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Management accounting in the laboratory and in social context: Four contrasts, 1975–2014

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1. Introduction

Experimental research in management accounting (MA) has changed substantially over the last forty years, and *Accounting, Organizations, and Society* has played a significant role in this change. The present paper explores four basic contrasts in MA experimental research between the beginning and end of this forty-year period. The first two of these contrasts illustrate ways in which the field has expanded and enriched its approaches to MA and thus added to our understanding, while the other two contrasts highlight ways in which the field has narrowed and thus has left us with important unanswered questions.

The first way in which experimental approaches to MA have been enriched is a set of changes in how experiments represent *the people who use accounting*. These users now appear as social beings with complex and somewhat changeable motivations, not as isolated operators of stable (probably profit-maximizing) decision models. The second—and related—set of changes has to do with the way in which MA experiments represent *the roles of accounting in organizations*. Many early experiments treated accounting narrowly as "an answer machine," in Burchell, Clubb, Hopwood, Hughes, and Nahapiet's (1980) terms: that is, MA provided numbers—variable values—to slot into pre-existing decision models, which would then provide managers with answers to questions about how to price products, make capital investments, and so on. More recent experiments have documented more diverse roles for MA: for example, it can help to shape preferences, to structure people's mental representations of their work and environment, and to support or hinder the formation of social identities (Luft & Shields, 2009).

This enrichment and broadening of experimental research in some directions has been accompanied by a narrowing of focus in other directions—perhaps unsurprisingly, as the attention of researchers has limited scope at any one time. Fundamental research questions about MA that were addressed relatively frequently by experiments thirty or forty years ago hardly appear at all in this literature now, although it is not self-evident that these questions are either unimportant or unaddressable or already answered.

The first of these unfinished business areas has to do with Demski and Feltham's (1976) distinction between decision-facilitating and decision-influencing roles of accounting (see Sprinkle (2003) for definitions and examples of these roles in MA experiments). In the late 1970s and early 1980s, a majority of the MA experiments in major journals addressed decision-facilitating roles of MA. In contrast, in more recent years, the situation has reversed: a relatively large, robust, and coherent experimental literature addresses decision-influencing roles, while the recent experimental literature on decision-facilitating uses has been relatively small and fragmented.

Second, although experiments have always been more likely to address the effects of MA than its causes, the gap between these two foci of research has widened in recent years. Most experiments try to answer questions about what will happen *as a result* of using one type of MA rather than another (MA is an independent variable). *How it comes about*—by deliberate design or spontaneous processes—that organizations use one type of MA rather than another (MA as a dependent variable) is not a question that experiments in recent years have been very likely to investigate.

To examine these four contrasts in more detail, the rest of this article proceeds as follows. As an initial overview, the next section provides a graphic illustration of the growth of MA experiments between the early and late years of this forty-year period in the research communities that have clustered around different major journals. The two following sections present in more detail the increase in diversity and richness in experiments' representations of the users and roles of MA. The subsequent section examines shifts in experimental research from decision-facilitating to decision-influencing roles of MA and from causes to effects of MA; it also identifies some possible approaches for addressing

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the unfinished business that these changes have left behind. The last section provides a brief summary and conclusion.

2. Publication of MA experiments: Contrasts between 1976–1985 and 2005–2014

Some of the changes in MA experiments in the last forty years are readily visible in a graph of publication patterns in major journals at the beginning and end of this period. I begin by simply counting the number of MA experiments that appeared in the three highest-impact English-language journals that have regularly published such experiments in the last forty years: *Accounting, Organizations, and Society*, *of Accounting Research*, and *The Accounting Review*.[1] For purposes of this count, I define MA as accounting in organizations, including both accounting information as such and the organizational processes in which it is involved (e.g., budgeting, performance evaluation), and including the management of close inter-organizational relations in joint ventures and supply chains. The count does not include experiments that address purely methodological issues relevant to MA but without any actual MA content (e.g., a comparison of methods for eliciting subjective probabilities in abstract settings). The count also does not include experiments that examine how financial-market participants such as investment bankers or financial analysts might use MA information if they have it.

Fig. 1 presents the results of these counts for four five-year periods: 1976–1980, 1981–1985, 2005–2009, and 2010–2014. I sum the counts by five-year periods to avoid the noise from small-sample fluctuations that would appear in year-by-year counts, and I omit the middle years of the forty-year period in order to make the contrast more visible between early and recent experimental studies of MA.

As Fig. 1 shows, trends in the publication of MA experiments are quite different in the three journals. The *Journal of Accounting Research* was the primary venue for such studies in the late 1970s and early 1980s but has rarely published them in recent years, while an opposite trend appears for *The Accounting Review*. In the absence of further information, we might suppose that Fig. 1 represents a migration of a particular type of studies from one US journal to another, perhaps as editorial tastes change, while *AOS* holds a steady course in the middle, less subject to large fluctuations in taste.

