

METHODOLOGICAL ISSUES IN ACCOUNTING RESEARCH

Theories, methods and issues

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PREFACE

What is my theory? How do I choose a theory? Why and how should I employ a particular method for collecting the empirical data? These basic questions concern everyone involved in research. Current books on research methodology lack detailed answers to these questions. In this collection, I have tried to fill this apparent gap in the literature by providing a practical guideline as to why and how to choose a particular theory or method to study organisational phenomena such as accounting practice. The chapters have been written by well-known scholars in their respective fields. Each chapter documents the latest developments and research in accounting and control systems and provides valuable insights into methodological perspectives in accounting research.

The book is primarily intended for research students and academic researchers. It can also be used for undergraduate Honours course as well as postgraduate accounting and business methodology courses. Research organisations and consulting firms in accounting and business fields may also find this book useful.

REVIEW PROCESS

This is a peer-reviewed collection of chapters. Each submitted chapter has been subject to the following review process: (a) it has been reviewed by the General Editor for its suitability for further referencing, and (b) its final acceptance for publication has been subject to double and triple blind peer review.

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1

INTRODUCTION

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1. Introduction

A major problem confronting a researcher new to this area is which theoretical perspective is most apt. A research study can be a voyage of discovery or a choice of theoretical perspective, as well as gathering empirics or facts on a problem or situation. The aim of this edited collection of chapters is to make a contribution to advancing research methodology in accounting by critically assessing the existing theories and methods that are applied to study accounting practices.

Accounting researchers use both traditional and emergent theories to study accounting in organisations. Traditional and emergent theories offer differing insights into organisational phenomena and suffer from different shortcomings. Nevertheless, these two approaches to accounting research lead to the increase in knowledge and understanding about a phenomenon or phenomena. This book has brought these two strands of literature together in one volume. In addition to this, the book also includes chapters on research strategies, data analysis, ethical issues, and publishing work in academic journals. The book is divided into seven parts, namely: positivistic perspectives; naturalistic research approach; institutional and contextual perspectives; critical perspectives; research strategies and data analysis; ethical issues; and publishing research.

2. Positivistic Perspectives

Research using positivistic (or traditional) perspectives or theories see 'reality' as a concrete structure and 'people' as adapters, responders, and information processors to achieve efficiency and the goal of an organisation (Morgan and Smircich, 1980). Accounting research from such perspectives, views accounting control systems, such as budgeting as a means to achieving low cost, efficient operations. Using this approach the researchers normally rely on an arms-length research method – statistically categorises key variables and then attempts to retrieve meaning by *ex post facto* interpretations of tests of significance (Tomkins and Groves, 1983, p. 362).

The second part of this book presents six chapters. Chapter 2 introduces the principles of rational choice theory and shows how the incentives of a given decision imply a certain behavioural response, one that is dictated by a desire to achieve maximum utility. The chapter also discusses the concept of bounded

INTRODUCTION

rationality and models of bureaucracy to show the complexity of decision processes across time and, in turn, point to the limitations of rational choice theory and the need to complement the theory with other sociological theories to embed the decision process within its cultural and institutional context. Chapter 3 discusses the human relations theory which has contributed to a broader understanding of how a variety of human aspects can affect the operation of accounting and control systems in organisations. These include: the effects of participation/consultation in decision-making processes; motivation, satisfaction and reward systems; leadership effects; organisational slack practices; and the effect of interpersonal relations among organisational members.

Within the second part, Chapter 4 focuses on a central theoretical concept in contingency theory, the nature of fit. Reviewing, in turn, Selection, Interaction and Systems forms of fit, they discuss the main assumptions and implications that each entails, followed by a discussion of the various ways in which these theoretical approaches have been tested in practice in a variety of studies of contingency theory looking at management control systems. Chapter 5 provides a summary of the commonalities and differences across the three major paradigms adopted by accounting researchers when using an agency framework: Principal-Agent, Transaction Cost Economics and Positivist (Rochester) model. Chapter 6 reviews management control literatures alongside conventional transaction cost economics (TCE) in order to address the absence of ex-post control mechanisms in TCE's rather restrictive account of governance. A review of the evolution of strategic thinking and the management control systems (MCS) literature in Chapter 7 provides a conceptual map for integrating disparate perspectives to meet the immediate challenges for MCS development.

