

POWER, REWARDS, AND MANAGEMENT ACCOUNTING PRACTICE: EVIDENCE FROM AN OMANI PACKAGING ORGANISATION

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ABSTRACT

The purpose of this study is to examine how broad changes in the global business environment, in general, and developments in the Omani business environment, more specifically, are impacting upon the management accounting practices (MAPs) that are used by non-oil-related Omani manufacturing companies (NOROMC). The importance of NOROMC in Oman has increased over the last three decades, as the country's leaders strategically shift away from over-dependence on revenues generated by oil-related manufacturing companies.

The research in this thesis is qualitative, and it is informed by complementary socio-political theoretical frameworks - including Burns and Scapens (2000) conceptualisation of management accounting (MA, hereafter) change using institutional theory, and Hardy's (1996) notion of power and political mobilisation. The empirical work comprises an in-depth case study, but is also preceded by a survey and follow-up interviews that have more generally explored the management accounting practices adopted by NOROMCs.

First, the survey results, reinforced also by the follow-up interviews, have indicated that a majority of NOROMCs adopt traditional MAPs, rather than more contemporary MAPs. The most frequently cited reasons for the non-adoption of contemporary MAPs included: lack of affordability, incomplete knowledge, and a perception of relative efficiency in traditional MAPs. However, in terms of those companies which did adopt newer MAPs, the most common response in relation to what drives the adoption of newer MAPs, included: compliance with parent company requirements and regulations, and, more generally, the changing business environment.

Having attained these results from the survey and follow-up interviews, it was felt that there was insufficient detail and understanding of the processes of new MAPs' (non-) adoption. A case study was therefore also undertaken, to provide useful and in-depth understanding. This case study provides new insight into the process of the (non-) adoption of contemporary MAPs in NOROMCs which,

in turn, supplements, but also extends, previous research, which is mostly based on questionnaire-style methods. The case study also reveals complexity in employee resistance, and highlights some of the cultural nuances that are related to the Omani setting.

This thesis was undertaken in the context of recent calls for further research into MA as a changing process in emerging economies (Hopper et al., 2009).

As far as the author is aware, this investigation is the first of its kind to be conducted in Oman, hence it should instantly contribute to the development of knowledge in this important area.

DEDICATION

My big brother

Huwashil who passed away in Tanzania in 2016; who always had dreams to reach higher educational levels

Beloved parents (Maghrab and Zuwaina)

For continuous prayers to finish this project and endless financial support

Husband, Suleiman

For his prayers, love, support, patience, and understanding

Kids: Ghaith, Elyas, and Elaf

For giving me the strength to be a tougher life fighter

Brothers and sisters, Salwa, Nadia, Azzan, Suleiman, Khuzama

For their endless love, support, and jokes which made my days brighter

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"Be a scientist...if you cannot, be an inquirer; if you cannot, then love scientists... if you cannot love them; do not hate them"

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CHAPTER 1 : INTRODUCTION

1.1. RESEARCH OBJECTIVES, MOTIVATIONS, AND BACKGROUND

In broad terms, the main purpose of this thesis is to investigate the changing nature of management accounting practices (MAPs) in non-oil-related manufacturing companies (NORMCs) in Oman. More specifically, there are two sub-aims, as follows: (1) to establish an overview of the general nature of MAPs in NORMCs in Oman at the present time, and (2) to understand in more depth some of the key issues and challenges facing NORM-Omani organisations in respect of the MAPs which they choose (or not) to adopt. In the last few years there has been a growing interest in how management accounting practices are studied across various contexts that motivated the focus of the current research.

Wickramasinghe and Alawattage (2007) have stated that the commonly held view of management accounting is “a unitary universal practice, independent of the time and space in which it operates” (p. 4). However, this definition ignores the socio-economic¹ view of management accounting; and recently there has been growing interest in studying management accounting from this latter view as will be detailed below. Previous studies have primarily concentrated on studying MA as a static phenomenon, premised mainly on survey-based data, and adopting a positivistic methodology (Scapens, 1990), as will be detailed below in Section 1.2.

However, during the 1980s, there was a change in the way some MA researchers viewed the MA phenomenon. This development has been attributed, in particular, to changes in: (1) organisations’ operating environment (Brierley et al., 2001; Askarany and Yazdufar, 2015; Elhamma and Moalla, 2015; Ahmed and Zabri, 2016; Nuhu et al., 2016), and (2) some re-direction in MA research methodology (Ferreira and Merchant, 1992; Modell and Humphrey, 2008; Hopwood, 2009; Baldvinsdottir et al., 2010). In terms of organisations’ operating environments, much of the recent change has been driven by increased competition against the backdrop of (e.g.) globalisation,

¹ See Chapter 3 for more details.

uncertainty, shorter product cycles, and new technology. Such fast-changing operating environments require quick reactions from organisations, so they can survive and cope with changing customers' demands (Joshi, 2001; Malmi, 2001; Haldmat and Lääts, 2002; Chennall, 2003; Yazdifar, 2004; Tsamenyi et al., 2006; Abdel Kader and Luther, 2008; Kallunki and Silvola, 2008; Askarany et al., 2010). Many studies thus suggest that organisations should adopt more sophisticated MAPs, rather than traditional ones. As a result, last three decades have witnessed the development of more complex MAPs, for instance, activity-based costing (ABC) and the balanced scorecard (BSC). Advocates of these contemporary MAPs claim that such practices will help organisations to react faster and more effectively in their evolving operating environment (Kaplan, 1992; Cooper and Kaplan, 1992; Kennedy and Affleck-Graves, 2001; Kaplan and Anderson, 2013). For instance, Johnson and Kaplan (1987) have stated:

(c)orporate management accounting systems are inadequate for today's environment. In this time of rapid technological change, vigorous global and domestic competition, and enormously expanding information processing capabilities, management accounting systems are not providing useful, timely information for the process control, product costing, and performance evaluation activities of managers (p.xi).

These claims about ineffective traditional MAPs have also been accompanied by a shift in how some management accounting researchers have explored management accounting practice (Scapens and Roberts, 1993; Abu Kasim, 2004; Dambrin et al., 2007). More specifically, and particularly across Europe, more MA researchers have adopted field-based research, rather than the traditionally dominant survey-based research (Hopwood 1976; Jones et al., 1993; Collier, 2001, Abernethy et al., 2001; Malmi and Ikäheimo, 2003; Scapens, 2006). As will be explained in more detail later (see Chapter 4), this increased adoption of field-based research has promised to facilitate a greater understanding of MA as social practices (Brignall and Modell, 2000; Dillard et al., 2004; Andon et al., 2007; Sharma et al., 2010). Some of these studies have found that organisations may actually prefer to adopt traditional MAPs, while maybe also introducing changes in the ways in which MA information is used (Drury et al., 1993; Burns et al., 1996; Burns and Yazdifar, 2001); and some

conclude that organisations can decline new effective MAPs (Joshi, 2001; Sulaiman et al., 2004; Abdel-Kader and Luther, 2006).

Notwithstanding some of the past literature on the subject of the changing nature of management accounting (Hussain and Hoque, 2002; Järvenpää, 2007; Ma and Tayles, 2009; Norhayati and Siti-Nabiha, 2009), there are few investigations in developing countries (exceptions include Wickramasinghe et al., 2004; Herath et al., 2010; Tillema et al., 2010; Nimatrakoon and Tayles, 2015), and even fewer when we consider Middle-Eastern countries. This latter fact, in particular, gave me considerable motivation to investigate MAPs in my home country, Oman. To the best of my knowledge, this thesis is novel to the extent that there exist few, if any, qualitative studies of the nature and development of MAPs in Oman. Even past studies conducted in emerging economies, more generally, have tended to employ contingency theory and are mostly premised on quantitative and survey-based research; there is certainly a limited number of studies that explore MAPs in emerging economies from an institutional and processual approach (Hopper et al., 2008; Mat et al., 2010).

1.2. RESEARCH APPROACH

Various theoretical perspectives have been adopted in order to study the changing nature of MAPs. First, and as mentioned above, several studies that were investigating change in MA focused on the technical aspect, mostly by utilising contingency theory, and they are based on questionnaires as a research method. More specifically, most of these studies consider which factors make MA change outcomes either successful or unsuccessful, as well as the key factors which influence organisations to encourage them to adopt specific MAPs (or not) (Hoque, 2000; Cagwin and Bouwman, 2002; Al Omiri and Drury, 2007). However, viewing MAPs from this perspective ignores the socio-economic aspects of MAPs, rather than enabling researchers to seek holistic² understandings of MAPs.

² See chapter 3 for more details

Other approaches to exploring the changing nature of MA have explored practices, roles, etc., as socially constructed³ phenomena and are mostly based on case studies as their research methods. Two such theoretical perspectives broadly belong to an institutional theory approach; however, they differ in terms of their respective level(s) of analysis. The first of these institutional theoretical approaches is that which draws from new institutional sociology (NIS), and which particularly highlights the external and society-level factors which influence organisations to make changes (e.g., in organisational practices, structures, processes). Such external factors may include: markets, government bodies, parent companies, regulation, and more (Modell, 2003; Tsamenyi et al., 2006; Hopper and Major, 2007; Jalaludin et al., 2011). The second institutional theoretical approach is old institutional economics (OIE), which investigates MA as unfolding processes within organisations (Perren and Grant, 2000; Soin et al., 2002; Caglio, 2003; Yazdifar 2004; Major and Hopper, 2005; Caccia and Steccolini, 2006; Ammar, 2014). Researchers who adopt this perspective have particularly focused on studying the dynamics of the ways in which an organisation's MA unfolds over time. In their seminal paper, Burns and Scapens (2000), for instance, developed an OIE/institutional theoretical framework of management accounting change which aims to help us to understand how MAPs can become routinised, and sometimes even taken-for-granted, within a specific organisation⁴, i.e., it becomes institutionalised. They also argued that MA processes shape, and are shaped, by organisational rules, routines, and institutions; and they conceptualise the dynamics of change and/or continuity in MAPS over time.

In order to tackle the two aims, mentioned above, a two-pronged research agenda was adopted. That is, firstly, in order to ascertain a more general view of the nature of MAPs in Omani NORMCs, a survey was undertaken, followed by a collection of follow-up interviews. Secondly, a case study was then undertaken in an Omani NORMC in order to allow a more in-depth investigation of the complex processes involved in changing (or not changing) MAPs. As will be explained in much greater detail later in the thesis, for example, the results indicate that in the case study there is a significant story to tell relating to

³ See Chapters 3 and 4 for more discussion

⁴ See Chapter 3 for more discussion

resistance towards the proposed MA changes, but also some interesting observations around change which can be linked to Omani cultural nuances.

For the case study, two (complementary) theoretical frameworks were adopted to help interpret the findings, and particularly to tease out the processual nature through which MAPs changed (or did not) over time, and the various challenges and twists during the unfolding journey. The first theoretical framework that has an important influence on the interpretation of the case-empirical data in this thesis is Burns' and Scapens' (2000) framework of management accounting change. As mentioned above, Burns' and Scapens' (2000) framework facilitates an understanding of how management accounting change processes unfold over-time, and how various change dynamics are shaped, and shape, the unfolding of the change process. The second theoretical framework which is drawn upon in order to assist with the interpretation of the case study is Hardy's (1996) framework of power and political mobilisation. Although Burns and Scapens (2000) have highlighted the importance of power in shaping how the MA change unfolds as a process over time, they did not incorporate power into their framework. Hardy's (1996) power mobilisation framework is thus used here to complement Burns' and Scapens' (2000) framework, and to facilitate a better understanding of how different dynamics shape the unfolding of the MA change process.

Several subsequent studies in the field have adopted Burns and Scapens (2000) institutional theoretical framework to investigate the phenomena and dynamics of MA as an unfolding process. Their findings were in line with the main argument of Burns and Scapens (2000). For example, Siti-Nabiha and Scapens (2005) adopted this framework in their case study of value-based management implementation in a gas processing company, Eagle, and considered the decoupling of key performance indicators from the day-to-day business activities. They found that although continuity and change are usually competing forces, they can also become intertwined over time. The research study by Nor-Aziah and Scapens (2007) also found that differences between the newly imposed budgeting system and the embedded existing ways of doing things explained resistance to the new accountability system. The above findings are consistent with the findings of other studies, including (Granlund,

2001; Baker, 2006; Yazdifar et al. 2008), and the results of other studies that are in line with these studies will be presented in Chapter 2 and Chapter 3.

Other scholars have highlighted different factors that (re-)shape the MA processes over time; for instance, Burns (2000) emphasised the importance of power and political manoeuvring for facilitating management accounting change. Likewise, Ribeiro and Scapens (2006) explained resistance to a new information system by the production department of their case study organisation with reference to circuits of power, rather than through resistance to established ways. Moll et al. (2006) also stressed the importance of power relationships and coalitions of interest as key dynamics in processes of management accounting change, in their study of the effect of institutional factors, as well as socio-political negotiations, in shaping cost allocation within a Swedish university. Yazdifar et al. (2008) also demonstrated the importance of endogenising power into the understanding and explanation of the dynamics of MAPs both in and between the parent and the subsidiary organisations. In the same vein, other studies' findings were in line with the above-mentioned studies (Seo and Creed, 2002; Dillard et al., 2004; Scapens, 2006; Nor-Aziah and Scapens, 2007; Robalo, 2014; Oliveira and Clegg, 2015).

From the preceding discussion it is clear that other change dynamics shape the ways in which the MA unfolds over time as a process. As Burns (2000) concluded, “[a] processual view of accounting, and accounting change, should be further developed. Particular effort, it is argued, should be aimed at how better to conceptualise accounting as process” (p.592). The following section therefore introduces the current research contributions to our existing knowledge, including a theoretical contribution which proposes a theoretical extension of Burns and Scapens (2000) MA change framework.

1.3.CONTRIBUTION

The primary aim of this research is to illustrate the complexity of MA as a process of change within an emerging economy context. To date, there has been little empirical evidence on the changing nature of MAPs in developing countries. Accordingly, in this thesis, the researcher focused on exploring the

changing nature of MAPs and on understanding the introduction and implementation of MA as a change process within an organisation operating in a Middle Eastern country, i.e., Oman. The proposed research can thus be positioned in terms of recent calls by some scholars (e.g., Wickramasinghe and Hopper, 2005; Ni Putu et al., 2007; Hopper et al., 2009) in order to undertake more investigation into the changing nature of MAPs in emerging economies, and, even more specifically, there is an especially limited amount of qualitative research on MAPs in Middle-Eastern settings, not least in Oman. So, this thesis promises not only to contribute towards our knowledge of MAPs in what are presently rather unexplored settings, but also to do so in a manner which differs significantly from the majority of the studies that currently exist in this area.

Additionally, in previous studies on the changing natures of MAPs, different change dynamics have been found to shape how the MA, as a process of change, evolves, including the power, rules, routines, and institutions that are involved. Similarly, in previous studies on the changing nature of MAPs in emerging economies, power mobilisation has been found to be an important change dynamic (Uddin and Hopper, 2001; Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005). However, those studies focused on the influence of powerful authorities from outside the organisation shaping how MA, as a change process, unfolds overtime -i.e., political intervention. Accordingly, this study's findings emphasise the importance of various dynamics, as explained in the existing literature, for instance in relation to the power, routines, and institutions, in shaping how MA, as a process of change, evolves. Moreover, the empirical findings in this study provide additional evidence in respect of the importance of power mobilisation in shaping how MA, as a change process, unfolds overtime. Specifically, the study focused on power mobilisation as a change dynamic at the organisational level, i.e., within an organisation; not at the political level, as in the previous literature (Uddin and Hopper, 2001; Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005).

Furthermore, the current study's findings add to a growing body of literature on the importance of other change dynamics in MA in shaping how the change, as a process of change, evolve (Burns, 2000). In other words, this research's

findings extend the literature to include other organisational and contextually based factors, such as: a rewards system and Omanisation, to explain how the MA change process unfolds over time (see Chapter 7).

To sum up, this thesis illustrates the complexity of management accounting as a process of change, and, in particular, how the same organisation can experience very different reactions from its employees to two change initiatives, i.e., the implementation of BSC and ERP systems, due to the role of various dynamics in shaping how MA unfolds over time, as a process. Finally, although the thesis's findings are thus based on only one case study, which is based in Oman, hopefully, the general argument will help to raise an awareness and understanding of: (1) the extent to which normative claims from survey based studies in emerging economies reflect management accounting change in practice; and (2) the nature of the change process as an institutionally conditioned process (Burns and Baldvinsdottir, 2005, p.726).

1.4. STRUCTURE OF THE THESIS

The remainder of the thesis consists of seven chapters, which are briefly summarised here. The next (Chapter 2), is an overview of the existing literature on management accounting change (broadly defined). Through the past literature, this chapter considers what is meant by the term 'change' in MA, as well as the key external and internal factors that have been claimed in the past to particularly force organisations to introduce MA change. The MA change literature is vast nowadays, and so, in Chapter 2, there is a particular focus on extant literature that highlights MA change as processes that unfold over time. In addition, the review will concentrate mostly on that part of this literature which focuses on the implementation of the balanced scorecard (BSC) and enterprise resource planning (ERP) systems. These two choices of focus are inter-related; that is, many of the BSC/ERP articles in the literature adopt an OIE theoretical approach, and so, naturally, they focus on MA change as unfolding process (Grnlund and Malmi, 2002; Scapens and Jazayeri, 2003; Bianchi and Montemaggiore, 2008; Kasperskaya, 2008; James, 2009; Burns and Quinn, 2011; Agostino and Arnaboldi, 2011; Hoque and Adams, 2011), and thus they are consistent with the overall approach taken in this thesis.

Chapter 3 describes the OIE-influenced theoretical framework adopted in this thesis, which will subsequently be drawn upon to interpret the empirical findings and, in particular, those from the case study. As has already been explained, the thesis draws primarily on Burns' and Scapens' (2000) institutional theoretical framework of the institutionalisation of management accounting practices, as explained above. However, Hardy's (1996) theoretical framework of power and political mobilisation, which, it is argued later, is complementary to Burns and Scapens work, is also drawn upon to help to interpret the case findings (see Burns, 2000, for a similar co-use of these two theoretical frameworks).

The methodology and research methods adopted for the thesis will then be explained in Chapter 4; and this chapter also confirms the ontological and epistemological stance taken in the present work. Briefly, this research adopts social constructivist views of ontology and an interpretivist case study approach is followed in order to investigate the research questions at hand (Perren and Grant, 2000; Collier, 2001; Ezzamel and Burns, 2005; Andon et al., 2007). For the pilot research, the principal research methods were comprised of a questionnaire survey and 'one-off' (follow-up) interviews. In the main case study, meanwhile, interviews constituted the main source of data, but these data were also used alongside the data gathered via informal observation and the perusal of archival documentation.

Chapter 5 is the beginning of the empirical part of the thesis; more specifically, this chapter provides a contextual background to the country of Oman. The discussion includes general background knowledge about the Sultanate of Oman, with a particular focus on non-oil-related-Omani manufacturing companies (NOROMCs). Significant changes in the Omani context over the last 40 years are highlighted, including consideration of the increased importance of NOROMCs, in terms of their proportion of the country's gross domestic product (GDP). The chapter also explains how the Omani government has motivated foreign investment in the country's non-oil sectors in recent decades, and there is discussion, too, of the importance of 'Omanisation' within such companies.

Chapter Six presents and highlights the main findings of the survey and the follow up interviews. In general, the questionnaire survey results indicate that the majority of the surveyed NOROMCs adopt traditional MAPs, if compared to contemporary MAPs. The chief accountants who were interviewed referred to various factors to explain the nature of MAPs in their contexts; for example, the role of power utilised by various bodies (either their parent company or governmental bodies). Additionally, the survey results reveals other socio-economic-contextual factors that explain the changing nature of MAPs in Oman in general, and within the case study company specifically, including: Omanisation, and business competitiveness in the Omani context, as detailed in Chapters 5 and 7.

Next, data (e.g., interview transcripts, archival documentation, etc.) from the in-depth case study is analysed, in Chapter 7. The case interpretation utilises thought that is informed by the theoretical background introduced in Chapter 3, and, more specifically, the respective theoretical frameworks of Burns and Scapens (2000) and Hardy (1996). The findings of the theoretically informed case study analysis are in line with the main arguments of Burns and Scapens (2000) around the institutionalisation of MAPs and the change process. However, the case study findings also propose to extend Burns' and Scapens' (2000) framework to include other dynamics that effect the ways in which MA, as process of change , unfolds over time; including power mobilisation (Hardy, 1996) and a rewards system.

The conclusion sums up the thesis, and demonstrates its contributions, limitations and some recommendations for further research. In particular, although this research is based on a single case study, its findings help in generalising the theoretical arguments of Burns and Scapens (2000), as well as extending their framework, as mentioned above.

CHAPTER 2 : LITERATURE REVIEW

2.1. Introduction

The main purpose of this chapter is to explore the literature on the diffusion and changing nature of MAPs, with a particular focus on how MA changes over time within an organisation. As the case study focuses on how different change dynamics interact and shape the ways in which MA change, as a process, unfolds over time within an organisation, and this is based on an institutional perspective (Bringnall and Modell, 2000; Coad and Cullen, 2006; Lounsbury, 2008). As well as supporting the research objectives that are described in Chapter 1, a review of the past literature also helps to identify gaps in current knowledge that are related to the topic's area, and the ways in which the present study may actually contribute to the literature.

Section 2.2 of this chapter will refer to how different studies identify and define management accounting change as a process. Different factors relating to the reasons that organisations introduce management accounting change will also be highlighted in this section. Then, the third section will consider studies that relate to the diffusion of various MAPs, with a particular focus on new and contemporary practices. This is followed by a section that explores the different change dynamics that shape how MA unfolds as a process over time. Finally, Section 2.3.4 will present extant literature on the changing nature of management accounting within different settings and contexts.

2.2. Management accounting change

It is argued in parts of the literature that traditional management accounting techniques are not applicable as planning and controlling tools in today's changing operating environment (Kaplan, 1983; Johnson and Kaplan, 1987; Bromwich and Bhimani, 1994; Lucas, 1997; Jones and Dugdale, 2002). Different studies have referred to changes in the product life cycle, advanced manufacturing technologies, changes in organisations' structures, globalisation, and high market competition, in order to explain why organisations have

adopted more contemporary MAPs (Drury et al., 1993; Hilton, 2002; Sulaiman et al., 2004; Wiersma, 2009).

The underlying theme of these studies is ‘management accounting change’. As Burns and Scapens (2000) contend, management accounting change has become a much-debated topic in recent years. They emphasised that:

“whether management accounting has not changed, has changed, or should change, have all been discussed. Furthermore, the environment in which management accounting is practiced certainly appears to have changed, with advances in information technology, more competitive markets, different organisational structures, and new management practices” (p. 3).

As this research focuses on exploring the changing nature of MAPs, and how MA changes as a process that unfolds over time within an organisation; then it is important to understand what is meant by change, in a management accounting sense, and what forces organisations to introduce a MA change. As such, this section discusses the following issues: (1) What is meant by management accounting change? (2) What are the main drivers of MA change, according to the literature?

2.2.1. The meaning of change

This section focuses on the meaning of change, as presented in the management accounting literature. It is important to clarify what ‘change’ means, according to the management accounting literature, before discussing other issues that are related to it, including the forces for change, the dynamics, and the complexities of change.

Different studies of MA change as a process have referred to what ‘change’ means implicitly. For example, Innes and Mitchell (1990) referred to management accounting change as “a complex process that involves the interaction of several variables” (p.12). Their study revealed that there are three variables that are associated with changes in management accounting practices and they are classified “based upon the nature and timing of their influence on the change process” (p. 12). The factors are: (1) facilitators which are “necessary but not sufficient for a change to be introduced”, (2) motivators that

are factors which “influence the observed changes in a general manner”, and (3) catalysts which “are directly associated with the changes with their occurrence corresponding closely to the timing of the change” (Innes and Mitchell, 1990, pp.12-13). Accordingly, this research concluded that the interaction of these three types of factors result in changes in MAPs. In addition, Burns and Scapens (2000) developed a theoretical framework of management accounting change⁵ that explains the complexities and continuous interaction between organisational routines and institutions that are grounded in old institutional economic theory. This framework does not provide a clear definition of change, but instead explains how organisational routines and actions can become institutionalised (or taken-for-granted) through institutionalisation and the interplay between action and institutions.

Studies of the changing nature of MAPs have proliferated in the accounting literature over the years and they are based on different theoretical perspectives (Emsley, 2001; Everaert et al., 2006; Yazdifar et al., 2012; Yazdifar and Askarany, 2012; Langley et al., 2013; Chiwamit et al., 2017). Different theoretical perspectives have been used to study this phenomena including, for example, Briers’ and Chua’s (2001) use of Actor-Network theory to study MA change as a process. Other studies have focused on management accounting change as a process across different contexts (Lukka, 1994); and some on defining ‘success’ and/or ‘failure’ in MA change implementation (Malmi, 1997). In general, however, these studies did not explicitly explain what change means (Hopper and Quattrone, 2001). Indeed, this absence motivated the paper by Hopper and Quattrone (2001), which focused on different issues in order to interpret management accounting change and stability. They argue that change is a spatio-temporal process, rather than a simple, linear phenomenon. They add that change is not simply a move from point 1 (t_1) to point 2 (t_2), but is a more complex process that is based on ‘drifting’:

[...] the idea of drift is preferred to change for several reasons. First, it has no connotation that individuals are sufficiently conscious of space and time to transcend the contingent factors facing them. Secondly, there is no assumption that people move from well-defined situation A

⁵ More details related to Burns’ and Scapens’ (2000) framework will be provided in Chapter 3.

or B in a linear, predictable and ordered spatio-temporal framework. Finally, it recognizes contingent factors that actors may be aware of, seek to respond to, but that carry them along in unpredictable ways (Hopper and Quattrone, 2001, p.427).

Burns and Vaivio (2001) have also discussed management accounting change, emphasising the importance of differentiating between change and progress:

Often, management accounting change is conceived a priori as a positive phenomenon - as something that reforms the present towards the better. But change can also become associated with negative development, and management accounting change can introduce substantial problems instead of the pursued improvement (p.393)

Similarly, Busco et al. (2007) present the systematisation directions of management accounting change as a process, arguing that MA change processes are more complex than linear evolution:

[...] the nature of management accounting change as a process cannot be described by a diffusion of a given practice across space and time, but by the translation of the MAP, i.e., a process by which the aim, nature and goal of the management accounting innovations are constantly shifted, mediated and renegotiated: management accounting change always entails a difference, a movement, a variation, in the nature of what is subject to change (pp.127-8).

Influenced by the ways that previous studies (above) have defined change, the definition of MA as a change process, for the purpose of this study, is therefore: a non-linear variation, which can result in positive or negative outcomes, depending on the different contextual, economic, political, and social factors.

2.2.2. Why change?

Otley (1994) stated that changes in technology, and the social as well as political aspects, increase the uncertainty of the environment in which an organisation operates. He added that: "the current business environment is subject to rapid change which makes the future difficult to predict" (*ibid*, p.291). He continues: "the result is that the world is becoming less rather than more predictable, and that organizational control is becoming more rather than less complex" (Otley, 1994, pp.291-2). In short, Otley's (1994) study revealed that as

uncertainty increases, organisations need to focus on core competency, due to changes in the operating environment. As such, organisations need to adopt new management control systems in order to cope with such operational changes (Virtanen et al., 1996; Ax and Bjørnenak, 2005; Pavlatos and Kostakis, 2015; Askarany and Yazdifar, 2015; Abdel-Maksoud et al., 2016; Al-Sayed and Dugdale, 2016; Ax and Greve, 2017). Furthermore, Otley adds that the resulting changes need to include different control measures than would dominate in traditional management accounting control systems – e.g., “control of knowledge-based workers where the key resource is time and the key outputs include innovation and responsiveness to customer demands” (Otley, 1994, p.293).

This point was emphasised earlier by Johnson and Kaplan (1987), in their seminal book, *Relevance Lost: The Rise and Fall of Management Accounting*, in which they demonstrated how traditional management accounting practices are ineffective in measuring an organisation’s performance in the changing business environment. Although Johnson and Kaplan’s work has been criticised by some (e.g., Drury and Tayles, 1995; Nørreklit, 2000, 2003, Nørreklit et al., 2012), *Relevance Lost* represented a milestone in the development of management accounting, and it was a catalyst for significant new research and for changes in management accounting practices in the developed world. Thereafter, new management accounting techniques began to be used in conjunction with (or separately from) traditional MAPs (Drury et al., 1993; Drury and Tayles, 1995; Al-Omri and Drury, 2007; Franco-Santos et al., 2012; Halbouni and Nour, 2014).

In studying the changing nature of MAPs, it is important to explore the factors or drivers that force organisations to introduce: (a) change(s) (Suzana et al., 2008). For example, Ezzamel et al. (1996) explored change-promoting factors in relation to UK-based organisations. Their findings classified such factors into threefold, namely: (1) economic factors, (2) technology factors, and (3) new management ideas (Ezzamel et al., 1996, pp.158-160). The next section explores in more detail the different factors that may force organisations to adopt different MAPs.

2.2.2.1. Globalisation and internationalisation

Globalisation is considered to be one of the main drivers for initiating changes in an organisation's MAPs (Cobb et al., 1995; Granlund and Lukka, 1998; Joshi, 2001; Waweru et al., 2005; Pavlatos and Peggios, 2008). As it has intensified significantly over recent decades, this has brought about more uncertainty and competition in an organisation's operating environment (Gallhofer and Haslam, 2006; Hopper et al., 2016; van Helden and Uddin, 2016). Such change in global environments is not exclusive to Oman, it affects organisations across the world, including those in developing nations, as highlighted by Mat et al. (2010): "Globalisation has changed external environmental factors in emerging economies, which in turn affect the internal operations of organisations as well as their management accounting practices" (p.54). So, globalisation can shape the management accounting practices which are adopted by organisations; and this, in turn, constitutes part of the need for organisations to adjust their structure and strategies in ways that reflect such global changes (Anderson, 1995; Ajami et al., 2005; Sulaiman et al., 2008).

Fadzil and Rbabah (2012) have studied the adoption of an ABC system in the Jordanian manufacturing shareholding sector by using a survey and follow-up semi-structured interviews as research methods. They found that the majority of managers who were interviewed refer to the globalisation of their consumers as a motivating factor for the implementation of an ABC costing system within their organisations. Sulaiman et al. (2008) distributed a questionnaire to members of CIMA Malaysian Division in order to explore the changing nature of MAPs within Malaysia. The study's results revealed that globalisation is one of the top external factors that drives change in management accounting, as a whole, within Malaysian manufacturing organisations.

2.2.2.2. Market Competition

As globalisation tends to intensify competition in the world markets (Ezzamel et al., 1996; Gosselin, 1997; Malmi, 1999; Waweru et al., 2005; Ax et al., 2008), this section will consider the importance of market competition as a facilitator for MA change.

Different studies have cited market competition as being a key driver for changing MAPs in organisations (Chong et al., 2005; Jusoh and Parnell, 2008; Hoque, 2011; Cuganesan et al., 2012; Krumwiede and Charles, 2014; Armitage et al., 2016). Inns and Mitchell (1990) investigated the changing nature of MAPs within organisations by conducting seven field studies in businesses operating in the electronics sectors. In their study, they argued that competition resulted in the implementation of market-orientated practices, e.g., product costing, customer satisfaction initiatives, and quality measures. According to this study, the changes in market competition were reflected in changes in the management accounting systems, particularly in cost systems. Managers, it was argued, needed more detailed and timely information in order to “maintain competitiveness through achieving cost-effectiveness” (p.10).

Intensified market competition results in customers demanding a better quality of products, and timely delivery at lower prices. As revealed in some of the studies, changes in customer requirements have forced organisations to introduce changes in their accounting systems. For example, Chenhall and Langfield-Smith (1998) examined the importance of MA in the development of performance measurement systems within an organisation which introduced change programmes, including innovative approaches to organising production processes, restructuring work practices and developing new planning and control mechanisms (p.361). This was based on a case study that was used as a research method. They found that due to the changes in customers' needs within the case study company, a new performance measurement system was introduced. Accordingly, responding to such requirements from customers is important, since the effect of not responding to those requirements may be vast for the organisation's performance, especially if the customer is a major one and the organisation is operating in an intensified competitive market.

Bjornenak (1997) conducted a questionnaire based research project that aimed to examine the level of adoption of the ABC system by big Norwegian manufacturing companies. The study's results revealed that market competition affects the type of costing system that is adopted by organisations, and it has also forced organisations to shift from a traditional costing system to innovative costing systems, such as ABC costing. The study argues that organisations that

adopt such innovative costing systems try to avoid the costing errors that are caused by using a traditional costing system, and that it “is beneficial to improve the costing systems to avoid competitors taking advantage of costing errors” (p.12).

In a study on the importance of market competition and effective MAPs; Kloot and Martin (2000) found that intensive market competition increased the needs of local government organisations for more efficient and effective performance measurement practices, which help to provide timely and accurate information, and that facilitate the better provision of financial and non-financial information for decision making. In addition, the study argues that better performance measurement practice helps organisations to be more competitive in the market.

In their study, O'Connor et al. (2004) investigated the level of adoption of Western based MAPs by Chinese state-owned enterprises. They did this by conducting in-depth interviews with 4 state-owned enterprises, followed by a survey that included 82 other SOEs⁶. They found that the enterprises interviewed tend to adopt more western-based MAPs as a reaction to increased market competition. Which, in turn, improved the decision-making process and also provided a better performance in relation to the accountability procedures within the interviewed enterprises.

Finally, recent research has suggested that market competition is a major change driver that may force an organisation to adopt innovative contemporary MAPs (Khandwalla, 1972; Lamminmaki and Drury, 2001; Haldma and Laats, 2002). Since the increase in market competition resulted in a need for better information for managers in order to facilitate the process of making different decisions that are related to, for example, planning, costing, or performance measurement (Isa, 2007).

⁶ the survey was developed by refining to the findings from the in-depth interviews

2.2.2.3. Fashion and fads

Fads and fashion are mentioned in various studies as being change factors and as facilitators for introducing a change of MAP within organisations

(Abrahamson, 1991). Malmi (1999) conducted a survey-based study to explore the diffusion of the ABC system in Finland. The study's findings revealed that fashion and fads were perceived, by the Finish organisations surveyed, to be a major influential factor in the implementation of ABC. In his study, Malmi (1999) argued that the supply side presented by: consultants, IT-vendors, academics, and publications in the mass-media, promoted the adoption of the ABC system in surveyed organisations. Thus, an organisation adopts the ABC system because it was recommended by any of the fashion setters who were referred to earlier, while, fads explain the diffusion of the ABC system by referring to uncertainty. In other words, when an organisation faces uncertainty, it tends to imitate other organisations and to adopt similar techniques in order to avoid the risk that a competitor will gain competitive advantage.

Other studies (Bjornenak, 1997; Vaivio, 1999; Siti-Nabiha and Scapens, 2005; Sulaiman et al., 2008) have referred to the role of consulting companies in enforcing the adoption of new management accounting practices, such as BSC or ABC. For example, Abrahamson (1996) argued that management techniques were disseminated among organisations via fashion setters. His study argued that organisations follow fashionable management techniques "in a desire to learn about management techniques that would help them respond to organizational performance gaps opened up by real technical and economic environmental changes" (p.255), including an increase in market competition and customer requests for better services.

Madsen and Slåtten (2013) conducted a comparative study in three Scandinavian countries to explore the role of fashion in the diffusion of balanced scorecard (BSC, hereafter); these were Sweden, Norway, and Denmark. The study identified the different diffusion factors of BSC including: consulting firms, software firms, management gurus, business schools, and conference organisers. The authors argued that the diffusion factors vary across nations, due to cultural and institutional specifications. The study results demonstrated

that “these actors were considered BSC pioneers and became strongly associated with the local “BSC movements”” (ibid, p.125). For example, consulting firms’ effect in the diffusion of BSC was rated high in all three of the nations, while the effect of business schools in the diffusion of BSC varies from low to high among the three nations.

2.2.2.4. Top management pressure

Pressure from the top level, e.g., parent company, governmental agency, or top management, is considered a major force for change, as different research results have illustrated (Vaivio, 1999; Malmi, 1999; Chanegrith, 2008). For example, O’Connor et al. (2004) found that pressure from higher level parties, such as the holding company or governmental agency, influenced Chinese state-owned-enterprises to adopt Western based management accounting practices.

In the same vein, different questionnaire-based studies’ results have shown that top management support is an important factor which has an impact on the adoption or non-adoption of MAPs, for instance, the ABC system (Shields, 1995; Aladwani, 2001). For example, Innes et al.’s (2000) study revealed that top management support is the most important factor in explaining the successful implementation of the ABC system within the surveyed companies. On the other hand, other studies’ results have revealed that the lack of top management support is a major factor in not introducing a change within an organisation. For example, Fadzil’s and Rababah’s (2012) study’s results revealed that 50% of the interviewed organisations did not adopt the ABC costing system due to a lack of top management support.

Additionally, in their study, Yazdifar et al. (2008) presented the case study of a UK chemical company that imposed its MAS/MIS on a new subsidiary, Omega. The study explored how top managers at the parent company mobilised different sources of power, including the power of resources, to enforce the MA change within Omega (Hardy, 1996), despite the fact that such a MA system was inadequate for Omega. The study concluded that power over resources, meaning, and decision making, although important in implementing and

imposing an MA change within an organisation; it is still the “strength and durability of institutions⁷ at the micro-level, i.e., the power of system” that affects how MA change evolves within an organisation (Yazdifar et al., 2008, p.424).

Youssef (2013) conducted a case study in an Egyptian textile manufacturing company (TexCo), where a new computerised business-to-business (B2B) e-commerce accounting system was imposed by the newly appointed CEO on all retailers. The new B2B system was introduced to replace the existing traditional, simple accounting method, which had been used by the company since it was established in 1950. The findings of the study revealed that although the newly imposed B-2-B e-commerce control-based system was not congruent with the existing production-oriented institutions⁸, employees at TexCo continued to produce and reproduce the new B-2-B rules. The author explained that by referring to how the CEO had mobilised different sources of power to impose the MA change within TexCO. Section 2.3.3.1 in this chapter will explore in more detail how power affects and shapes the ways in which MA unfolds over time as a process of change.

2.3. Diffusion of management accounting practices

An increasing amount of literature explores the diffusion of various MAPs across different contexts (Lukka and Granlund, 1996; Hutaibat, 2005; Abdul Majid and Sulaiman, 2008; McLellan and Moustafa, 2008; King et al., 2010; Hansen, 2010; Libby and Lindsay, 2010; Speklé and Verbeeten, 2014; ElGammal et al., 2016). As this research’s purpose is about exploring the changing nature of MAPs within the Omani context, it is important to explore the literature that is related to the diffusion of various MAPs in different contexts, as well as the influential role of advanced control systems, such as an ERP system, in the diffusion of various MAPs. This section will therefore explore past literature relating to the diffusion of various MAPs in various contexts; with a particular focus on studies about the implementation of BSC and those that

⁷ See Chapters 3 and 4 for more detail.

⁸ See Chapters 3 and 4 for more detail.

explore the interdependency between the implementation of ERP systems and the changing nature of MAPs.

Wijewardena and Zoysa (1999) conducted a comparative study of Japan and Australia to explore the various management accounting practices that were applied by manufacturing organisations in both contexts. The study results show that there are differences in terms of the MAPs adopted by the organisations surveyed. Such differences can be understood in the context of their respective operating conditions:

[...] the concentration of Japanese companies, particularly on target costing, indicates their greater attention to cost management. Since cost management places a heavier emphasis on cost reduction relative to cost control without jeopardizing product quality and other desirable characteristics" (p.66)

Juhmani (2007) conducted a study of BSC implementation in Bahraini companies, and this was particularly focused on the main driving factors for implementation, as well as the usefulness of BSC. His study concluded that all of the respondents believed BSC to be a useful system, but its implementation was not universal, due to its costliness, and to a need to improve employees' knowledge and understanding of the BSC. Juhmani's (2007) study also revealed that those companies which did adopt the BSC considered it to be a useful strategic tool which enabled senior managers to translate organisational strategies into a coherent set of performance measures.

To determine the effect of different change dynamics, including context specifications, Abu-Kasim (2004) conducted a case study of budget implementation during the process of the corporatisation of a Malaysian public utility organisation. In his study, Abu-Kasim tried to understand the process of implementing the new imposed budgeting rules and how the change context shaped the unfolding of change as a process that was based on new institutional sociology (Meyer and Rowan, 1977⁹). He concluded that "the effectiveness of the prescribed accounting change cannot be assumed without understanding how it is implemented in a specific context" (p.42). In other

⁹ More highlights of new institutional sociology are offered in Chapter 3.

words, what may seem to be effective and workable in a specific context may not be effective and/or workable in another context.

As the supply side are considered to be the fads and fashion diffusors (see Section 2.2.2.4, above), Nassar et al. (2011) conducted a survey of 58 Jordanian manufacturing companies so as to explore the influence of the supply side on the diffusion of management accounting practices (MAPs), including: ABC, ABM, benchmarking, BSC, and target costing. The supply side, in this study, included local consulting companies, accounting educational, professional accounting bodies, accounting research, co-operation between universities and professional bodies, and conferences, seminars, and workshops. The study's results showed that benchmarking was the most adopted MAP among the companies that were surveyed, followed by target costing, then BSC, ABC, and, finally, ABM. The findings of this study also revealed that the effect of the supply sides was apparent on the diffusion of MAPs. More precisely, the study's findings reveal that consulting companies and accounting education were the most important supply side factors needed to motivate the implementation of the surveyed MAPs, followed by the effect of professional accounting bodies and specialist management accounting journals as motivating implementation factors.

Similarly, in their study, Fadzil and Rababah (2012) explored the adoption of ABC within the Jordanian context by surveying manufacturing companies. The study found that around 20% of the surveyed companies have implemented and adopted an ABC system. There were different reasons for which those companies had implemented ABC; including: top management support, a shortage of an existing system, globalisation, intense competition, and growing operating costs. However, the participants interviewed referred to fads and fashion as the most influential of the factors that motivated their organisation to adopt ABC. In addition, interviewees mentioned a lack of software packages, high consultation costs, and difficulties in identifying cost drivers, as problems that might delay the process of ABC implementation.

Due to the changes in the organisational operating environment, as highlighted in the previous section, new management accounting practices thus emerged

and different studies explored the diffusion of such new MAPs (Cooper, 1992; Brown et al., 2004; Baird et al., 2004; Dugdale, 2005; Abdel-Kader and Luther, 2008; Daniel et al., 2012). In addition, some of these studies have concluded that there is a need to incorporate financial and non-financial measures for the better monitoring of organisational performance. For example, Otley (1994) stated that the usage of budgeting systems to control organisations' operations in this changing operating environment is insufficient. Instead, there is a need for organisations to implement different control techniques, such as the balanced scorecard. New MAPs, such as: BSC, ABC, JIT, and TQM, were therefore promoted based on the criticism of traditional MAPs and their ability to produce accurate information for organisations (Al-Omri and Drury, 2007).