A closer examination of the studies represented in these counts, however, will reveal that this is not the case. Rather, the particular *type* of MA experiments that *JAR* stopped publishing were not published anywhere else either after the mid 1980s. The type of MA experiments that took off around the turn of the millennium were very different, in ways this article intends to explore.

The role of *AOS* in these changes was twofold. First, it provided a regular publication venue for a broad variety of research, including MA experiments of various types. It was a seedbed: it offered a place where people could continually try out different ways of doing MA experimentation, so that if one approach came to a dead end, there were at least preliminary examples of alternative approaches available that might be developed. Second, and equally important, *AOS* in the 1980s published a number of much-cited qualitative theoretical articles (e.g., Burchell et al., 1980; Cooper, Hayes, & Wolf, 1981; Hopwood, 1983; March, 1987; Roberts & Scapens, 1985) that took issue with the rather narrow view of MA and its users that was prevalent in much of the early experimental literature.

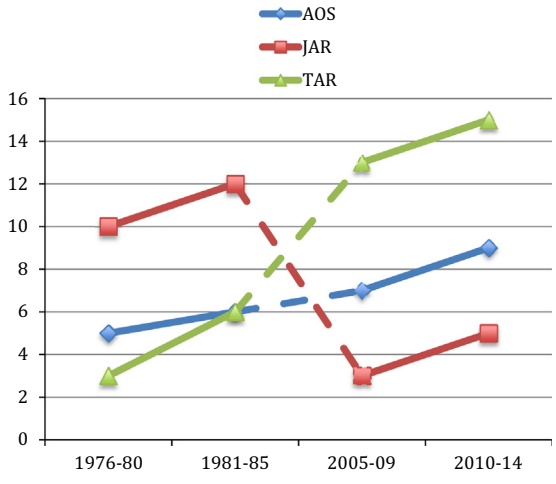

Fig. 1. Number of MA experimental studies published in three major journals, 1976–1985 and 2005–2014. The data points represent the total number of experimental studies on MA published during the designated time periods in each of three journals: *Accounting, Organizations, and Society, Journal of Accounting Research*, and *The Accounting Review*. Broken lines between 1985 and 2005 highlight the fact that no data is presented for this interim period.

As the next sections will illustrate in more detail, the kind of experimentation that took off around the turn of the millennium had a view of MA and its users that was in many ways more like the view represented in these much-cited *AOS* articles from the 1980s than it was like the view represented in earlier MA experiments. As I argue in the following sections, taking this different view enabled researchers to make a variety of interesting and valuable contributions.

3. Changing representations of the users of MA

The first of the two major (related) changes that have enriched MA experiments over the last forty years is a change in the way that the *users* of MA are represented. Experiments are typically close-up, sharp-focus pictures of a small segment of human activity, not comprehensive overviews, and early MA experiments tend to bracket out many questions about the nature of users—that is, to set these questions aside unanswered—in order to focus attention on other issues.

What is *in* the focus of experimenters in the first ten years of our forty-year period, besides basic experimental methods,[2] is typically users' cognition, conceptualized as the more or less skilled use of decision models, and in particular, the use of accounting inputs to these models. For example, early experiments examine product costs calculated by different accounting methods as inputs to product pricing models (Ashton, 1976, 1981; Bloom et al., 1984; Dyckman et al., 1982), opportunity costs as inputs to investment models (Neumann & Friedman, 1978, 1980; Hoskin, 1983), cost information as inputs to variance-investigation models (optimizing or heuristic: Brown, 1981, 1983; Jacobs, 1978; Lewis, Shields, & Young, 1983;

[1] This count includes all laboratory and field experiments in MA that were published as research articles or research reports; publications in separate "Notes" or "Capsules and Comments" sections of the journals are omitted. Two other journals that are commonly regarded as internationally significant, *Contemporary Accounting Research* and the *Journal of Accounting and Economics*, are omitted from these counts. *CAR* did not begin publication until 1984, and thus cannot provide comparative data for the first ten years of the forty-year period; and *JAE* has published almost no experiments. Experiments published in *CAR* are included in the discussion of recent research in later sections of this article.

[2] Some of the difficulties of establishing credible and usable experimental approaches to MA research can be seen in the debates over methods in research on functional fixation (Ashton, 1976; Bloom, Elgers, & Murray, 1984; Dyckman, Hoskin, & Swieringa, 1982; Libby, 1976; Wilner & Birnberg, 1986) and the use of opportunity costs (Becker, Ronen, & Sorter, 1974; Neumann & Friedman, 1978, 1980; Hoskin, 1983).

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