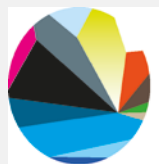




Mapping the MAPs: studies of management accounting practices in the post-socialist countries



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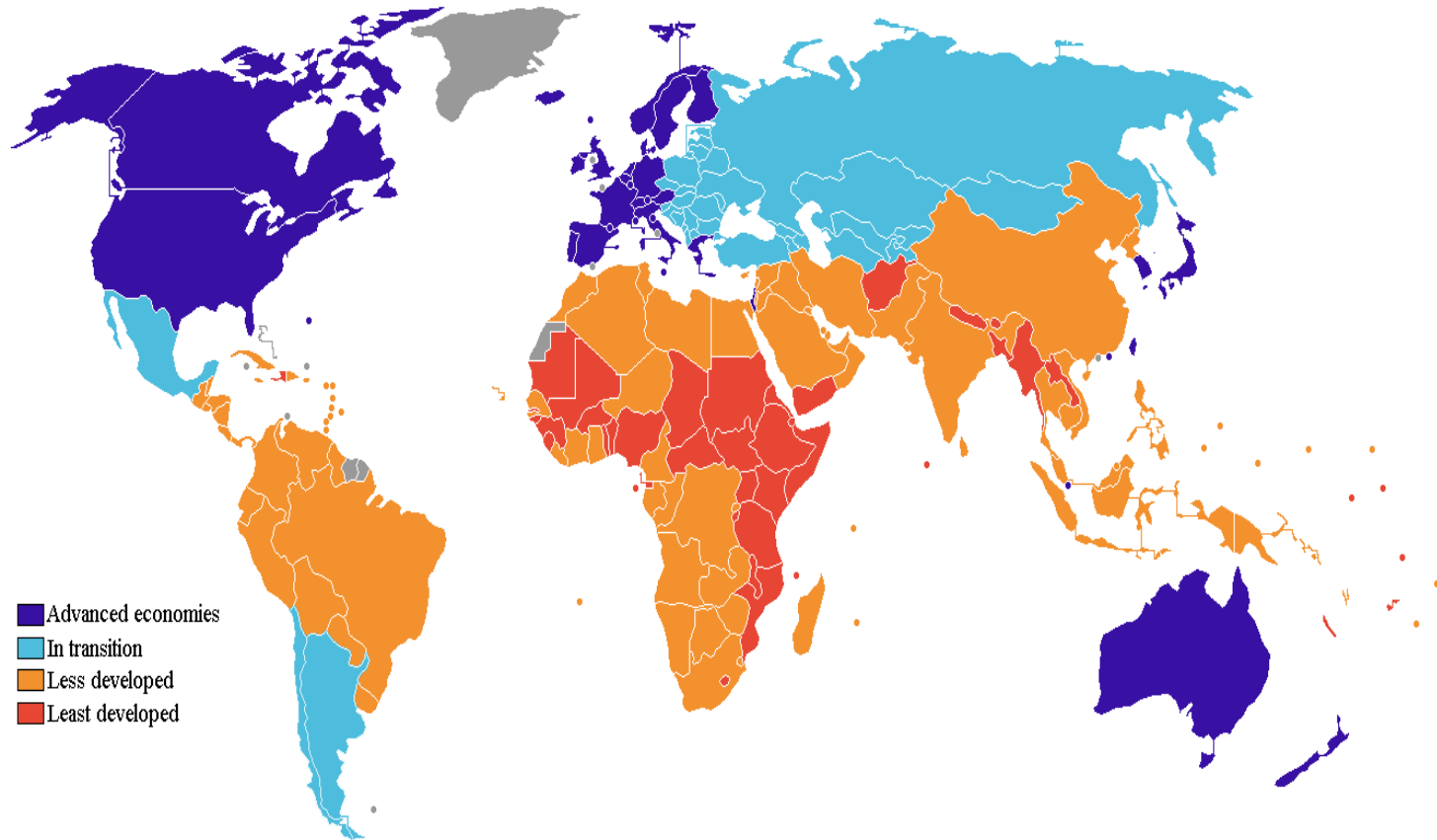
Olga Iermolenko

