovations. Even though increasing attention is now being paid to the so-called supply side of the diffusion of MAIs (e.g., Alcouffe et al., 2008; Ax and Bjørnenak, 2005; Cooper et al., 2017; Gibassier, 2017; Hayne and Free, 2014; Qu and Cooper, 2011), only a handful of studies provide insights into how the adaptation of such innovations can be shaped by the interventions of regulators as they liaise with suppliers (e.g., consultants) as well as the regulatees that have to adopt those innovations (Hopper and Major, 2007; Modell et al., 2007). In short, little is known about how regulators mediate the adaptations of MAIs and how this mediation affects the development of regulatory standards and the possibilities for regulatees to adapt the innovations to their organisation-specific needs. Addressing these issues is important to enhance our understanding of how MAIs are implicated in regulatory processes and how regulators affect the diffusion of such innovations.

The above discussion raises questions about the ways in which regulators mediate the adaptation of MAIs and how this mediation affects their use across regulatees. We explore these questions in relation to the diffusion of Economic Value Added (EVATM) in

state-owned enterprises (SOEs) in Thailand. The concept of EVATM is arguably one of the foremost MAIs emerging since the late 1980s (Bouwens and Spekle, 2007; Ittner and Larcker, 1998). As a financial management system promising to compel managers to maximise returns to shareholders, it has risen to prominence as an integral part of the shareholder value movement (Ezzamel et al., 2008; Fiss and Zajac, 2004; Froud et al., 2000). Yet the diffusion of EVATM has been subject to relatively limited empirical research compared to other MAIs (Zawawi and Hoque, 2010). Whilst constituting a trademark-protected innovation, devised by the US-based consulting firm Stern Stewart & Co, it has been introduced as an inherently flexible and adaptable system that is applicable in a broad range of organisational contexts (see e.g., Stern et al., 1995, 2001). Prior research has shown that EVATM use varies significantly across organisations (Burkert and Lueg, 2013; Malmi and Ikäheimo, 2003) and that variations are due, in part, to differences in the regulatory environments (Chiwamit et al., 2014; Francis and Minchington, 2002; McLaren et al., 2016). The diffusion of EVATM thus provides an interesting focus for a study of how regulators mediate the adaptation of MAIs and how this mediation affects the use of the innovations across regulatees.

To theorise these issues we extend the literature on management innovations by drawing on sociological research on regulation, which stresses that the regulatory standards that govern innovations evolve through the collective efforts of diverse actors whilst being embedded in broader, societal reform programmes (see reviews by Brunsson et al., 2012; Djelic and den Hond, 2014; Timmermans and Epstein, 2010). In contrast to traditional approaches to regulation, based on a view of regulatory standards as predominantly devised by the State and imposed on regulatees in a unilateral manner, this perspective recognises the evolutionary nature of regulation as a collaborative process. In our research, we observe that the Thai government initially sought to impose EVATM in a relatively forceful manner to support the privatisation of SOEs, but that the regulatory standards devised to that end were gradually adapted as regulators collaborated with suppliers and individual SOEs to reconcile EVATM with the regulatory environment in which the SOEs are embedded.² This collaborative approach to regulation continued to evolve as the reform programme underpinning the diffusion of EVATM had to be adapted to other reform programmes and extant regulations. This imbued the regulatory standards governing the use of EVATM with considerable flexibility and enabled organisation-specific adaptations of the system to emerge across the individual SOEs. Our findings show that such adaptations varied with the differences in industry-specific regulations and cultural characteristics according to the extent to which they were (or were not) consistent with the EVATM system. We discuss the implications of these findings for the sociological literature on regulation informing this paper and for research on the diffusion of MAIs.

The remainder of the paper proceeds as follows. We start by advancing an analytical framework, grounded in the perspective on regulation as a collaborative process, and then we use this framework as a basis for reviewing extant research on how MAIs interact with regulatory processes. Next we describe the research methods applied, before offering a longitudinal analysis of the evolution of EVATM in the Thai SOE sector. The concluding section discusses

¹ Whilst most research on the diffusion of MAIs conceives of various government bodies as the source of compulsory regulation, we recognise that similar forms of regulation can emerge *within* individual organisations (see Ansari et al., 2014; Canato et al., 2013; Malmi, 1999). Hence, in principle, the substantive research problem advanced here should be seen as applicable to both settings, although our empirical analysis focuses on the former.

² An earlier study (Chiwamit et al., 2014) compared this over-riding reform process with the introduction of EVATM in Chinese SOEs, where its diffusion has relied less heavily on external consultants whilst being subject to extensive state regulation. However, this earlier study did not examine the influence of individual SOEs on the development of regulatory standards and how this gives rise to organisation-specific variations in the use of EVATM.

Download English Version:

<https://daneshyari.com/en/article/7413649>

Download Persian Version:

<https://daneshyari.com/article/7413649>

[Daneshyari.com](https://daneshyari.com)