In their study, Innes and Mitchell (1995) explored the diffusion of ABC system within large UK companies. The surveyed companies adopted ABC systems due to changes in their operating environment, and, in particular, "the recessionary environment of the early 1990s and the pressures which this brought for cost containment at the level of firm" (p.150). Innes and Mitchell (1995) argued that adopting an ABC system should enable the organisations surveyed to better respond to the changing nature of the operating environment, as well as helping the surveyed organisations to make accurate decisions.

The studies referred to, above, concentrated on the diffusion of contemporary MAPs with no detailed explanation of why and how such contemporary MAPs are used in practice, and how contextual factors shape the way that the implementation of those MAPs evolves as a process within organisations (Scapens, 1994; ; Yazdifar and Tsamenyi, 2005; Kamal Hassan, 2005; Ezzamel and Burns, 2007; Busco and Scapens, 2011; Zainun and Smith, 2011; Ogata and Sprakman, 2013; Hiebl et al., 2013; Endenich, 2014; Makrygiannakis and Jack, 2016; Francioli and Quagli, 2016). As the purpose of this study is to explore how MAPs change as a process, i.e., the implementation of the BSC and ERP systems within PackCo, unfolds over time. The following two subsections therefore concentrate specifically on studies of BSC and ERP systems. They present extant research that relates mostly to the changing nature of MAPs, and why/how the MA change as a process unfolds over time in particular

organisational contexts. This focus on BSC and ERPs is because such (MA-related) changes are relevant to the case study which is presented in Chapter 7.

2.3.1. BSC

As mentioned above, different studies have argued that traditional MAPs are inefficient in providing the information that is needed to make timely decisions in such an evolving business operating environment (Andon et al., 2005; Kasperskaya, 2008; Ashfaq et al., 2014; Mat and Smith, 2014; Angelakis et al., 2015; Leite et al., 2016; Nuhu et al., 2016). New MAPs were thus introduced, including the balanced scorecard. The BSC, as proposed by Kaplan and Norton (1992), is “a strategic performance measurement system (PMS) that overcomes the weaknesses of a conventional PMS by: integrating financial measures with non-financial measures; and linking performance measures to corporate strategy” (Wickramasinghe and Alawattage, 2007, p.271).

Hoque (2014) reviewed the historical development literature related to BSC from 1992 to 2011, arguing that it developed from being a performance measurement practice that combines both financial and non-financial measures (in 1992) to “a more comprehensive strategy map approach to measure, monitor, and manage the performance and operations of an organisation in order to survive in today’s rapidly changing business landscape” (p.35). Such developments came mostly from Kaplan’ and Norton’s (1993, 1996, 2001, 2004) field-research in this area.

Since the introduction of the BSC concept by Kaplan and Norton, literature has proliferated through studies exploring BSC from different aspects (Hoque, 2014); including studies about the relationships between different organisational characteristics and the implementation of BSC (Hoque and James, 2000; Ahn, 2001; Park et al., 2005), criticism of BSC (Nørreklit , 2000; Laitinen, 2003; Nørreklit, 2003; Nørreklit et al., 2012), and studying BSC in different contexts (Malmi, 2001; Carmona and Granlund, 2003; Papalexandris et al., 2004; Kraus and Lind, 2010; Humphreys and Trotman, 2011).

For example, Braam and Nijssen (2004) explored the implementation of the BSC in a financial organisation in the Netherlands, revealing that the organisation made three attempts to implement the BSC, judging it to be a success only on the third occasion. Different factors were cited for the lack of success for its implementation in the first two attempts, including: top-down management pressure at the first attempt, and unsuitable IT infrastructure at the second attempt. However, the third attempt was a successful implementation, due to the involvement of employees at the early stages of implementation, as well as a bottom-up approach alongside management support.

By distributing questionnaires to chief accounting and finance officers in 60 companies that are listed on the Dhaka stock exchange, Khan et al. (2011) examined the use of BSC in Bangladeshi companies. The study's results revealed that only 10% of the organisations included in the study had implemented the BSC. Different factors explained why organisations implemented BSC, including: company size, the uncertainty of the operating environment, and intense market competition. On one hand, ambiguity about the expected benefits of BSC, the domination of family owners and the imposition of their choices over top level management, as well as the automation of production processes, explained the low adoption level of BSC by the companies surveyed.

Hoque and James (2000) conducted a survey of 66 Australian manufacturing companies to examine the link between organisational size, the product life-cycle stage, the market position, BSC usage and organisational performance as dependent variables (p.1). The study results reported that organisational size does affect the level of BSC use, i.e., the bigger the company in size the more it will use BSC for performance measurement. In addition, Hoque and James (2000) found that the surveyed companies tended to use BSC as a performance measurement technique when a new product was introduced to the market. More precisely, the analysis "indicates that firms that have a higher proportion of new products have a greater tendency to make use of measures related to new products" (ibid, p.11). While the organisation's market position, measured by the organisation's market revenue share compared to the leading

firms, did not seem to have an effect on the usage of BSC as a performance measurement technique.

This view is supported by Malmi (2001), who conducted research in Finland to explore the application of BSC within Finnish organisations, and to consider why companies adopted BSC. Malmi (*ibid*) conducted semi-structured interviews with 17 organisations which had adopted BSC. Based on the interview results, Malmi (2001) identified five different reasons that explained why Finnish companies adopted BSC. First, according to the interviewees, “BSC translates strategy into action” by tying up yearly strategy plans with operations (*ibid*, p.213). Second, quality programmes, like total quality management, encourage the adoption of BSC to gain accreditation. Third, other changes within some organisations explained the adoption of BSC, including: the introduction of the value chain concept and changes in company structure due to emergencies. Fourth, managerial fads and fashions explained the adoption of BSC within the interviewed organisations. Fifth, some companies adopted BSC as they realised there was a need to abandon the traditional budgeting system; since “companies have found budgeting laborious and regard it as an inaccurate estimate of the future, even when it is completed” (Malmi, 2001, p.214).

Consequently, and according to Hoque (2014), of the 114 articles that relate to BSC and that have been published in accounting journals, only 12 (10.5%) articles were conducted in manufacturing companies, and the majority of these studies were descriptive. Only 9 articles utilised an institutional theoretical perspective to analyse research findings, while 6 of the 67 articles published in business and management journals employed institutional theories as analytical lenses. Hoque pointed out that the majority of the BSC studies surveyed were premised on quantitative research methods, and that “more qualitative field-based studies could in future capture actual usage of the balanced scorecard in practice in a variety of contexts” (p.43). He also emphasised the importance of conducting more of these studies in developing and emerging countries:

[...] some developing nations might be implementing the balanced scorecard primarily to comply with the requirements of external institutions such as funding agencies, government policy reforms or

professional bodies [...] these studies could provide some explanations for the commonalities and/or differences in balanced scorecard practice and its effectiveness in different types of settings across the globe (p.46).

Overall, these studies highlight the need to conduct more studies of BSC within emerging economy contexts, based on institutional perspectives, to enhance our understanding of different political and contextual factors which may shape the ways in which MA changes as a process that unfolds overtime.

2.3.2. ERPs

Past studies have explored the effects of introducing ERP systems on the adoption of contemporary MAPs (Spathis and Constantinides, 2004; Spathis and Ananiadis, 2005; Rikhardsso et al., 2006; Grabski et al., 2009). According to Rom and Rohde (2007), the non-availability of advanced information systems (IS) was amongst the key factors that explained the low adoption rates of contemporary MAPs, such as ABC and BSC in the 1980's (see also Chenhall and Langfield-Smith, 1998). Later, with more advanced technology and integrated IS technology, such as ERP systems, it might be reasonable to assume that the contemporary MAPs' adoption levels would increase. However, various studies have actually concluded that the introduction of an ERPs system does not result in the higher adoption rates of contemporary MAPs (Maccarrone, 2000; Malmi, 2001; Granlund and Malmi, 2002). Yet those studies did not explain the interdependency between the introduction of an ERP system and the adaptation of contemporary MAPs. As the purpose of this research is to explore the changing nature of MAPs, and how MA change, as a process, unfolds over time within an organisation, this section refers to studies about interdependency and the complexities that arise between the introduction of an ERP and the type of MAPs that is adopted by an organisation, based on different theoretical aspects with a focus on studies that are based on institutional perspectives¹⁰.

Different studies have been undertaken on ERP systems, and specifically on how the introduction of such a system has impacted (or not) on the type of

¹⁰ See Chapter 3

MAPs adopted by organisations (Fahy and Lynch, 1999; Granlund and Malmi 2002; Spathis and Constantinides, 2004 and 2005; Granlund 2011; Sánchez-Rodríguez and Sprakman, 2012). For example, Granlund and Malmi (2002) conducted exploratory case studies in Finnish organisations, examining the impact of ERPs on MAPs, as well as on the management accountants' roles. Their results revealed that ERP implementation had no effect on the type of MAPs used by their case organisations; in most of the case studies, all MAPs were used in stand-alone systems and were not integrated into the ERP system. Granlund and Malmi (2002) gave two main reasons for the low effect of ERP technology on MAPs, namely, (1) most of the case study organisations were in the early stages of ERP implementation, and (2) there was a perceived efficiency and effectiveness of the existing accounting systems (p.313).

An earlier study by Libby and Waterhouse (1996) explored the relationship between changes in management accounting and control systems (MACS) and several organisational and contextual variables in a sample of Canadian manufacturing organisations. Those organisational and contextual variables included: (1) decentralization, (2) size, (3) competition, and (4) the capacity for change (*ibid*, p.138). Change in MACS was, in this study, "... measured as the sum of the reported number of changes during the period 1991-1993" (Libby and Waterhouse, 1996, p.139). The study's results revealed that change was present in different components of the MACS of surveyed companies, including: planning, control, costing, directing and decision making. While more frequent changes were seen in the decision support and control components, if compared to product costing, planning and directing. Libby and Waterhouse's (1996) study also claimed that changes in MACS tended to be evolutionary, rather than revolutionary: "it appears that change occurs not by adding or deleting systems wholesale, but incrementally, by adding, deleting or substituting to or from existing systems" (p.147).

Surveys, such as that conducted by Hong and Kim (2002) to investigate the successful implementation of an ERP system within 34 surveyed organisations, has shown that the successful implementation of an ERP system depends significantly on its organisational fit, which is defined as "the congruence

between the original artefact of ERP and its organizational context”¹¹ (p.27). The results of the study revealed that as “the organizational fit of ERP was found to have a significant effect on ERP implementation’s success, project managers, before embarking on an ERP implementation project, must evaluate the organizational fit of ERP and plan for an appropriate type and level of adaptation” (*ibid*, p.36). Hong and Kim argue that it is important to evaluate the ERP system and how it fits with the organisational context prior to the implementation of an ERP system, so as to avoid unsuccessful implementation of the ERP system.

Scapens and Jazayeri (2003) conducted a case study in a European subsidiary organization of a US multinational, investigating how ERP implementation played a ‘stabilising’ role, rather than changing existing MAPs. This study also demonstrated that ERP implementation was an evolutionary change process: “[ERP] facilitated incremental changes to the existing ways of working (i.e., evolutionary change), rather than fundamentally challenging them (i.e., revolutionary change)” (p.229). Scapens and Jazayeri’s (2003) research has suggested that the four key characteristics of ERP systems (namely, integration, standardisation, routinisation, and centralisation) had four implications for management accounting, as follows: (1) the elimination of management accountants’ routine jobs, (2) supplying line-managers with accounting knowledge, (3) offering more forward-looking information, and (4) a broader role for management accountants (p.225). They also argued that those implications of ERPs in management accounting are accompanied by ERP implementation, and not by considering ERP to be a driver of change. In other words, Scapens and Jazayeri (2003) have stated, “We are not necessarily claiming that the implementation of SAP was the driver of management accounting change in BM (Europe). It is very difficult to know what would have happened had SAP not been implemented, as changes in the management accounting practices of BM (Europe) were already taking place prior to the implementation of SAP” (p.204). However, “the implementation of [ERP] did play an important role in reinforcing and facilitating” those changes (p.229). By

¹¹ Organisational context measured by the interdependence between different units, organisational; strategy, structure, size, operating environment, existing technology, and individual characteristics (Hong and Kim, 2000, p.26)

studying the process of ERP implementation, therefore, Scapens and Jazayeri concluded that ERPs played a stabilising role in relation to existing MAPs.

Rom and Rohde's (2006) investigation in this area revealed that: "Strategic Enterprise Management (SEM) systems are better at supporting management accounting tasks, such as data processing, reporting, and decision-making, than are ERP systems" (p.59). In addition, their results suggested that SEM systems facilitate the introduction of modern management accounting tasks, such as non-financial measures, external and ad hoc management accounting, and the allocation of costs. On the other hand, Rom and Rohde (2006) also concluded that ERP systems play a stabilising role in relation to existing traditional management accounting tasks, a claim which is consistent with others (above). They concluded that: "ERP and SEM systems are complementary systems: ERP systems seem to be the primary enablers of change in data collection and the organisational breadth of management accounting, while SEM systems seem to be the primary enablers of change in reporting and analysis, budgeting, non-financial, external and ad hoc management accounting, and the allocation of costs" (p.62).

To better understand the effect of introducing an ERPs system to MAPs, Malinić and Todorović (2012) conducted a study in Serbia to explore the effect of implementing an ERP system on the nature of MAPs adopted through surveying organisations (that included 9 big Serbian industrial organisations). The authors were testing whether the implementation of an ERP system resulted in the introduction of advanced MAPs, such as ABC or BSC. They found that no contemporary MAPs were adopted by the organisations in their survey following the implementation of an ERP system. The results of this study were also consistent with Scapens and Jazayeri (2003), in that ERPs were said to play a stabilising role for existing MAPs, rather than challenging existing practices. In addition, Malinić and Todorović's (2012) research emphasised the importance of organisational culture for successfully implementing ERP systems, saying that the "[...] orientation of the system towards the whole of the business, and not the individual functions, can cause rigidity" (p.746).

The majority of past studies, discussed above, concluded that the implementation of an ERP system results in the standardisation of existing MAPs, the provision of more detailed information; and, usually, in an evolutionary (rather than revolutionary) way.

Some past studies have called for the exploration of ERP systems' implementation from a 'processual' angle, to better understand how the change process evolves (Scapens and Jazayeri, 2003; Spathis and Constantinides, 2004; Rom and Rohde, 2006). More specifically, some writers have called for greater focus on how different change dynamics (e.g., power, politics, routines) shape the unfolding of MA change as a process over time (Granlund and Malmi, 2002; Burns and Quinn, 2011). Survey-based research would be limited in teasing out the nature and complexities of change processes (Guilding et al., 2000; Haldma and Lääts, 2002; Modell, 2005; Van der Stede et al., 2005; Lillis and Mundy, 2005; Mat et al., 2010). As Scapens and Jazayeri (2003) suggested, there should be more effort: "to explain the outcomes of implementing ERP systems, we need to study the processes of change and to be sensitive to the evolutionary and path-dependent nature of those processes" (p.230). The next section refers to studies that explore MA from a processual approach¹². The focus will mainly be on studies that refer to power, institution, and employees' rewards, as change dynamics that shape how MA change evolves as a process (Burns and Scapens, 2000). Given that, as will be explored later in this research, such factors are those which most shape how the MA change as a process unfolds within the case study organisation (please see Chapter 7).

2.3.3. Processual-based management accounting change studies

The previous section concluded with the importance of conducting more research based on processual longitudinal case studies, in order to understand how MA, as a process of change, evolves within an organisation (Gomes, 2007; Modell et al., 2007; Youssef, 2013; Contrafatto and Burns, 2013; Claude Mutiganda, 2013; Mundy, 2013). Additionally, different studies have stated that, although focusing on the technical aspects of an MA change is important; it is

¹² See methodology chapter for more details relating to the processual approach

not enough to achieve a successful implementation of that change (Burns et al., 2003). In their study, which set out to investigate the challenges of MA change, Burns et al. (2003) argued that “selecting and implementing the ‘right’ accounting systems and techniques and the technical aspects of implementation are important, but change implementation and change management also involve important behavioural and cultural issues that must be understood and addressed” (p.vii). Shields (1995) contended that organisations which focus primarily on the technical aspects of ABC systems’ implementation, and, for example, overlook how implementation might affect human behaviour, will usually experience unsuccessful implementation, or at least delays in the implementation of the change, and this may create considerable challenges. His argument is premised on a theoretical model developed by Shields and Young (1989, 1994), the main assumption of which is that management accounting change is not a technical change but an administrative change. It continues, with “administrative change, the fate of the change depends on how well it matches the preferences, goals, strategies, agendas, skills and resources of dominant or powerful coalitions of employees, particularly top management” (Shields, 1995, pp.149-50). This, however, is not to say that the technical aspects of MA change are unimportant, but, rather, that generally it “is not sufficient for the general or long-term success of a change” (*ibid*, p.148).

In addition, Burns (2000) maintained that: “change managers need to be able to deal with the unfolding (unplanned, unexpected) consequences of change arising from external and internal influences, as well as the planned and expected” (p.589). The unexpected folding of MA change, as a process, can be explained by the interplay between different change dynamics; including: power, institutions, and context. In their study, Angonese and Lavarda (2014) identified different resistances to change factors, including: institutional power, ontological security, trusting consultants and experts, inertia to change, lack of knowledge, acceptance of routines, and decoupling. They emphasised the importance of the force embedded in those resistance factors in stopping or resisting change. In particular, they argue that understanding resistance factors may facilitate the implementation of change and minimise the resistance to change. Angonese and Lavarda (2014) claimed that “knowing the sources of possible resistance to

change beforehand enables organizations to adopt strategies to mitigate that factor and significantly increase the likelihood of successful change” (p.215).

This section thus explores the extant literature, which covers different change dynamics that can shape MA change processes. The focus is particularly on three aspects of change dynamics, namely: (1) power, (2) institutions, and (3) employee rewards. The reason for this focus here is because they constitute the important change dynamics in the case study that is presented later.

2.3.3.1. Power and change

Power is an important aspect when a strategic change, such as the introduction of a BSC or ERP system, is introduced within an organisation (Alawattage et al., 2007; Van Peursem and Balme, 2010; Lapsley et al., 2011; Rautiainen and Scapens, 2013; Oliveira and Clegg, 2015; Abdalla and A.K., 2015; Kraus and Strömsten, 2016). As will be explored in more detail later in this thesis, Hardy (1996) identified four sources of power that can be mobilised by top managers to put strategic changes into action. Initially, this section explores different past studies that have referred to power as an important dynamic in the MA change as a process and the ways in which it can shape how the change as a process unfold over time.

Burns (2000) conducted a case study that explored the interplay between new accounting practices, routines, institutions, power and politics within the product development department (PDD) in a UK chemical manufacturer. His study stressed the importance of power mobilisation for providing the “energy and momentum necessary for implementing and facilitating accounting change” (p.587). The managing director (MD) in this case mobilised different sources of power, including: power over resources, meaning, and decision making (Hardy, 1996) to impose a new accountability system within PDD. Interestingly, despite some aspects of the new accountability system becoming routinised within PDD, overall, the department continued to engage in traditional ways of thinking and doing, which would not achieve the performance-related results that were expected by the MD. Burns (2000) concluded that, in the absence of questioning taken-for-granted existing ways (i.e., institutions), then “all the

politics and power in the world cannot guarantee the intended institutional change" (Burns, 2000, p.591; Hardy, 1996; Burns and Scapens, 2000).

Aladwani (2001) also refers to the importance of employees understanding and being fully aware of the benefits that are expected from a new accounting (ERP) system, before its introduction. This resonates with Hardy's (1996) notion of power over meaning. Similarly, Tsamenyi et al. (2006) explained the implementation of a new accounting system in a Spanish telecommunications organisation, with reference to coercive pressures from regulatory agencies and its head office, and this aligns closely with Hardy's (1996) notion of the 'power of resources'.

Another study was conducted by Nor-Aziah and Scapens (2007) in a Malaysian public utility body, showing that the introduction of a new budgeting system was subject to substantial resistance from the operations team. Operations managers resisted the change, since it would involve an increase in the monitoring and control of the behaviour of operations managers. Nor-Aziah and Scapens (2007) attributed the resistance to an incompatibility between the new budgeting systems and 'settled ways' (i.e., institutions). In addition, a lack of power over decision making (Hardy, 1996) amongst the accountants was also explained as being an important reason for the change being resisted by the (relatively more senior) operations managers.

In their paper, Agostino and Arnaboldi (2011) aim to understand "how the reasons behind the adoption of the balanced scorecard (BSC) and the approaches undertaken during the entire change process influence the outcome, both in terms of BSC structure and use" (p.99). They found that three patterns of change process emerged, based on the different reasons for introducing the BSC within the case study organisations. The first pattern¹³ was a process of introducing BSC as a consequence of coercive compliance, where subsidiaries have to use similar MAPs to those applied by their parent company, so as to facilitate comparison between reports. Under such circumstances, the design of the BSC mostly involves senior managers, while

¹³ The second pattern corresponds to the need to introduce the BSC to synthesise the business. The third pattern occurs when the BSC is introduced because of a voluntary decision concerning strategic translation (Agostino and Arnaboldi, 2011, p.110)

line managers play a more or less passive role in executing what is required by those senior managers (ibid, 2011). This finding is consistent with several of the studies (above), which have also stressed the importance of top managers in introducing change (Innes et al., 2000; Connor et al., 2004; Fadzil and Rababah, 2012).

Ammar (2014) conducted a case study in a manufacturing organisation in Libya, focusing on MA change as process over time. More specifically, he investigated the process of ‘institutionalising’ a new cost accounting system that was imposed by the parent company, as well as resistance that emerged with the later implementation of an ERP system. Interestingly, the study found that the introduction of a new cost accounting system was not resisted, although the previous system was highly institutionalised¹⁴ within the organisation. When an ERP system was introduced, however, employees resisted, despite the fact that the pre-ERP system was only marginally institutionalised in the organisation. Ammar (2014) explains the change processes and different reactions through reference to power and politics; for example, when the new cost accounting system was introduced, it was important that it was imposed by the head office. Secondly, employees drew on political relationships with key decision makers to resist the ERP project.

Interestingly, power is said to be embedded within the BSC; for instance, according to Modell (2012) “a key theme that gradually crystallized through these works is the need to devise performance measurement systems tightly coupled to the strategic visions and objectives of organizations with the ultimate aim of aligning organizational resources and processes and employee behaviour with what is deemed strategically important” (p.476). So, senior management power is key to explaining how the BSC is implemented in an organisation, while the views of lower-level managers and employees is “[...] to be reconciled with over-riding strategic objectives through training and continuous feedback”, which can create tension and conflict between managers and employees (Modell, 2012, p.477).

¹⁴ See Chapter 3

According to Kaplan and Norton (2001), the agreement of senior management on strategic properties is essential for BSC implementation. Moreover, they argued, continuous support from top management for middle-level managers is also vital for a successful implementation of BSC, as most middle-level managers tend not to understand organisational strategies; “this suggests that Kaplan and Norton are aware of the risks of inertia and resistance to strategies communicated in a top-down manner, but that they implicitly assume that such barriers can be overcome through sufficiently concerted pushes from above” (Modell, 2012, p.477). Modell (2012) went further, to argue that BSC diffusion could be as much related to political factors (e.g., to coercive pressures from a parent company, rather than to economics and imperatives).

2.3.3.2. Institutions and change

In their study, Kloot and Martin (2000) stated that managers and policy makers need to consider the existing “[...] way people work and the attitudes and beliefs they hold while performing their work” for a genuine improvement to take place (p.249). In addition, according to Burns and Scapens (2000), settled ways of thinking and doing, i.e., institutions, affect how management accounting change as a process evolve, as will be detailed in the empirical chapter. This section describes different studies that have emphasised the importance of institutions (Hassan, 2005; Guerreiro et al., 2006; Katsikas, 2013) in shaping the unfolding of MA as a process of change.

Burns (2000) discussed the importance of considering the local (i.e., the intra-organisational) institutional context prior to implementing MA change; since, without considering existing ways before implementing MA change, this might result in difficulties as the change process unfolds. Burns (2000) demonstrated that:

“[...] localised institutional contexts within organisations create boundaries to accounting change, though such boundaries can change and are themselves part of the political process. It is within such boundaries that ‘‘facilitating’’ factors of change such as politics and power mobilisation, can have an impact on intended outcomes” (p. 591).

Scapens and Roberts (1993) conducted a case study of the engineering division of a large-UK based multinational and, in particular, they explored the implementation of a new accounting system. The purpose of introducing this new accounting system was to “control the activities of the unit companies, with particular emphasis on profitability and cash flow” in such a global competitive environment (p.10). However, there was resistance to change, which delayed the implementation of the project, and it was eventually abandoned. Scapens and Roberts (1993) explained that the resistance emerged more at the level of units, rather than at the divisional level, and they particularly highlighted an ignorance amongst the agents for change towards the existing shared meanings and norms. Scapens and Roberts (1993, p.30) concluded:

“It is important not to dismiss resistance as illogical and emotional. Such resistance is probably informed by a whole variety of very real concerns and fears, and attempts to use coercion to overcome them may lead to contests for control and yet further resistance. It is only by exploring the organisational and historical contingencies which influence the process of accounting change that the resistance can be understood”.

Tsamenyi et al.’s (2006) study explored employees’ resistance to a new accounting system and also referred to institutional and market forces as the main change dynamics that explained how the change, as a process, unfolded in the case study company. They argued that employees resisted the new accounting system because they were concerned about losing organisational autonomy and the ‘paternalistic culture’ which existed within the organisation prior to its acquisition by its parent organisation (p.428). Resistance was “higher among older than younger employees”; which resonates with Burns and Scapens (2000) argument that the longer-established and more widespread an institution, the less vulnerable to challenge and more likely to influence action¹⁵. Tsamenyi et al. (2006, p.425) also found that employees in the acquired organisation resisted the new accounting system largely as a consequence of senior managers’ primary focus on technical (formal) aspects of change, in

¹⁵ More details relating to Burns and Scapens (2000) MA change as a process framework are provided in Chapter 3

ignorance of informal aspects, such as employees' roles and future employment prospects (Burns and Scapens, 2000, p.18¹⁶).

In Yazdifar et al.'s (2008) case study, senior management drew on different sources of power to impose the implementation of a new accounting system. However, in this case, the employees of a newly acquired subsidiary organisation did not resist the change, because the acquiring (parent) company spent 6 months understanding the existing settled ways of the newly acquired subsidiary, and then introduced the new accounting system. Yazdifar et al. (2008) argued:

"CC's successful implementation of its plan was mainly because of its attention to the values and taken-for-granted assumptions in Omega and its attempts to achieve congruence between the institutional context and the new systems and practices".

Because the parent company thus knew the embedded ways within the subsidiary better, it was then able to convert the intended strategic change into the organisational routine. Yazdifar et al. (2008, p.423) reported that:

"The emphasis was on facilitating institutional change by means of the mobilisation of power over meanings. Namely, by affecting the manner in which organisational members perceive things, or by moulding their preferences in such a way that the taken-for-granted assumptions and beliefs were increasingly questioned. Consequently, the parent company systems and rules gradually became embedded in the subsidiary routines".

In his study, Aladwani (2001) referred to the resistance framework, which was developed by Sheth (1981), to explain why employees may resist a new ERP system. The framework identified two key sources of resistance, (1) perceived risk and (2) habit; and it is argued that the senior management need to visualise these sources in order to be able to employ appropriate strategies for reducing employees' resistance. Aladwani (2001) argues that it is important to promote positive attitudes, and to achieve buy-in from employees before the implementation of an ERP system. In other words, senior management should not "introduce an ERP when a critical mass of their employees feels threatened by the system or feels forced to accept the new system" (p.272). This, again,

¹⁶ See Chapter 3 for more details

resonates with the argument of Burns and Scapens (2000), who stressed the importance of introducing new accounting ‘rules’ that were congruent with existing and settled ways.

Siti-Nabiha and Scapens (2005) conducted a case study in the subsidiary of an East Asian gas processing company, where a value-based management (VBM) system was imposed by the parent company on its subsidiary (referred to, hereafter, as Eagle). The purpose of this new system was to formulate key performance indicators (KPI), to be used for management control within Eagle, and to give its operations a more strategic orientation. Although the new system (or rules, cf. Burns and Scapens, 2000) in the subsidiary was more or less incompatible with Eagle’s institutionalized setting, new routines did eventually emerge. Two aspects explain this, namely: (1) the new rule was imposed by senior managers in the parent company, and (2) “the way in which new rules were implemented and ultimately became routinised was largely ceremonial¹⁷ and shaped by the existing norms and values within the company” (Siit-Nabiha and Scapens, 2005, p.62).

Finally, Burns and Quinn (2011) conducted a case study on the implementation and automation of new management control systems within a corrugated-container manufacturing organisation. The study focused on how new rules pertaining to automation in production were introduced, and became routinised, and, eventually, were even spread to other companies across the corrugated container sector. This study emphasises the importance of change agents (Jack, 2005; Englund et al., 2011) and, particularly in this case, his/her awareness of existing ways of management control in the corrugated industry, an “ability of the change agent to recognise and counter potential resistance to change” (Burns and Scapens, 2000, p. 19), and to facilitate the design of a system that encoded existing routines (Burns and Quinn, 2011).

2.3.3.3. Employees, rewards, and change

This section now explores the existing literature on the effect of a rewards system on employee performance and, in turn, the effects that reward systems

¹⁷ Check Chapter 3 for an explanation of ceremonial change (Burns and Scapens, 2000).

can have in shaping MA change as a process. As will detailed later in this dissertation, linking MA change to performance evaluation and rewards may result in the unexpected evolvement of the change process to something other than what had been planned, please see Chapter 7 (Alexandra Albersten and Lueg, 2014).

Otley (1994) argued that changes in technology can open the path towards more global competition, which makes the management of change a continuous occurrence, and usually involves not only senior managers, but employees from a variety of levels:

“[...] the process of organizational change becomes embedded in the normal operating practices of the enterprise. [...] In short, adaptation to change will require the active involvement of many more people than has been traditional, and the mechanisms for control of such activities will necessarily involve increased levels of self-control and group accountability” (*ibid*, p.292).

Following on from this earlier work, Otley (1999) then developed a performance measurement framework based on five central issues, namely: (1) objectives, (2) strategies and plans for their attainment, (3) target-setting, (4) incentive and reward structures, and (5) information feedback loops. He used three control techniques to test his framework’s applicability: (1) budgeting control, (2) economic value added, and (3) the Balanced Scorecard (BSC). His results revealed that the rewards issue is not suitably addressed in the BSC (see also, Hoque, 2014), and he stated that not addressing this issue will “have the potential to destroy the impact of an otherwise well-designed scorecard” (Otley, 1999, p.376). In other words, although some organisations implement the BSC, they still link bonus schemes to budget targets. On the other hand, other organisations that implement BSC strictly link bonus payments to the achievement of all BSC targeted measures, and not to achieving one of the BSC-targeted measure result, which means no bonus will be paid, despite the high achievement of other BSC-targeted measures.

Bonner et al. (2000) reviewed the past literature which had focused on the relationship between financial incentives and task performance, concluding “that financial incentives often do not improve task performance” (p.38). They

examined the relationship between the types of task and of incentive scheme, on the one hand, together with task performance. Adopting experimental methods, the study revealed a positive relationship between these variables; and also concluded that, as task complexity increases, "it is less likely that financial incentives will improve performance" (p.38). However, Bonner et al. (2000) have stressed that although such results may have implications in terms of the design of effective financial incentives schemes, their study was conducted in a controlled environment that does not really reflect the real-world. And so, in the real-world, different factors can affect the impact which financial incentives might have on employees' performance.

Next, Shields (1995) examined the effects of various behavioural and organisational variables in the success of ABC implementations; which included linking MA change with employees' performance evaluations (and rewards). Shields argued that linking the implementation of ABC with employees' performance evaluations and compensation (rewards) will motivate them to focus on the change implementation and to use it, especially when it is combined with other behavioural and organisational factors:

"the combination of top management support, linkage to competitive strategy and linkage to performance evaluation and compensation provide a powerful and coherent package to indicate to employees that ABC information is important to their own and their firm's success" (pp.150-1).

Shields' results indicated that there is a correlation between the ABC system's successful implementation and employees' performance evaluation and compensation; i.e., statistically significant. Shields' study stressed the importance of further research into the changing nature of MA, exploring how and why such change differs between organisations, where:

"particular emphasis should be put on how organizational culture, competitive strategy, learning and incentives provide a context in which employees, particularly powerful coalitions such as top management, decide which administrative innovations will be adopted" (p.164).

Such recommendations would seem to acknowledge the importance of incentive schemes in shaping how MA change evolves as a process.

Furthermore, this is an area that is not as fully theoretically developed as it might be, particularly in the Burns' and Scapens' (2000) framework – see later in the thesis.

Burns (2000) has argued that “on occasions, though not always, momentum in change is enhanced by the deployment of incentives for those most affected” by the change implemented (p.590). In his study, Burns questioned whether providing incentives to employees (i.e., financial incentives, or offering a different job title, or improving the work place) may result in different employee viewpoints. In other words, the provision of incentives might (or might not) facilitate MA change implementation via a lowering of resistance by the employees affected.

Burns and Quinn (2011) have argued that routines can be associated with incentives, in that (e.g.) bonuses may bolster the replication of a routine. However, this does not necessarily mean that employees reproduce a routine in the best interests of an organisation; instead, they may be seeking to maximise self-interest through higher bonuses. On the other hand, Burns and Quinn (*ibid.*) also stated that:

“there can be situations whereby if the incentives in place are ever deemed inappropriate, then groups might decide that they wish to do something different to what might be expected. That is, incentives fail to sufficiently support the triggering of a routine, and a change in behaviour will emerge followed possibly by displacement of old routines” (p.21).

Albertsen and Lueg (2014) also recently conducted a literature review around the linkages between BSC implementation and employees' compensation. Their study found that of the 117 empirical studies published in leading academic journals between 1992 and 2012, only 12 studies set BSC-compensation linkage as either the main or the coequally important research objective (Lipe and Salterio, 2000; Ittner et al., 2003; Speckbacher et al., 2003; Feliniak and Olezak, 2005; Decoene and Bruggeman, 2006; Bassen et al., 2006; Lee and Lai, 2007; Greatbank and Tapp, 2007; Griffith and Neely, 2009; Ding and Beaulieu, 2011). The findings of these studies were divergent in terms of how BSC-compensation linkage affects employees' performance. For example,

Ittner et al.'s (2003) study investigated the use of subjectivity weighting measures in reward systems, i.e., combining financial and other subjective measures, including: non-financial ones; to evaluate employees' performances and to determine their bonuses, based on the BSC-bonuses plan of US retail banking operations. The study's results revealed that using subjectivity in weighting the measures of the BSC-bonus plan allowed supervisors to manipulate the measurement of employees' bonuses. This resulted in unsatisfied employees, due to favouritism and uncertainty about the criteria used for bonus measurement. Accordingly, that forced the organisation to eliminate the BSC and to replace it with the old formula-based bonus plan, which is based mainly on revenues. On the other hand, Greatbanks' and Tapp's (2007) study of BSC implementation and its effect on compensation, i.e., bonuses, in a public service city council in New Zealand revealed contrary results. In the case study unit: the Customer Service Agency (CSA), prior to the introduction of the BSC, strategic and operational measures were used to calculate employees' bonuses. Those measures were not tailored to individuals, nor were they used frequently for bonus calculation. In 2003, BSC was thus introduced to improve the staff's and managers' performance evaluation; and the BSC-performance indicators were individually tailored to the staff and the managers. Precisely, "they are monitored on performance by an individual scorecard which reflects key strategic, financial, customer, operational, and personal development measures as appropriate to their position and responsibilities" (pp.856-7). The study results found that tailoring BSC-performance indicators to individual capabilities has had a positive impact on the CSA performance, since scorecards have made the individual and team targets clear and uncomplicated (p.864). Additionally, the implementation of BSC provided better and more objective performance indicators that are used in bonus calculation; which, in turn, motivated staff and managers to focus on those indicators and so get higher bonuses. In this case study, staff and managers were thus satisfied with the ways in which BSC measurement indicators are linked and used for bonus calculation. Accordingly, two contradictory conclusions about BSC-compensation linkage have been reached by the two studies, above. It is therefore possible to state that the production and re-production of new roles that are associated with the introduction of BSC may be affected by compensation plans, i.e., a rewards system.

In conclusion, this section has presented, from a review of previous literature, why organisations should consider reward systems when introducing MA change. Put differently, it has been argued that managers should try to understand the (potential) effect of reward systems on how MA change might evolve over time (see Chapter 7).

2.3.4. Context and management accounting change

In previous studies on MA as process of change, different change dynamics have been found to be related to shaping how the process of MA change unfolds over time, which includes the importance of the change's context. For example, in his study Kasurinen (2002) described an accounting change model that is based on a revision of the work of Cobb et al. (1995). His study stressed that context is critical in any organisational change, and that overlooking the importance of context can lead to a delay in, or even failure of, MA change implementation. Kasurinen (2002) argued that to:

“not pay enough explicit attention to the context of change implementation” may “lead to the understatement of the structural barriers (such as organizational culture) and may be one reason why change attempts do not always lead to successful implementations, regardless of how skilfully they are managed” (p.340).

There has been considerable literature on the importance of context in MA research (Amat et al., 1994; Carr and Tomkins, 1998; Granlund and Lukka, 1998; Joshi, 2001; Williams and Seaman, 2001; Carr, 2005; Alawattage et al., 2007; Kallapur and Krishnan 2008; Jeacle, 2009; Moore, 2013; Elhardy et al., 2013; Alsharari et al., 2015; Messner, 2016; Hopper et al., 2016). As Alsharari et al. (2015, p.479) have stated;

“... management accounting is a set of social and institutional practices that must be studied and interpreted through what is actually happening in relation to the interplay between the organizations and their wider socioeconomic contexts”.

This section will thus review the literature related to the importance of context in shaping how MA change, as a process, unfolds over time, with focus on management accounting studies conducted in developing countries; since the

present research concerns MA change in an emerging economy (Oman) (Hopper and Wickramasinghe, 2007; Halbouni and Nour, 2014).

Commenting on the importance of context in shaping how MA, as process of change , evolves, Pettigrew (1997) argued that:

“social processes are deeply embedded in the contexts that produce and are produced by them. Part of the interactive field is the analysis of how outer and inner contexts surrounding firm level processes shape this process” (p.340).

So, context can either be outer or inner to the organisation; the

“outer context includes the economic, social, political, competitive and sectoral environments in which the firm is located. Inner context refers to the inner mosaic of the firm; the structural, cultural and political environments” (p.340).

Consequently, explaining MA change in an organisation should be linked to the operating contexts as “processes are embedded in contexts and can only be studied as such” (ibid, p.340).

In the same vein, Busco et al. (2007) have pointed out that:

“it is commonly argued that extensive and longitudinal case studies enrich our understanding of the field (MA change as a process) by providing detailed accounts of the intertwined relationships between organizational contexts and the functioning of accounting.” (p.139)

Their study demonstrated that the process of implementing a MA change, cannot be similar for organisations operating in different contexts, as the organisational operating context always affects how the change process unfolds over time. Busco et al. (2007) thus argued that consultants must pay attention to the differences between various contexts before transferring MA techniques, like BSC, between those contexts.

A comparative study by Chanegritth (2008), conducted across four different nations (i.e., Singapore, Canada, France and Malaysia) found that the rate of MA change varies according to the respective economic context(s). The author stated, for example, that: “companies operating in a difficult economic context

are under pressure to improve efficiency. This creates internal demand for MA information with a resulting tendency to change MA techniques more frequently” (p.282).

Similar findings were reported by Lamminmaki and Drury (2001), when they conducted a comparative study between New Zealand and British manufacturing companies, in order to explore the respective adoption(s) of product costing systems. In this study, Lamminmaki and Drury used two samples, unmatched and matched samples, as follows, respectively: “(a) large UK manufacturer and a large NZ manufacturer, (b) a subsample of those companies drawn from both countries satisfying a particular size criterion” (p.332). The study results revealed that when there was a holistic view between the matched samples, no differences in the type of product costing used by the surveyed companies is evident. While, when analysing the unmatched sample results, differences are evident between the surveyed companies. Such differences were explained by the authors through the respective operating context, i.e., either the UK or New Zealand. Lamminmaki and Drury (2001, p.344) concluded: “it should be evident that the desire to control for size should not be construed as an inference that size can capture cross-country cultural difference, however”.

In their paper of 2007, Kholeif et al. conducted a case study of the implementation of a new ERP system within an Egyptian state-owned company. Their study found that the new ERP system was resisted by employees within the organisation, and the implementation of the ERP system failed. Kholeif et al. (*Ibid.*) argued that various change dynamics might help in explaining the failure to implement ERP systems. First, the inability of the new ERP systems to be customised in order to produce reports according to the requirements of the controlling authority, represented by the Central Agency for Accountancy, since the controlling authority requires all state-owned companies to produce accounting reports according to a uniform accounting system. Second, during the 1990s, the privatisation of the public sector was undertaken in Egypt due to losses sustained in it. The share of the public sector of the case study company was therefore transferred to a holding company. Due to these “changes in the regulatory environment in Egypt [this] created market and competitive

pressures" for the case study company (*ibid.* p.262), and this resulted in the company losing a large part of its market share, which caused it to sustain huge losses. Consequently, the ERP system was not implemented, especially because of the huge investment needed to implement it.

So far, this section has reviewed previous literature which highlights the importance of context in shaping change processes. The remainder of this section will review literature that focuses on the changing nature of MAP, and of MA as process of change in emerging economies (Graham et al., 2009).

According to Hopper et al. (2008), overall, the quantity of MA research in less developed countries (LDCs) is growing; however, they add, there is no extensive research in any one particular country, apart from China. They added that "many contextual factors and issues are not unique to LDCs - it is wrong to ghettoise LDC research as exotic and irrelevant to mainstream accounting research" (pp.495-6). LDCs, argued Hopper et al. (2008) are distinctive, owing to their residual traditional culture, and therefore study is recommended to better understand the importance of the LDCs' context, and thus

" primary management accounting system's research aim must be to foster understanding to facilitate local choice rather than dictating systems from rich countries premised on possibly alien values, to improve material conditions and quality of life, especially for the most disadvantaged" (*ibid.* p.496).