EAA Congress, Milan, 01.06.2018

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- **The problem:** The knowledge about MAPs, in organizations in economies other than those typically described as ‘advanced capitalist economies’, is not that thoroughly studied and systemized (Hopper et al., 2009; Ezzamel & Xiao, 2011)
- **The aim of the paper** is to provide a comprehensive overview of existing empirical research in the area of management accounting practices MAPs in post-socialist countries (PSCs), published in academic journals in recent decades
- **RQ:** *‘How has transformation to a market economy influenced MAPs’ development across PSCs in recent decades, and what role has agency played in MAPs’ development?’*

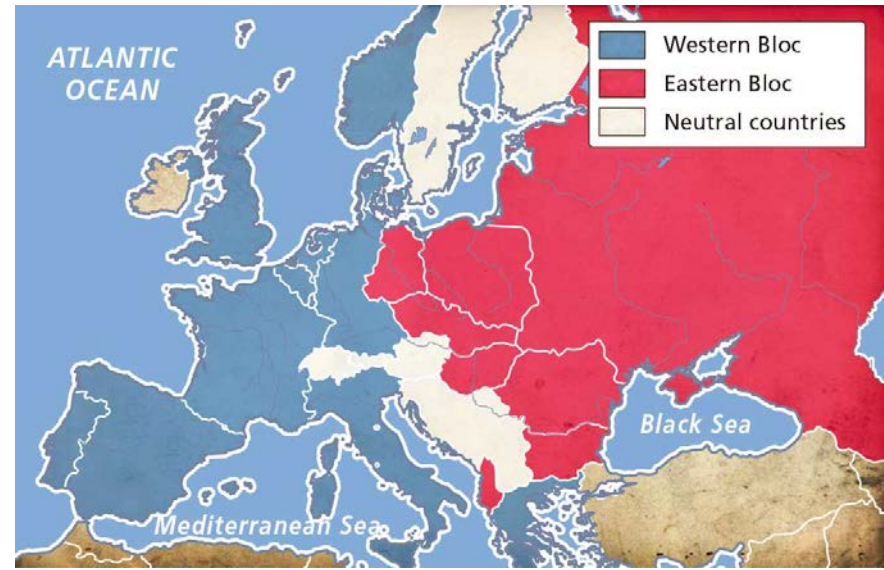
What is a post-socialist country?



Developed and developing countries

Based on CIA World Factbook, source:

https://commons.wikimedia.org/wiki/File:Developed_and_developing_countries.PNG



Western and Eastern bloc countries in the “Iron Curtain” period

https://www.blinklearning.com/Cursos/c1118869_c62171549__The_bipolar_system%E2%80%83.php

Relatively stable environments, 'advanced capitalist economies' are in focus

Understanding of the mechanisms of incremental changes or 'naturally occurring' MAPs' changes

Radical changes with their implications for the human actors, are left largely unexamined

A significant part of the world's population lives in countries with a transitional economy or in developing countries

A rich seam for theoretical discoveries and the refinement of existing theories

- Understanding the development of MAPs in PSCs is often linked to progress in institutional/structural reforms (Paladi & Fenies, 2016)
- This perspective often neglects to study ‘human agency’ (Battilana & D’Aunno, 2009; Emirbayer & Mische, 1998; Hiebl, 2017) and its role in MAPs’ changes in PSCs.
- ‘Agency’ refers to the capacity or ability of organizational and human actors to be involved in accounting institutional work, i.e. creating, maintaining and disrupting existing accounting practices (Battilana & D’Aunno, 2009)

- Although the selected publications may not explicitly refer to human agency, published research studies contain evidence of actors' engagement in MAPs
- Special attention is paid to reports of any human activities related to MAPs' changes and the relationships between the different levels of actors, in order to understand the '**agentic capacities**' possessed by different levels of actors, as well as their '**negotiating capacities**' (Emirbayer & Mische, 1998)
- It is believed that a combination of the two perspectives – institutional and human agency – provide a much clearer explanation of the 'speed' of the transformation processes in MAPs across different PSCs than the institutional perspective alone

Stage 1: Keyword search using databases: Scopus, Web of Science, Google Scholar

Identification of publications on MAPs in transitional economies in accounting journals – very limited sample of articles in the defined topic
(29 in total, 14 selected to go further)

Stage 2: Keyword search using databases: Scopus, Web of Science, Google Scholar

Identification of publications on MAPs in transitional economies in other business administration journals
(153 selected articles in total)