3. Naturalistic Research Approach

It has been suggested that by the use of scientific or positivistic approaches, the researchers know little about accounting in actual practice, how it interacts with other organizational effectiveness and adaptability (Tomkins and Grove, 1983; Hopper and Powell, 1985). Tomkins and Groves (1983) suggest that the use of "scientific" methodology is appropriate only where the meanings of variables are found, or perceived, to be "stable" and "situation-independent". They further view that this approach is inappropriate for certain types of social research problems where the researcher lacks the confidence to adopt the view of the world and related set of ontological assumptions to enable the scientific approach to be used with validity. Within the naturalistic domain, Chapter 8 proposes the use of a method of research called the Grounded Theory method. In this Chapter, the authors suggest that the rationale behind the Grounded Theory method is that theory should be grounded in empirical evidence, i.e. evolve from data, rather than be developed a priori and then be tested. Glaser and Strauss (1967) suggest that most social research is primarily concerned with deductive rather than inductive reasoning, or the testing of hypotheses rather than their generation. They urged researchers to

develop "grounded theory", discovering theory from data, having first shed all theoretical preconceptions about the substantive area under examination. The aim is to move from raw data, to the identification of conceptual categories and their conceptual properties, to their interrelationships, and hence to the construction of a theory or set of related hypotheses, using a systematic procedure of data coding and analysis which they labelled the constant comparative method (Glaser & Strauss, 1967). In this book, Chapter 8 expands on this issue.

4. Institutional and Contextual Perspectives

Accounting research also investigates accounting practice from social, cultural and political standpoints within which it operates (Burchell *et al.*, 1980; Berry *et al.*, 1985; Hoque and Hopper, 1994; Covalleski and Dirsmith, 1988a, 1988b; Carpenter and Feroz, 2001; Modell, 2002, 2003, 2005). Part IV presents four chapters on institutional and contextual perspectives. Within this part, Chapter 9 explores the notion of 'organisational legitimacy' and emphasises that organisational legitimacy can be considered as a resource upon which many organisations are dependent for their survival. Chapter 10 describes institutional theory and provides a review of extant accounting research concentrating on those studies that have adopted both 'old' and 'new' institutional approaches. Chapter 11 discusses the relevance of stakeholder theory in accounting research as an alternative approach to the shareholder theory. It highlights that the success of modern business depends on sustainability which can be achieved by considering the needs of its stakeholders. Chapter 12 offers a snapshot of some of the recent attempts to conceptualise management accounting systems within its organisational context. In so doing, the chapter discusses the intensity of processes of change by looking at the evolutionary versus revolutionary patterns.

5. Critical Perspectives

Part V focuses on critical perspectives. In this part, Chapter 13 highlights the merits of Critical Theory as a theoretical perspective or 'way of seeing' informing research in accounting. Chapter 14 discusses the labour process theory, grounded in Braverman's formulation, with an introduction to the literature that has emerged as well as a discussion of the major criticisms that have been raised as to its validity, comprehensiveness, and contemporary applicability. Chapter 15 draws on Gandhi's interpretation of the *Vedic* philosophy of living in harmony with Nature in proposing an alternative to the dominant paradigm of economic growth, which is based on the logic of control. This chapter discusses the implications of Gandhi's principles of *satyagraha* (that is, assertive search for truth through dialogue) and *swaraj* (freedom) that are applied in formulating a discursive accountability framework which engages dialectically with the individual and structure through the psychology of fear-reflectivity. Chapter 16 attempts to review and discuss the theoretical and methodological underpinnings of accounting research on power.

6. Research Strategies and Data Analysis

Part VI presents seven chapters on research methods and data analysis. Chapter 17 is about the use of case study methods in accounting research. It discusses both case study and action research approaches through their assumptions, concepts and perspectives. Chapter 18 provides a general overview of the current qualitative landscape and some practical guidance to any student or researcher embarking on research for the first time. Chapter 19 is intended to introduce the protocol analysis method, to review its epistemic and methodological underpinnings and then to briefly consider how it has been employed by accounting researchers. Chapter 20 offers practical advice for using income and balance sheet data, along with an example using STATA commands for analysis. Chapter 21 discusses the psychometric issues regarding the design, implementation and analysis of mail surveys. Chapter 22 addresses issues of valid and reliable measurement and inference in field research. Chapter 23 introduces issues of triangulation strategy to accounting research. In Chapter 23, the authors illustrate the various forms of triangulations that can be applied in accounting research. The message of their chapter is that whilst conventional 'paradigms' can usefully explain qualitative, case study research, they need to be located in analyses embracing subjective and institutional factors for an adequate understanding of their import. As well as being a plea for greater theoretical plurality, the chapter also suggests a variety of research methods which can be developed jointly within a single study.

7. Ethical Issues

Within Part VII, Chapter 24 outlines the basic ethical issues in human subjects research, with reference to qualitative research in accounting. It demonstrates how to deal with the application process for ethics approval. Chapter 25 examines some of the more significant methodological issues pertaining to research on accounting ethics.

8. Publishing Research Work

In the final part, Chapter 26 offers practical advice in all aspects of the research and publication process. This ranges from generic aspects of approaching research to more focused treatments of the norms and conventions surrounding the endeavour.

I hope that the reader will find the following chapters of interest. It is not claimed that this book provides a complete review of methodological issues in accounting research. Any suggestions from the reader would be appreciated for its improvement in a future edition.

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