Organisations operating in developing countries adopt MA practices; usually by 'importing' them from developed countries, either when a foreign organisation invests in an LDC organisation, or when an LDC organisation has a foreign senior manager. However, little is known in relation to the adaptation of different MA practices across developing countries, including Oman (Nor-Aziah and Scapens, 2007; Mat el al., 2010).

El-Ebaishi et al. (2003) conducted a survey in Saudi Arabia, to explore the type of MA practices adopted by wholly-owned Saudi manufacturing companies. The survey results revealed that the majority of the companies surveyed adopted traditional MAPs, as opposed to more contemporary MAPs (e.g., ABC, JIT, BSC). In explaining the results, the authors put a lot of weight on the importance

of contextual factors. First, Saudi society is both closed and conservative, and therefore the adoption of new MAPs will take time. Second, most of the surveyed Saudi companies operated in a low-competition environment and that is “perhaps due to vast oil revenues that have allowed both individual companies and government to neglect the importance of management accounting”; while market competition is a major factor that facilitates the introduction of a change in the type of MAPs within an organisation, as highlighted in Section 2.2.2.2 earlier in this chapter.

To determine how uncertainty in external factors affects the design and implementation of MA systems Kattan et al. (2007) undertook a case study of a Palestinian organisation. The results confirmed that the use of MA systems does indeed vary according to external environmental uncertainty, in particular, when the external environment is more politically-turbulent, when MA systems tend to become more organic¹⁸; whereas, if the external environments are politically stable, MA systems tend to be used more mechanistically. Additionally, the Kattan et al. (2007) study explains that the main emphasis of accounting will vary according to the external environmental conditions. So, focus will increase towards financial accounting during periods of political turbulence and uncertainty, while stable and more certain periods will see greater emphasis on management accounting. Importantly, this study concluded that the implementation and use of MA within the LDC context should not be measured only by the (rate of) adoption of formalised MA techniques or systems. Instead, the authors argue, it is important to consider the broader (political, cultural, and economic) contexts of LDCs.

By utilising Kasurinen's (2002) model of barriers to accounting change, Thuy (2013) conducted a case study in a Vietnamese audit firm in order to explore the process of BSC implementation. The study found that different factors could explain the gaps between the implemented and the intended BSC systems. Those factors were divided into three types, using Kasurinen's (2002) model, namely: (1) confusers, (2) frustrators, and (3) delayers. Thuy (2013) suggested

¹⁸ Organic MACS are characterised by a low emphasis on budgets, a lack of clear procedures or manuals to prepare budgets and to make decisions. Political uncertainty was considered when making decisions, financial issues were ignored in making decisions, and the intuition of the owner was the main input for decision making, there is no emphasis on costing or cost budgets (Kattan et al. 2007, p.244).

that two factors confused (confusers) the employees about the nature of BSC. These included: BSC's purposes, how it works and how it affects their performance. Thuy (2013) explained such confusion by the lack of employee training and the lack of a spreading of awareness about the importance of the BSC and explaining to the employees how their performance is evaluated based on the BSC, and this confused the employees. In addition, the lack of top management support also confused the employees about the importance of the BSC to the firm. The embeddedness of Vietnamese culture in the informal communication between employees and their managers also frustrated the implementation of the BSC. Specifically, managers may not formally report that an employee did not perform well in the BSC feedback reports; instead, the manager will prefer to have a word with the employee about their bad performance and provide good formal feedback. Thuy (2013) therefore stated: "the preference for informal communication and the routine of relying on personal relationships are two frustrations" of BSC implementation (p.49). The above-mentioned factors thus delayed the effective implementation of the BSC within the case study firm. Despite that, employees and managers continued to implement the BSC in an improper and ineffective manner for nine years, i.e., with little awareness of the importance of the BSC and also with the embedded Vietnamese informal communication culture.

To determine the effects of context in shaping MA change, as a process, Wickramasinghe et al. (2004) conducted a case study of a state-owned telecommunications organisation operating in Sri Lanka. This study investigated the process of introducing a new MA system, following the organisation's partial privatisation. Before this partial privatisation, the accounting system was described as: "a technically sound system which is a component of state central planning" (p.113). The system was not used for decision making, but, instead, politicians controlled decisions in a rather bureaucratic way. Wickramasinghe et al. (2004) described how a newly appointed Japanese CEO was able to replace the old accounting system in the Sri Lankan organisation and was able to introduce several changes, including: the accountability, customers' services, and employees' rewards systems. According to the study, the Japanese commented about the old accounting system, saying: "the CEO's main challenge was changing the 100-year-old bureaucratic management control

system, which he believed was inappropriate for SLT's uncertain and increasingly competitive environment" (p.96). Despite such a successful implementation of the new management accounting system, the current Japanese CEO had to leave to his home country due to clashes with the telecommunications Chairman; thus a new Japanese CEO was appointed. With the appointment of the new CEO, who was very bureaucratic in the way he managed the organisation, he was described as: "

"...he always asked about rules and regulations when judging individual's work, and he was calm and quiet: he rarely chased people for results or investigated alleged transgressions. He was slow and predictable and did not strive for ambitious targets" (Wickramasinghe et al., 2004, p.108).

The Chairman was able to gradually gain greater power, especially as the new CEO's style did not conflict with the pre-privatisation ways of doing things, as "it became evident that the new CEO had no intention of accelerating changes not within established rules and regulations" (ibid, p.108), and thus, "with the agreement of the new CEO, the chairman decreed that the rules and regulations that had dominated the enterprise for decades, but which were abolished by the former CEO, should be restored" (ibid.). Wickramasinghe et al. (ibid.) concluded that when conducting management accounting research in less developed countries where political backing is considered more effective than modern management accounting practices in controlling modern enterprise, then it is not possible to consider MA change as an organisational phenomenon, instead, it is important to consider the cultural factors for a better understanding of the change process. As a result, "the case illustrates and extends a cultural political economy of accounting" (ibid, p.114).

Wickramasinghe et al., (ibid.) concluded that the case:

"illustrates how in many LDCs the transformation between modes of products and cultures and the activities of the state render the practice of controls different to that intended. It remains to be seen whether Japanese management can eventually resolve problems of cultural and political dissonance. Despite their best efforts to date, they have failed to do so. The somebodies that dominate Sri Lankan politics have, apparently, restored vestiges of patronage politics" (p.116).

In a literature review study, Hoque (2014) found that the number of studies conducted in emerging economies' contexts related to BSC implementation are few (only five in accounting and three in business and management). He stated that more research is required in order to understand how context affect the implementation of BSC in different organisations. The study calls for more research based on an inter-country-survey or in-depth field studies, so as to understand the different issues relating to the balanced scorecard, including: why and how BSC is implemented within an organisation in an emerging country. He added: "these studies could provide some explanations for the commonalities and/or differences in balanced scorecard practice and its effectiveness in different types of settings across the globe" (p.14).

2.4. Conclusion

This chapter has reviewed prior literature in relation to the changing nature of MAPs and management accounting change as process (Yazdifar, 2004; Siti-Nabiha, 2000), as opposed to the more conventional view of management accounting change as a static and linear phenomenon. More specifically, the chapter has explored different themes in the literature, as follows. Firstly, section 2.3.5.1 explored how the mobilisation of power can be undertaken by managers (or by other means) to shape how MA, as a process of change evolves. For instance, all of the studies reviewed in the chapter have emphasised the importance of 'power over resources' in influencing change through action, especially top-down change which is imposed by senior managers or parent companies (Hardy, 1996). Other extant studies have highlighted how the 'power of the system' influences change processes and that, in the absence of any questioning of such embedded power, other sources of power are unlikely to achieve institutional change (Burns 2000). Many of the past studies covered in this chapter recommend longitudinal case studies to understand the importance and role of power in shaping how MA change, as processes, unfolds over time (Burns and Scapens, 2000). As Burns and Scapens (*ibid*, pp.22-3) concluded,: "in studying the ways in which management accounting change can influence organizational behaviour, it is important to recognize the role of power in processes of change".

Second, the literature review highlighted a gap in knowledge in relation to the effect of rewards systems in shaping the processes of MA change. Existing literature conveys contradictory results in this respect; some studies show a positive relationship between change and the rewards system; while other studies have argued that rewards are not always positively related to change. Furthermore, the majority of this past literature is premised on studying variable relationships, rather than being process-oriented research; and more focus is needed in relation to how reward systems shape MA change processes over time.

Third, as explained in Section 2.4, it is not possible to ignore the effects of the broader context in shaping the processes of MA change. Different prior studies have identified the importance of conducting more MA research in developing countries (Nor-Aziah and Scapens, 2007; Mat et al., 2010, Hoque, 2014), where the operating environment is dissimilar to that of developed countries, and MAPs that may be ‘workable’ in a developed national context are not necessarily so in a developing country’s context. Aligned to this, it was explained that Burns and Scapens’ (2000) institutional framework of MA change should (and will be) used here to explore MA change as a process in a developing country context (i.e., Oman)

CHAPTER 3 : THEORETICAL FRAMEWORK

3.1. Introduction

In the previous chapter, literature relating to the changing nature of MAPs was reviewed. It was concluded there that many studies called for more research in this area. Specifically different studies called for the conducting of research based on field research in order to get a deeper understanding of the complexities and interdependency between MAPs as organisational routines and as existing institutions within an organisation. This chapter thus introduces the theoretical framework used to interpret the empirical findings of this research. As the main research purpose here is to explore the changing nature of MAPs and the ways in which management accounting, as a process of change, evolves within an Omani non-oil-related manufacturing company (Packco); and how different change dynamics, including: rules, routines, and institution, shape and are shaped by the evolvement of management accounting as a process of change. Then, Burns and Scapens (2000) management accounting change framework will be used, mainly as a lens through which to explain the case study findings. Moreover, Hardy's (1996) framework of power and political mobilisation will be drawn from to accompany Burns and Scapens (2000) theoretical ideas. It is important to state here that Burns and Scapens management accounting change framework is the primary theoretical lens for this thesis, and the utilisation of Hardy's (1996) power framework is considered to be a supplement to Burns and Scapens (2000) MA change as process framework.

The structure of this chapter is as follows: the next section will introduce the core assumptions of old institutional economics theory (OIE hereafter); which is the broader theoretical frame that informs Burns and Scapens (2000) perspective on management accounting as process of change. Following that, the use of OIE theoretical assumptions in MA research will be introduced in Section 3.2.2. Then the process of institutionalisation, according to Burns' and Scapens' (2000) framework, will be covered in the following section with types of management accounting change. After that, Hardy's power and political mobilisation (1996) framework is introduced, as well as explanations of why and

how this complements Burns and Scapens (2000) management accounting change framework.

3.2. Institutional theory- a main focus on OIE

There are different strands of institutional theory; three of them have exerted the most influence on accounting research, namely: (1) old institutional economics, OIE (Veblen, 1919; Nelson and Winter, 1982), (2) new institutional economics, NIE (North, 1978; Coase, 1984; Williamson, 1987), and (3) new institutional sociology, NIS (Powell and DiMaggio, 1983). This section thus gives a general view of these three strands, with a focus on OIE theory. As the main findings of this research can mostly be related and explained through the OIE theory's lens, this will be detailed later in this chapter.

Although the three stands of institutional theory do differ in terms of defining institutions, they share a common concern that institutions matter and should be endogenised into our theoretical and empirical research. As such, "Institutions, according to the NIE approach, essentially exist where their benefits exceed the costs involved in creating and maintaining them" (Moll et. al., 2006, p.186).

While NIS theory argues that organisations are operating in a very highly institutionalised environment. NIS has defined environment, in this sense, as the "cultural rules and social norms that are reflected in specific formal structures and procedures of the organisation", rather than "merely as a source of task constraints or a relation network that poses demands for operational coordination and control on an organisation" (Ribeiro and Scapens, 2006, p.96). Finally, according to OIE theory, institution, as explained by Walton Hamilton (1932, p.84) is "a way of thought or action of some prevalence or permanence, which is embedded in the habits of a group or the customs of a people". As such, and as this research focuses on how different institutions within an organisation shape, and are shaped, by change as a process; then the assumptions of OIE theory will be utilised to explain the empirical nature of this research, instead of the other two strands of institutional theory (Adams, 1994; Guerreiro et al., 2006; Johansson and Siverbo, 2009).

3.2.1. Core assumptions of OIE

The origins of OIE theory can be traced back to the works of the social theorist, Thorstein Veblen (e.g., Veblen, 1898, 1899). In his works Veblen (1899, 1919), tried to develop an economic theory based on institutional evolutionary assumptions. Veblen's work "shares common features with some of the attempts made by other economists, like: Alchian (1950), Friedrich Hayek (1988), to use evolutionary metaphors from biology" to develop an economic theory (Hodgson, 1998, p.167). Additionally, his work is based on rejecting the rational economic man assumption that is based on neoclassical theory (*ibid*, p.167). OIE differs from the neo-classical theory in the sense that the former focuses on the process of change, rather than on the outcomes of the process, while the latter focuses on executive summaries to conduct statistical comparison between different outputs (Veblen, 1919; Nelson and Winter, 1982). Though OIE does not reject the assumption of utility maximisation within organisations; OIE mainly explains the process by referring to the institutionalised rules and routines, instead of depending on the rational thinking of individuals (Rutherford, 1995). Precisely, institutions, habits, rules, routines, and their evolution, represent the core ideas of institutionalism and economic analysis (Hodgson, 1988; Nelson, 1995; Nelson and Winter, 2002; Hodgson, 2006). This section therefore explores the main assumptions of an OIE approach.

Veblen (1919) defined habit as "an acquired proclivity or capacity, which may or may not be actually expressed in current behaviour" (Hodgson, 2004, p.652). Hodgson (1998) stressed the importance of deploying rules and habits in socio-economic theory. In OIE, habit is a core concept and it is central to the formation of institutions (Hodgson, 1998, p.180). In other words, "habits are the constitutive material of institutions, providing them with enhanced durability, power and normative authority. In turn, by reproducing shared habits of thought, institutions create strong mechanisms of confirmation and normative agreement" (Hodgson, 2006, pp144-145). According to Hodgson (1998), habit develops by repeated application of rule. Consequently, Hodgson (*ibid.*) defined rules as "conditional or unconditional patterns of thought or behaviour which can be adopted either consciously or unconsciously by agents. Generally rules have

the form: in circumstances X, do Y" (p.185). Unlike habits, rules do not necessarily have a self-actuating or autonomic quality; but by applying rules repeatedly, a rule can become a habit. Habit is thus established by repeated behaviour and repeated behaviour is important for that, but they are not the same, i.e., habit and behaviour. Habit, to Veblen (1919), is a propensity to behave in a particular way in a particular class of situations; and as such it is not necessary to use the acquired habit all the time.

In contrast to the key assumption of neo-classical theory¹⁹, non-rational human behaviour in economic decision making can be explained by institutional economics as the "thirst of power and adventure, a sense of independence, and habit" which may represent "powerful motivations of economic behaviour" (Wilber and Harrison, 1978, p.72). Moreover, according to Hodgson (1998, p.169), "an institutionalist would stress the need to show how specific groups of common habits are embedded in, and reinforced by, specific social institutions". He added that institutionalists, in OIE theory, enforced the importance of individuals and their preferences by stating that "individuals interact to form institutions, while individual purposes or preferences also are moulded by socio-economic conditions; the individual is both a producer and a product of her circumstances" (p.177). Hodgson (1998) emphasises the importance of deploying rules and habits and analysing their evolution even with the pecuniary rationality of agents in a market economy and this "should be installed at the core of economics and social theory" (p.185).

According to Adams (1994), it is thus important to put individual behaviour in a social context in order to understand how people will respond to changes in that social context. Accordingly, OIE based studies believe that individuals' behaviour is shaped by institutionalised rules and values within the social setting in which they are operating (Soin et al., 2002; Ribeiro and Scapens, 2006; Länsiluoto and Järvenpää, 2008; Ter Bogt, 2008; Johansson and Siverbo, 2009; Mbelwa, 2015). Consequently, "the concept of the rational, maximising individual does not make sense to the institutionalist, since the

¹⁹ The key assumptions of neo-classical theory will be briefly described in Section 3.

individual does not exist separately from his or her environment" (Siti-Nabiha, 2000, p.60).

While habit is related to an individual propensity to act at the individual level, routine is analogous to habits, but at the organisational level (Quinn, 2011; Jack and Mundy, 2013; Börner and Verstegen, 2013; Oliveira and Quinn, 2015). Specifically, "when habits become a common part of a group or a social culture they grow into routines or customs" (Hodgson, 1998, p.180; Commons, 1934). According to Hodgson (2006), the habit concept is therefore needed in order to understand the concept of routine, for two reasons. First, "routines operate through the triggering of individual habits. Second, routines are the organisational analogue of individual habits" (p.203). In their book, Nelson and Winter (1982), have used the term 'routine' in two different ways, sometimes they refer to routine as 'dispositions', and at other times as 'behavior'. However, later, Winter (1995), distinguished between a "routine in operation at a particular site" and a "routine per se – the abstract activity pattern" (pp. 169-70; Quinn, 2011; p. 341). Although different definitions of routine are provided by Winter (1995), it is not applicable to use the term routine to represent both definitions, and it should thus be represented by one of the two definitions (Hodgson, 2006). Accordingly, Hodgson has argued that "the essence of what an entity is cannot be conflated with what an entity does", and a definition of routine cannot donate both to potentiality and actuality (p.206). Hodgson thus refers to routines, and has stated "routines are not behaviour; they are stored behaviour capacities or capabilities" (Hodgson, 2004, p.7). Hodgson (2006) has also mentioned that habits and routines are rule-like potentialities or dispositions, rather than behaviour. Similarly to habit, the reproduction or replication of the same behaviour within a socio-economic context develops routine in an organisation (Hodgson, 2004; Quinn, 2014). Nevertheless, "the replication of routines must involve the replication of the generative structures and capacities that are additional to the habits of the individuals involved" (Hodgson, 2006, p.212). Put precisely, the replication of routines involves not only the transfer of skills from a master to an apprentice, but it involves the transfer of tacit and codified knowledge. Which is "transferred as a result of repeated practice, often with similar stimuli and constraints" (Hodgson, 2006, p.212). Habits and routines thus preserve knowledge, particularly tacit knowledge in relation to skills, and

institutions act through time as their transmission belt (Hodgson, 1998, p.180). Below, more details are provided in relation to the institution, and its importance in old institutional economic theory.

According to Hodgson (1998), the basic unit of analysis in OIE theory is the institution, as institutions portray a long standing stability if compared to an individual's habits. This was explained by Hodgson as follows: "the fact that institutions typically portray a degree of invariance over long periods of time, and may outlast individuals, provides a reason for choosing institutions rather than individuals' habits as a basic unit" (p.172). In addition, institutions exist before the individuals that relate to them, and therefore institutions and their specific features are a core concept for economic institutionalists, rather than focusing on building a general and ahistorical model of the individual agent²⁰ (Hodgson, 1998). Accordingly, the father of economic institutionalism, Veblen (1919), defined institution as:

"...settled habits of thought common to the generality of men" (Veblen, 1919, p.239).

Later, (1932), Hamilton elaborated on Veblen's definition of institution, and he saw institution as:

"..a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people" (p.84)

Although an institution is the main unit of analysis in OIE theory, it cannot be understood without reference to the role of habits, rules and routines in explaining how institutions evolve, thus "both individuals and institutions are mutually constitutive of each other. In others words, institutions shape and are shaped by human actions" (Hodgson, 1998, p. 181). Alternatively, "institutions both constrain and enable behaviour. The existence of rules implies constraints. However, such a constraint can open up possibilities; it may enable choices and

²⁰ However, the proposed alternative is not a methodological collectivism where individual behavior is entirely explained by the institutional or cultural environment. Complete explanations of parts in terms of wholes are beset with problems of equivalent stature to those of the inverse procedure. Just as structures cannot be adequately explained in terms of individuals, individuals cannot adequately be explained in terms of structures (Hodgson, 1998, p.172).

actions that otherwise would not exist" (p.139). As an illustration, different rules such as, traffic and language, allow individuals to interact within some restrictions, but "regulation is not always the antithesis of freedom; it can be its ally" (Hodgson, 2006, p.139).

In economic institutionalism, human activity is perceived of as being evolutionary, dynamic and in a constant process of change. More precisely, economic institutionalists perceive economic phenomena as evolving, ongoing and developing entities, and they are not seen as starting from, and moving towards, conditions of equilibrium. The analysis of economic phenomena based on economic institutionalism is therefore processual and evolutionary (Wilber and Harrison, 1978; Gruchy, 1990; Hodgson, 1998; Siti-Nabiha, 2000).

According to Gruchy (1990, p.365) understanding the factors that contribute to change is important in economic analysis. He stated that:

"It is clear that the most significant feature of a processual paradigm is its emphasis upon change and development over historical time. Since the processual concept is based on historical time, and history is continuously changing, one must inquire into the significance of the factors leading to change in the economic system."

As such, the processual paradigm is a way of perceiving the nature of economic reality in old institutional economics (Gruchy, 1990). This paradigm²¹ argues that the economic reality has substance and structure. Institutionalists perceive the substance of economic system as an evolving, ongoing, and developing entity. Over time, "the structure of the economic system functions in response to political, demographic, and climatic factors, and to scientific advance and technological change" (Gruchy, 1990, p.364). For Gruchy (1990), Veblen (1898) stated the need to develop a theory formulating the concept of evolving process in the economic system; and different institutionalists, for example Clark (1936), made attempts to develop such a theoretical formulation, but they were unable to fill such a gap. Adams (1994), tried to develop a theoretical concept which takes into account the nature of institutions as a means of investigating individual actions, while also not ignoring individual ideas and values; instead of translating any biological evolutionary theory and using it to explain social

²¹ More details of the processual approach will be provided later in the methodology chapter

evolution phenomenon. Moreover, Dawson (1997) argues that processual research helps the researcher to explain how the change process unfolds, and how the different change process dynamics, substance, context, and politics, interact and shape the change process. As such, “this type of research can question many of the taken-for-granted assumptions about change and allow us to see issues which have previously remained hidden” (p.1). Section 3.2.3 explores how Burns and Scapens (2000) developed a management accounting change processual framework that is based on the core assumptions of OIE.

As mentioned above, the core concepts in economic institutionalism relate to rules, habits, routines, and institutions, and how they evolve. However, there is no single general model built by economic institutionalists that is based on those core concepts. Instead, “these ideas facilitate a strong impetus toward specific and historically located approaches to analysis” (Hodgson, 1998, p.168). And institutionalists employ those limited core concepts to explain and analyse complex economic phenomena (Burns and Baldvinsdottir, 2005). Hence the core assumptions of OIE having been introduced, above, the following section will explore the utilisation of OIE assumptions in MA research.

3.2.2. Use of OIE theory in management accounting

This section explores the use of OIE theory core assumptions in conducting management accounting research. Section 3.2, above, explored briefly three different streams of institutional theory, with more focus on OIE core assumptions. As the purpose of this research focuses on exploring how MA, as a process of change, evolves within an organisation, then assumptions of old institutional economics will be consulted here by referring to the argument of Scapens (1994), and Burns and Scapens (2000), in relation to the usage of OIE theory in management accounting research.

The utilisation of social theories for accounting research emerged as a result of the rejection of neo-classical theory’s ontological and methodological assumptions that are based on the rational thinking of individuals within organisations in terms of profit maximisation. Neoclassical economics considers accounting “as an objectively neutral set of measurement techniques”

(Humphrey and Scapens, 1996, p.89), grounded in assumptions of rational behaviour and optimisation; that are concentrating on finding the optimum solution for organisations and which define management accounting as a set of measurement techniques that help organisations to achieve such profit maximisation goals (Williamson, 1975; Baiman, 1990; Wilson and Chua, 1993; Lucas, 2003; Bromwich and Scapens, 2016). Moreover, based on neoclassical economics theory, “custom and habit ignored; competition was glorified and the changing nature of technology, business organization, and the role of the state was totally omitted” (Wilber and Harrison, 1978, p.64). Specifically, neoclassical economics theory is premised on the following key assumptions: rationality, utility maximisation and markets as structure for equilibrium (Tomkins, 1990; Spekle, 2001; Lambert, 2001; Covaleski et al., 2003).

In his study, Scapens (1994) identified a gap between management accounting theory,²² and management accounting in practice, and argued that there is no comprehensive theoretical framework with which to study management accounting in practice. He stated that such a framework should differ from theories that are based on the neoclassical assumptions of economic rationality and market equilibrium, i.e., costly contracting economics and transaction cost economics, as mentioned above. As such, Scapens (1994) demonstrated that accounting researchers “are encouraged to study the practice of management accounting as the outcome of institutional processes in which habits and routines evolve to give coherence and meaning to organizational behaviour” (p.316). In his study, Scapens (1994) proposed a framework that should provide a useful starting point for case studies and that was designed to give us better understandings of management accounting practices (p.305). Consequently, Scapens (1994) found OIE an avenue for the analysis of social institutions and processes which govern economic activities within an organisation. He proposed an alternative approach to studying management accounting based on OIE theory’s assumptions, as explored above. Scapens (1994) argues that conducting management accounting research based on OIE theory’s assumptions “encourages researchers to look seriously at the nature of all

²² Management accounting theory here refers to the theoretical material in management accounting textbooks, which was intended to show practitioners how management accounting *should* be done (Scapens, 1994, p.301)

management accounting practices, and not to dismiss those practices which do not conform to some theoretical ideal” (p.301).

As neoclassical theory helps researchers to predict behaviour at the macro-level, i.e., the industry or the market, and not to predict the behaviour of employees within organisations, i.e., the micro-level (Scapens, 1994); researchers therefore proposed the use of institutional theory in accounting in order to explore accounting as a social phenomenon that is produced as a result of the interaction between different people within the organisation, as well as the interaction between the organisation and the outside environment (Burns and Scapens, 2000; Scapens, 2006; Ribeiro and Scapens, 2006). As such, there has been a shift in the way research is conducted in the field of management accounting, from descriptive-approaches-based to other alternative approaches that are used so as to have a holistic (see below) understanding of how management accounting practices and systems evolve in their social context (Johnson, 1996; Ribeiro and Scapens, 2006). According to Wilber and Harrison, 1978, p.71:

“Institutional economics can be characterized as holistic, systemic, and evolutionary. The process of social change is not purely mechanical; it is the product of human action, but action which is definitely shaped and limited by the society in which it has its roots. Thus, institutionalism is holistic because it focuses on the pattern of relations among parts and the whole”.

Accordingly, based on a holistic view of management accounting change as a process, the utilisation of universal laws is not applicable for reality explanations; instead, such a phenomenon “is explained by identifying its place in a pattern that characterizes the ongoing processes of change in the whole system” (*ibid*, p.73). As such, when research’s purpose is to predict economic behaviour at market level, then neoclassical theory is suitable for such research purposes; but if the research purpose is to focus on individual behaviour within organisations, then neoclassical economic theory would not be applicable to such research (Scapens, 1990, Vaivio, 2008; Burns, 2014; Nørreklit et al., 2016). Moreover, research based on the neoclassical approach is able to answer questions related to how two variables can affect each other when everything else is frozen, as mentioned above. As this research is more related

to finding answers to questions about how and why an individual organisation is applying specific management accounting practices and to explore how MA, as process of change , evolves. Neoclassical economics theory is not applicable to, and therefore, Burns and Scapens (2000) MA change as process framework will be consulted here as a theoretical lens through which to explain how management accounting change as a process has evolved within the case study company, as will be explored in Chapter (7). Burns' and Scapens' (2000) framework basic assumptions are derived from OIE's core assumptions, and it explores how the management accounting change process unfolds, and how management accounting becomes institutionalised within an organisation over time. The following section introduces Burns and Scapens (2000) MA change as process framework.

3.2.3. The institutionalist framework of change- focus on Burns' and Scapens' (2000) management accounting change framework

As mentioned above, in Section 3.2.1, different researchers of OIE theory have tried to develop a theoretical framework through which to explain the process of institutionalisation in order to illuminate the social evolution of the phenomenon (Clark, 1936; Gruchy, 1990; Adams, 1994). Consequently, and drawing on OIE theory's main assumptions, Burns and Scapens (2000) developed a framework through which to study the changing nature of MA as a process, and how it unfolds over time. According to Burns and Scapens (2000), institutionalised practice is a practice that, as time passes, comes to "underpin the taken-for-granted ways of thinking and doing in a particular organisation" (p.5).

Organisations are governed by different institutions, and those institutions can shape management accounting practices and also be shaped by MAPs. This section focuses on Burns' and Scapens' (2000) management accounting change process framework and demonstrates the development of this framework, based on the main assumptions of OIE that were explained in the previous.

Different definitions of institutions are used in OIE, but the most common one is the definition developed by Hamilton (1932), as mentioned above: "a way of thought or action of some prevalence and permanence, which is embedded in

the habits of a group or the customs of a people" (p.84). Based on this definition of institutions, it is argued by Burns and Scapens (2000) that institutions impose and create coherence in human activity, "through the production and reproduction of settled habits of thought and action" (p.6). However, at the same time, the routinisation of human activities is what creates institutions. Hence, "there is a duality between action (human activity) and the institutions which structure that activity" (ibid, p.6)

Burns' and Scapens' (2000) framework, tries to explain the relationship between institutions and actions by exploring the role of rules and routines of developing such relationship. They refer to rules as the formally recognised way in which things should be done, and routines, for them, are defined as the way in which things are actually done. While institution is defined as "the shared taken-for-granted assumptions which identify categories of human actors and their appropriate activities and relationships" (Burns and Scapens, 2000, p.8). As such, institutions comprise the taken-for-granted assumptions which inform and shape the actions of individual actors. However, at the same time, these taken-for-granted assumptions are themselves the outcome of social actions.

Accordingly, institutions are the structural properties which define the relations between, and the activities of, the members of particular social groups or communities (ibid, p.8). Habits and routines become institutionalised through the production and reproduction of them through time, "which is a gradual and in some sense natural process through which specific patterns of thought and action become widespread and taken-for-granted as the way things are done" (Ribeiro and Scapens, 2006, p.98, Burns and Scapens, 2000; Scapens, 2006). According to Scapens (1994), institutions thus can be explicitly analysed as dynamic and active instruments which can facilitate or prevent change; i.e., institutions have both constraining and enabling qualities. Institutions constrain individual actions as institutionalised routines develop a fixed pattern for human action, and institutions enable human actions, as they provide information which enables individual to act in an uncertain environment (Scapens, 1994,p. 305-p.306; Boland, 1979).

Consequently, the following section introduces the ways in which rules become routinised, and then institutionalised, based on Burns and Scapens (2000) management accounting change process framework.

3.2.3.1. Process of institutionalisation

As mentioned earlier, this research's purpose is to explore how MA, as process of change, unfolds over time, and how different dynamics, including: rules, routines, and institutions; shape the ways in which the change process evolves within an organisation. Consequently, this section introduces the process of institutionalisation, based on the seminal paper of Burns and Scapens (2000).

Drawing on the main assumptions of OIE, Burns and Scapens (2000) developed a framework that explores the complexity and interdependency between actions and institutions, and that "demonstrates the importance of organizational routines and institutions in shaping the process of management accounting change" (p.3).

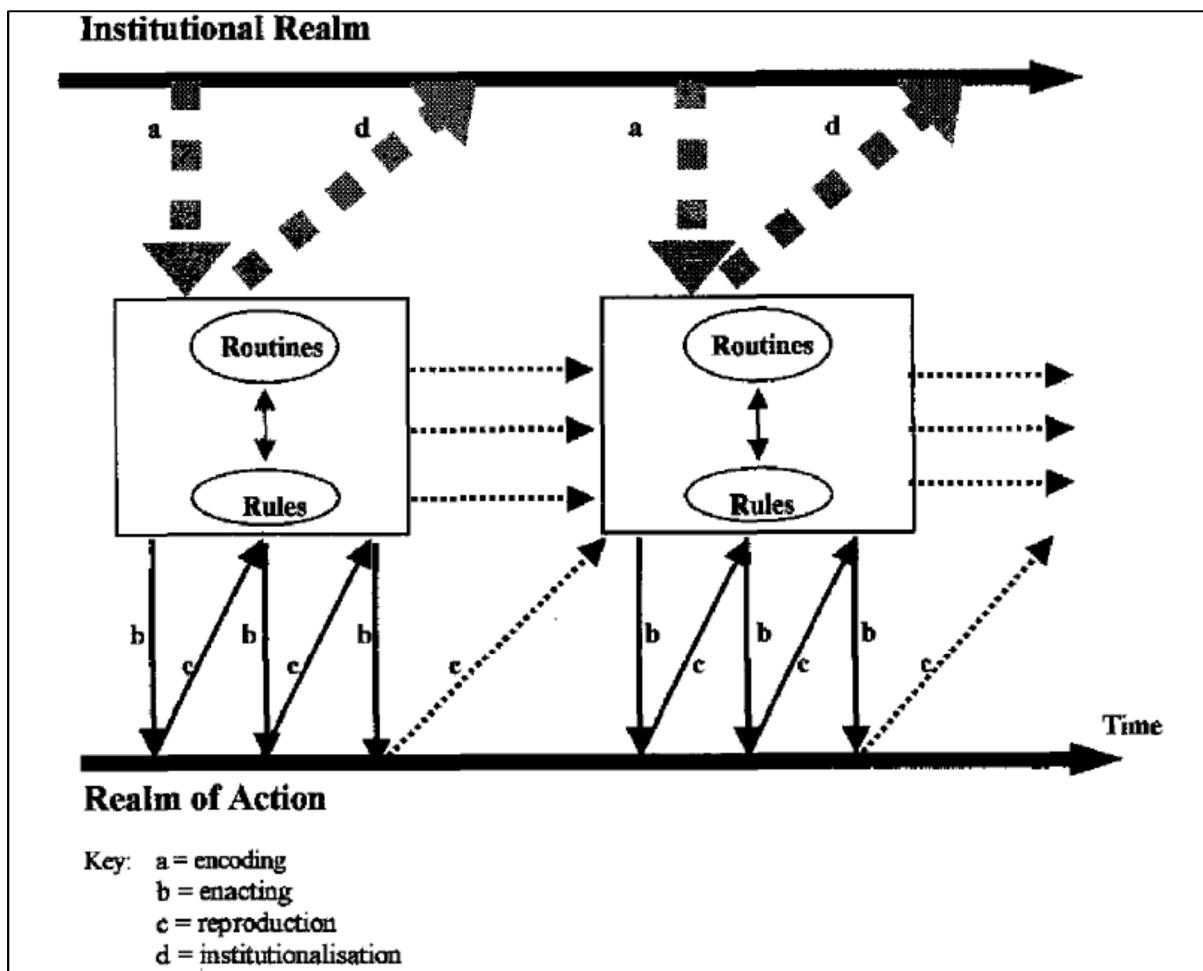


Figure 3-1: The Process of institutionalisation (Source: Burns and Scapens, 2000, p.9)

In Burns' and Scapens' (2000) framework, there are thus two realms, which are: the institutional realm and the actions realm and, in between, rules and routines explain the relationship between those two realms (see Figure 3-1 above). There are differences in the time effect of each realm, "whereas institutions constrain and shape action synchronically, actions produce and reproduce institutions diachronically" (ibid, p.9). The synchronic processes are represented by arrows (a and b), while the arrows (c and d) represent the diachronic processes (Burns and Scapens, 2000, p.10). All elements of the framework are "ongoing in a cumulative process of change in time, but from time-to-time new rules (and new routines) may be introduced (or emerge) in a more discrete way" and the separate boxes demonstrate this (Burns and Scapens, 2000, p.10).

A new rule, for instance, the adoption of a new MAP, could emerge within an organisation for different reasons; which could include pressures by head office on branches to adopt similar MAPs to that used by the head office. As such,

and according to Burns' and Scapens' (2000) framework, a newly emerged rule may be modified, either deliberately or unconsciously. Deliberate change may occur due to resistance to the new rule, while unconscious change may occur when the new rule is misunderstood. Accordingly, a routine will emerge through the production and reproduction of a new rule, over time. A new rule can emerge from an organisational routine; either in the case where the routine deviates from the original rule, or when it has never previously been set out as a rule. The formalisation of such routine into a rule thus helps to avoid losing organisational knowledge. Hence, "there can be a two-way relationship between rules and routines" (ibid, p.7).

Each arrow represents a process, and the whole change process is explained by the interaction between those four arrows. According to Burns and Scapens (2000), arrow (a) represents the first process in the framework; in this process the existing/new rules and routines encode the prevailing organisational institutions. This encoding process will form new rules; those new rules will result in the formation and/or reformation of ongoing routines. Enacting the routines (rules), that encode an institutional principle, by the actors, is represented by (arrow b), which is considered to be the second process in the framework. The enactment process is mostly a process of reflection on tacit knowledge about how things are done, though conscious choice may be involved in this process. If the enacted routines (rules) conflict with (or challenge) the existing institutions, then those routines (rules) may be subject to resistance, especially if the actors have enough power to interfere with the enactment process. However,

"...in the absence of external changes, such as advances in technology, or a take-over-crisis, there is unlikely to be a reopening of previously agreed arrangements and therefore routines may become somewhat resistant to change. Nevertheless, change can take place" (Burns and Scapens, 2000, p.10).

In the third process (arrow c) in this framework, routines are reproduced due to repetition of the same behaviour, and this can involve conscious or unconscious change, as stated above. When actors are able to question the existing rules and routines by using resources and rational thinking, then conscious change is expected to follow. However, the lack of systems to monitor the implementation

of the routines, and in cases where rules and routines are not fully understood and/or accepted by actors, this may then mean that unconscious change may occur (Burns and Scapens, 2000, p.10)

Institutionalisation of rules and routines which are reproduced by the behaviour of individual actors are represented by (arrow d) which is the fourth process in the framework. Due to institutionalisation, rules and routines take a normative and factual quality because they are disassociated from their historical patterns; which gives an unclear relationship between different actors and those routines and rules. By being the way things are done, rules and routines represent institutions; which are encoded again in the existing rules and routines, and which produce new rules, as in the process represented by arrow (a), above, and so on (Burns and Scapens, 2000, p.11).

In summary, new rules can emerge from existing routines, or they can be imposed, implemented over time and become a routine. In both cases, the process of enacting and reproducing rules and routines is an ongoing process, and “more discrete changes may take place-as represented by the movement from the first to the second box of rules and routines” in Figure 3-1, above. Having said this, it is important not to ignore the role of existing institutions in shaping new rules and routines (dotted horizontal lines between the two rules and routines boxes represent this) as “institutions always exist prior to any attempt by the actors to introduce change” (Burns and Scapens, 2000, p.11). Accordingly,

“...institutions are the structural properties which comprise the taken-for-granted assumptions about the way of doing things, which shape and constrain the rules and routines, and determine the meanings, values, and also powers of the individual actors”. Institutions exist only on the tacit knowledge of individuals and are more abstract than rules and routines, as they are disassociated from the historical circumstances which developed them. The process of institutionalization is an ongoing process, and not a distinct identifiable movement. Finally, the more widely and deeply the institution is accepted; the more likely it is to influence action and to resist change” (ibid.).

Based on Burns and Scapens management accounting change as a process framework, management accounting practices are thus considered

organisational routines, which may be institutionalised and became the taken-for-granted ways of doing things. Such routines emerge, either consciously or unconsciously, as explained above. Burns and Scapens (2000) argued that different change dynamics shape how the change process evolves, including: institutions, rule, and routines. The following section will introduce the different types of management accounting change processes that were introduced by Burns and Scapens (2000).

3.2.3.1.1. Types of management accounting change processes

Three dichotomies were found in the OIE writings, which provide ways of classifying and distinguishing between the different types of change processes. Burns and Scapens (2000) mentioned those dichotomies briefly, and they are: (1) formal versus informal change; (2) revolutionary versus evolutionary change; and (3) regressive versus progressive change. Below, those three dichotomies are explored in some detail.

- Formal versus informal management accounting change as a process**

According to Burns and Scapens (2000), formal change occurs by conscious design. For example, a parent company may force its subsidiaries to introduce a new management accounting practice that is similar to the one it is adopting, through the mobilisation of power. While informal change occurs at a more tacit level; for example, through the process of enacting and reacting to routines; routines may be adapted to changing operating conditions and can then be introduced as a new rule (*ibid*, 2000).

Accordingly, to achieve a successful implementation of formal change, informal change should not lag behind formal change. Since, if formal change introduced without paying attention to employees' ways of thinking, then tension and anxiety may arise. This could lead to resistance to the change and, eventually, to failure to implement the change (Burns and Scapens, 2000). Having said that, when a change agent possesses sufficient power, such formal change can be imposed, even if the change is incompatible with established ways of thinking (Guerreiro et al., 2006; Spraakman, 2006; Moilanen, 2008; Hassan,

2008; Jabbour and Abdel-Kader, 2016). On the other hand, “if other key individuals or groups have sufficient power, for instance, through the control of resources required in the implementation process, they may be able to resist or subvert the change process” (Burns and Scapens, 2000, p.19; Burns, 2000; Kholeif et al., 2007; Claude Mutiganda, 2014; Alsharari et al., 2015).

To understand the differences between formal and informal change, Burns and Scapens (2000) compared them to intentional and unintentional change, as explored earlier in this chapter. In other words, intentional change can be linked to the introduction of a new rule, while rules which evolve at a tacit and more subconscious level can be described as unintentional change. In view of that, intentional change is easier to observe than unintentional change; and both types of change are important, since accounting change, as a process, is a mixture of both (*ibid*). According to Burns and Scapens (2000) the level of difficulty in investigating formal versus informal management accounting change as a process, differs, as it is more difficult to explore the informal management accounting change compared to the formal, since the formal management accounting change is easy to observe and follow. To explore informal change in accounting research it thus is argued, by Burns and Scapens (2000), that to look for change in other aspects of organisational activity, then one should explore such change’s impact on management accounting practices.

However, at a more practical level, imposed or top-down management accounting change is expected to be formal change, and it has a direct effect on formal rules, i.e., the introduction of a new management accounting practice; but limited effect, or an indirect one, on the existing ways of thinking and doing things, at least initially, for example, the introduction of the BSC at PackCo represents a formal top-down management accounting change²³. Whereas, informal change can be described as bottom-up change; where organisation members who use management accounting practices on a daily basis initiate such a change, which impacts on the tacit level of employees and shapes both informal and formal management accounting change as a process. As an example, the implementation of the new ERP system within PackCo can be

²³ See Chapter 7 for more details

described as being an informal bottom-up MA change, as will be detailed in Chapter 7 (Burns and Scapens, 2000, p.19)

- **Revolutionary versus evolutionary management accounting change as a process**

The second type of management accounting change as a process, as described in Burns and Scapens (2000), is ‘revolutionary versus evolutionary’ change. Accounting researchers can differentiate between the two types of change as a process through identifying the degree of disruption caused by the change to existing routines and institutions, since when the disruption is fundamental that will be considered a revolutionary change, and if it is incremental and minor, then it will be an evolutionary change (Edwards et al., 2002; Siti-Nabiha and Scapens, 2005; Sharma, 2009; Busco and Scapens, 2011; Leotta and Ruggeri, 2012). Unlike revolutionary change, which challenges existing institutions, evolutionary change introduces changes which are mainly consistent with the existing ways of thinking about and doing things.