Stage 3: Review of reference lists of papers identified at Stages 1–2

Including additional publications from the reference lists of the selected articles
(9 more articles)

Stage 4: Screening and filtering the search results

Exclusion of irrelevant publications (total of 54 papers selected for further analysis)

Stage 5: Thorough second screening, selection and categorization

(42 papers selected and categorized according to the literature review framework)

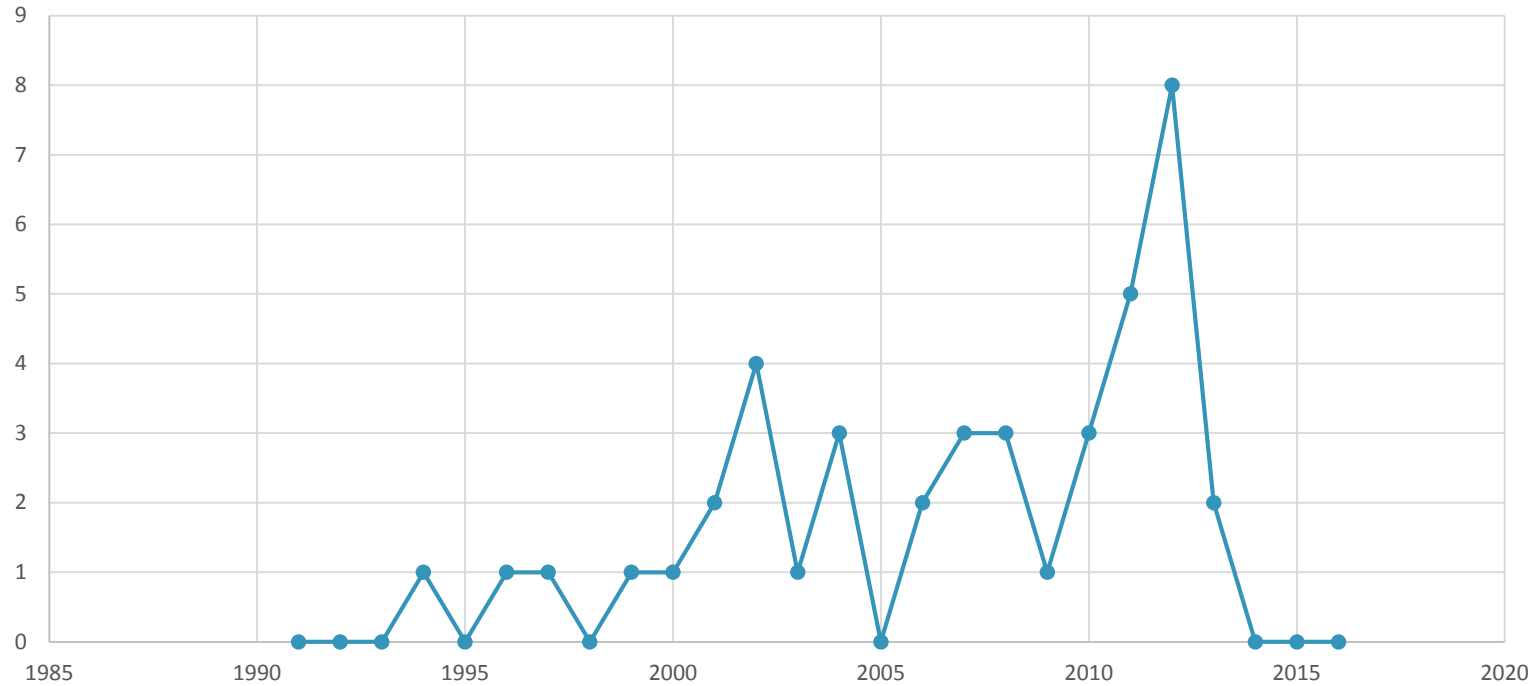
Research Question: MAPs in post-socialist countries

Source: articles published in international journals in English language during the period 1991–2016

Research problems and approach (theory & method)

Findings, contributions

Suggestions for further research



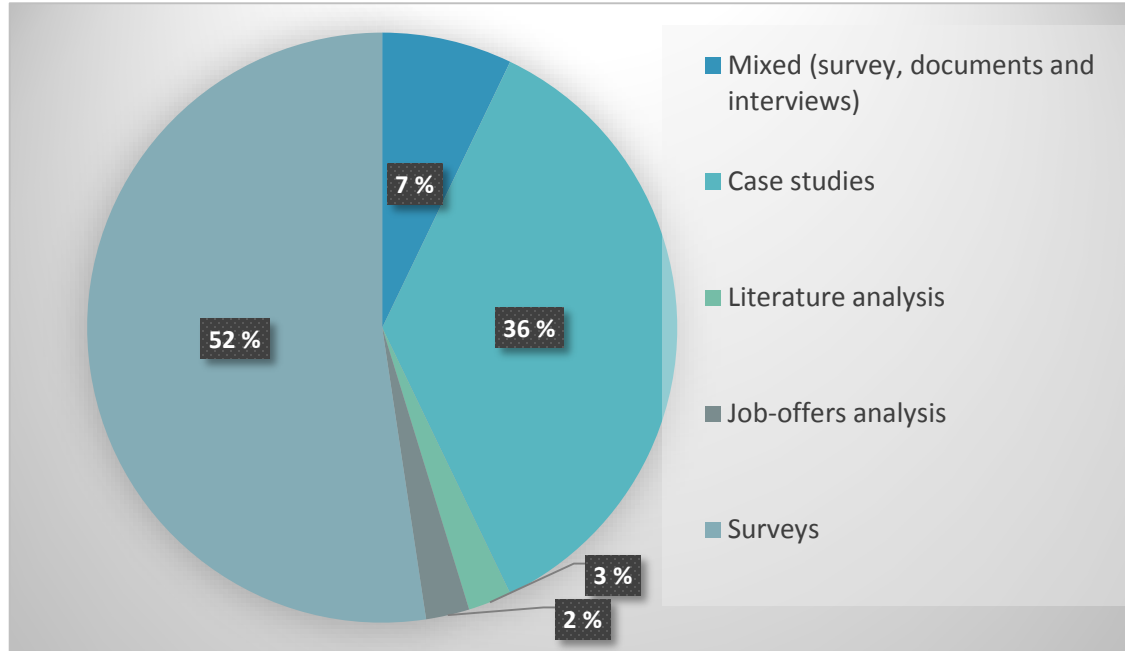
Distribution of articles over the years

Insights from peer-review
 accounting and business
 administration journals

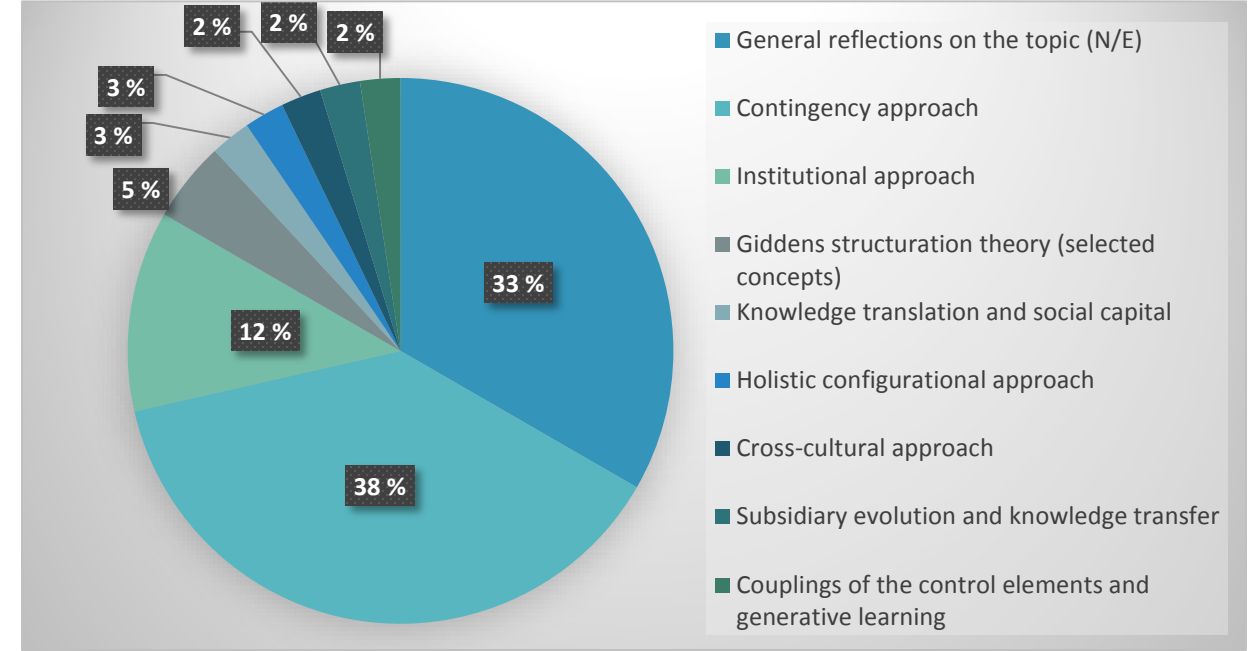
Distribution of the selected publications according to PSCs groups