It is important for the management accounting researcher not to be confused about the content of the change, i.e., the introduction of specific management accounting practices or systems. Instead, they should focus on the effect of such change on existing ways of thinking, and that is what determines whether the change is revolutionary or evolutionary. Whilst “in practice, it is possible for an apparently quite minor management accounting change to have major institutional consequences, while what appears a rather more significant management accounting change may have only a limited impact on existing routines and institutions” (Burns and Scapens, 2000, p.20)

- **Regressive versus progressive management accounting change as a process**

The third type of management accounting change as a process is ‘regressive versus progressive’, Burns and Scapens (2000) referred to the work of Bush (1987) and Tool (1993) to explain this type of change process. Tool (1993), differentiated between ceremonial and instrumental behaviour by stating that

“ceremonial behaviour emerges from a value system which discriminates between human beings and preserves existing power structures, whereas instrumental behaviour emerges from a value system which applies the best available knowledge and technology to problems and seeks to enhance relationships” (Burns and Scapens, 2000, p.20).

As such, any behaviour which reinforces ceremonial dominance and restricts institutional change has been labelled by Tool (1993) as being regressive; while progressive change describes instrumental behaviour, which replaces ceremonial behaviour. Even if there is this ceremonial dominance, progressive change can thus take place, “because new technology can incite the questioning of previously dominant, ceremonial values” (Burns and Scapens, 2000, p.20). When conducting management accounting research, it is important to discern whether management accounting routines are ceremonial (Dillard et al., 2004; Siti-Nabiha and Scapens, 2005; Hopper et al., 2008; Norhayati and Siti-Nabiha, 2009; Kholeif, 2010). If that is the case, then those routines “preserve the power of particular vested interests and potentially hinder the development of new organizational activities”, such as the introduction of new production techniques (Burns and Scapens, 2000, p.20). This would help the researcher to explore the effect of the power dimension in institutionalised management accounting routines.

3.2.4. Limitations of Burns' and Scapens' (2000) MA change as process framework

It is certain that drawing insights from Burns' and Scapens' (2000) framework is supportive in exploring process of the institutionalisation and introduction of MA change, e.g., introducing a new performance evaluation system. Their framework explains how management accounting change, as a process, evolves. This seminal work focuses also on resisting a change and explains how and why management accounting remains unchanged and becomes institutionalised, i.e., taken-for-granted assumption. Despite that, and having dealt with the core assumptions and general nature of Burns' and Scapens' framework, this framework is not without limitations (Scapens, 2006; Ribeiro and Scapens, 2006; Ammar, 2014).

The first limitation is related to incentive schemes and the effect of such schemes in shaping how MA change as a process unfolds over time (Hoque, 2014). Although Burns (2000) indicated that “on occasions, though not always, momentum in change is enhanced by the deployment of incentives for those most affected” (p.590). However, the Burns and Scapens (2000) MA change as a process framework did not dealt with this issue in detail. In particular, the framework did not consider incentives schemes to be an important dynamic which may shape the MA change process differently than planned. Specifically, and as will be explored later in this research, Burns and Scapens (2000) MA change as process framework had limitation in explaining how to link new MAP rules with employees’ performance evaluations, i.e., incentives; since these shaped the implementation of the BSC within PackCo differently than had been planned by Dubai head-office. This forced the head-office and the top managers at PackCo to adopt the new rules according to the existing accountability system, as well as in line with the requirements of top managers, either at the Oman unit or in the Dubai head-office. This therefore preserved the existing ways of doing things, i.e., accountability according to the number of customers served; but with a twist that ensures managers that things are done in accordance with the new ways of doing things, i.e., emphasising the importance of on time response and delivery to customers.

Second, although Burns’ and Scapens’ (2000) framework credits the importance of power and powerful individuals in their framework but only does so implicitly. This also represents a limitation of the framework. Specifically, the framework has a limitation in explaining why the implementation of BSC within PackCo that was forced on them by the Dubai head-office, was not resisted by the Omani unit’s employees, despite such an initiative being inconsistent with the existing accountability institution, see Chapter 7 (Yang and Modell, 2012). As Ribeiro (2003) has argued, management accounting rules and routines were held in place by power rather than by taken-for-granted assumptions, and thus power, and different sources of power, explained the lack of resistance to the newly imposed MAP, rather than the institution (Hassan, 2005; Ribeiro and Scapens, 2006; Länsiluoto and Järvenpää, 2010; Kerttula and Takala, 2012; Youssef, 2013; Claude Mutiganda, 2014; Francioli and Quagli, 2016)

Such limitations can be dealt with by drawing insights from the existing management accounting literature on incentive schemes and management accounting change as a process,²⁴ and by drawing insights also from Hardy's (1996) power mobilisation framework, as will be explored in the next section, which proposes an extension to Burns' and Scapens' (2000) framework.

3.3. Power and politics, Hardy's (1996) power framework

Though OIE theory emphasises the importance of power and politics in shaping organisational change as a process (Wilber and Harrison, 1978), and although Burns' and Scapens' (2000) framework acknowledges, and only highlights, the effect of power on the management accounting change as a process, and since Pfeffer (1992) emphasised the importance of power and influence and their social consequences in organisations. It is therefore important to explore the power dimension and its effect on organisational change as a process, in some detail. By ignoring "issues of power and influence in organizations, we lose our chance to understand these critical social processes" (Pfeffer, 1992, p.30). Additionally, Burns (2000) has stated that power mobilisation is an important element in shaping the ways in which management accounting change as a process unfolds over time. As politics and power mobilisation are assumed to be central to studying management accounting change as a process, as mentioned earlier in the literature review chapter (Van Peursem and Balme, 2010; Lapsley et al., 2011; Rautiainen and Scapens, 2013; Oliveira and Clegg, 2015; Abdalla and Siti-Nabiha, 2015; Kraus and Strömsten, 2016), the notion of power will be explored by drawing insights, mostly from the management literature, since management literature is rich with studies that focus on the role of politics and power in the change process, e.g., Pettigrew (1987). In particular, this section will consult the power mobilisation framework that was developed by Hardy (1996) to support the analysis of the empirical findings, in addition to Burns and Scapens MA change as a process framework, which is the main theoretical framework. Utilising Hardy's (1996) power mobilisation framework thus helps to explore how and why the introduction of BSC and the ERP system within PackCO unfolded through time in the way it did. Similarly, to Burns

²⁴ See Chapter 2

(2000), “although Hardy’s (1996) work explores change in organisational strategy, Hardy’s contribution can justifiably be applied to unravelling the complexities of processes of accounting change” (p.570). As such, Hardy (1996) power mobilisation framework is adopted in this research to complement the theoretical analysis that is based on Burns’ and Scapens’ (2000) framework. Accordingly, this section introduces the power mobilisation framework of Hardy (1996), with some details.

According to Dugger and Sherman (1994), the power relationship is central to OIE, and this relationship was defined as “the ability to get others to do what you want them to do, even when it is not in the interest of the dominated group or individual” (p.103). Such a power relationship, based on enabling myths, was the principle focus of early institutional economists, for example Veblen (1919). According to Pfeffer (1992), “power and political processes in organizations can be used to accomplish great things” (p.35), he defined power and politics (p.33) as follows:

Power is defined as the potential ability to influence behaviour, to change the course of events, to overcome resistance, and to get people to do things that they would not otherwise do. Politics and influence are the processes, the actions, the behaviours through which this potential power is utilized and realized

In her study, Hardy (1996) tried to examine the role of power in putting strategic change into action. She gave a neutral definition to power, if compared to other studies; as those studies focused on the meaning of power as power over someone else. Although using power in such a way gives results, it hinders researchers from studying the deeper effect of political dynamics (*ibid*). To Hardy (1996) power is thus a “force that affects outcomes, while politics is power in action” (p.S3). Defining power in such a way helps in studying its productive side, which helps to achieve goals that could not be achieved individually. In consequence, “power can, then, provide the energy for strategic change. Without it, we face strategic paralysis because we lack a mechanism with which to make change happen” (*ibid*, p. S3)

Accordingly, Hardy (1996) developed a power mobilisation framework, which has four power dimensions that help to explain how power is mobilised by

different employees, especially by top managers, during strategic change. Figure 3-2, below, is reproduced from the original study and gives a summary of the three dimensions of power, which "can be used to combat the power embedded in the system to influence strategy-making processes in ways that help prevent opposition to strategic change" (p.S6). While the fourth dimension will be explored later in this section.

	Power of resources	Power of processes	Power of meaning
Source of power	ability to hire and fire, rewards, punishments, funding, authority, expertise, etc.	decision-making processes, participants and agendas, etc.	symbols, rituals, language, etc.
Action of power	principles of behaviour modification are used to influence specific actions	new awareness is created by opening up processes to new participants, issues and agendas	change is given new meaning, making it appear legitimate, desirable, rational or inevitable
Limits to power	continual use of 'carrot' or 'stick' is required to ensure continued change; repeated use of the 'stick' may be counter-productive	new awareness helps sustain new behaviour as long as it remains within existing values and norms	change in some underlying values and norms may be possible but specific changes in behaviour will be difficult to effect

Figure 3-2: Three dimensions of power (Source: Hardy, 1996, p.S7)

The first source of power, according to Hardy (1996), is the power of resources, which "is exercised by actors to influence decision outcomes and bring about the desired behaviour through the deployment of key resources on which others depend"; these may include: information, expertise, political access, and credibility (p.S6). This source of power is used to adjust behaviour and it has limited effect, since it is task-oriented; as it employs the concept of either carrot or stick. This source of power is important for sustaining the deployment of desired behaviour, i.e., forcing branches to implement similar MAPs to those adopted by the head-office. However, it is important to notice that using the concept of carrot and stick in an excessive manner may cause a strong reaction from the people on whom the power is exercised (Hardy, 1996, p.S7), since it may result in resistance to the newly imposed MAPs, as was the case within PackCo, which will be discussed in more detail in Chapter 7.

The power of processes is the second dimension of power in the model developed by Hardy (1996). This source of power is exerted by a dominant group over subordinates through using procedures and political routines to

prevent those subordinates from participating in the decision-making process. This helps the dominant group to achieve the desired outcome from behind the scenes through the use of procedures and political routines. General and long-term changes in behaviour can be produced by using such power, if compared with the power of resources, but those changes in behaviour that are in line with the current values and norms in the system will be sustained, while any new behaviour that clashes with the current system will fail (*ibid*, p.S7-S8).

The power of meaning is the third dimension of power in the model. It “is influencing actors perceptions, cognitions and/or preferences in order that they accept the status quo (failing to recognize alternatives) or, become convinced that change is desirable , rational , and/ or legitimate ” (Hardy, 1996, p.S7; Yazdifar et al., 2008, p. 409). Using this dimension of power can lead to profound changes in the system, but it is difficult to trace the effect of this power dimension in behaviour (Hardy, 1996). The findings of this research, detailed in Chapter 7, will demonstrate how the PackCo General Manager utilised this source of power when he introduced the ERP system within his unit.

The fourth dimension of power in Hardy’s (1996) power model is the power of the system, or institution, as in Burns and Scapens management accounting change framework (2000). It is difficult for organisational members to grasp and change this power, as it is embedded in the way people in an organisation think. This “power is the backdrop against which all organizational actions and decisions take place. Since it is vested in the status quo, it is unlikely to lead to change in absence of any countervailing power” (Hardy, 1996, p.S8). This source of power is crucial when it comes to implementing strategic change, as it is “against this dimension of power that managers must employ the other three dimensions if they are to bring about strategic change” (*ibid*, p.S9). Similarly, the findings of this research are in line with Hardy’s (1996) argument in relation to the power of the system and its effect on shaping how MA change as a process evolves. In Chapter 7 we will see how the head-office in Dubai adapted the new BSC-rule two years after the implementation of BSC, due to the employees’ resistance to it, as the new rules conflicted with the existing ways of doing things, i.e., the power of the system (Burns, 2000).

In short, Hardy's (1996) main argument in relation to a power framework is that these sources of power, and the politics underpinning them, can both be key facilitators and/or prohibitors for the process through which strategic change evolves. When managers attempt to introduce strategic change, they should thus utilise the first three dimensions of power in order to modify those parts of the existing system that prevent new behaviour, i.e., the power of the system, from emerging, based on the strategic change. On line with the argument of Burns and Scapens (2000), therefore, the power of the system, or institutions, do matter when introducing strategic change, and it is not possible to ignore this source of power when putting strategic plans into action. This is related to the fact that the first three power dimensions, mentioned above, have limitation(s). Consequently, this implies that not all of the power dimensions that are included in Hardy's (1996) framework have equal strength, and the power of the system is the most significant power dimension and should be given more attention. As such, Hardy (*ibid*) argues that when putting strategies into actions it is important to understand the power of the system by examining the existing values, customs and organisational culture. Moreover, she has added that "a coordinated approach that encompasses all three dimensions to influence actions, awareness and values, and avoid both inertia and confusion" must be undertaken (p.S10). Equally, Burns & Scapens (2000) give attention to "the power embedded in the institutionalised routines, which shape[s] the actions and thoughts of members of the organisation" (p. 23). Finally, and in the same vein, Zaleznik and Kets de Vries (1975) argue that to implement change within organisations, power is vital, as power "transforms individual interests into coordinated activities that accomplish valuable ends" (p.109). Hardy (1996), also emphasised the importance of power for implementing strategic changes, and stated that managers may need power while implementing strategic change, either the employees will support such change implementation, or they will not. As power is a vital element when it comes to strategic change, as explored above, power can be considered a way to align conflicts and combat resistance to strategic change, and if employees are united by common goals, then power is required to facilitate collaborative actions (Hardy, 1996, p.S6). As mentioned above, Hardy's (1996) power mobilisation framework is therefore utilised in this research to support Burns and Scapens MA change as process

framework (2000) in order to achieve a better and deeper understanding of how MA as process of change unfolds over time within PackCo as illustrated in figure 3-3 on the next page.

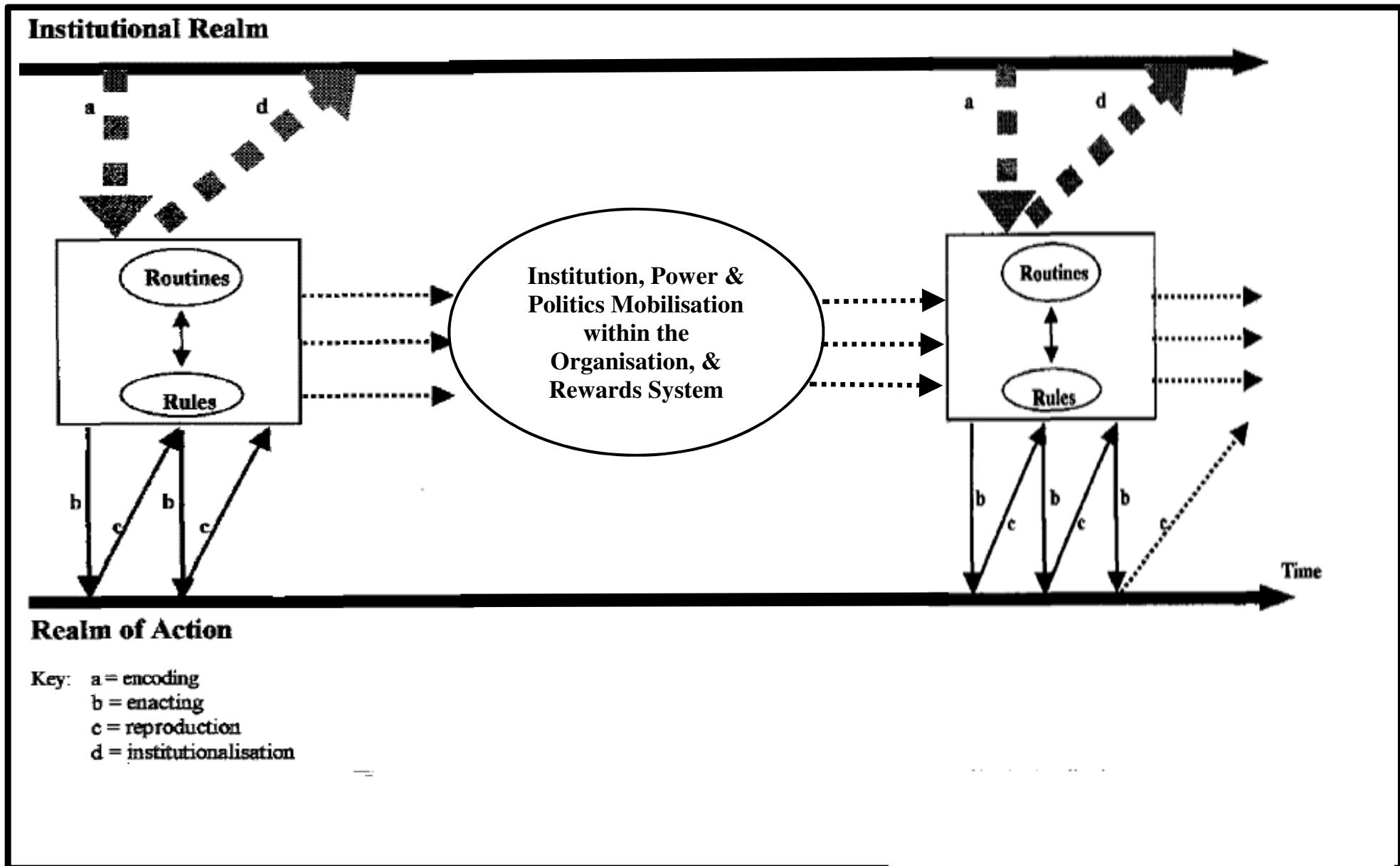


Figure 3-3: Process of institutionalisation, extended framework of Burns and Scapens (2000)

3.4. Conclusion

This chapter demonstrates the theoretical framework that is used to ascertain the answers to the research queries outlined in Chapter One. Specifically, the purpose of this research is to understand how the management accounting change, as a process, evolved in the case study company (PackCo), and to study why resistance/lack of resistance to a change occurs. There is thus a need for a framework that takes into account the complexities of change and resistance. As explored above, Burns and Scapens (2000) MA change as a process framework takes into account such complexities of the processes of change, and it is therefore suitable for this research. Moreover, additional insights will be drawn from Hardy's (1996) power mobilisation framework, since Burns and Scapens (2000) MA change framework did not emphasise the importance of power, and the ways in which mobilising different sources of power may affect how MA change as a process evolves. The main arguments of both frameworks are thus combined in order to address the main themes that emerge from the empirical findings of this research as follow.

First, Burns and Scapens (2000) MA change framework will be utilised in this research to explain how MA change, as a process, evolved within the case study company (PackCo, see Chapter 7). As management accounting change, as a process, research that is based on an OIE framework mainly focuses on the micro inter-organisational level for analysis, and also emphasises economic change, instead of economic equilibrium, this makes it potentially very beneficial in understanding the evolution and reproduction of accounting practices (Scapens, 1994). Additionally, studies based on OIE-theory try to open the black box of organisations and explore the processes of change, and resistance to change, inside organisations. OIE-theory based studies thus usually take into account why/how a behaviour or a specific structure emerges, is sustained and/or changed over time, by utilising the ideas of rules, routines, habits, and institutions (Ribeiro and Scapens, 2006, p.97). In other words, the resistance to, or acceptance of, new rules by individuals within organisations is explained by the level to which the prevailing institutions are challenged. If new rules do not question the existing institutions, then the new rule will not be resisted, and the

opposite is also true (Burns and Scapens, 2000; Burns, 2000; Ribeiro and Scapens, 2006). Burns and Scapens (2000) MA change as process framework will therefore be used in this study to explore how the MA change as process evolved in the case study company. More precisely, Burns' and Scapens' (2000) framework facilitates the explanation of the MA change as a process in the case study company, and the ways in which new rules emerged, adjusted, and routinised over time, see Chapter 7.

Second, to develop a better understanding of how different dynamics, including power, affect and shape the management accounting change as a process within an organisation; insights from Hardy's (1996) power mobilisation framework are utilised in this research to enrich the analysis process and to extend Burns and Scapens (2000) management accounting change framework. Hardy's (1996) power mobilisation framework helps to explain how top management impose change within the case study company, although new rules that emerged with the change introduced challenges the prevailing institution. In addition, the research draws on the different types of powers, as classified by Hardy's (1996) framework, to understand how a combination of different sources of power by top managers at the early stages of the change process, enabled them to impose the change within the case study company, despite the fact that new rules were challenging existing institutions. Moreover, Hardy's (1996) framework will also help to explain how different employees at different organisational levels have utilised different sources of power to resist the new rules that were imposed by top management.

Finally, although Burns' and Scapens' (2000) framework has its limitations, as mentioned above, their framework aligns well with the purpose of this research. This study is therefore similar to other studies (Burns and Baldvinsdottir, 2005; Lukka, 2007) that draw on Burns' and Scapens' (2000) framework as a primary framework, and suggest an extension to it. In other words, although Burns and Scapens (2000), and Burns (2000), refer to incentives schemes, as mentioned above²⁵, and how such schemes can somehow affect the change process, they did not thoroughly discuss how exactly such a scheme could influence and

²⁵ See Section 3.2.3.1

shape the change process. This theme emerged from the findings of this research and, as mentioned above, it will be discussed by referring to existing literature. There is therefore a need to develop this concept and to expand Burns and Scapens (2000) MA change as process framework. In other words, and as will be explored in Chapter 7, this thesis proposes an expansion of Burns' and Scapens' (2000) framework by demonstrating how top management in the case study organisation tried to draw on, and mobilise, power through the incentive scheme in order to affect the ways in which their employees perceived change and, at the same time, how such power mobilisation shaped the change process. Specifically, it is quite reasonable to take Burns' and Scapens' (2000) framework for the BSC-case, and to conceptualise the process of change over time; mainly in terms of the persistence of the new rules and the existing institution. However, it is not the institutionalised taken-for-granted assumptions that necessarily and primarily influence the change process, instead there are other dynamics that are not so explicitly dealt with in the Burns' and Scapens' (2000) framework; namely: power and incentive schemes as figure 3-3 above demonstrated.

CHAPTER 4 : RESEARCH METHODOLOGY

4. Introduction

The purpose of this research is to explore how the process of management accounting change evolves over time, and how different change dynamics shape the change process. This chapter therefore outlines the philosophical assumptions underpinning the research methodology that has been chosen to investigate the research questions outlined in the introductory chapter.

4.1. Research Philosophy

This section explores the philosophy that underpins this research by setting the research paradigm. The philosophical assumptions underpinning accounting research have been developed by different writers, for example, Burrell and Morgan (1979), Hopper and Powell (1985), Chua (1986), and Laughlin (1995). Hopper and Powell's (1985) philosophical accounting assumptions will be adopted in this research because they suit the nature of this research, as will be explored later in this chapter. Although the work of Hopper and Powell (1985) is not free from criticism, for example, Laughlin (1995) has stated that the collapsing of different philosophical dimensions into a single continuum simplifies the discussion (Ryan et al., 2002).

According to Hopper and Powell (1985), "in any research it is suggested that individual values, philosophical assumptions, theoretical backing, and research methods should all be related to each other and to the aims of the research" (p.430). They criticised the way that Burrell and Morgan (1979) classified the different philosophical assumptions of accounting research within two dimensions. However, they utilised this framework "as a tool to aid the understanding of a very complex area [.....] and to direct attention to what are thought to be very important underlying issues behind accounting research" (pp.430-1). Burrell and Morgan's (1979) framework consists of two independent dimensions; the first is related to the nature of social science, while the second is about the nature of society. Four distinct but related assumptions constitute the social science dimension, which are: ontology, epistemology, human nature

and methodology (Hopper and Powell, 1985). The second dimension of Burrell and Morgan's (1979) framework identifies two different approaches to society, namely: regulated society and radically changed society. Figure 4-1, below, summarises Hopper and Powell's (1985) accounting schools and sociological paradigms, as adopted from the work of Burrell and Morgan (1979). Burrell and Morgan (1979) combined the two dimensions to form "four mutually exclusive frames of references", namely: functionalist, interpretive, radical humanist, and radical structuralist (Hopper and Powell, 1985, p.432).

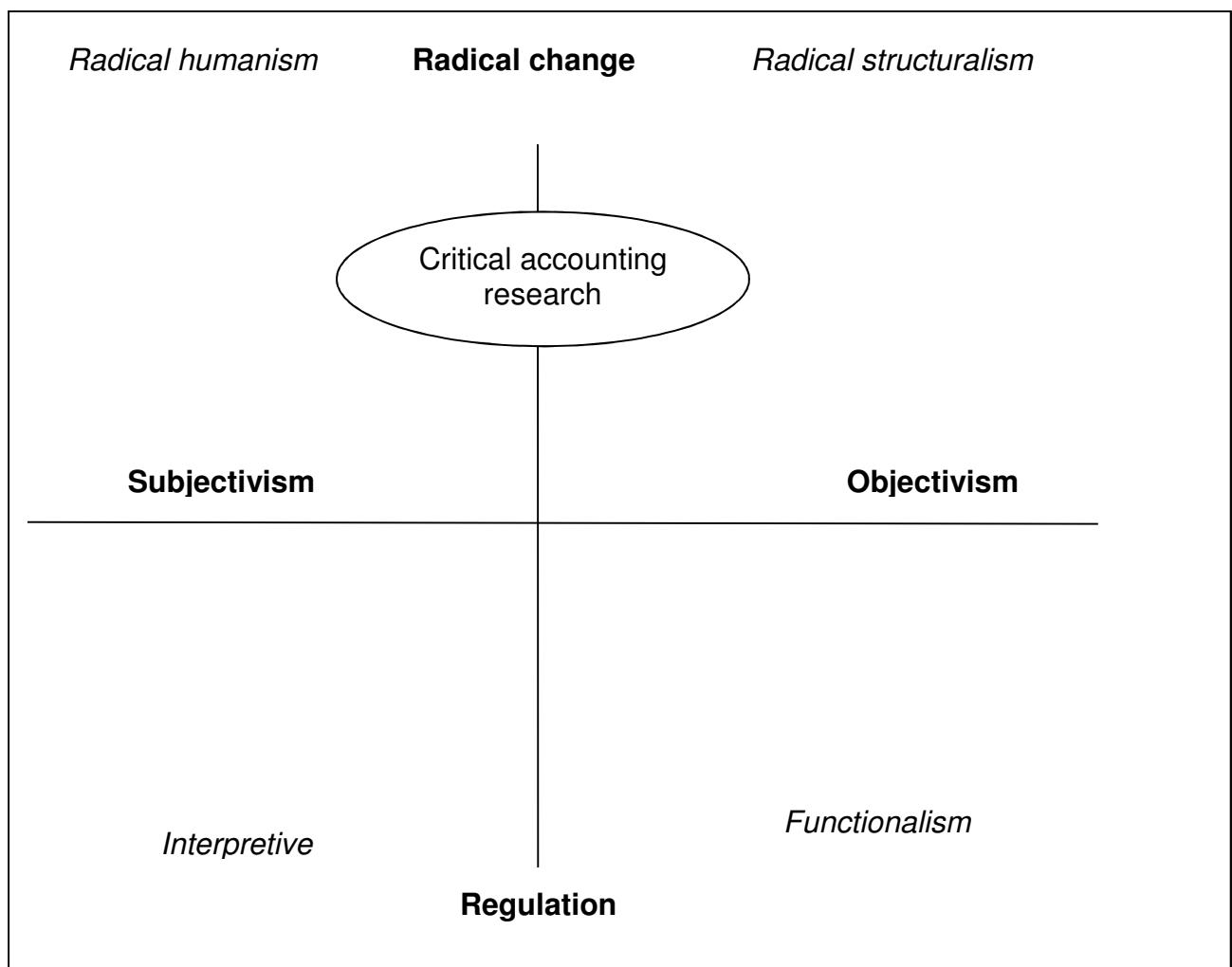


Figure 4-1:Hopper and Powell's taxonomy of accounting research (Source: Ryan et al. 2002, p.40; originally adopted from Hopper and Powell, 1995)

The following sub-sections give more detail about the social science dimension of Hopper and Powell's (1985) philosophical framework, with connections to the existing research.

4.2. The nature of social science

This section will demonstrate the ontological and epistemological assumptions of social science research in management accounting, and how they are related to the current research. As this dimension represents the ways in which researchers perceive the nature of social sciences; which reflects how the researcher decides what theory to use in his/her research, as well as the level of theorisation prior to any examination of the social phenomena (Laughlin, 1995).

4.2.1. Ontology

Research ontological assumptions pursue the nature of reality (Humphrey and Scapens, 1994; Scapens and Yang, 2008; Bisman and Highfield, 2012). Ryan et al. (2002) referred to the work of Morgan and Smircich (1980), which identified six ontological assumptions about the reality of the world according to different social science schools, as is made clear in Figure 4-2, below. There are two extremes of the six assumptions about viewing the world, with “(1) reality as a concrete structure being the most objective and (6) reality as a projection of human imagination being the most subjective” (Ryan et al., 2002, p.36), while the remaining four assumptions of world reality, between numbers (1) and (6), represent intermediate points in the objective-subjective continuum, please see Figure 4-2 below.

Six ontological assumptions

- 1 Reality as a concrete structure (naive realism)
- 2 Reality as a concrete process (transcendental realism)
- 3 Reality as a contextual field of information (contextual relativism)
- 4 Reality as a symbolic discourse (transcendental idealism [Kant])
- 5 Reality as a social construction (social constructionism [socially mediated idealism])
- 6 Reality as a projection of human imagination (idealism [Berkeley])

Figure 4-2: Six ontological assumptions (source: Rayn et al., 2002, p.36; originally from Morgan and Smircich, 1980, p.492)

Management accounting change can either be resisted, or not resisted, when it is introduced into an organisation (Burns and Scapens, 2000). Different dynamics explored in Chapters 2 and 3 may explain how the MA change as a process evolves, and why a change might be resisted in one organisation and not in another. Based on the table above, there are therefore different perspectives that are possible when looking at management accounting change as process, and how this unfolds over time. Prior studies look at accounting change as a process from a technical aspect, i.e., considering that management accounting change introduces a new machine (Cooper et al., 1992; Hankinson and Lloyd 1994; Argyris and Kaplan, 1994). This approach showed an inadequacy in understanding how management accounting change as a process evolves. This is not to say that the technical aspect is not important, but it “is not sufficient for the general or long-term success of a change” (Shields, 1995, p.148). Moreover, according to Pettigrew (1997), social processes, such as accounting, are “deeply embedded in the contexts that produce and are produced by them”; and explaining change in an organisation should be linked to changes in the operating contexts, as “processes are embedded in contexts and can only be studied as such” (*ibid*, p.340).

Accordingly, the ontological assumption adopted in this study is social constructivism; with a focus on the context within which management accounting change as a process evolves (Nørreklit et al., 2006; Jönsson and Lukka, 2006; Ahrens et al., 2008; Ammar, 2014). This is also in line with the theoretical framework that is presented in Chapter 3, as, unlike previous technically-based-studies, the assumptions adopted in this study look at management accounting change, e.g., introducing BSC, or an ERP system, as a process, and not as a linear relationship between different factors (Burns and Scapens, 2000; Abrahamsson and Gerdin, 2006; Akroyd and Maguire, 2011; Busco and Scapens, 2011; Hoque and Chia, 2012). In other words, while the introduction of a change, like BSC or an ERP system, could drive change in the existing ways of doing things within an organisation, existing ways of doing things may also shape how BSC or an ERP system is implemented within an organisation, and how the change as a process unfolds over time. According to Ryan et al. (2002), there may be a need for different methods of gaining knowledge, according to different ontological assumptions, which help to gain a

deeper understanding of the studied phenomena. Adopting a social construct as an ontological assumption for this research facilitates the understanding of how different change dynamics shape, and are shaped, by the MA change as a process, as will be demonstrated in Chapter 7. Accordingly, the following subsection introduces the epistemological assumption adopted in this research, which is based on the ontological assumption discussed above.

4.2.2. Epistemology

An epistemological assumption “is concerned with the nature of knowledge—what forms it takes and how it can be obtained and transmitted” (Hopper and Powell, 1985, p.431). Similarly, to an ontological assumption, there are two ends of the epistemological assumptions continuum, “this ranges from interpretation when the knowledge of the world is essentially of a personal nature, to observation when there is a concrete external world” (Ryan et al., 2002, p.39).

Based on the ontological assumption adopted in this research, the underlying epistemological position is that of social constructed reality, i.e., an ‘interpretive’ approach. Based on this approach, the researcher acquires knowledge through relying as much as possible on the participants’ views of the situation, while considering the social and historical setting of the participants (Creswell, 2007, p.20). As argued by different studies, for example, Parker (2012), the interpretive approach is considered to contribute fundamentally to knowledge. As research based on an interpretive approach does not seek the generalisability of results, as in an economics-oriented approach²⁶ it instead focuses on the black boxes of process, and addresses issues at the micro-level in order to explore the processes within organisations that formulate strategies and policies (Parker, 2012, p.911). As outlined above, this research’s purpose is to explore what the different change dynamics are that shape how MA change as a process evolves, including: power, institutions, and employees’ rewards system, which may result in resistance to, or adaptation of, the MA change and

²⁶ See Chapter 3

its new rules. Accordingly, an interpretive approach suits this research, for the following reasons.

First, an interpretive approach allows the researcher to explore an accounting phenomenon by benefiting from accumulated knowledge; which facilitates the understanding of accounting change as a process within its social, cultural, and political context (El Karouni, 2009; Jansson, 2013; Burns, 2014). In relation to this research, interpretive accounting research (IAR) thus facilitates the explanation of management accounting change as a process, i.e., BSC and ERP system implementation, as a socially constructed process (Ahrens in Ahrens et al., 2008). In other words, an interpretive approach facilitates the understanding of how different contextual factors, including Omani governmental rules relating to investment, local, as well as international, competition, and existing institutions within PackCo, have affected how the process of implementing BSC and an ERP system within PackCo unfolds over time. Second, according to Burns (in Ahrens et al., 2008), IAR researchers should focus on building existing theory, instead of inventing more new theories, and also should consider how accounting concepts evolve and change through time (p.843). Specifically, IAR allows the employment of a processual lens (history and path dependency matters, see Chapter 3) by which MA change as a process is explored, based on the social, economic, institutional, culture, and political contexts, and those contextual factors do matter when explaining change as a process (Parker, 2008, p.855). Specifically, and as mentioned in Chapter 3, utilising a theoretical framework that is based on an interpretive epistemological assumption helped to support the analysis of the case study findings; and, at the same time, the findings of this research proposed an extension of the framework that was used. Third, IAR allows closer contact with human beings in order to analyse and understand their daily interactions and performance in accounting practice and routines (Granlund in Ahrens et al., 2008).

Accordingly, the IAR view of social reality is subjectively-created, i.e., there is continual refinement and modification of the social stock of knowledge through continuous social interaction between individuals and the social, political, and historical contexts (Chua, 1986). However, despite this continual refinement,

some temporary stability of structures also exists, which form institutionalised, taken for granted structures (*ibid*). IAR can thus be employed in addressing such research questions as: How are organisational routines produced and reproduced in everyday life? What are the deeply embedded assumptions that structure organisational routines? How are institutions formed? How are institutions sustained and modified? What are the typical motives that explain action? (Chua, 1986, p.614). Which are in line with this research's enquiries, as outlined in Chapter 1.

4.2.3. Human nature

According to Hopper and Powell (1985), "assumptions about human nature refer to the relationship between human beings and their environment" (p.431). There are two views on this assumption: first, the external environment can determine and restrict the behaviour of people, and their experiences. Alternatively, it is possible to consider people as being independent and having free-will, which leads to their ability to create their own environment (*ibid*, 1985). Based on the ontological and epistemological assumptions adopted in this research, outlined above, the human nature view adopted in this thesis is of a voluntary nature, rather than being deterministic²⁷ (Neumau, 2006). Accordingly, in this view, "social settings and subjective points of view help to shape the choices a person makes, but people create and change those settings and have the ability to develop or form a point of view" (*ibid*, p.90). The cultural, historical, and personal background of individuals can thus influence the decisions made by them to introduce a change within an organisation, for example, implementing BSC or an ERP system, which may challenge the existing ways of doing things. Alternatively, individuals produce those social settings, and new cultural and personal backgrounds may develop, which, in turn, will shape new ways of thinking and doing things, i.e., individuals interact within the social context, as well as reinforcing shared meaning (Neumau, 2006, p.94). Such a view will facilitate the explanation of how management accounting change as a process evolved within PackCo; as it will help to understand how existing ways of doing things made employees react in a specific way to the implementation of

²⁷ Determinism is "an approach to human agency and causality that assumes human actions are largely caused by forces external to individuals that can be identified" (Neuman, 2006, p.83)

BSC and the ERP system within PackCo, and also of how new rules were embedded within PackCo according to the existing ways of doing things.

4.2.4. Methodological implications

Hopper and Powell (1985) stated that the three assumptions referred to above have methodological implication which need to be adopted by the researcher directly; that also has two ends, either the researcher adopts a hermeneutic method, or a scientific method. Accordingly, a scientific method will be adopted by the researcher “when reality is concrete and objective, and human nature behaviour is deterministic” (Ryan et al., 2002, pp.39-40). So, the researcher will use statistical techniques to test hypotheses and to analyse the data collected using questionnaires and surveys, to gain knowledge and explain and predict social regularities and patterns (Hopper and Powell, 1985; Ryan et al., 2002). Alternatively, “where reality is grounded in subjective experiences and individuals possess free will”, then a qualitative research methodology (QRM, hereafter), will be utilised by the researcher to gain knowledge. Adopting a QRM allows the researcher to interact and to be engaged with the field, the context, history, and micro-details of organisational and institutional life (Parker, 2014). This provides penetration and discharge from the inside, which explains the interaction of management accounting with organisational processes (*ibid*, 2012). This leads to a deeper understanding of how to apply management accounting during situations of organisational change (Vaivio, 2008; Parker, 2012, 2014; Humphrey, 2014). Accordingly, it is rational to adopt QRM in this research for the following reasons. First, and according to Parker (2014), when the research’s purpose is to understand the processes that occur inside the black box of an organisation and how they intermingle with the institutional, contextual, and historical factors, then it is appropriate to apply QRM in such research. Neuman (2006) emphasised the same point, and stated that researchers should adopt QRM when examining social processes within their social context, such as management accounting.

Secondly, Vaivio (2008) has argued that the organisational reality that an organisation encounters does not match the implicit ontological simplifications of the textbook view (p.66). Textbooks view management accounting as a

collection of techniques that aid managers to make decisions within a predictable operating environment, since the reality is dissimilar to such textbook views, because organisations, in reality, operate in an intensively competitive and institutionalised environment. Vaivio (2008) stated that QRM studies of management accounting techniques have therefore documented how these techniques interfere with the complexities of the political processes that affect how power is distributed within an organisation, as explored in Chapter 2. Additionally, the study emphasised that QRM can enhance the ability of the researcher to understand how management accounting practices can shape, and be shaped, by the context in which they are applied. Similarly, Neuman (2006) has stressed the importance of context in shaping qualitative research. Specifically, he stated that when social context changes then “it implies that the same events or behaviors can have different meanings in different cultures and historical eras” (p.158).

Additionally, QRM allows the researcher to explore management accounting from a processual perspective; i.e., it explores how management accounting change as a process unfolds through time within a specific organisational setting (Burns, 2000). The area of management accounting and organisational change is also one of the major areas addressed by QRM (Parker, 2012). By referring to the work of Baxter and Chua (2003), Parker (2012) suggested that management accounting research based on QRM offers distinctive contributions to knowledge about change, including how the changes in the social, cultural, political, and economic conditions affect the management accounting change as a process; how management accounting change evolves in an unpredictable manner, due to institutional conflict and instability, and the importance of institutional change for the effective implementation of management accounting change (p.62).

Accordingly, different management accounting scholars have supported the adoption of case studies and in-depth interviews as research methods when adopting a QRM (Burns and Scapens, 2000; Scapens, 2006; Ahrens and Chapman, 2006; Vaivio, 2008; Parker, 2012). A case study is therefore the main research method adopted in this research, and the following section will focus on exploring it.

4.3. Research method

Neuman (2006) defined research methods as “sets of specific techniques for selecting cases, measuring and observing aspects of social life, gathering and refining data, analyzing the data, and reporting on results” (p.2). This section introduces the research method that were adopted in this research. There were two stages for data collection. At the first stage, a survey with follow up interviews were adopted for a pilot study in order to explore the diffusion of various MAPs within NOROMCs (see Chapter 6). While, in the second stage, a case study approach was adopted so as to get a deeper understanding of how MA change, as a process, unfolds over time within PackCo. This was done mostly by referring to the works of Scapens (1990) and Yin (2009).

4.3.1. The survey method

This section gives a brief resumé of how the survey was utilised as a research method in order to explore management accounting practice within NOROMCs, i.e., the different management accounting practices adopted and used by the surveyed organisations.

As the survey was essentially a pilot study for a more detailed and in-depth case study of MAPs adoption in NOROMCs in Oman, the survey not only provides breadth to the present study, but also provides a useful platform for deeper analysis in the subsequent case study. However, as such, the following does not provide a lot of detail in relation to survey-type research methods (e.g., the advantages or limitations of such research methods). This is believed to be beyond the scope of the present thesis, and the survey *per se* was only a pilot aspect of the present research; however, any reader interested in learning more about the survey-based research method can refer to (Hyvönen, 2005; Nasser et al., 2011; Lebedev, 2015; Orelli et al., 2016) This being said, and because it has much greater prominence in this thesis, there will be fuller discussion of the case study approach in Chapter 7 (as there already is in this Chapter).

The basis of the survey questions (see Appendix 1 for a copy) were adapted from Hutaibat (2005); however, Sections 4 and 5 of the survey were introduced

entirely for this study, based on reviewing the current literature relating to the changing nature of MAPs (Innes and Mitchell, 1990; Scapens, 1994; Granlund and Lukka, 1998; Vaivio, 1999; Burns and Vaivio, 2001; Granlund, 2001; Kasurinen, 2002; Scapens and Jazayeri, 2003). The survey was distributed and collected, in person, to/from the principle accountants in 110 companies which were operating at the Alrusyal Industrial Estate, from June to September, 2010, (Please see Chapters 4 and 5 for more details about why this industrial estate was chosen for the research). However, only 52 of the surveys returned were usable (i.e., 47%). In addition, follow up interviews were held with 21 accountants, to both extend the understanding of the survey results and to provide a useful platform from which to undertake a more in-depth case study of MAPs adoption (see Chapter 6).

Data collected by the survey helped to develop some research patterns (see below); including: power mobilisation to enforce and introduce a change within an organisation, as will be detailed in Chapter 6. Additionally, this first stage of data collection helped to short list case studies to three cases, and then to choose one case, that is PackCo, as will be detailed later in this chapter.

4.3.2. Case study approach (Scapens 1990, and Yin 2009)

Yin (2009) identified different ways of conducting social science research, and these depend on three condition: (1) the type of research questions, (2) the control an investigator has over actual behavioural events, and (3) the focus on contemporary, as opposed to historical, phenomena (p.2). He stated that the case-study is a preferred research method when the research focus is on answering questions about how and why, when the researcher has little control of events, and when the research focus is on a social phenomenon within a real-life context (*ibid*, p.2). In brief, the:

“case study method allows investigators to retain the holistic and meaningful characteristics of real-life events such as individual life cycles, small group behavior, organizational and managerial processes, , and the maturation of industries”(p.4).

Consequently, this section introduces the reasons for which the case study method was adopted in this research.

First, as mentioned in Chapters 2 and 3, management accounting studies that seek to identify the impact of change as a process based on survey outcomes will not address the nature and complexities of MA change as a process. Longitudinal case studies of how the implementation of change as a process, such as the introduction of a new ERP system, therefore evolve as needed (Scapens and Jazayeri, 2003, p.230). Moreover, the adoption of the case-study as a research method emerged in the management accounting field as a result of the gap between the theory and practice of MA (Scapens, 1990). More precisely, the practice of MA in reality did not harmonize with the conventional wisdom of the MA textbooks. Additionally, the superficial view of MA practice that is produced by survey-based research motivates the use of more intensive field work and/or case studies, where required (Llewellyn, 2007; Bogt and Helden, 2012; Lillis, 2008; Yasukata et al., 2013; Belal and Owen, 2015).

Second, according to Parker (2012, p.56), field based case study research involves the researcher in direct contact with organisational settings, conducting in-depth research into the actors and their contexts in their naturally occurring settings. Field research also involves the application of multiple methods, such as interviews, observations, and documentary analysis that addresses real, live settings and processes. They “offer rich, contextualised accounts and understanding of organisational and management accounting practices” (Parker, 2012, p. 56). In other words, using case study as a research method offers a deeper understanding of organisational actors and their world, which, in turn, helps the researcher to find answers to questions such as: Why does a change emerge within an organisation? How does the change as a process evolve within that organisation? (Parker, 2012)

Finally, according to Drury and Tayles (1995), management accounting studies that are based on surveys provide attention-directing information on areas that need in-depth case study research. They add, that when the research purpose is to explore management accounting as a socially constructed phenomenon that is shaped and is shaping the social milieu, then case study is suitable for the exploration of such phenomena. The following section therefore discusses the nature of case study as a research method, including different types of case

study, and the processes of carrying out a case study, proposed by Scapens (1990).

4.3.2.1. The nature of case study

Case study is considered a fieldwork research method that examines management accounting as a social practice within its organisational context (Scapens, 1990). Utilising case study as a research method with a focus on examining the actual use of MA systems, helps to understand how MA techniques or systems are embedded in the daily practices of different employees within an organisation (Scapens, 1990; Tuomela, 2005; Kholeif et al., 2007; Englund et al., 2013). This section thus explores the case study as a research method in relation to the purpose of the current research.

Yin (2009, p.18) defined case study as:

“an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”

According to Scapens (1990), a case study can be used in different ways, i.e., classified to different typology, according to the purpose of the case study. This includes: descriptive, illustrative, experimental, exploratory, and explanatory case studies. For the purpose of this research, the last type has been adopted because explanatory case studies:

“Attempt to explain the reasons for accounting practices. The focus of the research is on the specific case. Theory is used in order to understand and explain the specific, rather than to produce generalisation. If available theories do not provide convincing explanations, it may be necessary to modify them” (Scapens, 1990, p.265)

Earlier in this chapter, it was mentioned that the epistemological assumption which underpins this research is social constructivism, which means that MA is studied as a social practice that shapes, and is shaped, by its social context (Hopper and Powell, 1985). In other words, adopting this assumption helps to explore how MA is conditioned by the socio-political system, and how “it provides a set of rules which structure certain types of organisational behaviour,

and how these rules emerge out of the social practices of the organisational participants" (Scapens, 1990, p.268). As the purpose of this research is to explore how MA change as a process evolves, and how different socio-political dynamics, such as power, institution, rules and routines, shape, and are shaped, by the change as a process. Then an interpretive/explanatory case study is suitable for this research, and helps the researcher to understand MA as a social practice by locating it in its historical, social, economic, and organisational context. This research method is also in line with the theoretical framework that has been adopted in this research (Please see Chapter 3), as the framework argues that MA practice is a socially constructed practice, and in order to understand this it requires an understanding of the complex inter-relationship between different organisational elements, including institutions, rules, and routines (Burns and Scapens, 2000).

Finally, as argued by Berry and Otley (2004), the case study is suitable for understanding the content, processes, and context of the accounting practice, which helps to explore the complexity, content richness, processes and the context of change. The following section therefore introduces the steps that were followed in conducting this research case study, as proposed by (Scapens, 1990).

4.3.3. Main steps of conducting a case study (Scapens, 1990)²⁸

According to Scapens (1990), there are steps that a researcher should follow when conducting a case study, and these include: preparation, collecting evidence, assessing evidence, identifying and explaining patterns, theory engrossment, and report writing. This section provides more detail about those steps and links them to the current research. However, it is important to state here that, despite introducing these steps, "it must be emphasised that case study research is a complex interactive process which cannot be characterised by a simple linear model" (Scapens, 1990, p.273). Specifically, throughout the

²⁸ This section refers mostly to Scapens '(1990) article, if another reference is used that will be stated clearly

process of conducting the case study, the researcher may have to iterate between those steps in a different order.

4.3.3.1. Preparation

Preparation is the first step when conducting a case study. In this step, the researcher needs to review the available theories which may be related to explaining the case study, and that can help the researcher in approaching the case study. Such early adoption of a specific theory does not mean that the researcher cannot introduce additional theory as the research process proceeds. Instead, “the researcher should be flexible to allow such development to take place” (Scapens, 1990, p.274). In this stage of the current research, different theories were reviewed, including: structuration theory (Macintosh and Scapens, 1990), new institutional theory (Powell and DiMaggio, 1983), and management accounting change as a process framework (Burns and Scapens, 2000). Based on this review, the last framework was adopted for this research,²⁹ as explored earlier in the theory chapter.

4.3.3.2. Selection of the case study

According to Scapens (2004), when there is a well formulated theory and the research purpose is defined well, then that helps in selecting a critical case study. As mentioned above, Burns’ and Scapens’ (2000) framework was adopted as a theoretical framework with which to inform the findings of this research. However, the selection of the case study was difficult as, based on the results of the first research stage, i.e., the survey results (see Chapter 6); there were few interesting case studies to follow up in order to use this theoretical framework. The researcher finally selected three organisations from the surveyed NOROMCs: the first produces food oil, the second produces chemical mixtures, and the third produces different types of packaging products. The selection of those specific case studies was based on the different management accounting changes that had been introduced within the last 10³⁰

²⁹ More details of this framework are provided in Chapter 3, and why this framework was adopted in this research.

³⁰ The 10 year period is between (2000 and 2010)

years in these organisations. Table 4-1, below, summarises why those three case studies were interesting.

Organisation	Change	Why interesting case	Difficulties in following up with the case
Food oil producer	Introduction of SAP	<ul style="list-style-type: none"> • There are no tariffs on food imported to Omani markets • Operating in a very intense competitive market 	No co-operation from all employees within the organisation. Thus, difficult to get enough evidence to support the case study's story
Chemical mixtures producer	Introduction of ABC costing system	<ul style="list-style-type: none"> • There was a change in the costing system after a new cost accounting manager was appointed to the organisation 	<ul style="list-style-type: none"> • Difficult to follow up with the case as employees were reluctant to answer during interviews • The appointed cost accounting manager left the organisation and the ABC system was eventually suspended
Packaging products (Selected case study)	Introduction of BSC that was forced by the head office, as well as a new integrated management control system similar to the one used in the head office	<ul style="list-style-type: none"> • There was too much power mobilisation with the case study • Both changes challenge existing institutions, but they evolved in totally different ways 	<ul style="list-style-type: none"> • Employees were very cooperative from different levels • Support from the general manager of the case study • Access to the case study

	Partnership with a multi-national organisation		whenever it was needed
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Table 4-1: Shortlisted case studies

The questionnaire results (see Chapter 6) explored the Omani context in terms of different management accounting practices that had been adopted by non-oil related Omani manufacturing companies (NOROMCs), and they gave a general view of the Omani case. The results, in short, showed that although the Omani context has witnessed many different changes, as shown in Chapter 5, the majority of the surveyed NOROMCs are still applying traditional MAPs. The selection of PackCo as a case study for this research therefore emerged for the following reasons, and these made it an interesting case study to explore.

First, the case study company was chosen because it is different from the majority of the surveyed companies, in the sense that it appeared to be implementing more contemporary management accounting practices (MAPs) than had the other surveyed NOROMCs. According to the questionnaire results, the number of surveyed NOROMCs that had implemented contemporary MAPs was limited. Based on this, PackCo Company was thus chosen. Added to that, the case study company is operating in the packaging industry; and apart from Dugdale et al. (2006) and Quinn (2010), the number of studies that have explored management accounting specifically in packaging companies is limited³¹. Exploring the management accounting change as a process and how it evolved within the case study company would thus be interesting and should add to the current literature on management accounting change, in general, and change within packaging companies specifically. As concluded from the questionnaire results, a company's size can affect the type of management accounting practices implemented by them (in the sense that the bigger companies implement more contemporary MAPs if one compares them to small ones). However, although the case study company in this research is relatively small, it implements contemporary management accounting practices. This said, the case study company is part of a larger group, with its head office (HO) in Dubai. Additionally, and as will be described in the chapter on the empirical evidence, the group company (with a head office based in Dubai) also entered

³¹ Global changes in this industry will be detailed in Chapter 7

into a partnership with a multi-national, Canadian based packaging company; which makes the analysis of the change process more complex and interdependent. PackCo was thus chosen as a case study for this research.

Gaining access to a case study company is a challenge, as is getting cooperation from the people at the site to respond (Creswell, 2007).

Fortunately, with all three of the initial case studies that I started with, there was no rejection of participation in this study, especially when the concerned top management saw the letter of cooperation from Sultan Qaboos University. As this is the only governmental university within the country, getting this letter opened doors for a researcher to get access within the private sector in general, since cooperation with an employee working in the governmental sector means cooperation with governmental requirements. However, as time passed, some reluctance was clear from the first and second organisations, while the PackCo company was always welcoming and willing to cooperate. This motivated the researcher to follow up with this organisation; plus, as mentioned above, there were different changes that had been introduced into the organisation within the last 10 years.

Moreover, according to Burns (2004), it is advisable to get access to a case study company that is near to where you live or work. Which decreases many of the obstacles that may affect the researcher's progress in collecting data, including: the cancellation of interviews due to emergency situations by the time the researcher arrives; the cost of travelling between sites, as well as dangerous liaisons with other cars on the roads. Moreover, due to the busy schedules of the interviewees, the researcher may travel all the way to a case study site just to conduct one interview. Burns (2004) advises the researcher to get access to an organisation that is near to where the researcher lives or works to avoid all these delays in the data collection process. Consequently, and based on the above recommendation by Burns (2004), in this research the focus and the selection of the case study was on one industrial area amongst the seven industrial areas around Oman (see Chapter 5 for more details). This is the Al Rusyal Industrial Area. This industrial area is located within a 10-minute drive, both from my living and work places, and thus it was easy for me to re-arrange any cancelled interviews, or to drive there for just one interview.

Cancellation of an interview was due mostly to the arranging of an emergency visit to the interviewee by a customer or a visitor. I thus had to re-arrange another interview. This did not affect my progress in the research very much, as I usually went back to my office and did other work relating to the research, including, for example, the transcription of previous interviews.

All these changes within the external operating environment of PackCo, and inside PackCo, including the introduction of BSC, a new ERP system, and the partnership with the Canadian multi-national company, and its consequences; made the case study interesting to explore and to dig deeper into the change as a process and how it unfolds over time. In addition, the convenient access to the case study, in terms of distance, as well as the cooperation from different employees within PackCo, facilitated the selection of this specific case study.

4.3.3.3. Collecting evidence

Although reviewing and choosing a theory in the previous step helped in directing the researcher to the types of evidence to collect from the case study; this should not limit the researcher from altering his/her ideas because of evidence that emerged from the case study. Different sources of data collection can be used, including: documentation, interviews, direct observation, and participant observation. According to Langley et al. (2013), “longitudinal data are necessary to observe how processes unfold over time.....mixed methods combining interviews, archival data, and observations [.....] correspond well to a perspective emphasizing process questions and an ontology where processes rather than things are the main focus of attention” (p.6). As the main purpose of this research focused on exploring how MA change as a process unfolds over time, and how different change dynamics shape that unfolding process, then interviews were applied mainly in this research to enable that purpose to be achieved. This section thus introduces this research technique.

According to Yin (2009), interviews are considered the most important source of data collection for case studies. Case study interviews can be described as being fluid, rather than rigid, in that the interviews will be guided by the conversations, instead of by structured inquiry. In addition, “interviews are an

essential source of case study evidence because most case studies are about human affairs or behavioural events" (Yin, 2009, p.108). Based on the purpose of this research, that seeks to investigate how management accounting change as a process evolves, in-depth-semi-structured interviews were adopted as a data-collection technique for this research.

In-depth-semi-structured interviews allow the researcher to ask key respondents about their perspectives and opinions that are related to the research matter, which could help in making further inquiries that are related to the research matter. As such, interviews may take a long, and may not take just a single sitting (Yin, 2009). Interviews were considered the main data collection method, but also other methods were used. For example, getting copies of documents to collect data wherever this was possible. Moreover, observation of interviewees was important, especially while interviewing them or their colleagues. According to Scapens (1990), informal ways to collect evidences are as important as formal ways. Informal ways include: casual comments, the tone of answers, physical gestures. Scapens (1990) added that such clues can be used to validate data obtained through the formal methods. Indeed, data collected at PackCo that was based on informal methods were important in confirming data collected formally as well, as that provided the signals of power distribution within PackCo, as will be explored in Chapter 7.

Prior to the fieldwork, semi-structured interview questions were prepared that were based on different themes that had emerged from the questionnaire results, as will be explored below (N-vivo section), as well as questions that emerged from the main research's purposes. Additionally, some questions emerged during the interviews, and these were based on the interviewee's answers. Questions that emerged after reviewing previous interviews were saved for future interviews. Finally, at the end of each interview, I asked a general question: Would the interviewee like to add any extra comments that were related to the issues discussed. Such a question gives the interviewee an opportunity to sum-up his/her answers, as well as providing some extra information. Additionally, all of the interviewees were allowed to express their thoughts about the changes introduced into the organisation, i.e., BSC and ERP system. This helps the researcher in obtaining different views from different

interviewees, and that facilitated getting more data and evidence that was related to both changes. It is important to state that before conducting the interviews I had assumed that it was power mobilisation rather than existing institutions that shaped the MA change as a process within PackCo, and this viewpoint was based on the results of the first stage of the research process, which included a questionnaire and follow-up interviews³². As soon as I started the interviews, the power mobilisation became obvious, as will be detailed below. However, it was not possible to ignore the role of institutions in shaping how in both, i.e., BSC and the ERP system, changes as a process unfold over time, see Chapter 7 for more details.

Based on the research protocol, an appointment with the interviewees should be scheduled prior to the interview (Yin, 2009). In case of cancellation due to the busy schedule of some interviewees, a new appointment will be set. As different interviewees have different work experience, as will be explored in the empirical evidence chapter. That, in turn, affected the number of interviews conducted with the interviewee, as well as the length of the interviews. For example, the Sales Manager's major responsibilities required that he work out of the office and travel a lot within the region. That decreased the time in which I would have the opportunity to meet him. The following table (Table 4-2) shows the number and length of the interviews with different interviewees within PackCo.

Interviewed person	Date of interview	Length of interview
General manager	23/January/2011	1 hour 19 minutes
General manager	22/September/2011	1 hour
General manager	29/September/2011	1 hour 18 minutes
General manager	30/September/2011	25 minutes
General manager	14/November/2011	1 hour 25 minutes
Production Manager	5/December/2011	25 minutes
General manager	5/December/2011	15 minutes
Sales Manager	7/December/2011	45 minutes
General manager	18/December/2011	40 minutes
General manager	24/September/2012	50 minutes

³² The second phase of the research process, i.e., the case study, is the main data collection source for this research, and thus this chapter focused on the methods and methodology related to the case study and not on the first research stage. The first research stage's main purpose was to explore the Omani context in relation to the nature of the management accounting techniques adopted by non-oil-related-Omani-manufacturing companies (see Chapter 6).

Sales coordinator	4/ October/ 2012	30 minutes
General manager	4/ October/ 2012	30 minutes
General manager	1/ December/ 2014	1 hour 10 minutes

Table 4-2: Summary of interviewed PackCo employees

All of the interviews were tape-recorded after receiving permission from the interviewees, as well as getting a signed consent form from them. That helped in concentrating with the interviewee and following up ideas or statements easily with him/her during the interview. In addition, tape-recording facilitated the observation of the informal clues of the interviewees and, as mentioned above, such clues are as important as the formally collected data. Although using a tape-recorder may hinder the interviewees from providing some detailed data, this was not a major issue which the researcher faced during the data collection process. In general, interviewees were mostly cooperative, and they didn't refuse to answer any question, but the General Manager refused to provide some of the reports as they were confidential.

Within PackCo, the General Manager (GM) was very cooperative and friendly to me. I had to explain the purpose of my research, with all the supporting documents, only to him, and he introduced me to other organisational members before my first interview with them. That helped to break the ice prior to the interview, as well as gaining trust from those interviewees. Additionally, data in this research consisted mostly of hours of interviews, audio-records, as mentioned above. All audiotaped interviews were transcribed, and that consisted of around 83 pages of transcription.

Accordingly, the first stage of the interviewing process aimed to interview top managers in different departments of PackCo so as to understand their views and reactions towards the changes that had been introduced within the organisation during the last 10 years. Additionally, during this stage, the researcher tried to explore how and why the two initiatives were introduced to PackCo. How had the change as a process evolved, and what are the different change dynamics that shaped the change as a process?

Different themes emerged from the first interview stage about how both changes as a process evolved within PackCo, and those themes agreed, in general, with the Burns and Scapens (2000) MA change framework. However,

the most obvious theme was the mobilisation of different sources of power by top managers, especially the power of resources, while they were imposing the change at PackCo, as will be detailed in the empirical chapter. Accordingly, follow up interviews were conducted, especially with PackCo's General Manager, to understand how he imposed the change within the organisation. Based on the interviews conducted at this stage, I was able to understand why changes were introduced into PackCo, how top managers imposed the changes and how different change dynamics, including: power, institution, rule, and routines, shaped how the change unfolds as a process over time.

Consequently, the second stage of the interviewing process aimed to interview employees from a lower level in order to understand their perspectives regarding the changes implemented at PackCo. Unfortunately, due to the small size of the organisation (25 employees in total), language obstacles between different lower level employees and the researcher (lower level employees speak very little English and Indian languages only), and many employees in the administration, i.e., accounting and sales, were new and joined only after the implementation of both changes. The number of interviews with employees at a lower level was very few, and the majority stated that they did not face any problems with the changes introduced for different reasons. More precisely, power mobilisation by top management, and little experience and knowledge of how change affects lower level employees' performance evaluation (i.e., the mobilisation of power of knowledge). Fortunately, there was one Omani employee who joined PackCo before the implementation of both changes, and she speaks Arabic, which removed the language and communication barrier between us, and I was able to interview her so as to understand how some employees at a lower level reacted to the changes introduced. Interestingly, although the Omani employee did not have the knowledge to be able to understand BSC as a technique, she was able to realise how the new-BSC-related rules affect her performance evaluation, and she resisted the change. This will be explored in Chapter 7. Based on the limited number of interviews with lower level employees, it was clear that there was some resistance to the changes introduced.

Different themes thus emerged from this second phase. First, the mobilisation of power by top managers was confirmed by the answers provided by lower level employees, as some said: “he (GM) insisted that I work according to the new system” or “what managers require, we do”. Second, with such power mobilisation, there were some employees who resisted the change and, accordingly, the GM had to adjust the new rules to conform with existing ways of doing things. This stage informed our understanding of how different employees reacted to both changes, and how top managers adapted the new rules to concur with the existing ways of doing things and, at the same time, for employees to produce and reproduce new rules based on existing institutions, and are according to top management directions and requirements, as will be explored in the empirical evidence chapter.

4.3.3.4. Assessing evidence

Unlike quantitative research based research, when conducting qualitative research and employing interviews as a research method, where the researcher as well as the subject takes part in the research process, it is not possible to validate the data in the same manner as one would in quantitative based research . In addition, qualitative based research studies look at management accounting as a socially constructed reality in which the relationship between different variables are explained through theories that “must include reference to mechanisms or processes by which the relationship among the variables identified is generated” (Hammersley and Atkinson, 1983, p.20). McKinnon (1988) has also stated that although field research differs from experimental or survey based research, in the sense that the former is concerned with “describing or modelling the complex pattern of roles and interactions that comprise a particular process or phenomenon”; while the latter is concerned with studying causal relationships, or the correlation between different variables (p.36). It is important in both types of research “that the researcher is studying the variables, phenomenon or process he or she purports to be studying and that the data obtained are reliable” (McKinnon, 1988, p.36).

Different tactics and strategies are therefore recommended to establish the quality of empirical social research. For example, Yilmaz (2013, pp.318-319)

demonstrated that: “since qualitative research is focused on meaning and interpretation in cases which are unique and context-bound” and as the “ontological, epistemological, and theoretical assumptions of qualitative research are fundamentally different from those of quantitative research, it should be judged on its own terms”. Qualitative researchers thus argue for different standards in judging the quality of research, as Scapens (2004) summarised:

... whereas traditionally, empirical and especially quantitative researcher talk about reliability, validity and generalisability, in the case of study research we should think in terms of procedural reliability (credibility), contextual validity (plausibility) and transferability (p.270).

The following sections will address these terms and how they are utilised in the current research for evidence assessment.

- **Credibility/ Authenticity instead of reliability**

According to Johnson and Rasulova (2017, p.15), “research is seen as credible when the researcher has confidence in the truth of the findings with regard to the subjects of research and the context where it was conducted”. Qualitative research creditability also concerns the relationship of the researcher with the field work; where “the researcher needs to stay close to data but at a reflexive distance from it” (*ibid*, p.15). Enhancing qualitative research’s credibility can be achieved by following different strategies, including: (1) prolonged engagement, and (2) triangulation (Baxter and Chua, 2008; Johnson and Rasulova, 2016).

In terms of the prolonged engagement of the researcher in the research field, the present researcher spent a good amount of time at the case study company. This helped to understand the settings of the case study, building trust between the researcher and the participants, which allowed interviewees to talk comfortably during the interviews and, in turn, enriched the data collected. Additionally, according to McKinnon (1988), spending more time in the research field can increase the research’s credibility, as spending a substantial amount of time in the research field leads to:

1. Decreasing the researcher's biases, as it allows the researcher to get a better understanding of the studied phenomenon's background.
2. Decreasing the possibility of the researcher filling in many interpretation gaps based on his/her own values, projections, and expectations.
3. Allowing the researcher to focus and follow with a patient and relaxed attitude to form research patterns.
4. Allowing the researcher to discover any anomalous data which may change his/her earlier preconceptions of the research phenomenon
5. Decreasing observer-caused effect as, according to Kidder (1981, p.109): "the more the participant observer is immersed in the research setting, the less likely the research subjects are to distort the research"
6. Allowing the researcher to collect more data and to observe more events; which, in turn, facilitates the collection of more evidence related to the research phenomenon

In terms of triangulation, interviews are the main data collection method in this research and, according to Yin (2009), "interviewees' responses are subject to the common problems of bias, poor recall, and poor or inaccurate articulation" (pp108-9). Accordingly, to avoid such bias, in this research data, which was collected from interviews, it was compared with data collected from other sources (i.e., multiple sources of data, or triangulation), such as the organisation's web-site, documents provided by different interviewees, participant observation, and the cross-checking of what different interviewees' perceptions on the two changes implemented within PackCo were. Using multiple sources of evidence, i.e., triangulation, thus increases the credibility of the current research.

- **Plausibility instead of validity**

According to Baxter and Chua (2008), plausibility concerns "what is it about the way in which the researcher writes that makes his/her field research sensible

and believable" (p.106). Three aspects were identified in the literature that thus constitute plausibility: (1) external validity; (2) internal validity, and (3) construct validity (Scapens, 1990; 2004; Yin, 2009)

External validity concerns research findings' generalisability. In other words, are the case study findings generalisable beyond the immediate case study (Yin, 2009)? In relation to this research, are the findings of PackCo's MA change as a process case study, as explored in Chapter 7, applicable to other NOROMCs? Yin (2009) points out that external validity represents a barrier to doing case studies, and research based on a single case study is criticised, in the sense that it offers a poor basis for generalising findings. He added, that such critiques are more related to survey-based research which is concerned mainly with generalising findings that are based on sample results (i.e., the sample is intended to be generalisable to a larger universe). However, "this analogy to samples and universes is incorrect when dealing with case studies", as survey-based research looks for statistical, and not analytical, generalisability as case-study-based research (*ibid*, p.43). Yin (2009) emphasised this point, and stated: "in analytical generalisation, the investigator is striving to generalise a particular set of results to some broader theory" (p.43).

Accordingly, this research is not intended, or expected, to present results that will represent MA change as a process and the way it unfolds through time within all NOROMCs. Instead, the main focus of this research is to produce results that could be generalised to a broader theory, which is Burns and Scapens (2000) MA change as a process framework (OIE). This research therefore contributes to the extension of that framework, as has been explored in the theory chapter.

Second, internal validity concerns the relationship between variables, and is more closely related to explanatory case studies (Yin, 2009). However, "in case study research this criterion is replaced by the notion of contextual validity, which indicates the credibility of the case study evidence and the resulting conclusions drawn" (Scapens, 2004, p.269). Contextual validity can be achieved through evidence triangulation (*ibid*). In other words, the researcher may compare evidence collected in relation to the same issue, but through the

use of different sources of evidence, i.e., interviews, documents, and/or websites. For example, in PackCo mobilising the power of resources to impose the new BSC rules within the organisation was highlighted by the PackCo GM. The validity of this claim was confirmed also by different interviewees within PackCo, as detailed in Chapter 7.

Third, construct validity concerns: “how theoretical constructs are operationalised in messy-real world data” (Lillis, 2006, p.461). To achieve construct validity, the results and findings of this research were discussed and presented at different academic events throughout the study period.

Presentations were made at different stages of the research process, including the post-data collection phase, as well as the post-analysis stage. At each event, above, an abstract, PowerPoint presentation, and sometimes a work-in-progress article, would be available to the audience.

Additionally, peer-reviewing with other PhD students at other conferences attended by the researcher, as well as with colleagues in accounting departments, either at Exeter or in Oman, also helped to enhance and construct the validity of the study. This helped to enhance the quality of the current research, in the sense of exploring the implicit meanings of different research perspectives that may remain implicit in the researcher’s mind only and thus to overcome ‘biased interpretation’ (Lincoln and Guba, 1985; Scapens, 2004).

- **Transferability instead of generalisability**

Transferability in qualitative research is argued to be an alternative to the term generalisability in quantitative research. With qualitative research,

... the objective of individual case studies is to explain the particular circumstances of the case, whereas the objective of a research programme based on these case studies is to generate theories capable of explaining all the observations made. As case studies seek to apply theories in new contexts, the theory is likely to be refined and/or modified, and, through this process the theory is generalised.

i.e., transferability (Scapens, 2004, p.269). This aspect was highlighted earlier in this chapter and will also be detailed later in it.

4.3.4. Identifying patterns and N-Vivo software

Coding or pattern identification is integral when conducting qualitative research; as it guides the researcher throughout the analysis process (Neuman, 2006).

Coding helps the researcher in mechanical data reduction and analytical categorisation. In this research, N-Vivo software was used to identify patterns, as explored below.

For this research, themes and patterns emerged as the case study progressed. An outline, based on Burns and Scapens (2000) MA change as a process framework propositions developed. That helped to figure out any missing connection in empirical data and suggested avenues for further investigation (Scapens, 1990). More evidence was collected, which allows the discovery of new patterns or themes, and the addition of new connections. That lead sometimes to a re-interpretation of the previously collected evidence. Pattern development helped to articulate and explain the case study. Specifically, patterns emerged from the research used to explain the findings, as well as by referring to theories which were adopted in prior case studies in order to explain the case study. This allows for the extension of the theory to meet a newly emerged pattern, as explored in the theory chapter, and this will be detailed in the empirical chapter.

Although different patterns that related to management accounting change as a process within the Omani context emerged through the first stage of data collection, i.e., the survey results,³³ the major pattern that emerged was the role of power in shaping the management accounting change as a process. Additionally, more patterns emerged as the case study progressed, including: the role of the rewards systems in shaping the MA change as a process, as mentioned in theory chapter. The rest of this section therefore outlines the use of N-Vivo to identify patterns (the coding process) of the PackCo case study.

³³ see part 2 of Chapter 5

4.3.5. Data analysis and theory engrossment

According to Yin (2009, p.127), “the analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies. Too many times, investigators start case studies without having the foggiest notion about how the evidence is to be analyzed”. Yin identified five qualitative analytical techniques: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. This section refers to the data analysis techniques adopted in this research.

The main analysis technique used in this research is explanation building, which is “a special type of pattern-matching” (Yin, 2009). Analysing data based on pattern-matching is about comparing the empirical research with what had been predicted, i.e., comparing the findings of the PackCo case study with the main arguments of Burns and Scapens (2000). The process of explanation building based on pattern-matching is ‘iterative’ in nature. Based on this analysis technique, and according to Yin (2009, p.143), “the eventual explanation is likely to be a result of a series of iterations” as will be detailed below.

Alternatively, Yin (1994, p.111) has stated: “in that, propositions (initial and subsequent) are continuously revisited throughout the data collection and analysis phase until a final explanation can be derived”. Yin (2009, p.143) summarised these series of iterations as follow:

- Making an initial theoretical statement or an initial proposition about policy or social behaviour
- Comparing the findings of an initial case against such a statement or proposition
- Revising the statement or proposition
- Comparing other details of the case against the revision
- Comparing the revision to the facts of a second, third, or more cases
- Repeating this process as many times as is needed

Precisely, and according to the empirical results of this study, the explanation building process can be summarised in these series of iterations. The study

started with an initial proposition that was based on Burns and Scapens (2000) MA change as a process framework:

Employees within PackCo will resist the BSC and ERP system as new rules associated with both changes conflict with existing routines and taken-for-granted ways of doing things

As more evidence, mainly from interviews, was collected throughout the research process, new patterns emerged. The initial phase of evidence collection revealed that Burns and Scapens (2000) MA change as process framework explains the proposition made above. However, there were some elements, such as power mobilisation and the rewards system, which were not strongly present in this framework, as already referred to in the theory chapter. Two new patterns therefore emerged from the collection of more evidence, reviewing the initial proposition, and comparing new evidence against the initial proposition. These two propositions were power mobilisation by top managers, and the effect of the rewards system in shaping the change process.

Power mobilisation by top managers was a dominant pattern based on the empirical evidence of this study. Top managers enforced and imposed the change within PackCo by utilising different sources of power, as explored in the empirical evidence chapter. Additionally, linking new rules with the rewards system was also a dominant pattern, especially with the introduction and implementation of BSC, see Chapter 7. Other theoretical propositions were therefore required and considered to support and expand Burns and Scapens (2000) theoretical propositions (see Chapter 3 for more details).

Two extra propositions were thus developed based on Hardy's (1996) power mobilisation framework and a literature review of rewards system effects on shaping how MA as process of change unfolds over time .

Although new rules introduced with the changes challenged existing ways of doing things, employees were enforced to implement the change by top management through mobilising different sources of power

Employees resisted the change, and the associated change in existing ways of doing things, due to the effect of the change in the financial rewards

This iterative nature of explanation building, based on pattern-matching, therefore helped to utilise Burns and Scapens (2000) management accounting change framework, Hardy's (1996) power framework, and the effect of the rewards system in shaping how MA change as a process evolved. Based on the empirical findings of this study, an expansion and extension of Burns and Scapens (2000) MA change as a process framework was proposed, as explored in the theory chapter. As a result, a more robust and powerful framework and theoretical propositions resulted from expanding on Burns' and Scapens' (2000) framework (see Chapter 3). Such a framework can be facilitated to explain MA change as a process within organisations. Specifically, the theoretical proposition results based on this study is that it is quite reasonable to take Burns' and Scapens' (2000) framework and to conceptualise the process of change over time; mainly in terms of persistence between the new rules and the existing institution. However, it is not the 'institutionalised' taken-for-granted assumptions that necessarily primarily influence the change process. Instead, there are other dynamics that are not so explicitly dealt with in the Burns' and Scapens' (2000) framework; namely: power mobilisation and incentive schemes.

4.3.5.1.1. N-vivo

According to Yin (2009), with case-study based research it is difficult to analyse data especially for novices. It is thus useful to use some sort of analytical tool to produce the required analytical results. Additionally, the researcher needs to know how to use the tool and what to look for; i.e., to have an overall analytical strategy.

Accordingly, in this research, a computer-assisted tool, namely, -N-Vivo - was adopted to facilitate the analysis of the research data and findings. N-Vivo is one of the computer-assisted tools (CAT, hereafter) that is used for qualitative data analysis. This tool is powerful and contains different functions, including:

helping the researcher to code and categorise large amounts of data collected from interviews, documents, videos, and various sources of data collection methods (Yin, 2009). To use such a CAT, it is important to realise that there are two important key words: ‘assisted’ and ‘tools’. In other words, “the software will not do any analysis for you, but it may serve as an able assistant and reliable tool” with which to code and build patterns from your data (Yin, 2009, p.128).

Similarly to different CATs, N-Vivo was utilised in this research to develop codes and organise the collected data to facilitate a better understanding of the MA change as a process (Bringer et al., 2006; Woods et al., 2016; Davidson et al., 2016). Precisely, how different change process dynamics, based on Burns and Scapens; (2000) MA change framework, including: power, rule, routines, and institution, shaped the change as a process that unfold over time.

Additionally, other change dynamics also emerged from the data. These are: employees’ rewards and Omanisation, as will be explored later in the empirical chapter, and as mentioned earlier in the theory chapter. The following parts of this section detail the usage of N-Vivo in developing and identifying patterns (codes) for the PackCo case study.

After downloading N-Vivo from the University of Exeter website, I started to upload all of the interview transcriptions into it. Initially, there were around six codes that emerged from the field work, including: company background, balanced scorecard, ERP system, power mobilisation, old IT system, and new partner effect. After developing those codes, I started reading again through the interviews, line by line, and to assign different quotations to various existing, as well as emerging, codes, as this became needed. Moreover, sub-codes were also created. This process took around 6 weeks, as I had to go through each and every line in each interview. When the first part of the coding was done, this resulted in quite a large number of codes, around 70. As this process is ‘iterative’; i.e., the researcher is able to gradually adjust existing codes to build more complex categories of codes, the 70 codes were reviewed, some of them were combined and others were categorised as sub-codes, instead of being a main code. Finally, the researcher ended up with 13 main codes³⁴.

³⁴ Codes are referred to as nodes within N-Vivo

Unlike statistical results, where the researcher can use the same CAT-output for analysis, with the N-Vivo results the researcher needs to figure out if any meaningful patterns are emerging (Siccama and Penna, 2008; Robertson, 2008; Kikooma, 2010; Bouten and Hoozée, 2013; Hopper and Bui, 2016). As Yin (2009) has stated, N-Vivo results do not help in “developing a rich and full explanation or even a good description of your case, in response to your initial how and why questions, instead you will require much post-computer thinking and analysis in your part” (p.128).

The final codes that the researcher ended up with emerged based on the main research questions, which related to how and why management accounting change as a process unfolds within PackCo. Additionally, following the theoretical concepts in Burns and Scapens (2000) MA change process framework facilitated the development of other nodes within Nvivo. Additionally, some codes emerged and had an effect in shaping how the change as a process evolved, but they were not emphasised either in the initial coding stage or in the theoretical framework. For example, the effect of the rewards system in shaping the MA change as a process, is already mentioned in the theory chapter and will be explored further in the empirical chapter. The following section demonstrates data analysis and theory engrossment based on patterns identified through the use of the N-Vivo software.

4.3.6. Report writing

Finally, the researcher needs to write up a report to “make the case and its explanations intelligible and plausible to outsiders” (Scapens, 1990, p.276). The case report write up should convince the reader that the researcher understands all of the case’s circumstances, and that all given explanations should be based on sound reasoning.

In general, Yin (2009) enforced the importance of having an ‘analytic strategy’³⁵ in order to develop or craft the case study story, as “the strategy will help the researcher to treat the evidence fairly, produce compelling analytic conclusions,

³⁵ The four general analytic strategies mentioned by Yin (2009) are: (1) relying on theoretical propositions, (2) developing a case study description, (3) using both qualitative and quantitative data, and (4) examining rival explanations.

and rule out alternative interpretations” (p.130). Among those analytic strategies is: relying on theoretical propositions to craft the case study story. In this research, Burns and Scapens (2000) MA change process framework was mainly³⁶ applied to develop the theoretical propositions of the case study and to craft the case study story as well; as, Burns’ and Scapens’ (2000) framework helped in shaping the research questions. Specifically, how and why did the MA change as a process within PackCo evolve, and what are the different change dynamics that shape, and are shaped, by the change process? Utilising this framework therefore helped to focus attention on certain data, and to ignore other data throughout the case study writing up process. In addition, developing a case description was also applied initially as the researcher faced some difficulty in shaping the case study story at the early analysis stage and according to the theoretical propositions’ strategy. Applying such analytic strategies therefore facilitated the writing up of a theoretically infused case study chapter, which is Chapter 7.

4.3.7. Weaknesses and limitations of case studies

Similarly to other research methods, the case study method also has some limitations. This section demonstrates those limitations, according to Scapens (1990). Scapens (1990) has stated that, traditionally, research based on one case study is criticised due to lack of the possibility to find generalisability. However, and as already mentioned above, qualitative research based on case studies focuses on developing and generalising theory, instead of findings. As argued earlier, research based on case studies aims at theory generalisation, not statistical generalisation, and this results in the theoretical implications of the research report, i.e., other case studies can implement a similar theoretical framework to explain their findings. The implications of this research will be referred to in the last chapter. As such, “case study research has its own internal rigour and is capable of generalisation”; but there are some limitations to case study as a research method, as will be detailed below (Scapens, 1990, p.276).

³⁶ As mentioned in the theory chapter, Hardy’s (1996) power mobilisation framework and the effect of the reward system in the change process also supported and extended the theoretical propositions of Burns and Scapens MA change as a process framework

First, it is not easy to draw boundaries around the case study subject matter (Llewellyn, 1992; Hoque and Hopper, 1994; Humphrey and Scapens, 1996, Hansen, 2011). This is due to the holistic and historical perspectives of socially constructed qualitative accounting researches (see Chapters 3 and 4). Specifically, and in relation to this research, it should be clear how changes within PackCo relate to the changes in the packaging industry, both in Oman and globally, to NOROMCs, and to the Omani context, in general. More precisely, the current researcher should be clear about how far to extend and expand the case study in order to explain the interrelations between case study and social system. Similarly, with the historical dimension, the researcher should be particular about how far back in time the researcher should probe, as the research looks at how management accounting change as a process unfolds over time. As such, the researcher should be satisfied with the approximations; boundaries and time scopes of the case study, as detailed in Chapter 7.

The social reality of case-study-based accounting research raises the second difficulty for researchers. Specifically, as this type of research is regarded as a social, and not as a natural phenomenon (Scapens, 1994; Vaivio, 1999; Alvesson and Skoldberg, 2000; Flick, 2002; Potter, 2005; Irvine and Gaffikin, 2006; Lounsbury, 2008; Parker, 2014), it is thus difficult to consider the researcher as a neutral independent observer and human beings must be involved in the research to understand the research as a social system. As such, “the social reality must be interpreted by the researcher and, thus, case studies represent an interpretation of the social reality” (Scapens, 1990, p.277). This raises the problem of researcher bias, and to avoid or reduce the effect of such a difficulty, different evidence and data assessments techniques are used throughout the research process, as already outlined above. Despite all this, “it has to be accepted that case study research provides an interpretation of the social system being studied, not an objective representation” (*ibid*, p.277).

Finally, the third difficulty in conducting case study research is related to ethical issues, i.e., the researcher’s relationship with the research subjects (Scapens, 1990; Vaivio, 2008; Taylor and Scapens, 2016). Specifically, as various social constructive accounting research projects require access to organisations and

their related confidential information; then, to get such access, confidentiality must be assured to the research subjects. This can be achieved through also implementing different research techniques, including gaining informed consent from all of the research subjects to clarify for them the nature and scope of the research, making clear that their participation in the research is voluntary, and protecting their privacy (Scapens, 1990). The researcher has to be clear that all of the information provided will be dealt with in a confidential manner. This allows the subject to feel secure and to be more open in providing information. The researcher also has to provide some disguised information about the organisation studied, and this may affect the exploration of the organisational context, but it raises the confidentiality of the research (*ibid*). Similarly, it is important that the researcher consider confidentiality when dealing with different members of an organisation in order to get more views and opinions from them. Maintaining such confidentiality may result in difficulty in checking the validity of evidence through the subjects, and that can be avoided by using validity and reliability techniques, as mentioned above.

4.4. Conclusion

This chapter has detailed the research paradigm that has been used to explore the different management accounting change dynamics which shape how change as a process evolves within an organisation. Specifically, the chapter has outlined the philosophical assumptions that underpin this research (research design) as well as the research strategy.

The research design is based on the work of Burrell and Morgan (1979). From their work the research's philosophical assumptions were identified. According to their framework, accounting research's philosophical assumptions are classified into two dimensions; namely: the nature of social science and the nature of society. These, in turn, shape the ontological and epistemological assumptions of the research, and also have implications for the research methodology.