List of countries	EU membership since	No. of publications
Post-transition non-Soviet countries		23 (total)
Czech Republic	2004	3
Hungary	2004	2
Poland	2004	4
Slovakia	2004	2
Slovenia	2004	12
Post-transition Soviet countries		4 (total)
Estonia	2004	3
Lithuania	2004	1
Latvia	2004	-
Non-Soviet countries in transition		6 (total)
Montenegro	n/m	1
Croatia	2013	2
Albania	n/m	1
Romania	2007	2
Bulgaria	2007	-
Former Soviet countries in transition		5 (total)
Russia	n/m	3
Ukraine	n/m	2
Mixed groups		4 (total)
Baltic countries and Russia	-	3
Bulgaria and Romania	-	1
Total		42 articles

Peer-review accounting and business administration journals



Methodological approaches used in the selected articles



Theoretical approaches used in the selected articles

Insights from the literature – 42 articles in accounting and business administration journals

- Since the early 1990s, many significant institutional changes have occurred in almost all PSCs. Especially significant changes in MAPs are observed in the post-transition countries (Paladi & Fenies, 2016), which are now considered full members of the European Community.
- Modernization and transformation of MAPs is also happening in transition PSCs.
- The wide use of the new performance measurement techniques, computerized management accounting and information systems, IFRS accounting and reporting, and fair value accounting are a few examples of change.
- Nevertheless, many areas for improvement remain for both transition and post-transition PSCs.
- There are specific issues related to the process of transition, the dynamics and change, and the importance of informal systems, cultural aspects, and business traditions.
- The scientific potential of research on MAPs in transition PSCs is still underexploited, with research at its initial stage, especially regarding publications in the peer-reviewed accounting journals.

Insights from peer-review accounting and business administration journals

Identified gaps and avenues for future research

Periods	1991–2002	2003–2008	2009–...
In terms of new theoretical discoveries	Understanding the differences between the local and international MAPs; reasons and justification for implementation of new MA	Gaps in knowledge and competences, how accounting and auditing education may contribute to facilitation of transition and adoption of new accounting regimes	Understanding the mechanisms of implementation of new MAPs, challenges, opportunities, and results of changes; how to improve accounting and auditing education
In terms of methods	Defining success factors and other contingencies linking MAPs and organizational performance; surveys testing existing hypotheses in other contexts with similar market environments and with larger samples	Defining more contingencies influencing the design of MAS/ performance measurement system (PMS), both internal and external	Beyond contingency research, more qualitative research and multiple case studies (in-depth, longitudinal and comparative)