In short, in this research, a social constructivist ontological assumption has been adopted. To study MA change as a process, it is thus important to

consider the context in which change evolves, and to look at change as a process. Where different change dynamics' interactions drive the change, and the change is not explained as a linear relationship between different change dynamics. Accordingly, an interpretive epistemological assumption is used in this research. By adopting such an epistemological assumption, the researcher needs to depend on participants' views to acquire the requisite knowledge in relation to how MA change as a process unfolds over time within an organisation, and how different change dynamics shape, and are shaped, by the change as a process.

Accordingly, a case study (interpretive) was adopted in the research to investigate/ explore the research questions. Specifically, qualitative research methodology is adopted as a result of adopting socially constructive and interpretive assumptions, which allow the researcher to better understand the research context, history and to obtain micro-details of an organisation and its institutional life. This will facilitate a better understanding of how change as a process evolves within an organisation. Evidence was collected from different sources, but mainly through semi-structured interviews. N-Vivo was used to organise and identify case study patterns, which were used to craft the case study report and to analyse it. The next chapter gives a general background to the Omani operating context, followed by a chapter which highlights the diffusion of various MAPs within NOROMCs (i.e., survey results). Chapter 7 then introduces the description as well as the theory infused analysis of the PackCo case study.

CHAPTER 5 : RESEARCH CONTEXT (OMAN)

5. Introduction

Context cannot be ignored when exploring MA change as a process within an organisation. Actually, the importance of context in shaping how MA change as a process unfolds over time, is referred to by various studies, as already explored in Chapter 2 (Kloot and Martin, 2000; Kasurinen, 2002; Chanegrith, 2008; Hopper et al., 2008), Chapter 3 (Burns and Scapens, 2000), and Chapter 4 (Pettigrew, 1997; Neumau, 2006Parker, 2008). This chapter therefore presents the research context, which is the Sultanate of Oman (hereafter, Oman). It mainly demonstrates the major changes that the Omani business environment has witnessed during the last four decades. Specifically, the chapter provides some details of issues which could influence the practice of organisations and, eventually, management accounting practices. The chapter's chief purpose is to demonstrate the main investing opportunities and constraints within Oman. That, in turn, affects the competitiveness level within the country, as well as the operation of various organisations operating in Oman and in due course, the MAPs adopted by those companies. Additionally, as this research's ontological assumption is social constructivist, i.e., it focuses on the context within which management accounting change as a process evolves, and the complexity and interdependence between the context and MAPs, as explored earlier in the previous chapter. Similarly, and as referred to in Chapter 2, ignoring the change context may result in a delay, or even in an unsuccessful implementation of MA change and how change as a process unfolds over time (Kasurinen, 2002). Then, exploring the Omani context is important in understanding how MA as process of change unfolds within PackCo, as will be detailed in Chapter 7.

The remainder of this chapter is divided into 3 more sections. In the next section, a general background of the Omani context is provided. This is followed by a general background to the Omani economy, with an emphasis on the changes within the economy. Section 3, below, focuses on the industrial sector in Oman- and the emphasis is on non-oil-related Omani manufacturing companies (NOROMCs) - with a focus on the Alrusayal Industrial Estate.

5.1. Oman demographic and economic background

This section introduces a background to the Omani context in general; with a focus on the Omani demographic and economic backgrounds.

5.1.1. Demographic background

The Sultanate of Oman owns a strategic location, as it is located at the junction of the world's two largest continents: Asia and Africa. This location is a middle point in the trade routes between Europe, Asia and the Far East (*Oman the development experience and investment climate*, 2003; 2008). Oman has borders with the United Arab Emirates and the Kingdom of Saudi Arabia on the West, with the Islamic Republic of Iran to the North, and the Republic of Yemen to the South, and the Gulf of Oman and the Arabian Sea lie to the East of Oman. Oman's total population was about 4,741,305 in 2017. Its area is approximately 309,500 sq. kms., with a coastline of almost 1,700 kms. The monetary unit of Oman is the Omani Rial (R.O.; R.O. 1.000= 1000 Baizas). The Omani Rial is tied to the US Dollar at the rate of US\$1= Baizas 385.5, and it has had a stable rate for the last 40 years.

The Sultan of Oman is His Majesty Qaboos bin Said, since he acceded to the throne of the Sultanate on 23rd July. 1970, Oman has witnessed changes in all sectors, including, education, health, industry, services, etc. As my research will be about the changing nature of MAPs in non-oil-related manufacturing companies operating in Oman; it is thus important to have an overview of the Omani business environment and the changes to that environment. The following section thus describes the Omani economic background, and this is followed by a section that focuses on the industrial sector and its importance for the country's economy and development.

5.1.2. Omani economic background

The Oman economy is based on oil and gas production; which is about 757,000 barrels per day (Masan, 2016). That represents about 75% of government revenues and 50% of the Gross Domestic Product (GDP). As oil is a scarce resource and its price is not stable; then, the Omani government set up an

economic vision for Oman that is called *Economic Vision 2020* (Hammoudeh and Choi, 2007; Mohanty et al., 2011; Hamdi and Sbia, 2013). This is a strategic long term development plan for the period 1996-2020; which is basically a series of five year development plans and it outlines Oman's development priorities and objectives on a long-term basis. The vision aims to (*Doing Business in Oman, 2011, p. 5*):

- > Develop local human resources and upgrade the skills of Omani citizens
- > Promote the optimal use of human and natural resources by the private sector in an efficient and environmentally sustainable manner.
- > Enhance private sector involvement in economic activity
- > Create suitable conditions for optimal exploitation of natural resources and the distinct geographical location of the Sultanate.
- > Develop a free diversified economy with a vibrant private sector, along with ecologically sound and balanced economic development of all the sectors

Consequently, the Sultanate has witnessed a decrease in the contribution of oil-related-returns to the GDP, and an increase in the contribution of non-oil-related-activities to the GDP (*Annual Industrial Report, 2014; Statistical Year Book, 2015*). Specifically, the contribution of non-oil-related activities to the GDP has increased during the last 10 years; Figure 5-1 below shows the most recent statistics relating to the contribution of different activities to the GDP. The change in the contribution of different activities to the GDP components is attributed to the government policy of decreasing its dependence on oil and gas returns, as mentioned above. Furthermore, that increase was due mainly to the good Omani investment climate (see below), in addition to the incentives provided by the government to investors in non-oil-related industries, as will be detailed below in the following section.

Items	2012	2013	2014
	Millions Omani Rials		
A. Petroleum Activities	15,350.2	15,205.8	14,840.0
Extraction of crude petroleum & incidental services to oil and gas	14,239.1	14,047.0	13,780.1
Extraction of natural gas	1,111.1	1,158.8	1,059.9
B. Non-Petroleum activities	16,029.6	17,198.3	18,927.4
Mining and quarrying	100.9	114.7	124.5
Manufacturing	3,143.5	3,138.8	3,151.9
Construction	1,747.0	1,897.0	2,054.3
Electricity & water supply	318.9	346.2	376.2
Public administration & defence	2,472.2	2,764.6	3,163.9

Table 5-1: Gross Domestic Product by kind of economic activity at current prices
(Source: Statistical Year Book, 2015)

5.2. Oman investing opportunities and constraints

As mentioned above, Oman has witnessed various changes in all aspects since his Majesty Sultan Qaboos bin Said started governing the country on 23rd July, 1970. This section demonstrates the global competitiveness of Oman as a result of changes in the following aspects: government efficiency, country infrastructure, and the business and economic fields. Understanding the level of global competitiveness of Oman will help to explain how this competitiveness level affects (either by getting better investment opportunities or by constraints) the operation of different organisations that are operating in the Sultanate, and also affects the operation of the case study company, as will be detailed in Chapter 7.

5.2.1. Government efficiency

Buckley and Rynhart (2011), from the International Labour Office, reported on the promotion of sustainable enterprises in Oman. They believe that this depends on 17 conditions, including good governance, as the international labour conference (2007) concluded. They argued that “poor governance, corruption and inefficient institutions³⁷ can discourage entrepreneurship and hold back private-sector growth and development” (p.3). Different key indicators are used to measure good governance, including government effectiveness.

³⁷ Institutions here refers to organisation, and not institutions as referred to in the theory chapter.

Buckley and Rynhart (2011) refer to the World Bank for their government effectiveness definition. Accordingly, it is defined thus:

"Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies"³⁸.

The government effectiveness of Oman was ranked above the other Gulf Cooperative Council countries (GCC hereafter) average during the years 2007-2009. This indicates a good investment environment in Oman; and a similar conclusion was also reported by the World Economic Forum written by Schwab in 2014. Based on that report, Oman³⁹ was ranked 33 out of 148 counties around the world in 2013-2014, in terms of general global competitiveness. Additionally, the report generated by the International Labour Office presented the most problematic factors for doing business in Oman and the following figure shows the respondents' views on those factors⁴⁰:

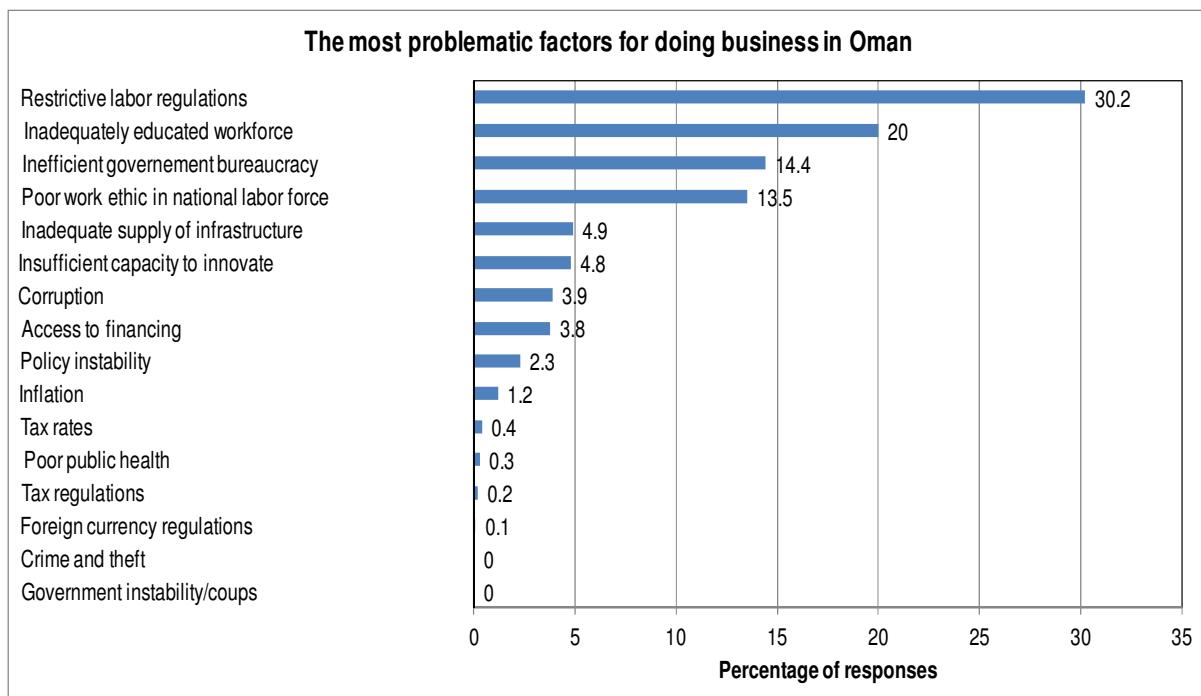


Figure 5-1: The most problematic factors for doing business in Oman, Source: World Economic Forum (Schwab, p.298, 2014)

³⁸Source: <http://info.worldbank.org/governance/wgi/pdf/ge.pdf>

³⁹The global competitiveness ranking of Oman in 2014-2015 is 46/144

⁴⁰From the list of factors on the chart, respondents were asked to select the five they thought the most problematic for doing business in their country, and were asked to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their ranking (World Economic Forum, 2014)

The results presented in Figure 5-1, above, are in line with this research's results, in terms of the challenges that face organisations operating in Oman, as will be presented more specifically in Chapters 6 and 7, and as will be detailed in Chapter 7; restrictive labour regulations, or Omanisation, and an inadequately educated workforce allows employees at different organisational levels to utilise different sources of power, and this has consequently affected how the MA change as process evolved within PackCo. Basically, those two highly ranked factors represent the minimum requirements that need to be met by all investors who invest in Oman. Such minimum requirements may be considered to be a constraint by some investors (*The Report: Oman*, 2013). Specifically, foreign investors can obtain a license from the Ministry of Commerce and Industry to engage in a business in Oman, but only with a minimum investment capital of R.O. 150,000, and foreign investors are not allowed to own more than 70% of the company's capital, except in certain cases⁴¹ (PKF, 2011). Second, according to the Omani Labour Law, there is a minimum wage requirement for Omanis, and all organisations operating within the country have to implement the law. Third, there is an Omanisation programme that has been in operation in the country since 1988 (Group, 2013). The main objective of this programme is to replace expatriates with Omanis (Al-lamki, 2000; Al-lamki, 2005). Actually, the programme's objective is not only to ensure a job for each citizen, but also to reduce Oman's dependence on expatriates and thus ensure self-reliance. There is therefore a ratio of Omanisation which must be met by an organisation and that is stipulated by the Ministry of Manpower. For the industrial sector, the ratio of Omanisation is 35% (*Oman Information Center*). The last two minimum requirements represent a problematic factor for those who might wish to invest in Oman, as emphasised by various interviewees,⁴² as is made clear in Figure 5-1, above. Such governmental requirements present a source of power for Omanis working within industrial organisations, and sometimes forces organisations to adopt the new MA change rules, as will be demonstrated in Chapter 7.

⁴¹ The Council of Ministries, on a recommendation from the Ministry of Commerce and Industry, may allow 100% foreign ownership in an Omani Company, subject to the fulfilment of the following conditions:

1.The capital of the company should not be less than RO 500,000
2.Projects contribute towards economic development OR in the case of a direct government contract, a foreign company can register a branch or 100% subsidiary (PKF, 2011, p.13)

⁴² See Part 2 of this chapter

On the other hand, as the government realises the importance of foreign investments in developing the country's economy, it provides different incentives for foreign investment, especially direct long-term foreign investments (*Investment Climate Statement, 2015*). This is reflected in the foreign investment law, as will be detailed below, and is also emphasised by several national and international reports. Those reports have indicated that there are many advantages for investors who invest in Oman (PKF⁴³ Report, 2011; Buckley and Rynhart, 2011). For example, the PKF International Report (p.1) provided a list of advantages that are granted by the law in regard to doing business in Oman, and these may encourage foreign investors to invest in Oman. They are:

- > Liberal foreign ownership in companies is permitted.
- > Capital and profits of a business entity can be fully repatriated.
- > No personal income-tax. All individuals can fully repatriate their savings.
- > Low income tax rate structure for companies, and double taxation relief treaties available with many countries⁴⁴.
- > Income tax holiday period of five years, renewable for further period of five years, available for business entities engaged in priority areas of economic development, i.e., the private sector and non-oil-related investments.

Additionally, investors who invest within the Sultanate can enjoy these two extra advantages:

- > The Sultanate is geographically ideally located, proximity to Gulf, Asian and African markets, so easy access (see Figure 5-2 below), and
- > It has political stability.

⁴³ PKF stands for Pannell Kerr Forster

⁴⁴ Presently Oman has double tax avoidance treaties with 29 countries, including the UK, Canada, Singapore, and other.



Figure 5-2: Sultanate of Oman location in world map⁴⁵

From what has been written above, it is possible to state that the Omani government is effectively encouraging investment in non-oil-related activities by providing good investment climates for both local and foreign investments. The following two sections present the changes which Oman has witnessed in terms of infrastructure, business and the economy, which make Oman a competitive investment destination.

5.2.2. Business and the Economy

Oman's economy has changed dramatically since 1970. From being almost a closed economy, it has moved to being an open and globally integrated economy (Al Marhubi, 2000; Khalifa, 2010). This section demonstrates the different factors that increase the level of competitiveness within the Omani market, in addition to the effect of the free trade zones.

According to different studies, and as demonstrated in Chapter 2, market competition is an important factor that forces organisations to introduce changes in order to cope with the other changes within their operating environment; otherwise, the organisation may be forced out of the market (Libby and Waterhouse, 1996; Kloot and Martin, 2000; Lamminmaki and Drury, 2001;

⁴⁵ Source of map: <http://tourofoman.om/2012/location.html>

Haldma and Laats, 2002; Connor et al., 2004). Consequently, three factors make the Omani market a very competitive one:

First, the Omani market's size is very small, in terms of consumer numbers (Ernst and Young, 2011; PKF, 2011; PwC, 2015). This makes the market more competitive, i.e., the number of suppliers is higher than the number of consumers might warrant. That, in turn, puts more pressure on organisations in terms of their being ready to meet customers' needs, as well as unstable market conditions. The importance of meeting customers' needs and the effect of market competition were major forces encouraging the introduction of MA change within PackCo, as will be discussed in Chapter 7. Additionally, the interviewees in the first data collection stage⁴⁶ emphasised this point, i.e., the small size of the Omani market, as a constraint to their expansion. For example, the finance and accounts manager of company 10 stated "the market over here (Oman) is very small, and we are trying our best to export to other countries but, again, we are facing a lot of competition on those markets".

Second, the Omani customs duty laws state that almost all products may enter Oman with minimum or no-customs duty, i.e., duty free (Ernst and Young, 2011; PKF, 2011; Affairs, 2015; PwC, 2015). That, in turn, increases the competition within the Omani market, as local and international players can offer the same product at nearly the same price, and sometimes international products will have lower prices, due to customs duty regulations. Additionally, and as will be detailed below, Oman is a member of different trading unions or organisations (*Facts and Figures*, 2015). For example, the Sultanate is a member of the GCC Customs Union. The Union's members agree to remove customs and trade barriers among their countries. More precisely, 5% of the goods' cost, insurance and freight value, apply as the customs duty for all goods traded between union members (PEIE). However, goods like tobacco and alcohol are subject to a 100% customs duty rate (Ernst and Young, 2011; PKF, 2011; PwC, 2015). Additionally, goods imported into Oman from any country can be exempt from customd duty, especially food (PwC, 2015). This was also mentioned by the interviewed chief accountants as a factor that increases the competition level

⁴⁶ See Chapter 6

within the Omani market. For instance, the Finance and IT Manager of Company 2 stated

“First of all, it is a free market, i.e., it is duty free. You can get staff from anywhere in the world without duty. If the company has to survive in the Omani market or the GCC market, it has to compete with the best companies in the world- when such a company has established an international reputation and can also get the raw materials that are available in the local market. Here, I am importing my basic raw materials from 5,000 to 12,000 miles away. I have thus to overcome all these obstacles. With all that, we are able to reach the consumer-given that my value is even better than that of the imported product”.

Third, Oman has a long history of trading and political contacts with many countries in the Arab world, the Indian sub-continent, the Far East, the USA, and East Africa (Al Yousef, 1997, p.46). Precisely, Oman is a member of the following organisations: The Indian RIM Association, Islamic Centre for the Development of Trade, League of Arab States, United Nations, World Bank, and World Trade Organisation (*ibid*). Additionally, the Sultanate has many bilateral agreements; including free trade agreements with the USA and Singapore (*US Commercial Service, 2016; Facts and Figures, 2015*). Being a member of these organisations and unions provides opportunities for free trade to investors within Oman and, at the same time, it increases the competition level in the Omani market. On the other hand, being a member of these trade agreements may help to bolster the Omani economy, as mentioned above, the competitiveness level of the Omani investors as they can export their goods to member countries at lower prices.

The market can be considered to be an important change dynamic, and it can force organisations operating within the Omani context to introduce a change in their organisations, as will be demonstrated in the empirical analysis chapter. Various of the different interviewees assured me of this⁴⁷. As the study’s purpose is to explore the changing nature of MA practices within non-oil-related

⁴⁷ See Chapter 6.

Omani manufacturing companies; the next section demonstrates some facts about development in this industrial sector.

5.3. The industrial sector in Oman- Focus on Non-Oil-Related Omani Manufacturing Companies (NOROMCs)

The development of non-oil-related activities has received huge consideration from the government since the 1970s (Hvidt, 2013; Puglisi, *Annual Industrial Report*, 2014; Times of Oman, 2016). The government focuses on enhancing and improving the role of non-oil-related companies and on increasing their contribution to the country's GDP in order to boost the rate of non-oil-related Omani products' export (Khalifa, 2010; Hvidt, 2013; Wasty and Martin, 2014; Al-Saqlawi et. al., 2016; Haque et. al., 2016). Consequently, the government has established different governmental agencies that support non-oil-related organisations, as well as emphasising their role within the country (PEIE; Al-Badi et. al., 2009; *Annual Industrial Report*, 2014; *WTO Report*, 2013; *Facts and Figures*, 2015). This section highlights the importance of the NOR-sector to the Omani economy.

First, due to the instability of oil prices and its limited availability, the government has emphasised the role of NOROMCs and their contribution to the country's GDP (*The Report: Oman*, 2016). This was ensured in the *7th Strategic Plan (1996-2000)*.⁴⁸ This plan's objectives included (Strolla and Peri, 2013; 2016):

- > Paying attention to the development of non-oil-related activities.
- > Providing more facilities for non-oil-related industrial organisations, in terms of easing their exporting activities by developing needed infrastructures, such as seaports, airports, and free-zones.
- > Paying attention to small and medium size organisations by providing financial and administrative support for them, without ignoring the importance of large organisations in developing the country's economy.

⁴⁸ The Third Cycle of the Oman Vision 2020 (1985-2020)

- > Taking advantage of various regional and international agreements to enter new markets.

Second, based on Sultani Decree number 52/2011, the Public Authority for Investment and Export Development (Ithraa) was established in March, 2011⁴⁹. The vision of this organisation is to create new income resources for the country through promoting investments in the non-oil-related sector, as well as developing their exports (Ithraa, 2016). This can be achieved through motivating local and foreign investors to invest in the non-oil-related sector through improving the services provided to those investors. To be specific, the establishment's missions are:

- > To provide information to foreign investors relating to the Omani investment climate, rules, and procedures.
- > To help investors to finish formal procedures, get approvals from governmental agencies, and to get financial loans from the government and commercial banks, especially small and medium size organisations⁵⁰.
- > To review investment project proposals and provide consultancy to improve the project's launch strategy.
- > To help local investors to know potential foreign investors and *vice versa*
- > To organise and attend workshops, seminars, and conferences to introduce Oman as an attractive investing destination.
- > To review investment rules, regulations, and procedures to provide recommendations to concerned governmental agencies in order to improve them and to decrease investment constraints.

Third, in 1993, the government established the Public Establishment of Industrial Estates (PEIE), based on Sultani Decree 4/93. The main office of the establishment is located in the Al Ruysal Industrial Area⁵¹. The establishment's vision and mission are to attract industrial investments and provide continuous support to investors through providing incentives to them and strengthening

⁴⁹ <https://www.ithraa.om/>

⁵⁰ More details will be provided below in relation to the importance of small and medium size organisations

⁵¹ More details about the industrial areas within the country will be provided

Oman's position as a leading regional centre for investment. The establishment's main objectives are⁵²:

- > To help existing and new establishment members⁵³ in improving their operations and entering the global market.
- > To promote Oman as a vital, vibrant trading destination, based on the availability of natural, cultural, and human resources.
- > To continue to improve industrial areas and related workplaces to meet the current needs of existing and potential members.

The efforts of all these establishments and governmental agencies in improving the investment in non-oil-related sector is reflected in the improvement in, and increased number of, investment in this sector, as Figure 5-5 demonstrates. Additionally, Figure 5-6 below shows that the level of direct foreign investment in the non-oil-related industrial sector has also increased in recent years.

⁵² <https://www.peie.om/>

⁵³ The members include all non-oil-related manufacturing companies operating in the different industrial areas that are located within the country.

Industrial Activity	2012	2013	2014	2012	2013	2014
	Total Investment Omani Rials (000)			Number of non-oil-related companies		
Food, Beverages, & Tobacco	382,136	431,114	441,478	430	442	454
Spinning, Weaving, Textiles, & Leather	182,413	182,555	182,716	62	74	82
Wood Products	96,996	101,756	105,712	141	156	164
Paper products, Printing, & Publishing	114,331	117,211	119,419	101	115	121
Chemicals Products	5,886,528	5,943,522	5,977,436	294	308	330
Non-Metallic Minerals Products	2,082,427	2,093,546	2,110,351	51	58	65
Basic Metal Industries	2,082,427	2,093,546	2,110,351	53	64	71
Fabricated Metal Products	2,861,572	2,873,623	2,905,357	268	279	321
Other Manufacturing Industries	9,592,245	9,657,950	10,471,423	806	854	910
Total	23,281,077	23,494,823	24,424,243	2,206	2,350	2,518

Table 5-2: Number and total investment of registered manufacturing companies in Oman according to industrial activity, Source: Statistical year book, 2015

Additionally, the government has provided extra incentives for investors who invest in non-oil-related activities in order to enhance the role of these companies within the country (PKF, 2011; PwC, 2015). Firstly, those companies are exempt from duties on imported machinery and equipment, spare parts, basic raw materials, semi-processed materials, and filling and packaging materials that are used in production for the organisation's full production life. Second, non-oil-related manufacturing companies get a special low rate for electricity consumption, since electricity is the main power used for machinery operation. Third, those companies receive financial support from the Oman Development Bank for exporting their goods and importing inventories (either finished goods or raw material), as well as insuring those goods. This helps in developing their operations, as they feel more secure. Fourth, the government provides support for locally produced products in terms of buying them through governmental bodies and agencies, instead of buying imported ones. Fifth, the

government provide well developed industrial plots for setting up projects at concessional lease rents (PKF, 2011).

Industry	2010	2011	2012	2013	2014
	Millions Omani Rials				
Oil & Gas Exploration	2,744.9	2,801.5	3,018.0	3,577.1	4,081.3
Financial Intermediation	806.1	829.9	961.1	1,130.1	1,183.9
Manufacturing	958.4	1,257.5	1,185.9	1,006.4	924.1
Real estate-Renting & Business Activities	312.9	403.6	413.7	458.5	507.0
Trade	171.8	202.1	230.1	242.1	258.0
Constructions	167.5	181.1	172.1	182.8	203.1
Transport-Storage & Communication	167.9	221.1	204.7	194.7	188.5
Hotels & Restaurants	72.9	89.2	91.4	85.2	165.6
Electricity & Water	68.3	69.9	74.0	73.5	76.4
Other	35.0	34.7	45.9	48.3	48.3
Total	5,505.7	6,090.6	6,396.9	6,998.7	7,636.2

Table 5-3: Direct Foreign Investment by Industry Type, Sources (Foreign Investment Reports, 2014; p. 24

5.3.1. Industrial estates in Oman- Focus on the Al-Rusayl Industrial Estate

This section gives a summary of the Omani industrial estates, with a focus on the Al-Rusayl Industrial Estate, since the research was conducted in the manufacturing companies that operate in this specific industrial estate, for various reasons that were detailed in the methodology chapter.

Due to the importance of diversifying the sources of the national income, creating a convenient investment environment in the Sultanate, creating job opportunities for citizens, and the need to exploit local raw materials; the government took the initiative in 1983 of establishing the first industrial estate: – the Al Rusayl Industrial Estate. It was formally opened in 1985, and it is located in the capital, Muscat. Consequently, five more industrial estates were developed around the country, in different locations, as indicated in Figure 5-7, below. Table 5-4, below, gives some important highlights about all the industrial estates. Increasing the number of industrial estates improves the national return from industrial activities, especially non-oil-related activities, since establishing industrial estates in different areas of the country allows investors to have

branches in different cities in the Sultanate. This facilitates the provision of better services to customers, as well as the development of those cities.



Figure 5-3: Location of industrial estates within the Sultanate, Source: Communication and Investors Services Center

Industrial Estate**	Year of establishment	Location*	# of existing businesses	Nearest airport	Nearest free zone	Nearest seaport
Al Rusayl	1983	Muscat	211	Muscat international 10km	Sohar 223km	Sohar 223km
Sohar	1992	Batinah North	239	Muscat international 223km	Sohar 5km	Sohar 6km
Raysut	1992	Dhofar	116	Salalah international 15km	Al Mazynah 260km	Salalah 4km
Sur	1999	Alsharqiya	64	Muscat international 200km	Sohar 448km	Sohar 448km
Nizwa	1994	Aldakhliya	68	Muscat international 140km	Sohar 300km	Sohar 300km
Buraimi	1998	Aldhahira	477	Muscat international 300km	Sohar 120km	Sohar 120km
Smail	2010	Aldakhliya	22	Muscat international 50km	Sohar 260km	Sohar 260km

Table 5-4: Important highlights about industrial estates in Oman, Source: Industrial Annual Report, 2014

*The location name refers to the governorate where the industrial estate is located.

**There are also various services provided for businesses within the industrial estates, including: accommodation, banking, document clearance, etc.

The remainder of this section offers some facts about the Al-Rusayl Industrial Estate. It was opened on the 4th December, 1985, and is located in the Muscat Governorate, as indicated above. There is a modern road network that link Al-Rusayl Industrial Estate with different areas of Muscat and with different governorates in the Sultanate. The nearest major highway to this industrial estate is the Rusayl-Nizwa highway; which connects the Muscat Governorate to the Albatina and Aldakhliya Governorates.

The area of land that was prepared for the purposes of construction for manufacturing companies and facilities is 7.9million square meters. The industrial estate started with 12 manufacturing companies and there are now 211 companies, producing different products including food, chemicals, electrical products, building materials, textiles, ready-made cloths, stationery products, and medical tools. Unfortunately, there are no statistics about the

amount of investment in each and every industrial estate within the Sultanate; but there are some general statistics that show the size, in terms of total investment and the number of manufacturing companies⁵⁴ in each governorate, and that is summarised in Table 5.5, below.

Governorate	Total investment R.O. (000)			No. of manufacturing companies		
	2012	2013	2014	2012	2013	2014
Muscat	6,673,860	6,710,926	6,793,862	719	740	771
Dhofar	2,342,099	2,375,211	2,387,255	210	216	231
Musandam	16,240	17,149	17,226	13	15	17
Al Buraymi	63,257	65,194	79,843	133	147	166
Ad Dakhiliyah	179,003	200,121	209,326	144	165	184
Al Batinah north	12,005,120	12,124,866	12,923,874	581	636	676
Al Batinah South	88,406	85,471	87,045	147	150	166
Ash Sharqiyah South	1,453,669	1,454,137	1,456,523	131	135	145
Ash Sharqiyah North	10,264	11,123	13,814	70	82	93
Adh Dhahirah	110,901	112,368	117,217	43	49	54
Al Wusta	338,258	338,257	338,258	15	15	15
Total	23,281,077	23,494,823	24,424,243	2,206	2,350	2,518

Table 5-5: Number of registered manufacturing companies and size in total investment in each governorate, Source: *Statistical Year Book, 2015*, p.227

As Table 5-5, above, illustrates, the number of manufacturing companies within Muscat, together with total investment, is the highest; confirming that the Al Rusyal Industrial Estate is the oldest industrial estate. This has increased the probability that companies will operate in the Al Rusayl Industrial Estate, witnessing most of the changes within the Omani economic setting, as referred to, above, in this chapter. Consequently, that affects how different organisations operate within the Omani context, as highlighted above, and this will be discussed in more detail in Chapters 6 and 7.

⁵⁴ This may include oil-related manufacturing companies

5.4. Conclusion

Oman has a strategic location, as it is located between the largest two continents in the world, Asia and Africa. The Sultanate has a very modern infrastructure that includes a good road network, health care and telecommunications networks. As an oil producing country, the Sultanate has tried to decrease the country's dependence on oil and gas revenues, since those resources are scarce. This is being achieved through the different development plans; including: *Oman Vision 2020* Different governmental bodies are responsible for organising the development process in Oman; in addition to the importance of private investment, either local or foreign. More incentives were thus provided to investors, which helps to increase the return from non-oil revenues, and to decrease the country's dependence on oil revenue. As the purpose of this research is to explain MA as process of change within a NOROMC, the next chapter provides a general perception of the different management accounting practices that are used and adopted by the surveyed NOROMCs. This is based on survey results. This means that the survey was a pilot study that allowed the researcher to pull together a lot of general issues in relation to MA practices within NOROMCs; which then will inform issues that the researcher would focus on in detail and in more depth, in the case study.

CHAPTER 6 : MANAGEMENT ACCOUNTING PRACTICES IN NON-OIL-RELATED OMANI MANUFACTURING COMPANIES

6. Introduction

The previous chapter offered a general background to Oman and, in particular, its status as an attractive, competitive setting for investment. This chapter explores the different management accounting practices (MAPs) adopted by non-oil-related Omani manufacturing companies (NOROMCs). As previously mentioned, the main purpose of the survey was to get a sense of the breadth of MAPs in NOROMCs which, in turn, will serve as a useful platform from which to then conduct a more in-depth explanatory case study (Please see Chapter 7). In addition, however, some of the surveyed respondents were further questioned in follow-up interviews, and the basic survey data will therefore also be supported by quotations from those accountants who were interviewed. As will be revealed, below, we observed from the survey that the most common drivers for changes in NOROMCs' MAPs were: (1) the mobilisation of top management's power, and (2) developments in the external operating environment (e.g., increasing competition and changing customer needs).

The remainder of this chapter is structured as follows. The next section presents some general descriptive results relating to the surveyed companies. This is then followed by Section 6.3, a presentation of the social, political and economic contextual factors which affect the MAPs' nature within the Omani context. In Section 6.4, there is an overall summary of the different MAPs adopted by those NOROMCs, comprising the survey, and also the level of adoption. The closing sections of the chapter then try to make some sense of the results, in particular, trying to understand why those NOROMCs surveyed (and interviewed) had, or had not, made the MAPs adoptions and changes.

6.1. Demographic information⁵⁵

This section provides general descriptive information relating to the organisations surveyed. This will help to develop a general background for the responding accountants and their corresponding companies.

As mentioned in Chapter 2, different studies have found that there is a direct relationship between various organisational characteristics and the type of MAPs adopted by an organisation. Luther and Longden (2001) and Haldma and Lääts (2002) studied the effect of ownership structure and the type of MAPs adopted; Al-Omri and Drury (2007) examined the effect of industry sector on the costing systems used by companies; El-Ebaishi et. al. (2003) and Wu and Boateng (2010) reported that the bigger the company's size the more opportunity there is for those companies to introduce contemporary MAPs. As the main focus of this research is to explore the changing nature of MAPs, and how contextual factors shape the ways in which MA as a process unfolds over time in the case study company, this section highlights the general demographics of the organisations surveyed; which will help to develop a better understanding of the specifications of the surveyed NOROMCs, as demonstrated in Table 6-1 to Table 6-6. However, and as already mentioned in Chapter 4, finding the statistical relationship between different organisational characteristics and the type of MAPs adopted by the organisation, is beyond the focus of this study. The results presented, in this section will thus mostly be descriptive.

Company ownership structure		
Ownership structure	Number of companies	Percentage
100% Omani private	n=29	56%
Omani public	n=11	21%
Mixed investment	n=11	21%
Foreign investment 100%	n=1	2%
Total	N= 52	100%

Table 6-1: Surveyed NOROMCs ownership structure

⁵⁵ Additional demographic information is provided in Appendix 2.

Company legal structure		
Company type	Number of companies	Percentage
Corporation	n=29	56%
Partnership	n=16	31%
Sole proprietorship	n=7	13%
Total	N=52	100%

Table 6-2: Surveyed NOROMCs legal structure

Companies' industrial sector		
Industrial sector	Number of companies	Percentage
Natural resource products	11	21
Electricity, equipment & tools	9	17
Food & beverages	7	13
Others ⁵⁶	7	13
Plastic & paper products	6	12
Furniture & wood products	5	10
Chemical & pharmaceuticals	4	8
Mixed industrial sectors	3	6
Total	N=52	100%

Table 6-3: Surveyed NOROMCs industrial sector

Size of companies based on number of employees		
Number of employees	Number of Companies	Percentage
Less than 10	1	2
10-40	6	11
41-80	15	29
81-120	6	11
121-160	2	4
161-200	4	8
More than 200	18	35
Total	N=52	100%

Table 6-4: Size of surveyed NOROMCs based on employee number

Size of companies based on average annual sales		
Average annual sales	Number of companies	Percentage
Information not provided	14	27
Less than R.O. 1,000,000	6	11
1,000,000- 5,000,000	17	33
5,000,001-10,000,000	4	8
10,000,001-15,000,000	4	8
15,000,001-20,000,000	2	4
More than 20,000,000	5	9
Total	N=52	100%

Table 6-5: Size of surveyed NOROMCs based on average annual sales

⁵⁶ Others industrial sectors include: clothing, paints, leather products

Table 6-1 (above) demonstrates that the majority of the NOROMCs surveyed are 100% Omani-owned companies. Although foreign investment represented only 2% of the capital of the surveyed NOROMCs, this amount is actually increasing, as demonstrated in Chapter 5, due to the different investment facilities that are being offered to foreign investors.

In terms of sector, respondents were asked to identify the industrial sector in which their company operates, among the 7 sectors classified by the Ministry of Commerce and Industry- Oman. Table 6-2 presents a summary of that question. The majority of the surveyed NOROMCs were operating in natural resource products and the electricity, equipment and tools industrial sectors, respectively.

According to the Ministry of Commerce and Industry (Oman) classification of companies into different sizes depends on the number of employees in the company, as well as the invested capital. Any company with less than 10 employees and less than R.O. 5,000 as invested capital will be classified as a small company; any company with more than 99 employees and R.O. 5,000 as invested capital, will be considered a big company. From Tables 6-4 and 6-5, above, the majority of the NOROMCs surveyed are officially classified as either medium or large companies⁵⁷, although they might still be considered small if compared to global and international companies, as two interviewees highlighted:

In the international market we are a very small organisation, compared to the big organisations that are operating in the international market (Accounts Manager, Company #14)

It depends what you are considering as 'big'. In terms of sales turnover, which is between 70-100 millions Oman Rials. O.k., internationally we are small; but in Oman we are big (Financial Deputy Manager, Company #4)

⁵⁷ It was not possible to get information related to invested capital for each and every surveyed company, thus, the classification of the surveyed Omani manufacturing companies will be based on employee numbers.

As will be highlighted later, this might possibly explain why the bulk of companies surveyed have commonly adopted traditional MAPs.

The next section will highlight some important socio-political-economic-contextual factors that have supported the findings of the case, as will be detailed in Chapter 7.

6.2. Socio-Political-Economic-Contextual factors

A considerable amount of literature has been published on the various socio-economic-contextual factors which shape the management accounting change process, as detailed in Chapter 2. Additionally, multiple factors have shaped the Omani business environment, as already mentioned in Chapter 5, including: (1) the small Omani market size, (2) low customs duties for goods, and (3) trade agreements. Indeed, the survey results reveal that the broader Omani context has a significant impact on the general operation of NOROMCs, as will be further developed in this section.

Exports to total sales percentile		
Percentage of sales return from exports	Number of Companies	Companies percentage
No exports at all	16	31
1%-5%	6	11
6%-14%	4	8
15%-30%	5	9
31%-50%	2	4
51%-70%	12	23
71%-90%	4	8
More than 90%	3	6
Total	N=52	100%

Table 6-6: Exports to total sales percentile for surveyed NOROMCs

Domestic and International competition level					
	Level of competition				
Type competition	No competition	Low	Moderate	High	Total
Domestic					
Count	1	15	12	24	52
Percentage	2	29	23	46	100%
International					
Count	1	6	9	36	52
Percentage	2	12	17	69	100%

Table 6-7: Type and level of competition faced by surveyed NOROMCs

It is apparent from Table 6-6 (above) that 31% (n=16) of the companies surveyed were not receiving sales returns from their exports. On the other hand, nearly a quarter (23%, n=12) of the companies were in receipt of sales returns from 51%-70% of total sales. The Table also provides a sense of the level of competition, both domestic and/or international, which the NOROMCs surveyed claimed to face. More specifically, nearly 70% of the companies surveyed (n=36) claimed that they face high competition in the international markets and/or from international competitors. 46% (n=24) of companies reported high competition in the domestic market. So, based on this, it would seem that NOROMCs are facing more competition from international competitors than from local competition.

In the follow-up interviews, the accountants were asked why international competition levels and exports were so high, and a high proportion remarked that this was due to the small Omani market size; which is in line with the specification of the Omani investing setting, as mentioned above and in Chapter 5 also. For example, the Finance Manager of Company #23 stated:

Generally, we reach the upper limit of 90%, because the local market is too small, compared to the company's production capacity. There is no way to sell the products except through exporting (Finance Manager, Company # 23)

When the Financial Controller of Company #24 were asked why 90% of their sales came from exports, he said:

Because the local market is very small, and with the 10% that we are supplying to the local market we have about 60%-80% of the local market share

Seven of the follow-up interviewees also referred to the internationalisation of the Omani market as a key driver of high competition from international competitors, i.e., the incorporation of Oman with other countries through trade agreements:

We have moderate competition in the Omani market, as far as other Omani manufacturers are concerned, as there is only one more Omani company that is producing a similar product to ours. But we have very big competition from outside, places like China, India, Pakistan, and others (Account Manager, Company #16)

Table 6-8 (below) confirms that the majority of the accountants interviewed in a follow-up to their survey, were non-Omanis; interestingly, more than 75% (n=41) of these were of Indian origin. Interviewees raised three key factors behind this, namely: (1) the lack of experience of Omani graduates, (2) Omani employees' unwillingness to learn, and (3) high salaries required by law for Omanis occupying similar jobs to those of other nationalities. For instance, the Financial Executive of Company #44 stated:

The employee needs a proper background in the field to be able to hold such a position, and there is a lack of that with Omani people.

The Accounts Manager of company #15 said:

The problem with Omanis is learning, as, if you have to learn something, you must have the eagerness and you have to struggle to learn, but Omanis mostly don't have the patience to learn. And it is costly to train them and expensive to hire them, compared to expatriates who have the same capacity. Add to that that this company is not a governmental company but a profit making organisation, and its business nature is to maximise your profit, and this is the main philosophy, and it is management strategy to hire lower salaried people, and that is what I can say about it.

However, despite this low number of Omani principal accountants, organisations still needed to comply with government requirements to employ at least 35% Omanis as a proportion of their total employees. As we will see later, in Chapter 7, this requirement is a source of power, to which resistance to change can occur.

Participants' nationality		
Nationality	Count	Percentage
Indian	41	79
Sir Lanka, Sudan, & Pakistan	6	11
Oman	5	10
Total	N=52	100%

Table 6-8: Participants' nationality

The previous two sections gave descriptive data of the surveyed NOROMCs, as well as highlighting some of the socio-political-economic-contextual factors that affect, to some extent, the changing nature of MAPs and how MA as process of change unfolds over time, as will be detailed in Chapter 7. The next section

gives a summary of the type of MAPs adopted by the surveyed NOROMCs, together with the adoption level.

6.3. Management accounting practices

This section summaries the adoption levels of different MAPs amongst the NOROMCs in the survey.

In Sections 2 and 3 of the survey, respondents were asked to identify which MAPs were adopted by their companies, and to choose the importance level of the adopted MAP among 54 MAPs, as listed in Tables 6-9 and 6-10 below. It is clear from Table 6-9 (below) that the majority of those companies surveyed did not adopt most of the MAPs considered in the survey. In fact, only four of the MAPs considered were to any extent properly (i.e., highly) adopted, namely: evaluating organisational performance based on sales; cash flow budget; sales budget; and production budget. Ten further MAPs were adopted at a moderate level; and the remaining MAPs were adopted at a low level (see Tables 6-9 and 6-10). More details concerning the MAPs adopted are provided in Appendix 2.⁵⁸

Name of techniques	Type of MAP	No. of companies⁵⁹	Percentage⁶⁰	ADOPTION LEVEL
Cash flow budget	Budgeting and Controlling	44	0.85	HIGH ADOPTION
Product quality	Performance evaluation	37	0.71	HIGH ADOPTION
Production budget	Budgeting and Controlling	41	0.79	HIGH ADOPTION
Sales	Performance evaluation	43	0.83	HIGH ADOPTION

⁵⁸ It is important to mention here that there were criteria that were used to measure the adoption level of different MAPs:

- (1) If <50% of the participants indicated that the MAP was important, or very important, to the company, then the adoption level of the MAP will be low
- (2) If 50%-70% of the participants indicated that the MAP was important ,or very important, to the company, then the adoption level of the MAP will be moderate
- (3) If >70% of the participants indicated that the MAP was important, or very important, to the company, then the adoption level of the MAP will be high

⁵⁹ This number represents the number of surveyed NOROMCs which use the MAP, and also indicated that the chosen MAP is either important, or very important, to the company.

⁶⁰ This number represents the number of MAPs adopted, either to a high or moderate level, of the total surveyed NOROMCs

Sales budget	Budgeting and Controlling	42	0.81	HIGH ADOPTION
Job Order costing	Costing techniques	26	0.50	Moderate Adoption
Actual costing	Costing techniques	28	0.54	Moderate Adoption
Budget variance analysis	Performance evaluation	32	0.62	Moderate Adoption
Cost controlling budget	Budgeting and Controlling	27	0.52	Moderate Adoption
Customer satisfaction survey	Performance evaluation	29	0.56	Moderate Adoption
Employees' attitude/ satisfaction	Performance evaluation	27	0.52	Moderate Adoption
Master budget	Budgeting and Controlling	28	0.54	Moderate Adoption
Meeting the budget	Performance evaluation	28	0.54	Moderate Adoption
Payback period	Capital investment appraisal	29	0.56	Moderate Adoption
Product profitability analysis	Performance evaluation	28	0.54	Moderate Adoption
Return on investment	Performance evaluation	30	0.58	Moderate Adoption

Table 6-9: MAPs adopted either at high or moderate adoption level by surveyed NOROMCs

Name of techniques	Type of MAP	No. of companies	Percentage	ADOPTION LEVEL
ABC costing	Costing techniques	9	0.18	LOW ADOPTION
Absorption costing	Costing techniques	14	0.25	LOW ADOPTION
Accounting rate of return	Capital investment appraisal	13	0.25	LOW ADOPTION
Activity-based budget	Budgeting and Controlling	10	0.19	LOW ADOPTION
Back flash	Costing techniques	2	0.04	LOW ADOPTION
Batch costing	Costing techniques	11	0.21	LOW ADOPTION
Benchmarking of management processes	Performance evaluation	7	0.13	LOW ADOPTION

Benchmarking of operational processes	Performance evaluation	9	0.17	LOW ADOPTION
Benchmarking of product characteristics	Performance evaluation	11	0.21	LOW ADOPTION
Benchmarking of strategic priorities	Performance evaluation	7	0.13	LOW ADOPTION
BSC	Performance evaluation	9	0.17	LOW ADOPTION
Budget system for coordinating	Budgeting and Controlling	8	0.15	LOW ADOPTION
Capital budgeting	Budgeting and Controlling	18	0.35	LOW ADOPTION
Cash flow return on investment	Performance evaluation	24	0.46	LOW ADOPTION
Controllable profit	Performance evaluation	13	0.25	LOW ADOPTION
Cost-volume profit analysis	Performance evaluation	23	0.44	LOW ADOPTION
Customer profitability analysis	Performance evaluation	16	0.31	LOW ADOPTION
Day-to-day operation planning budget	Budgeting and Controlling	14	0.27	LOW ADOPTION
Division (sub-unit) profit	Performance evaluation	12	0.23	LOW ADOPTION
EVA	Performance evaluation	9	0.17	LOW ADOPTION
Financial position planning budget	Budgeting and Controlling	25	0.48	LOW ADOPTION
Flexible budget	Budgeting and Controlling	11	0.21	LOW ADOPTION
Incremental budget	Budgeting and Controlling	7	0.13	LOW ADOPTION
Internal rate of return	Capital investment appraisal	17	0.32	LOW ADOPTION
Managers' compensation budget	Budgeting and Controlling	8	0.15	LOW ADOPTION
Market share	Performance evaluation	13	0.25	LOW ADOPTION

Meeting the budget	Capital investment appraisal	23	0.44	LOW ADOPTION
Net present value	Capital investment appraisal	18	0.34	LOW ADOPTION
Operation costing	Costing techniques	14	0.26	LOW ADOPTION
Process costing	Costing techniques	19	0.37	LOW ADOPTION
Residual income	Performance evaluation	10	0.19	LOW ADOPTION
Share price	Performance evaluation	7	0.13	LOW ADOPTION
Standard costing	Costing techniques	25	0.48	LOW ADOPTION
Supplier evaluation	Performance evaluation	21	0.40	LOW ADOPTION
Target costing	Costing techniques	7	0.14	LOW ADOPTION
Team performance	Performance evaluation	18	0.35	LOW ADOPTION
Variable costing	Costing techniques	14	0.26	LOW ADOPTION
Zero-based budget	Budgeting and Controlling	4	0.08	LOW ADOPTION

Table 6-10: MAPs adopted either at low adoption level by surveyed NOROMCs

Other studies have reported similar findings to those suggested in the present research (Lamminmaki and Drury, 2001; El-Ebaishi et. al., 2003; Hyvonen, 2005; Hutaibat, 2005; McLellan & Moustafa, 2011).

In the follow-up interviews, some of the accountants highlighted the various factors which, in their view, were most likely explain the adoption of different MAPs in their company. Overall, there were three factors which consistently appeared as being key drivers for MAPs' adoption. First, almost half of the follow-up interviewees claimed that pressure from top management, or a parent company, was the key driver of choices made about MAPs:

The reporting which is needed by the parent company and the owners is being generated by this system, and they are satisfied with it. Of course, when new systems are introduced, the information is passed to them (owners) in whichever way they require it. (Accounts Manager, Company #16)

Based on our position as a multinational company, we are going along with the parent company, and we are using the same techniques as the parent company. This does not give us a chance to look for other techniques or to implement them; we are going along with the parent company (Senior Accountant, Company #19)

A second key factor for the choice of the MAPs used, and one that was highlighted by several of the survey respondents, was industry and company type:

Not all techniques are suitable for all industries. These techniques which we are using now are suitable for our particular type of industry (FAAM, Company #27)

Any company is free to use any system; there are no restrictions. But one should use the best practice which your business follows, to give you better direction. Go with techniques that are suitable for your business, not necessarily the one which is written in books (GM, #26)

A third factor which was highlighted as being important for choice over MAPs, was company size:

Our company is not very big, so we control everything with the current system, it is sufficient and more than enough (Accounts Manager, Company #14)

Management accounting is an ocean, but we implement practices that suit our company's size and operations (Accounts Manager, Company #2)

Having briefly highlighted that most of the companies visited in the post-survey interviews predominantly adopted traditional MAPs, the next section explores the actual changes introduced by some of the surveyed companies and, where possible, explains why such changes were made.

6.4. Management accounting change

The previous section highlighted the different MAPs adopted by the surveyed NOROMCs. This section relates to the changing nature of MAPs. Namely, it introduces the typology of change in MAPs within the surveyed companies, as well as the drivers of change.

In Section 4 of the survey, participants were also asked to identify actual changes that had been introduced to their companies' MAPs between 2001 and 2010⁶¹. Table 6-11 (below) provides a summary of the types of changes introduced, as well as the number of companies who introduced, or not, each type of change to the surveyed NOROMCs during the last 10 years. The most common change introduced into the companies surveyed was change relating to new production techniques, including a move away from manual to automatic production processes; the survey revealed that 62% (n=32) of the companies surveyed had introduced such a change. Next in the survey was the introduction of new management accounting information systems (56%, n=29); then the introduction of new product costing systems (50%, n=26). New internal/external reporting systems' adoption was the fourth highest change cited in the survey (42%, n=22), followed by new budgeting systems (35%; n=18). Finally, non-financial performance measurements (17%; n=9), a world class manufacturing system (15%; n=8), and the balanced scorecard (13%; n=7), were all changed by less than 20% of the companies surveyed.

Change introduced	Yes, change introduced	No, change not introduced	Total
New product costing system	26	26	52
Balanced scorecard	7	45	52
New budgeting system	18	34	52
World class manufacturing system	8	44	52
Non-financial performance measurement	9	43	52
New production technique (e.g., from manual to automated)	32	20	52
New management accounting information system	29	23	52
New external/internal reporting system	22	30	52

⁶¹ This list of the typology of change was developed after reviewing existing literature on the changing nature of MAPs (Wijewardena and Zoysa, 1999; Abu-Kasim, 2004; Juhmani, 2007)

Table 6-11: Change typology and number of companies introduced/not each type of change

As mentioned in the literature review chapter, several studies have reported on the drivers of change (Askarany and Yazdifar, 2015; Abdel-Maksoud et al., 2016; Al-Sayed and Dugdale, 2016; Ax and Greve, 2017). In this study, survey participants were also asked to identify what they perceived to be drivers of change in the MAPs used by their company – see Table 6-12:

Driver of change	Yes, it is driver of change	No, it is not driver of change	Total
Globalisation	17	35	52
Internationalisation	10	42	52
Advanced information technologies	18	34	52
Production technology	30	22	52
Change in organisational structure	15	37	52
Environment & sustainability issues	8	44	52
Change in management styles	21	31	52
New governmental rule or regulation related to NOROMCs	4	48	52

Table 6-12: Drivers of MAPs change

As can be seen in Table 6-12 (above), improvements in production technology was deemed the most important change driver (58%; n=30) amongst the companies surveyed. Next were changes in management styles (40%; n=21), followed by advanced information technology (35%; n=18). Globalisation was acknowledged by 33% (n=17) of the survey respondents as being a key driver for changes in MAPs; while changes in organizational structures was recognized by 29% (n=15) of respondents. Finally, amongst the least influential of (MAPs) change drivers, according to the survey respondents, were: internationalisation (19%; n=10), environment and sustainability issues (15%; n=8), and new governmental rules or regulations (8%; n=4).

Follow-up interviews with 21 of the survey respondents emphasised those drivers of change that are covered in Table 6-12 (above). First, several interviewees referred to the importance of being ‘efficient’ and ‘fast’ in

production, due to new market requirements and changes in production technology⁶²:

The company had very low production capacity, but now we have made it 20 times higher than the old capacity. That is related to market developments either locally or internationally (Assistant Executive Director, Company #41)

The second key driver of change in MAPs, as highlighted in the follow-up interviews, was the importance of producing timely, accurate and detailed management reports; which was supported by the availability of information technology at affordable prices:

The new system has improved the calculation of product cost and product prices. The new system can make complicated cost calculations, compared to the old one (Finance Manager, Company #23)

The introduction of the ERP system was a business requirement; the previous software was not able to give the required information and it was taking time also. The business was growing, and the previous system was not giving the required information, and it also took time to rectify the information. So, the company felt it was better to move to a well-established ERP system, which will not give us trouble (Financial Controller, Company#15)

Third, another popular reason from the follow-up interviews concerning changes made in a company's MAPs were the changes made in relation to management styles – e.g., from the recruitment of new managers, change in company ownership, and/or from pressure exerted by top management:

There are some techniques that we can adopt and that will give value addition to the company. But sometimes I will say, based on our position as a multinational company, and we are going along with the parent company and we are using the same techniques as the parent company. And this does not give us a chance to look for other techniques and implement them (Senior Accountant, Company #20)

Whenever a new person comes in, he will have his own ideas, and with his experience he will maybe try to improve things. The employees may find it difficult, but if it is a good thing for the company, then one has to adapt to the change. When the new 'top' managers joined the company, they realised the limitations of the existing system

⁶² E.g., from manual to automated production.

and decided to move to a new system (Assistant Finance Manager, Company #26)

You know, a new manager will bring something new to the company. Changes in managers will bring changes to the company; and two people are not the same. With the new CEO, new changes were introduced in terms of reports' formats; I would not say that they are big changes, as such, but it is an ongoing process (Financial Controller, Company #15)

The findings of the survey and the follow-up interviews are therefore broadly consistent with much of the extant literature that is explored in Chapter 2.

6.5. Conclusion

One of the objectives of this research is to explore the changing nature of MAPs within NOROMCs, as mentioned in Chapter 1. Then, the purpose of this chapter was twofold, namely: (1) a general and 'pilot' survey of MAPs adoption in NOROMCs, and (2) a platform for more in-depth exploration of MAPs adoption and implementation in a NOROMC case study organization in Oman.

The findings presented in this chapter implied that the surveyed NOROMCs had adopted various MAPs that were included in the survey. However, it can be concluded that the majority of the NOROMCs surveyed predominantly used traditional MAPs (see Tables 6-9 and 6-10). Furthermore, the most important factors to affect the adoption and/or change of different MAPs were:

1. Top managers' information requirements; also, the information requirements of government authorities, parent companies, and other regulatory bodies, such as ISO (i.e., pressures from top level authorities).
2. Company size and industrial sectors
3. (Non-)availability of advanced information technology
4. Contextual factors, including: market competition (either national or international) and governmental requirements

Finally, as this survey represented a 'pilot' study, the prominent purpose of this chapter was to present descriptive findings about the changing nature of MAPs, with only limited effort being made to explore their social-political-economic

implications; i.e., the findings in this chapter represented a platform for the next chapter's analysis. Precisely, the next chapter of this thesis will explore deeply how MA as process of change unfolded over time in PackCo, based on the social constructivist perspective and an interpretive approach, as explored in Chapter 4. Accordingly, Burns and Scapens (2000) MA as process of change framework was adopted as a theoretical lens through which to understand the complexities and interdependency of various change factors in shaping how MA as process of change evolved within PackCO

CHAPTER 7 : THEORETICALLY INFORMED CASE STUDY ANALYSIS

7. Introduction⁶³

In this chapter, the theory described in Chapter 3, in particular, Burns' and Scapens' (2000) institutional framework of management accounting change as a process, and Hardy's (1996) framework of power, will be used to make sense of observations in the case study company (hereafter referred to as PackCo). More specifically, Burns and Scapens (2000) will help to unpack the change processes at PackCo; while Hardy (1996) will help to unpack how different actors utilised different sources of power and shaped the change process as they did.

At PackCo, two main organisational changes were introduced between 2000 and 2010, namely: (1) the implementation of a balanced scorecard (BSC), and (2) the implementation of a new enterprise resource planning system (ERPs). The BSC was effectively imposed by the head office in Dubai, and the ERPs was initiated and driven by PackCo's General Manager (GM). With both changes, the employees' reactions and behaviours varied at different stages of the change process. That is, employee resistance occurred initially in both changes, although resistance towards the BSC was relatively higher than with the ERPs. Different factors at least partly explain the magnitude of employee resistance for each change programme, including the speed at which new practices became (or not) routinised and institutionalised, and the impact of change on employees' performance evaluation.

This chapter is divided into five further sections. The next section presents some background information about the case study company. Section 7.2 will explore changes in the operating environment of PackCo, as well as the nature of the relationship between PackCo and the Dubai HO. Then, in Section 7.3, there will be a discussion of the different institutions that existed within PackCo prior to the introduction of the BSC and the SAGELINE500 ERP system. Next, Section 7.4 explores the two changes-BSC and the ERP system- introduced

⁶³ In this chapter I will be referring to the PackCo group company as the group company; and will be referring to the PackCo Oman branch as PackCo

into PackCo, supported by the theoretical frameworks mentioned in Chapter 3. That will be followed by the conclusion.

7.1. Company profile⁶⁴

This section provides some background information about the case study organisation (PackCo), in particular, in relation to the organisational structure, governance, etc. It also describes, briefly, how the group company expanded between 1989 and 2012, through opening new units in different locations across the Middle East. Finally, the following also explores changes in the group company structure resulting from entering a major partnership with a multi-national company.

The group manufactures packaging material, mostly packaging labels. PackCo is part of a larger group organisation whose head office is located in the United Arab Emirates (UAE)/ Dubai, and which has units in Oman, Saudi Arabia, and Egypt. The Dubai office was established in 1989, while the Oman branch (PackCo) was established in 1996. As mentioned, there are two other units in the group company. The Egypt branch was established in 1997, whereas the Saudi Arabian unit was established in 2012. It was believed by group management that such expansion would help the group to have closer connections to their indigenous customers, as will be highlighted below. The management felt that regional companies are better able to deliver products to their customers, and at lower prices; which, in turn, presents the company with a competitive advantage over most of its main competitors. As described by the GM at PackCo:

My local customers will give me more business, rather than buying products from outside of Oman. The new branch in Saudi Arabia is opened now. Previously, PackCo exported to Saudi Arabia, but now the local branch in Saudi will do business with the local customers⁶⁵. In addition, opening a branch in Saudi will help to reduce the product costs (e.g., freight costs will be eliminated, which is about 3%-4% of

⁶⁴ Almost all quotations in this chapter are from interviewees from the Oman unit, as it was not costly but impossible to get access to the HO in Dubai

⁶⁵For example, the Almari Milk Company (a big Saudi dairy producing company) is not giving business to PackCo, because it has to deal with local Saudi packaging businesses, since, if it does that, the Saudi government will give them incentives for the exporting and/or importing of raw materials. However, when the PackCo group opened a branch in Saudi, Almari became their first customer.

total cost. If you can offer that much discount to customers, you will be competitive

The group's products, packaging labels, fall into two main categories, namely: (1) self-adhesive (e.g., PVC and paper), and (2) flexible packaging⁶⁶. The group's strategy focuses on differentiating its products from those of its main competitors, as was reinforced by PackCo's GM:

What we are doing is adding a variety of techniques onto our labels. That makes our product different from our competitors' labels - things like varnish, better quality of printing-ink, etc. And this is helpful for the customers in their business, as well

In 2009, the group entered a three-year license agreement with a multinational Canadian-based company (hereafter referred to as CCL), which is a global leader in the packaging industry. The principle aim of this agreement, in so far as the group was concerned, was to gain technical know-how and, in return, the group company paid 0.5% of its total sales as a licensing fee. Prior to this agreement, CCL had no presence in the Middle East, although it had branches in 148 other cities worldwide. PackCo's GM described the license agreement as follows:

[....] to have a better technical knowhow with this company (CCL), so that we can launch a better product in the market. And technical knowhow is related to the technical side of doing business. In other words, when we need some help regarding the new materials coming in, or new production technology for the packaging industry, how to handle those materials, how to produce economical batch quantities from those materials. But, in a day to day management, there is no intervention. CCL used to get quarterly sales reports, and the group used to pay the licence fees

He added that CCL was:

.... A pioneer in designing new printing materials and various other technologies in packaging. CCL is telling the machine manufacturers what machines they need, what kind of processes they need for the next generation of label-printing or packaging-printing

⁶⁶ Any packaging that is not hard and bends slightly while still holding a shape. It can be a bag, envelope or pouch that, when, filled changes shape.

Subsequently, in 2011, CCL acquired 50% of the group's shares and, as a result, a partnership was formed in a joint venture before the close of the original three-year licence agreement. CCL had been impressed by the way that the group had run its business, especially in terms of its implementation of the balanced scorecard (BSC) and their attainment of the ISO (International Organization for Standardization) certificate. The Chief Executive of CCL remarked;

We have enjoyed a great relationship with the Managing Director (Dubai) of PackCo-CCL and his team, since we began the license arrangement in 2009. The two companies share many common customers, technologies and business partners; so this was a logical next step for both of us. We are especially proud to enter into a new partnership. The new venture continues to build on our strategy to invest in the world's emerging markets that are so important for many of our consumer product customers⁶⁷

The group company's main benefit from this partnership was still knowledge-sharing with CCL. Through such sharing of knowledge, the group company was particularly helped in identifying where to focus its sales for current product types, as well as which new products it should seek to offer to the local market. Through the joint venture partnership with CCL, the group company was also able to have a better handle on newly-available production machinery and new production technologies. Furthermore, the group company's management believe that their joint venture partnership has made them stronger, especially following the financial crisis of 2008 and the subsequent global economic downturn. The Sales Manager at PackCo commented in this regard:

The market has become more competitive, especially from 2009 when the recession started to bite. So what we have done is merge with CCL. This is what big companies are doing; they merge together so that they become stronger in the market

Such arguments were reinforced by a study of the world packaging industry (WPO) in 2008, in which it was confirmed that there had been an increase in the global consumption of consumer goods from 2003 to 2009 (WPO, 2008).

⁶⁷ CCL-Canada website:
<http://www.cclind.com/investors/documents/20110321CCLIndustriesInvestinJointVentureLabelCompan>
yfortheMiddleEastandIndia_000.pdf

Furthermore, this report argued that emerging economies represented new market opportunities for investors from the developed countries, especially with their increasing use of consumer goods.

This is the group's company structure. The group company is part of a bigger investment group that is based in Dubai, and PackCo is then a unit within the packaging company group. The structure of the big investment group is reflected in Figure 7-1 (below).

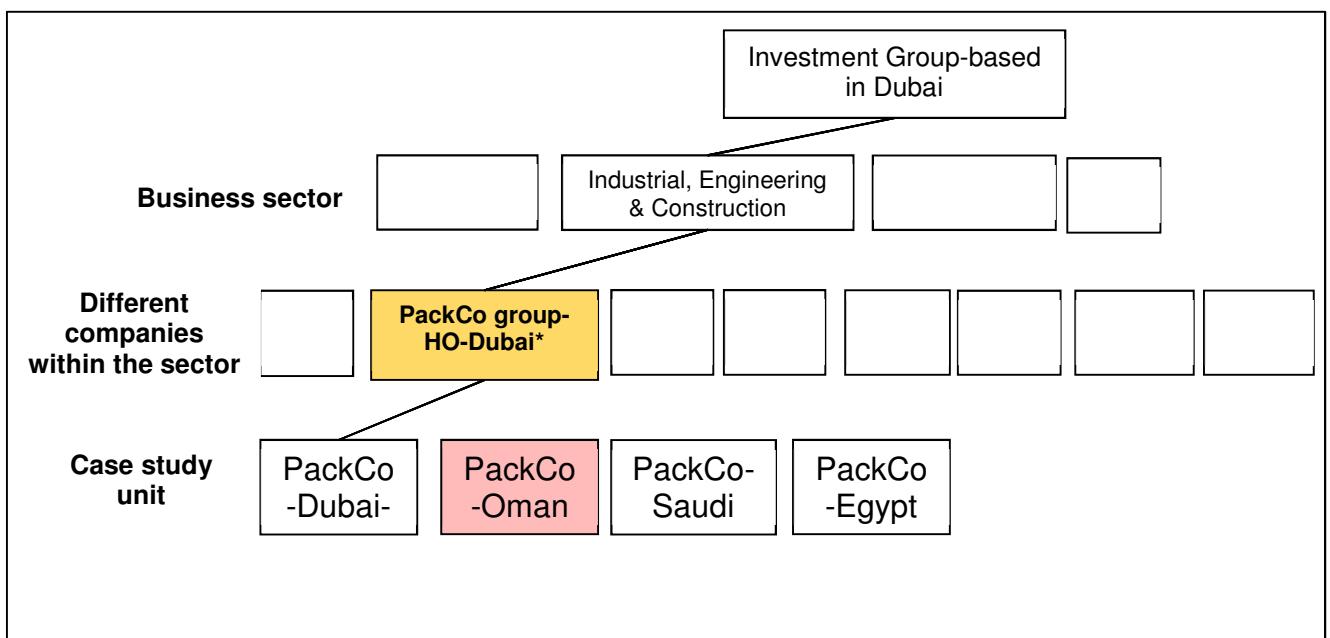


Figure 7-1: Location of PackCo in the group hierarchy (Kasurinen, 2002, p.330)

Figure 7-2, below, gives a detailed structure of the case study group company structure; followed by a brief background of PackCo.

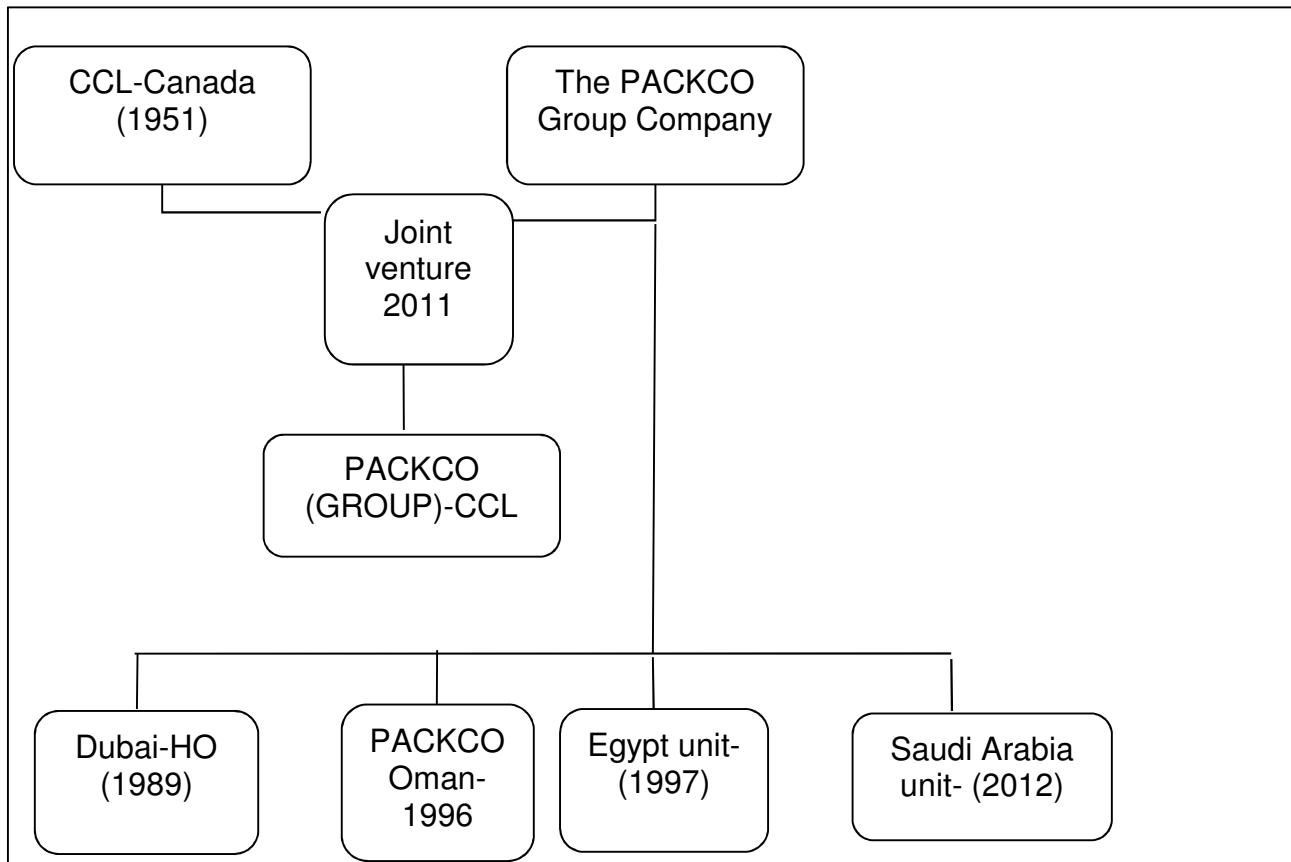


Figure 7-2: The group company structure

There are 25 employees working at PackCo, and the company generates an average per annum turnover of R.O.1,600,000 (£2,704,047). PackCo's growth, in terms of production capacity, more than doubled in ten years, from 10 million meters per annum (2000) to 24 million meters per annum (2010). However, the total number of employees at PackCo has remained roughly the same, at 25 employees (which includes both administrative and operations employees), since the company began in 1996. Since its inauguration, PackCo's total sales have steadily increased from R.O. 10,000 (£16,976) in 1996 to R.O. 100,000 (£169,765) in 2010. This growth has been attributed mostly to the group's strategy of aiming to expand its market share amongst top-rated customers. The GM of PackCo labelled these customers 'A-grade customers'. Those customers are usually international players (i.e., Unilever) and the majority of the group sales returns come from such customers. More details will be

provided later in the chapter on the effect of A-grade customers in the operation of PackCo and, subsequently, the management control system within PackCo.

This section thus gave a general background of the group company and some highlights of PackCo. The following section moves on to consider changes in the operating environment of PackCo, as well as the world packaging industry. This will later help to explain how contextual specifications shape the unfolding of MA as process of change within PackCo.

7.2. Changes in PackCo's operating environment

Before focusing more specifically on the two change initiatives within PackCo, the following will consider the broader context within which such changes took place. This section thus discusses developments in PackCo's operating environment in Oman and at world level.

As explained in Chapter 2, changes in an organisation's external business environment can affect how it operates, and may be an important factor in driving internal changes (Ezzamel et al., 1996; Chenhall and Langfield-Smith, 1998; Mat et al., 2010). Theoretically, and as explained in Chapter 3, Burns' and Scapens' (2000) framework also highlights the importance of external phenomena for the reopening and questioning of existing organisational routines. The following thus explores the external environment in which PackCo operates, the relevance of which will become clearer later in the chapter, when explaining how the two main change processes unfolded in PackCo. More specifically, this section focuses on: (1) the nature of the world packaging industry, including the significant effect of its large-scale customers, and (2) head office pressure.

The packaging industry is no different from any other industry, in that it is continuously impacted by changes in the global economy, where downturns and shocks can bring pressures from both suppliers and/or customers. In this study, the effect of top customers, or A-grade customers, on the operation of the group company, in general, and PackCo, in particular, was the main driver of introducing a new performance evaluation system, that is, the BSC, as will be

detailed later in this chapter. The nature of the packaging industry, with a focus on label packaging, will thus be explored below, and also the effect of big customers in the industry will be demonstrated according to the study conducted by the World Packaging Organisation⁶⁸ (WPO, 2008).

According to the WPO study, mentioned above, in general, the global packaging market has witnessed an increase in sales of around 51% between 1999 and 2009 (\$372,400 to \$563,847 millions), with higher consumption of packaging material in the Asian region in 2009, and the largest producer being the USA, also in 2009. Although the industry was affected by the changes within the global economy, there were other drivers of change related to the industry, irrespective of the changes within the global economy. These included (WPO, 2008, p.5) (1) the ageing of the world's population, (2) the trend towards smaller households, (3) the increasing requirement for convenience among consumers, (4) rising health awareness among consumers, (5) the trend towards 'on-the-go' lifestyles among increasingly time-poor consumers, (6) growing requirements for brand enhancement/differentiation in an increasingly competitive environment, (7) new packaging material development, (8) the move towards smaller pack sizes as the incidence of families eating together at the dinner table became less common, and (9) increasing awareness of environmental issues and the adoption of new regulatory requirements on packaging recycling. Although all these factors drove the change in the global packaging industry, only factors (6) and (7) are closely related to the discussion of the case study in this research, as will be detailed later in this chapter. As such, the effect of these two factors on the operation of packaging manufacturing companies will be explored in some detail below.

In regard to the factor (7) above, there was a change in the raw materials used to produce packaging products. The new raw materials provide end users with high-performance packaging with strong barrier characteristics. This helps in sustaining the product on the shelves for a longer time. In addition, new features were introduced to the packaging of final products, including integrating intelligent components within packaging (in specific product labels) to provide

⁶⁸ WPO will be used hereafter.

more information about the product to the consumer. As such, changes in the packaging material was summarised by the WPO (2008, p.9) into the following five points: (1) high barrier materials⁶⁹, (2) active packaging, (3) intelligent packaging⁷⁰, and (4) digital printing for packaging. Such changes in the raw materials, and the final product improvements, introduced within the packaging industry, affected the operation of PackCo, as will be seen below.

In addition to the changes in packaging materials, the packaging industry was affected by the growing requirements of buyers (packaging manufacturing company customers) for brand enhancement/differentiation, since packaging plays an important role in differentiating consumable goods. In other words, packaging “provides a marketing advantage at the point of sale” of the goods (WPO, 2008, p.8). As such, packaging cost represents a major proportion of the total final product cost for packaging industry customers. Global brands had concerns about such packaging differentiation as a competitive strategy, and this gave those big players a strong position within the packaging industry, especially when it came to consumable goods. Consequently, “the success or otherwise of a new packaging product can often be assured by its adoption by just one major global brand. Aside from quickly generating a high level of demand in its own right, this also tends to bring with it copycat switches by minor brands” (WPO, 2008, p.9). The effect of this brand improvement/enhancement factor, as well as its consequences on the operation of packaging industry, also had its effect on the operation of PackCo. This helped to explain why a new accountability system was introduced at PackCo, as will be detailed below.

As mentioned above, different factors affect the global packaging industry, including: developments in raw materials, production techniques, and the effect of big players (WPO, 2008). For the purpose of this study the following section

⁶⁹ High barrier materials in flexible packaging laminations prevent the permeation of water, water vapour, oil, oxygen, aroma, flavour, gas, or light. A product's formulation can be impacted adversely if these elements migrate into or out of the package.

⁷⁰ The purpose of the ‘active packaging’ is the extension of the shelf-life of the food and the maintenance, or even improvement, of its quality. While the purpose of ‘intelligent packaging’ is to give an indication of, and to monitor, the freshness of the food (Dainelli et al, 2008).

will thus focus on the effect that big players, or as PackCo's GM labelled them, A-grade customers, had on the operation of PackCo.

7.2.1. PackCo and big customers

From the above, it is possible to state that big customers do affect the operation of packaging organisations, due to the changes mentioned previously. This section will explore how this industry nature is reflected in the operation of PackCo.

The group company's main objective is to capture the maximum market share, via concentrating on servicing big customers, or A-grade customers. As already mentioned, focusing on serving big customers would help the group company to improve its' operation in multiple aspects, as presented by the PackCo GM:

Serving such big customers differentiates our business and our products. As you have to improve your quality, you have to improve your services, and you have to improve your investment scheme in production technologies to meet their requirements. As the business nature requires, we have to concentrate on the requirements of big customers, and adjust our production according to their needs. Yes, initially, the effort is more, but the rewards are also better in the future.

The effect of big players on the operation of PackCo, in terms of product differentiation and production technologies, is thus obvious from the above, and is in-line with the industry nature, as explored earlier. Actually, ignoring the requirements of such big customers may cause serious financial problems to packaging organisations, since, according to the study conducted by the world packaging organisation, "the success or otherwise of a new packaging product can often be assured by its adoption by just one major global brand" (2008, p.9). Providing A-grade services to those big players therefore helps PackCo to capture a higher market share of A-grade customers and to get more business from similar customers, as stated by PackCo's GM:

We started with PNG, and we are doing now for Unilever, Glasgow, Colgate, and Palmolive. That also helps the company to get new good customers; as if the customers realised that PackCo is serving these big customers, then that means that the company is doing a good job. And new customers will not mind paying more for a good quality product.

Second, the strategy of concentrating on large customers is also translated through the company (products) quality standards, whereby there is no sacrifice in the quality of raw material to meet the requirements of smaller customers. If small customers wish to purchase goods from PackCo, they have to accept the A-grade-quality standards—and the corresponding price for such quality. The company avoids any risks of supplying low-quality products to their A-grade customers, as PackCo's GM said:

We don't produce products according to customers' requirements, in terms of quality; that is strictly not allowed as per the group policy. We get only 'A-grade' raw materials for our 'A-grade' customers, and they pay a premium for that. The company offers the same material for B-grade customers, if they are willing to pay, otherwise they can go to a competitor and meet their requirements

According to different interviewees from PackCo, there is a change in the specifications and types of products that the group company produces today (2010) and those that it produced 10 years back. In fact, the group company started with basic labels only, and now it is producing more glorified⁷¹ labels. Such a change in product specification is a reflection of the different changes in the industrial sector, as explored above, and as PackCo's GM emphasised:

Yes there is a change, because it is a market driven business. If a market needs today no labels, we will be out of business. If the market needs a different type of labels, we, as a manufacturer, will be forced to get on that kind of labels that are saleable in the market. It is market driven, and it is not a company decision.

In other words, the changing taste of customers, in terms of product type and the quality required, drove such changes in production technology at PackCo. Alternatively, an increase in customers' knowledge regarding different production procedures within the industry forced PackCo to introduce changes in how products were handled. As the Production Manager of PackCo commented:

⁷¹ The group company has different printing techniques, including the following: (1) flexography (Flexo), (2) letter press, (3) silk screen, (4) hot foil/cold foil' (4) rotogravure. The silk screen technique enhances the finish of a self-adhesive label. This technology adds gloss, depth of colour to a printed label to help catch the consumer's eye as the labelled product sits on a shop shelf next to rival brands. (source: www.PackCoccl.com/)

Ten years back the product type was very simple and easy to produce, and you can't compare it with what the company is producing now. Now, there are so many complications, each and every customer wants more glorified products,, and they know the latest production technology. In previous years, there was only process colour. In other words, the same colour only just changes in the template and run the job, now a day's not like this, the customers are asking for special colours. They know the different production processes, like: the hard foils, or screen printing. The customers are capable of knowing the quality of product they need, they are asking if the company can provide that quality standard product, or not. Before the last five years, whatever we gave them, that will be the quality.

The relevance of those changes to the operation of PackCo will thus be explored in the remainder of this section. It focuses on the introduction of the airport concept to the production floor of PackCo, plus the introduction of an inspection machine to the production line. Such changes in PackCo got its' operation locked-in with A-grade customers' requirements. Accordingly, the importance of A-grade customers continued to shape how the group company carried out its daily operations, as well as its production procedures, as follows.

Although PackCo introduced changes in terms of the type of products produced to meet the changes in the requirements of big customers, it started to face some issues in regard to the goods delivered to A-grade customers, i.e., weaknesses. Those weaknesses were (1) late delivery to A-grade customers, and (2) an increase in the percentile of faulty delivered goods. With these two weaknesses, PackCo started to lose part of its' big customers market share. PackCo therefore had again to adjust its procedures in order to recover the loss of its A-grade customers' market share. PackCo thus introduced the following changes into the production procedure.

First, PackCo introduced the airport concept⁷² to the production floor, which helps to manage and plan production schedules better. In detail, the airport concept allows the company to prepare a 48-hour production schedule and

⁷² **Airport concept:** 1. Prepare the schedule 48 hours production schedule must be prepared, so the production people will know exactly what they are going to produce in the next 48 hours to give the customers on-time delivery.
2. Check-in: What you are going to check-in? Do you have materials, do you have plates, do you have all consumables required, do you have ink and everything? Yes, checked!
3. Departure lounge: the company has created a place on the production floor where all required materials for producing the order are placed, and that place is called the departure lounge. The company made a trolley and it is helpful when all the needed materials for production are placed on it.

organise the production process, which, in turn, helps in delivering products on time to customers. It allows the company to send products out of the production line faster and to deliver to customers within around four to five days, while, previously, it was taking around one month to deliver products (Appendix 3 provides a diagram that illustrates the airport concept). In summary, the airport concept is related to organising the production process so that it leads to a decrease in the set-up time, and helps in delivering orders to customers on time. The Production Manager at PackCo said:

.....there is a set up time; that is the setting that will be done before each and every job. Previously, the company was taking 2-3 hours to do the job setting. While nowadays, we are taking less than 40 minutes; because instead of one person doing the setting, three people will do it now. That helps the company to reduce the job setting time. In addition, we do a 48 hour production planning, which helps in responding to customers' needs faster.

The PackCo Production Manager concluded “the machines are the same, but the way of doing the job has changed.” PackCo was thus able to overcome the late-delivery weakness through the introduction of the airport concept to the production floor. Another weakness that needed to be resolved was in relation to the faulty products delivered to customers. Additionally, when complaints from A-grade customers increased regarding faulty delivered products, PackCo invested in a deductive device to discover faulty parts and remove them from the roll before the finished goods reached the customer.

From the above we have learned that different changes occurred within the operating environment of the group company. Accordingly, the group company adjusted its production processes to the standards that met A-grade customers' requirements (this is based on the PackCo experience, but it also applies to the group company⁷³).

Despite the fact that PackCo is the only company of its kind in the Omani market, competition still exists from international companies, especially with all the changes within the Omani operating environment, as explored in Chapter 5.

⁷³ Because, in general, the different units were following whatever system or procedures were applied by the HO in Dubai, more or less.

PackCo relies upon two main strategies to win over its competitors, namely, product quality, and its customer relationships. This was highlighted by different interviewees; for example, PackCo's GM commented in this regard:

Yes, we get affected by competition- everybody gets affected! If there is no competition, there is no motivation to work to make a better profit. And, there are different competing strategies, such as: price, quality, or service. We are not competing on a price basis, but on a service and quality-basis, so our competitors cannot compete with us. Our product is not unique, but the way it is handled and catered for is different

PackCo thus locked itself and its operation, in the short run, into serving A-grade customers, with a huge investment in those changes within the production processes, including the introduction of the airport concept, the inspection machine, and the lock-in with the supplying of A-grade raw materials. In other words, serving A-grade customers was locked in by factors such as the internal business processes that were dominated by serving A-grade customers, market credibility and a reputation that had developed from/by serving A-grade customers, and, more importantly, equipment specifically dedicated to producing final products to the standards of A-grade customers (Yazdifar, 2004, p.218-219; Dietrich and Burns, 2000).

However, in 2007 the group company's market share among A-grade customers was affected by the intense competition in the market, which resulted from different changes in the Omani business operating context, as well as from the effect of the two weaknesses that were related to on-time delivery and faulty delivered goods, and this still continued to some extent. With the potential crisis of losing more of the market share of A-grade customers, the group company took proactive action and started to look for solutions in order to regain the trust of A-grade customers and to align the efforts of different departments within the organisation to meet the requirements of these customers. At the same time, it tried to utilise the improvements in the production procedures (airport concept and deductive machine) to best meet the A-grade customers' needs, especially since it would be difficult for the group company to work around the lock-in in production procedures, as described above (Yazdifar, 2004, p.219). As different studies have concluded, when competition tends to increase in the market, the tendency of organisations to use accounting controls also increases, for

example, Scapens and Roberts, 1993. Accordingly, the rest of this chapter will focus on explaining how the group company dealt with this lock-in by introducing a change in the management control system (i.e., accountability) of the organisation with reference to the Oman unit (PackCo), which is the focus of this research.