Topics highlighted	Main types of MAPs considered	Key aspects derived from the reviewed papers	Context	Selected references
Dynamics and changes	Computerized MAS, PMS, ABS, capital budgeting, BSC	Large and medium-size companies follow international performance measurement (PM) patterns and use modern developed PMSs; increasing use of externally and internally oriented non-financial PM approaches; recognizing need to address non-financial performance measures, shifts towards broad MAS	Post-transition	Lääts et al. (2011), Wnuk-Pel (2010), Lääts & Haldma (2012), Odar et al. (2012)
Strategic opportunities	Strategic management accounting, costs control, PMS	Managers consider contemporary (Western) MAPs as a 'must' for their firms' competitiveness; SMA usage affects performance; MCS influences the implementation and monitoring of strategies, providing information, interaction and learning; SMA techniques may be useful for cost control; firms that use PM experienced lower risk of shutting down during economic crises	Post-transition & transition	Chacko & Wacker (2001), Cadez & Guilding (2008), Peljhan (2007), Cadez & Guilding (2012), Ramljak & Rogošić (2012), Peljhan et al. (2012), Šobota & Peljhan (2012)
Inertia, contradictions, hybridization	Operational control systems, IPMS, costing, cash accounting	Decoupling of formalized MAS from actual MAPs and regulations; calculation practices (surprisingly) technically are almost unchanged in the new 'reality of everyday life'; MA is still control- rather than management-oriented; SMEs prefer using the traditional measurement techniques; contradictions of local traditions and IFRS; no evidence that private ownership is associated with improved economic performance	Post-transition & transition	Slávik (2001), Vámosi (2000), Mayr (2012), Odar et al. (2012), Sucher & Jindrichovska (2004), Estrin & Rosevear (1999), Karhunen et al. (2008)
Design and usage of MAS	Complex information systems (ERP), IPMS (BSC), standard costing (ABS), quality control systems	IPMS used more frequently in large companies than in SMEs; contextual factors, such as company size and industry, knowledge about MA tools, are important determinants of integrated PMSs' usage; the effectiveness of MAS design depends on its ability to adapt to changes; BSC, ABS and quality costing represent widely used SMA techniques; although financial performance measures are perceived as more important, the importance of also using the non-financial measures (employees, quality, innovations, customers, suppliers, environment) is recognized	Post-transition	Rejc (2004), Marc et al. (2010a), Szychta (2002), Haldma & Lääts (2002), Marc et al. (2010b), Ramljak & Rogošić (2012)

Topics highlighted	Main types of MAPs considered	Key aspects derived from the reviewed papers	Context	Selected references
Accounting profession and education	Computerized MAS, ERP, IPMS, IFRS	Hybridization within the accounting profession; gaps in managers' competences in implementation and use of modern accounting technologies and contemporary MAPs	Post-transition & transition	Lääts & Haldma (2012), Albu et al. (2011), Sinković et al. (2011), Llaci et al. (2002)
External influence and professional services	IFRS accounting and reporting	The adoption and use of MA techniques are mostly associated with the presence of foreign capital; The 'Big Six' dominate in the formation of a new profession; big auditing firms' key role in enforcing IFRS	Post-transition & transition	Albu & Albu (2012), Seal et al. (1996), Sucher & Jindrichovska (2004)
Accounting in MNC and subsidiaries	PMS, benchmark comparisons	The performance evaluation of a subsidiary's management influences the performance of a subsidiary; intermediaries can invoke tensions between head office and subsidiaries, i.e. divergent social systems, through accounting information; there is need for a highly flexible MAS in companies in transitional economies, due to frequent changes in the environment	Post-transition & transition	Zaman (2004), Moilanen (2012), Moilanen (2008), Claus & Hand (2009), Golikova et al. (2011), Southworth (1994)
Informal aspects of control and human reactions to changes	Informal (social) control mechanisms	Importance of informal (social) mechanisms of control and personal networking in PSCs; informal institutions have prevailing effects on stakeholders' behavior; questioning the readiness of the society to adopt changes (not only formally)	Post-transition & transition	Peljhan (2007), Lascu et al. (2006), Kuljak (2012), Moilanen (2007), Marc et al. (2010a), Hellström (2006), Marc et al. (2010b), Tekavčič et al. (2011), Kloviene (2013)
Cultural and cross-cultural aspects of control	SMA, culturally localized MAPs	The changes in MA are based on a historical burden of experience and rationality that cannot be dismissed; less shared information, cooperation across departments, and shared responsibility for departmental tasks (Poland vs. USA), differential use of SMA (Slovenia vs. Australia); higher levels of control appear to emerge as channels face increasingly volatile environments (Poland vs. Germany); the need for cultural localization of MNCs' accounting systems, considering cultural dimensions, such as power distance & masculinity	Post-transition	Vamosi (2003), Cadez & Guilding (2007), Manolis et al. (1997), Lascu et al., 2006

Key aspects derived from the reviewed papers

- Managers consider contemporary (Western) MAPs as a 'must' for their firms' competitiveness
- Decoupling of formalized MAS from actual MAPs and regulations
- Hybridization within the accounting profession; gaps in managers' competences in implementation and use of modern accounting technologies and contemporary MAPs
- The adoption and use of MA techniques are mostly associated with the presence of foreign capital
- The performance evaluation of a subsidiary's management influences the performance of a subsidiary
- Importance of informal (social) mechanisms of control and personal networking in PSCs

Multiplicity of actors engaged in MAPs' changes

External	Internal
<ul style="list-style-type: none"> – Accounting standards' setters, Institutes of Chartered Accountants – Unions of Accountants, Chambers of Financial Auditors and Tax Advisers – Multinational accounting firms and managers working in "The Big Four" and other companies outside The Big Four – Finance and Economy Ministries in examined contexts – European Union (Directives) – MNC headquarters 	<ul style="list-style-type: none"> – Directors, financial controllers, economic directors, finance directors in different companies – MNC subsidiaries and intermediaries – Entrepreneurs, firms' owners, managers and ordinary employees – Management boards – Shareholders

- **Progress in reforms and structural changes**
 - Actors actively engaged in the processes of promotion and adoption of such different initiatives as International Financial Reporting Standards (IFRS), Generally Accepted Accounting Principles (GAAP) or International Accounting Standards (IAS)
 - Enterprise resources planning (ERP) systems, BSC or other integrated performance measurement systems adoptions
- **Agentic and negotiating capacities of actors & tensions between actors regarding implementation of new MAPs**
 - Personal motivations of organizational actors to adopt new MAPs
 - Disagreements between actors regarding MAPs and business traditions in multinational companies and their subsidiaries, adaptation processes
 - ‘Motivators’, ‘catalysts’, ‘facilitators’, and ‘obstructors’ of MAPs’ changes
 - The lack of necessary knowledge to ‘operate’ the new definitions and systems

		Progress in reforms and structural changes	
		Quick	Slower
Actors' behavior	Adaptive	(1) Success	(2) Struggle
	Resistant	(3) Imitation	(4) Frustration

(1) Success

- Relatively quick and significant progress in structural/institutional reforms (Paladi & Fenies, 2016)
- More interaction & less tensions in between the two groups of ‘external’ and ‘internal’ agents (Haldma, 2002)
- ‘External’ and ‘internal agents’ find ways to formulate and achieve common goals and views on changes, thus possessing high agentic and negotiating capacity (Emirbayer & Mische, 1998)

Classification Criteria	Non-Soviet Countries	Soviet Countries
Post-transition	Central and Eastern European countries (Czech Republic, Hungary, Poland, Slovakia, and Slovenia)	Baltic countries (Estonia, Latvia, Lithuania)
Countries in transition	Bulgaria, Romania, and former Yugoslav republics (Albania, Macedonia, Bosnia and Herzegovina, Montenegro, Croatia)	Other former Soviet republics (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan)

(2) Struggle and (3) Imitation

- The ‘struggle’ situation means that although these PSCs experience struggles in different types of reforms and introduce them relatively slowly, the human actors are active and mainly adaptive, sharing common goals
- The ‘imitation’ situation shows that actors are willing to join the European Community, and the institutional changes are introduced rapidly. However, these changes have more symbolic character and imitative form

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(4) Frustration

- The ‘frustration’ situation is characterized by a low level of adaption of Western MAPs and ideas because of the lack of institutional support (contradictory and failing reforms)
- Disagreements between external and internal agents that consequently possess low agentic and negotiating capacity
- The tale of Swan, Pike and Crawfish

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“The tale of Swan, Pike and Crawfish”



The context of PSCs is a rich platform for studying MAPs' changes and role of agency in shaping MAPs

- Various transformations at different levels (state, industries, companies and even individual actors)
- Old institutions are 'dead' or modified, new institutions are still forming => it opens up space for discussions
- The speed of undertaken changes is impressive

Development of MAPs in different groups of PSCs

- Changes are undertaken in all groups of PSCs
- (Surprisingly) not many publications on changes in MAPs in peer review international journals, more – in business administration journals
- Little amount of studies published after 2013 (!)
- Tensions in between different groups of 'external' and 'internal' actors
- Dissatisfactions with the contingency approach, calls for more studies using other theoretical and methodological approaches
- Both the progress of the institutional reforms as well as cooperative/adaptive behavior of key external and internal actors (rather than resistance/suspicious towards accounting changes) are required for adoption of new MAPs
- Most of the article focuses on "success" stories, rather than cases of "struggle", "imitation" and "frustration"

Thank you for your
attention!

Agency embeddedness in formal and informal institutional forces