How the HO in Dubai thus imposed the new accountability system, that is, the BSC, on PackCo, and how the different existing institutions, including the existing accountability institution, the power institution, and routines existing at PackCo before BSC implementation, shaped the MA change as a process, will be explored below. In addition, the study will explore how such change in the management control system, as well as the pressure of reporting to the new partner, resulted in the implementation of an Enterprise Resource Planning system (ERP system) within PackCo. All that will be discussed later in this chapter by utilising Burns and Scapens (2000) MA change framework and Hardy's (1996) power framework. Before doing so, the following section introduces the different institutions that existed in PackCo prior to the introduction and implementation of the BSC and the ERP system.

7.2.2. Head office pressure

In addition to the changes within the Omani operating context, and the nature of the packaging industry, mentioned previously, PackCo faced other external pressures from the Dubai head office. This section will thus outline the nature of the relationship between PackCo and the Dubai head office.

The nature of the relationship between PackCo and the Dubai HO can be described, in general, by the first source of power from Hardy's (1996) framework, that is, power over resources- see Chapter 3. In other words, the head office mostly gives orders to other units operating within the group, and units have to implement those orders as they are directed. Actually, within the group company, there is a culture of power, and that comes from the hierarchical position of the source of power, i.e., managers. Which allows different managers in top positions to utilise the power of their positions to get things done in their way by employees at subordinate levels, by using the

powers of: resource, decision making, or meaning (Hardy, 1996). The cartelisation of power at the high hierarchical levels also leads to the centralisation of decision making in the hands of the superiors (Lau & Buckland, 2000). As such, “decision-making was done by relying on the experience of key people, and those that have power, and the potential ability to change behaviour through politics and influence” (Yazdifar et al., 2008, p.413). Such a power mobilisation institution within the group company affected the operation of PackCo in all aspects, including the type of MAPs adopted by PackCo, and the nature of the reports that were provided to the head office, as will be detailed later in this chapter.

The nature of this power culture and the decision centralisation are not unique to PackCo. Instead, it can be described as an institution that is embedded within the Omani context. As Section 6.5, in the previous chapter, showed, top management requirements, i.e., from HO, or a parent company, are considered one of the main forces in introducing a change within an organisation. This confirms that the decision-making process is centralised and is mostly controlled by people who have the power of resource (Hardy, 1996).

Finally, according to Pfeffer (1992),

“Hierarchical direction and authority is usually seen as legitimate, because the variation in formal authority comes to be ‘taken for granted’⁷⁴ as a part of organizational life. Thus the phrase, ‘the boss wants.....’ or “the president wants...’ is seldom questioned or challenged” (p.40),

but such a source of power is not absolute, as will be explored below in this chapter.

7.3. The prevailing institutions within PackCo

The notion of institution was introduced in Chapter 3; and, according to Burns and Scapens (2000, p.8), institution is defined as “the shared taken-for-granted assumptions which identify categories of human actors and their appropriate activities and relationship”. This section explores the other institutions that

⁷⁴ According to Burns and Scapens (2000), this refers to ‘institution’.

existed at PackCo, in addition to the power institution, explored above, before the introduction of the BSC and ERP system. Identifying those existing institutions facilitates the explanation of how the MA change as a process evolved, and how different change dynamics interacted during the MA change as a process.

7.3.1. Pre-BSC accountability institution:

This section explores the financial-accountability-institution that existed at PackCo before the introduction and implementation of the BSC. Understanding the existing ways of doing things prior to the introduction of the BSC helps to explain how the MA change as a process evolved within PackCo, as will be explored below.

The group company produces high quality labels for A-grade customers' needs, as was already explored, above. The pre-BSC financial accountability institution at PackCo can be described as being production-oriented (Please see below). The group company therefore continued to improve the production processes without paying attention to the accounting and accountability system that existed within the organisation. When the group company secured its position with A-grade customers, it didn't pay particular attention to the existing financial accountability system, and such internal inefficiency was thereby exported to its customers through high selling prices or, as was explored above, 'premium' prices that A-grade customers were willing to pay (Scapens and Roberts, 1993). As the group company's revenue was derived mostly from A-grade customers, fault-free orders and on-time delivery were more important than a more 'strict' financial accountability system.

In line with the study by Scapens and Roberts (1993), when managers in an organisation focus on production and link profitability and organisational objectives to production, there is a possibility that the organisation will end up with a poor accounting system, especially if the organisational objectives are achieved continuously. As the two weaknesses, mentioned above, continued to affect the operation of the group company, plus the lock-in with A-grade customers in terms of production operation and fear of potential future losses,

the group company was thus forced to search for solutions and to question ‘existing ways of doing things’(Burns, 2000; Siti-Nabiha and Scapens, 2005).

Before the BSC implementation, the existing accountability institution encoded the existing routine within PackCo. Due to the change in the external environment in which the group company was operating, described above, there was a ‘reopening’ of the existing accountability system within the group, with the help of a consulting company. As such, a new accountability system was introduced, and new rules associated with such a change were also introduced, as will be explored later in this chapter. The rest of this section explores the existing routines related to financial accountability within PackCo prior to the introduction of the BSC. Later in this chapter, how the conflict between new BSC rules and existing routines and accountability institutions shaped how the MA change as a process evolved within PackCo, will be explored.

Burns and Scapens (2000) had argued that “in studying management accounting change process, we are studying changes in organisational routines”, and, therefore, to understand how MA change as a process unfolds over time within PackCo, it is important to understand the existing routines within the organisation. In addition, existing routines encode the prevailing institution within an organisation, and enacting the existing routines is a reflexive process. The existing daily routines are based on the pre-BSC accountability institution that was enacted and reacted, by different employees at PackCo, are discussed below. Within PackCo, there were shared assumptions about the accountability system. Specifically, the taken-for-granted ways of doing things within the group company, and PackCo in particular, in terms of accountability and the performance evaluation that existed before the introduction of the balanced scorecard (BSC), was not connected to on-time performance. In other words, employees received financial rewards for doing their work, regardless of how long it took them to do that work; and this routine that was embedded in the existing accountability institution, affected the operation of the organisation as well as their market share of A-grade customers.

Different employees of PackCo talked about their daily routines, with a reflection on the existing accountability institution; that is, employees referred to the importance of producing and reproducing their daily routine by reflecting on the embedded accountability ways of thinking (Burns and Scapens, 2000). For example, the PackCo Sales Manager (SM, hereafter) explained his work duties—routines—within the unit, and stated:

So, what I am doing is; I will make an agreement with the customer and when the contract agreement between the company and the customers is developed with all the fundamental details; then I transfer it to my assistants to follow up with the customer. My responsibilities here finish (saying it as if he is getting rid of something heavy from his burden). For any new development with the same customer, I will be involved again

When that is done, all the documentation work and the following up of the order with the customer would therefore be done by the Sales Manager's assistants. He will interrupt the follow-up and documentation process only if there is an issue with the customer that could not be handled by his assistants.

Basically, the Sales Manager manager's day-to-day routine was to keep in touch with customers, either current or potential. In other words, keeping in touch in terms of looking out for new potential customers and maintaining a relationship with the existing customers, including meetings with customers, providing quotations, and providing progress reports and discussing those reports with the Sales Director Manager at the HO. The primary focus of the Sales Manager was on keeping in touch with customers, and for him, the “sales job is not easy.”

Moreover, the nature of the work of the Sales Manager forced him to leave his office, sometimes for a few days, to follow up with customers in other GCC⁷⁵ countries, and, describing his work, he stated, “And it is the sales job to be at least 80% out of the office.” Additionally, even if he were in Oman, he would be out of the office most of the time⁷⁶ to follow up with local customers. Dominant routines among Sales Managers in different units were thus based on the

⁷⁵ Gulf Cooperative Council (Oman, Qatar, Saudi Arabia, United Arab Emirates, Kuwait, Bahrain)

⁷⁶ I made a few visits to the case study company and did not see the Sales Manager in his office. The only time I saw him was when I had an appointment, and another time when he was busy and preparing to leave the office.

existing accountability institution, and that was taken for granted, while providing better services through on-time delivery to customers was considered by him to be “important, but there is no problem if the customer gets the delivery late, as long as the late delivery does not harm the customer’s production.”

Additionally, based on the pre-BSC accountability institution, there was no link between late delivered orders and the Sales Manager’s performance evaluation; that is, as long as the order was delivered to the customer, there was no problem, even if the orders were delivered late. Before the introduction of the BSC, the Sales Manager did not have much documentation work, as mentioned above.

The existing accountability institution was reflected in the daily routines of all PackCo staff. Similarly to the Sales Manager, the Credit Collection Leader was responsible for collecting the credit notes from customers. Basically, with the pre-BSC accountability system, there was no connection between the CC Leader’s performance evaluation and the time she took to collect the credit from the customers. In other words, it was not important how long it took for her to collect the credit from customers, as long as she collected it; either she collected the credit within the normal credit note period of 90 days, or she took longer than the 90 days, or even longer than 180 days, to collect the credit note.

The same accountability basis was followed by the Production Manager, when the Production Manager received financial rewards for all orders produced, regardless of how long the order remained on the production line.

The above examples demonstrate the previous accountability system that existed within PackCo. The existence of such an institution explains why different employees resisted the new rules associated with the introduction of the BSC, as will be explored later in the chapter. In addition to the existing institution in regard to the financial accountability, there were also other factors that affected how the change process evolved at PackCo, including the power institution, explored above. As such, the purpose of introducing the BSC within the group company was to “reform the existing systems of accountability within” the group company; in other words, a “more rigorous system of accountability”

was proposed with the introduction of the BSC (Scapens and Roberts, 1993, p.28). As will be explored later in this chapter, the existing financial accountability system contrasted with the imposed BSC and its associated new rules, which resulted in resistance to those new rules by PackCo employees.

7.3.2. Pre-enterprise resource planning (ERP) system institution

In addition to the power and the pre-BSC financial accountability institutions within the case study company, another institution was embedded within PackCo that was related to the management control system that was in use. This institution is related to the way employees entered data, retrieved data, and produced reports, using FOCUS, the pre-ERP system. This section describes this information technology-related institution, which will facilitate the interpretation of how the introduction of a new ERP-system, SAGELINE 500 (SL500) evolved as a process at PackCo.

Before the introduction of the SL500 ERP system, the existing ways of doing things related to the FOCUS system, and involved mainly working with the system manually, either in relation to data entry, data retrieving, or report production. In addition to the manual aspect of the FOCUS system, there was no integration between the different mini-manual systems used within different departments at PackCo. This meant that there was no communication between different departments. There was also no database associated with the FOCUS system, which sometimes led to duplication of information, and information was not always available on a timely basis for managers to use, since they had to ask other employees for the information, instead of getting it live from the system.

The pre-ERP system institution, which is related to how employees enter data, retrieve data, and produce reports, was thus embedded in the ways of thinking of different employees and their daily routines, as will be detailed later in this chapter. This institution affected the change as a process when the ERP system was introduced into PackCo, as different employees resisted the implementation of the new ERP system: the new rules associated with such change challenged the existing manual institution, as will be explored further

below. The resistance level to the ERP system, however, was not at the same level as that to the BSC. More details in relation to the pre-ERP system's embedded ways of doing things will be explored below.

7.3.3. Management style at PackCo, and comfort working zone:

The management style at PackCo, specifically, (and at the group level, in general) helped PackCo GM to some extent to put any new change introduced into action. That style was about providing a 'comfort working zone' for the employees.

According to the online free dictionary 'comfort zone', in psychology, is defined as 'a situation or position in which a person feels secure, comfortable, or in control'⁷⁷. The philosophy behind that management style at PackCo was to help employees to work at the company comfortably, without feeling the anxiety of pressure from top managers. In such a zone, employees were allowed to make mistakes, and managers were always available to help, support, and show them the right way to do things. Management dealt with lower level employees as they dealt with their friends, which built confidence between managers and employees, and created a small social community within the company, which, as a result, helped to develop that comfort working zone and gave more confidence to employees at all levels to be able to communicate freely with top managers (White, 2009).

Different employees at all levels of PackCo appreciated this management style. For example, the promoted Production Manager stated that without the support of the PackCo GM he would not be able to carry out the responsibilities of his new position:

Yes, I faced some difficulties in some places, but somebody helped me from our Dubai team, and the GM, as well, helped locally. It is a supportive team

⁷⁷ www.thefreedictionary.com

The Credit Collection Leader stated the following about the supportive team within PackCo:

I haven't faced any difficulties since I joined the company as all the managers above me are understandable whenever we face any problem, and they are helpful and supportive as well.

The PackCo GM stated the following in this regard:

That is something which we do here in the company, employees have willingness and we give the environment and teach them the right thing. Like we have told our employees, any time you have any trouble; don't feel, oh! I don't know", and you make mistakes, instead you call and ask. This is how we do it, and this is a perfect strategy and it is working out.

To sustain such a style, managers would go out with employees for lunch each Saturday. The total number of employees at PackCo is also only 25, including shop floor workers, which helps to support the management style at PackCo. In comparing PackCo with other big companies in Oman (where sometimes the section manager does not communicate with his employees at the lower levels), this made PackCo employees feel more comfortable in the working environment.

Having said that, the comfort working zone only worked to a certain extent. When the operation of the company was affected by that comfort zone, then the priority was the company, not the employees. This will be explained in detail, below, when discussing the introduction of the BSC, as well as the ERP system implementation (Collier, 2005).

Such a work environment gave the employees the confidence to express the difficulties they were facing in relation to any system, and it created a comfortable working environment in which the company achieved its goals and the employees were simultaneously satisfied with what they were doing. A similar point was made by Nørreklit and Mitchell (2007) when they stated, "achieving coherence in measurement systems is unlikely if the system is designed and imposed by top management; interaction between the managerial and employee constituencies is more likely to produce a successful system" (p.187).

7.4. Changes that have been introduced into PackCo during the last 10 years⁷⁸

As was explored above, the group company was production-oriented, and with various changes within the operating environment, the organisation started to question the existing ways of doing things and changes were introduced. This section will explore the two changes introduced into PackCo in the last 10 years, which were the balanced scorecard (BSC) and the Sageline500 enterprise resource planning (SL500 ERP) system.

Having explored the different institutions that existed within PackCo, this section will explore the interplay between the MA rules and the routines within PackCo. This section draws on Burns and Scapens (2000), complemented by Hardy (1996), as was discussed in Chapter 3. Both frameworks enable the analysis of the MA change as a process within PackCo, and they help to interpret: (1) the existing routines, and how they were challenged by new rules, (2) how new rules were routinised, but not institutionalised, except after adjustment, especially with the BSC implementation, and (3) how power mobilisation at different organisational levels, and not just institutions, rules, and routines that have shaped both MA changes as processes, that is, the BSC and ERP system implementation. Precisely, this section is dedicated to explaining the change and/or continuity of MAP at PackCo. Different themes emerged from the case study, and more emphasis will be given to those themes. They are (1) the importance of existing institutions in shaping the MA change as a process, (2) the importance of different sources of power in shaping the MA change as a process, and (3) the effect of new rules on employees' performance evaluation, i.e. rewards, and how such an effect has shaped the MA change as a process.

⁷⁸ The section will focus on analysing the change process and how existing employees' routines within PackCo shaped the change process. Due to limited access to PackCo Muscat only, and the geographical span of other units (including the HO), it was not possible to get the views of managers, either at the HO or at other units, on the introduction of the BSC and SL500 ERP system.

7.4.1. New accountability and performance evaluation system:

This section describes the process of implementing a new accountability and performance evaluation system, the BSC, within PackCo. The BSC was introduced into the group company with the intention that it would be used as a controlling tool, and would give its operation a more strategic orientation aimed at providing better services to A-grade customers, thus sustaining the group company's market share with A-grade customers, and differentiating the group company from other players in the market. It is not possible, however, to ignore the importance of introducing the BSC to PackCo to create a "technically defined and concrete indicators of effectiveness" system within the group company. However, that is beyond the focus of this study. The imposition of the BSC on different units can be explained as presenting a rational business practice to differentiate the group company and to provide better services to A-grade customers (Oliver, 1993, p.573; Burns, 2000). However, "such description would considerably under-play the complex dynamics of such change, as process over time" (Burns, 2000, p.579). This section therefore explores how the BSC was introduced and implemented in PackCo having been imposed by the Dubai HO. It also explains how PackCo's GM imposed the BSC upon his units. In doing so, mobilisation of different sources of power and, basically, the power of resources was utilised by PackCo's GM. Moreover, the section explains how mobilisation/lack of power of different employees shaped the BSC change as a process. In addition, it is important also not to ignore the effect of the existing accountability institution, mentioned above, on shaping the change process (Hardy, 1996; Burns and Scapens, 2000; Burns, 2000). The remainder of this section explores both changes in detail.

7.4.1.1. Power mobilisation at the top level

As was discussed above, in Section 7.2.2, there is a power institution embedded within the group company. That power institution was reflected during the implementation of the BSC and the ERP within PackCo. Power mobilisation was obvious at different times during the process of change, and mostly at the early stages of putting change plans into action. This section will thus focus on how different actors at the top level, that is, head office managers

and the GM of PackCo, exercised different sources of power to impose the implementation of BSC. Another section, below, will explore how employees at lower operating levels also exercised their power to resist the BSC.

A. The need for a change, consulting company recommendation, and power mobilisation by the Dubai Head Office to impose change

Hardy's (1996) power framework was introduced in the theory chapter, and, according to that framework, "power can provide the energy for strategic change. Without it, we face strategic paralysis because we lack a mechanism with which to make change happen" (p.S3). This section therefore explores the need to introduce a change within the group company and the ways in which different actors, including the consulting company and head office, mobilised different sources of power to introduce and implement such a change into different units of the group company, including PackCo.

Though the focus of the analysis of this research is at the micro-level, it is important to take into account the effect of the external environment in which the company was operating, as the effect of such an external environment is important to understand the changes within the organisation. Without changes in the external environment, such as the loss of big customers' market share, it is unlikely that change will be introduced into an organisation. In her paper, Oliver (1992, p.566) proposed that different factors, including "political, functional, and social mechanisms both within and beyond the organization", played a role in the process of deinstitutionalisation; i.e., questioning the existing ways of doing things. Among the political pressures identified by Oliver (1992) was declining performance; for example, when a company, PackCo for the purpose of this research, witnesses a decrease in its market share of major customers, then the "legitimacy of what were once tried and true organizational activities may be seriously questioned or rejected" (p.568).

Accordingly, and as explored above, PackCo is operating in a changing environment, including changes in the Omani operating context and changes in the nature of the packaging industry, which, in turn, decreased the organisation's market share of A-grade customers, which was an indication of a

decline in the group company's performance. Such external pressures thus led to the questioning of the existing ways of doing things within the group company. It is important to respond to such market indicator, especially with the nature of the packaging industry and the power of such A-grade customers in the operation of PackCo. Moreover, in line with Abdel-Kader and Luther's (2008) study, there is a relationship between the type of management accounting practice (MAP) used by a company and customer power. In other words, the more powerful the customers, the more sophisticated the MAPs used by the company. Since by implementing more sophisticated MAPs the organisation will improve the decision-making process and control, this will help it to respond faster to the customers' enquiries and also help to keep their demanding A-grade customers satisfied (Abdel-Kader and Luther, 2008).

The effect of A-grade customers on the business operation was therefore the main force that was driving PackCo to introduce a change. The PackCo GM called the A-grade customers' effect on the business operation 'external forces', when he said:

The day we visualised this requirement, the company was doing well and did not have major financial problems, but company and management perceived some kind of threats from competitors, external forces you called them, such as markets and customers. These are driving forces for the business..... These are the external driven forces, which will push you to the world, and either you change yourself and come up with something better or fade out

PackCo's GM also added, "So what are the other systems which will fit with our way of working and will increase our potential market capacity and production?"

In addition to the problem that the group company was facing in terms of providing better services to A-grade customers and capturing a higher market share, the group company's strategy was to differentiate their company from their competitors. As PackCo's GM described the situation:

I would say that there was always a challenge to differentiate PackCo from other competitors, and it was not that the business was not doing well. At that point in time, these are some of the questions which forced us to get into something different that our competitors could not touch.

Then we said: "fine, what is that we should do?" And we called in a consultant.

The problem of losing some of the A-grade—customer market share and the need to differentiate the group company from other competitors, was discussed with a Western-based consulting company during 2008. The consulting company recommended the BSC as a solution for the group company's external-environment pressures. According to the consulting company, implementing such a performance measurement practice would help the group company to differentiate itself from competitors.⁷⁹ PackCo's GM stated:

.... Consultant said that your desire to come up will be correlated with BSC. So, it was the desire that was much more important than the name of the BSC. There are various ways to improve, but the company's desire was more correlated to the BSC, according to the consulting company. Because with the BSC the company will start to learn which parameters should be tagged, what are the key areas of constraints that we are facing, and how do we monitor them?

Moreover, according to PackCo's GM, the consulting company stated the following:

"BSC is a new concept in the market and not many companies are doing it. You do it. First, it is expensive; second it requires a huge organisational structure to support all the activities of BSC."

From the above description, it is clear that power was exercised by the consulting company to introduce the BSC into the group company. First, power over meaning was exercised by the consulting company in convincing the management at the head office that the BSC was what they were looking for to overcome any issues relating to providing better services to A-grade customers. In doing so, the consulting company depended on using phrases such as those quoted by the PackCo GM, "BSC is a new concept in the market and not many companies are doing it. You do it," in order to convince top managers at the Dubai head office that the BSC was a desirable and rational solution to any weakness relating to the relationship between the group company and A-grade

⁷⁹ The access for this study was limited only to PackCo Oman, which could not give me the whole picture about the discussion between the consulting company and the management at the HO. Getting access to the HO would possibly enrich the data related to the research, but due to time and financial constraints, that was not possible (this is a limitation of the study).

customers. The consulting company was successful in convincing top managers at the Dubai head office of this (Hardy, 1996).

It is not possible to ignore the effect of the consulting company in introducing the BSC into the group company, and this effect of the supply side (consulting company) in spreading new management accounting practices has been proven by different studies (Sulaiman et al., 2008). For example, Ax and Bjørnenak (2005) stated that:

“[o]ne way in which the supply side can popularize an innovation in a specific location is by matching the design characteristics and rhetorical elements of the innovation to the preferences and knowledge of the potential adopters” (p.4).

It is thus possible to conclude that the group company was not sure what the best solution was in relation to its issues with A-grade customers and with differentiation. The Western-based consulting company therefore proposed the BSC as the proper tool to allow the group company to meet its needs. So, based on the consulting company's recommendation, the BSC was implemented and imposed by the Dubai head office onto the different units, which will take us to another dimension of power in Hardy's (1996) power framework: 'power over resources,' which was exercised by the Dubai head office to impose the BSC onto PackCo.

Based on the power culture explained above, top managers at the head office exercised the 'power of resources', in terms of authority, to compel the different units, including PackCo, to use the new performance measurement system. Imposition of a new system or MAP, such as the BSC, is not new within the group company, because almost all units follow the procedures and policies set by the head office in Dubai. Consequently, "a directive from the parent is seen as something that has to be implemented", without questioning (Siti-Nabiha and Scapens, 2005, p.51). PackCo's GM referred clearly to the power of authority that the Dubai HO exercised over the different units so as to put change, the BSC, into action:

To some extent, yes, I would say that there was a push from top managers at HO to implement BSC. The thoughts which are there

(HO), and the objectives which are set there: we have to do. These requirements by head office, then, we have to do them

Hardy (1996) stated that the power of resources gained from authority and the ability to hire and fire, are exercised by actors, such as top managers, to get things done their way; it “works along the lines of behaviour modification.” Since this source of power is task-oriented, as explored in Chapter 3, its effect is limited, and excessive use of this power can cause a strong reaction from employees (p. S7). Continuing to use this power caused a 'counter-productive' effect at later stages of the BSC change process within PackCo, as will be discussed later in this chapter. Furthermore, PackCo's GM reinforced the ways that top managers exercised the power of resources to put plans into action, and stated:

So, they (managers at the group level) will not give a chance for somebody who says 'yes', but is not doing it. And there are two options only, which are, either you do it, or you may leave (and he laughed). Company, whatever management, said it has to be done. For whatever reason, for one person, we cannot affect the others

Mobilising the power of resources in terms of authority, or the ability to hire or fire, is also in line with the notion of 'top-down' management accounting change, as argued by Burns and Scapens (2000). A more detailed analysis of the effect of top-down change on the existing routines will be presented below.

B. Power mobilisation by PackCo's GM

The previous section explored how top managers at the Dubai head office exercised power over resources to impose the implementation of BSC within PackCo. This section also draws on Hardy (1996) to explain how PackCo's GM exercised different sources of power to impose the introduction and implementation of BSC onto his unit, including the power of resources and the power of meaning. In addition, Burns and Scapens (2000) MA change as a process framework is also utilised to explain how the BSC change as a process evolved within PackCo.

After the HO approved the introduction of the BSC, based on the recommendation of the consulting company, and training had been provided to

top managers at HO, the HO made each unit's GM responsible and accountable for introducing and implementing the BSC within his/her unit according to the training provided by the consulting company and the HO's requirements.

Power over resources was exercised by PackCo's GM in the manner by which he drew on his relative authority, backed by the support from top managers at the Dubai head office, to enforce behavioural modification in his unit, which was also supported by PackCo's small size (Burns, 2000, p.579, Hardy, 1996). This was exerted by the PackCo GM in different forms—linking performance with financial rewards, and the ability to hire or fire—to impose the implementation of the BSC on his unit. PackCo's GM stated explicitly that jobs were at risk at PackCo if employees' behaviour was not in line with management requirements:

....and [the] company cannot struggle for a long time with a potential for a negative performance on those areas, which are important for the entire group, not only our unit. So, we have to do some corrective actions and remove some anti-elements of our system.

Moreover, the power of resources, in terms of authority, was also exercised by PackCo's GM to compel the use of the BSC's new rules within his unit, he stated:

...today also I would say that my team, maybe 50% of them, they don't like the BSC, because with the implementation of BSC their performance was affected but they are forced to do it. I can't help here, this is a company, I can have everything in my house that I want, but when I am in the company; it is the company's rules, regulations, policies, and procedures, and we are here to make money, not to lose it.

In addition, the power of resources, in terms of rewards, was also exercised by PackCo's GM, as a financial incentive in the form of an annual bonus was announced at the early stages of BSC implementation in PackCo. As PackCo's GM described it:

The company started to incentivise these managers (bonus at the end of the year), employees and everybody, including the line managers and all. If somebody is doing well in the implementation of these

policies and procedures; they will get good incentives at the end of the year.

According to Burns (2000), “On occasions, though not always, momentum in change is enhanced by the deployment of incentives for those most affected” (p.590). In this case study, the incentives were in financial terms, and that had a counter effect and resulted in resistance to the new BSC rules, as will be detailed below.

Besides the mobilisation of power of resources by PackCo’s GM, other sources of power were also mobilised to put the imposed BSC into action. For example, the Credit Collection Leader started to complain about the new accountability system, based on BSC, and how it was affecting her performance and the financial rewards. She thus resisted the change. PackCo’s GM tried to convince her that the new BSC-rule was not affecting her performance, as she thought, and explained to her how things worked with the new accountability system. PackCo’s GM said the following on how he convinced the CC Leader about the new BSC rule and its consequences in the performance evaluation:

Let say that there is dispute with a customer and she has not collected, it is going to affect her performance. If I, as a manager, don’t take care of those parameters, corrective parameters we call them; it will affect her performance. The performance, though, it is good, but because of one customer it will go low; so, we remove those kinds of cases, disputes with customers, and give her a comfort zone. To teach her and to make her understand and realise that, look, it is not a negative indicator, there is a challenge. However, once it is done, she is happier.

From the analysis presented in this section, it is possible to conclude that PackCo’s GM attempted to apply the new BSC-rules in his unit, and to influence the change according to the Dubai head office requirements. In line with the study by Burns (2000), “despite all the political manoeuvres, and extensive mobilisation of power” by top managers at different levels, PackCo’s employees resisted the new BSC-rules, as will be explored below, since, without the ability to question the existing ways of doing things, “all the politics and power in the world cannot guarantee intended institutional change” (Burns, 2000, p.591). The stability of existing routines and institutions cannot thus be challenged only by mobilising different sources of power; instead, questioning the existing

institutions is required in order for a change to be introduced. Accordingly, because the new BSC-rules were imposed by top managers, and challenged the existing accountability institution through the process of routinisation, deliberate resistance was there, as will be detailed below (Burns and Scapens, 2000; Burns, 2000).

7.4.1.2. Balanced scorecard new rules

According to Burns and Scapens (2000), new rules could emerge with the introduction of a new management accounting practice, or from existing routines if the organisation is worried about losing tacit knowledge through employee transfer. At PackCo, new rules were introduced with the implementation of the BSC. Those new rules, though, were imposed by top managers and they challenged the existing ways of doing things. Employees within PackCo enacted and reacted them, as will be explained below. Mobilising different sources of power was effective in putting plans into action for some time; but as the change process is path dependent on existing institutions; that was not enough to change the existing ways of thinking, and an adaption of the new BSC-rules was introduced. This section thus introduces the new BSC-rules that were introduced with the BSC's implementation, then, how the imposed new BSC-rules were adopted according to the existing accountability institutions will be explored later in this chapter.

After the loss of the A-grade customers' market share, top managers at the group level observed the need for a change in order to achieve the group company's vision of differentiation and of serving A-grade customers in a better way; therefore, the BSC was introduced with the aim of directly linking the performance of different employees with the achievement of the business vision by making employees accountable for their performance in a more concrete way. The BSC was therefore imposed by top managers from different levels in the organisation. With the newly imposed MAP, new rules were introduced. Before presenting the new rules, the section will give a brief description of the consulting company's role in the change process, and this will be based on PackCo's experience. Actually, based on the empirical findings, the consulting company's role in the change process was limited to technical support only. The

PackCo GM described the role of the consulting company in the change process:

The consultant was coming to the HO every month, and the group company was submitting progress reports. The consultants were analysing those reports and then recommending which corrective actions were required, and what the key elements are that the company should focus on, and, which elements to keep aside (don't monitor them on a regular basis, not weekly but monthly). The company has done these all by itself and the consultant was a guiding factor only. It was not the consultant who entered the data and said: "you have to do it in this way".

Based on PackCo's experience, the consulting company's role and contribution were crucial in the design process, as well as from the technical perspective in implementation (Oliveira, 2010). The influential technical role of the consulting company was supported more by the lack of technical knowledge of different organisational members in regard to the BSC. Unlike different studies, for example Oliveira (2010), where the consulting company had an influential role in the implementation of SAP within the case study company, the role of the consulting company at PackCo was limited to guiding only, and following up on how the BSC implementation process was progressing. The geographical span of different units, plus the financial consequences of engaging consultants directly in different operational units, could explain the limited role of the consulting company in the change process at PackCo. Additionally, due to the author's limited access to the group company, it was not possible to fully understand the role of the consulting company in the change process.

Following the BSC training that top managers (GM only from PackCo) from different group units received from the consulting company at the Dubai head office, each unit general manager was responsible for training and the introduction of the change in his unit. The PackCo GM, describing the training stage thus:

...the training period included: basic understanding of the concepts and then data gathering; as you need lots and lots and lots of data to be pumped into the BSC to make proper decisions, which parameters are important for the whole organisation to improve, not for a particular line of managers. It was important to know how the data would flow, this is one part. The second part is, basically, how will you record those

data, where, and in what format? The format should be unified for all across the group, so those formats were defined

In their study, Burns and Scapens (2000, p.6), defined the rules as “the formally recognized way in which things should be done”. In the case study, a set of new rules was defined by the consulting company with the introduction of the BSC, and that is, how to collect data, how to feed data in the system, and how to produce the required reports. Those new rules were supposed to help the group company in co-ordinating and giving coherence between the HO and different units in how to produce the required reports that were associated with the introduction of the BSC. However, throughout the routinisation process, deliberate modifications caused by resistance were introduced, as will be discussed below (Burns and Scapens, 2000, p.6).

The implementation process of the BSC started in mid-2008, and from the beginning of 2010, the company started monitoring all the parameters itself. The PackCo GM was responsible for providing monthly reports to the Dubai head office. PackCo's GM stated the following to describe the general employee perception of the introduction and implementation of the BSC, and it is clear from his quotation how he mobilised the power over meaning to convince his employees that the change was good:

Employees did not reject it, but they were not convinced with the idea of BSC. Because, see, there are two things here: one is the knowledge of that subject matter and, second, the fear of the unknown. The fear of the unknown is always there. What will happen, how will the manager deal with me, will they blame me for not performing? Things like that. But the approach is different here. It has to be taken in the right sense. It is more convincing employees that, look, this is going to be beneficial for us

Giddens (1984, p.57) argued that ontological security is the basic anxiety-control mechanism, which is developed during the infant's pre-linguistic stage to cope with anxiety and, later, is sustained through the enactment of predictable routines in social interaction (Busco, 2009, p.255). And the ontological security needs of individuals are satisfied through routinised practices, while reproducing the wider organisational and societal order. Within PackCo, before the implementation of BSC, the ways of doing things that were embedded in employees' daily routines provided ontological security for the employees and,

simultaneously, met the managers' needs. Though routines are enacted and reacted through social interaction, during critical situations, for example, the introduction of the BSC at PackCo, routines would be disrupted and "anxiety swamps the behavioural rituals habitually performed within the organization" (Busco, 2009, p.256). This threatens the ontological security of individuals and unlocks the possibilities for change. The introduction of the BSC at PackCo threatened the ontological security of different employees by the introduction of new rules that challenged the existing ways of doing things, or routines. Even though some employees experienced anxiety about how the new BSC-rules that had been introduced would affect their performance evaluation, there was no "overt or formal resistance" to those new rules at the early implementation stages, as the change was a directive from the head office in Dubai (Siti-Nabiha and Scapens, 2005).

For instance, the Sales Manager's performance was linked directly to on-time order delivery, based on the new BSC rule. A score, for the Sales Manager, would be calculated according to the on-time order delivery. In other words, a score of 5 would be assigned for a 100% of on time delivery, and the score was lower with a lower percentage of on-time delivery. The new accountability rule challenged the existing accountability institution, as explained above in Section 7.4.1. The new BSC-rule for Sales Managers was in the form of providing monthly reports to HO about the percentage of on-time delivered orders by using a manual system called the raving fan module. The Sales Manager explained how that module was used:

The Sales Managers should take 5 or 6 of the major customers and track their orders one by one. And there is a score assigned to the Sales Manager performance in relation to on-time delivery. For example, if I deliver on time, this means a hit (i.e., I delivered on the same day agreed with the customer); otherwise that will be a miss; i.e., I miss delivering on-time to the customer. Did I hit the agreed delivery date or did I miss it? And there is a percentage allocated if I do not deliver the orders on time, which depends on how long I was late in delivering the order to the customer

Then, a monthly report on the percentage of on-time delivered orders would be sent to the PackCo GM and the Sales Director at HO. In addition, all of the necessary data needed to produce that monthly report was entered, mainly

manually, into the system. The PackCo Sales Manager described this module, and the associated new data-feeding rule:

The raving fan module was not a well-established programme, it was simply Excel. I was the one who calculated the hits and misses and to get the percentage I have to put in a formula. And I tried to give it to my colleague to do, but I found that he was not doing it properly. So, I have to review it and I have to re-do it again. And it was something like homework.

To the Sales Manager, this new rule was only more of a load on him, and if there is an even greater load of documentation and reports on sales people; you will not get a good bottom line result. However, you will get magnificent results as a report, but this is not required

Accordingly, the Sales Manager enacted the new rule by entering the required data into the raving fan module, as well as producing the monthly reports required by top managers. For him, this was only an extra load; also, to him, the new rule conflicted with the existing sales-oriented ways of thinking and the existing accountability institution. The PackCo Sales Manager said, “See, it is not that I was not willing to provide the reports; it was extra load and more documentation. Any salesman does not like to sit in the office and do lots of documentation”.

The PackCo Sales Manager also added:

Most important thing to the customer is delivering the order on time and for some customers if I delay the order for 2-3 days, it is not a big deal. But immediately I put this ‘miss’ in the raving fan module, it will give a lower percentage; and, actually, it is not less because the delay didn’t harm the customer. We are talking about delivery if I am harming his production only. If I am stopping his production, yes, it is a big crime; but if the customer agrees that I am going to delay the order for 2 or 3 days, or whatever, it is o.k. (saying it as if there is no big issue, and no need for this new BSC-rule).

In addition to the Sales Manager, other staff at PackCo referred to the new BSC-rule as challenging the existing accountability institution. The financial accountability also was directly linked with the CC Leader’s performance evaluation, which is based on the new BSC-rule. It was as follows: the CC Leader would get a score of 5 when she collected all due credit notes from

customers within 90 days, and the score would get lower as she took a longer time. Additionally, she received a zero score when she took more than 180 days to collect any credit notes. The CC Leader had to submit a report on the credit notes, and which notes were collected within the 90 days, and which were not. The new BSC-rule is in the form of providing the reports related to credit notes' collection, as well as the link between the CC Leader's performance evaluation, and this created a situation of anxiety for her, as she explained:

Actually, when this new performance measurement was introduced it affected my performance too much, to the extent that, even when I go home, I still think about the work and the amounts that I didn't collect from the customers

Although the new BSC-rule challenged the prevailing accountability institution at PackCo, the CC Leader started to enact and react to the new rule in the form of providing reports regarding all the credit notes and how long she took to collect them. The enactment of the new rule was also a result of the imposition by top managers, both at the unit or HO level, and due to power-of-resources mobilisation.

On the other hand, and unlike the situation with the Sales Manager and the CC Leader, there was no resistance to the new BSC-rules in the production department, despite the fact that there was deliberate resistance by the ex-Production Manager to the new BSC rules when the idea of the BSC was introduced in the first place. The process of change thus evolved in a different way within the production department, although all employees at PackCo shared the same existing accountability institution. Different events—including the dismissal of the existing Production Manager, the promotion of an existing supervisor to Production Manager, and all the consequences that followed—unfolded following the implementation of the BSC at PackCo.

With the BSC implementation, the performance of the employees was linked to the score they received on the scorecard, based on different parameters that were related to the employee's working field; for the Production Manager, there were nine parameters, and eventually his performance evaluation and yearly bonus were affected too. When the initiative of the BSC implementation was introduced to PackCo, the ex-Production Manager, who held a master's degree

in printing and was aware of how those parameters would affect his performance, resisted the change from the beginning. Since the head office managers had imposed the change within all its units, employees were left with two options: either they “do it, or they may leave” according to the PackCo GM. Due to the resistance of the ex-Production Manager, he was dismissed from PackCo.

Action was needed to replace the dismissed Production Manager, especially since the group company was at the early stages of implementing the BSC. Thus, PackCo GM decided to upgrade an existing supervisor to the Production Manager’s position after providing some training that was related to language and how to handle different documents. The production supervisor only held a high diploma in printing and had started to work at the company eight years earlier as a printing machine operator. The GM believed that the knowledge required for the company was very specific, and upgrading the supervisor to this position was better than bringing in another master’s degree holder. PackCo’s GM believed that internal promotion was the best for the organisation:

.... we realised that there is no need to bring in new people from outside. The one reason is, because our kind of industry is a very specific industry. The knowledge is very, very, specific knowledge on that subject matter. All the old lot of people we had, we had some troubles with them; so we removed them. What we did was we launched the concept of internal promotions. Today, our Production Manager is actually -- 8 years back he was a printing operator. 2 years back he was a supervisor. The idea here is that he is the one who knows how to save the materials, which products to print, how to print them and he has complete knowledge of the process. That has really helped the company, instead of bringing new staff from outside

Despite some challenges that the Production Manager faced after this promotion, he was handling these new responsibilities well. He was providing the different reports required by the top managers, either at the Dubai HO or the Oman unit. In relation to the new BSC-rules, he realised that there was a change within PackCo. He described this change by referring to the change in the amount of data that needed to be entered into the system:

.... same reports, but there is a change in terms of details provided by those reports. Before, it was only 10 columns, but now we are making 20 columns; more details were added.

However, he did not know what that change was, and how such change was affecting his performance. This lack of knowledge was clear from his answer when I asked him about his involvement in the process of implementing the BSC. He said: "No I am not involved, but I am supporting this."

In addition, PackCo's GM stated many times that the Production Manager was implementing the BSC without realising it. He stated that explicitly:

See, the Production Manager is implementing BSC, but he doesn't know. He went for a leave and when he came back he gave me all the required reports. These formats -- we have developed them and he is filling them, but he does not know that that is the BSC

He added: The Production Manager is doing company production reports in terms of capacity and ideal hours, and other series of reports as well, but the funny thing is that he does not know what those reports are made for. The aim is that feeding the data is for BSC, but he does not know that he is feeding them with that aim

As mentioned above, with the BSC implementation, the Production Manager's performance evaluation was linked to 9 parameters, and although such new BSC-rules challenged the existing accountability institution, the Production Manager started to enact and reproduce the new rule. Finally, the Production Manager understood that he was accountable for those report results in terms of explaining the results, even though he did not understand how those reports were linked to his performance evaluation. He said, "If performance is bad I need to give answers, and if it is good also I have to give answers."

From the above, it is possible to conclude that all of the employees at PackCo enacted and reacted to the new BSC-rules and produced the reports required by the top managers, although such new BSC rules challenged the existing accountability institution, and there was no resistance to the new rules during the first two years of the BSC implementation process. Those new BSC-rules were imposed and directed by the top managers from the head office and the PackCo, GM supported by the hierachal power institution. The new MAP was implemented, and reports were produced as required by the HO, but it was not institutionalised, as will be detailed in the following section.

7.4.1.1. Un-institutionalisation of routinised BSC rules, power/ lack of power mobilisation, resistance/ no resistance to BSC-rules, and adaptation of un-institutionalised BSC routines

Based on Burns and Scapens (2000) MA change as a process framework “as new rules are implemented modifications may be introduced, either deliberately or unconsciously” (p.6). They also argued that:

“through implementation of new rules, routines will emerge and enactment of rules and routines may be subject to resistance, especially if the rules and routines challenge existing meanings and values, and actors have sufficient resources of power to intervene in this process” (Burns and Scapens, 2000, p. 10).

This section thus explores the resistance to the new BSC-rules within PackCo. An explanation of that resistance cannot be limited to the challenging of the new BSC-rules by the existing institution, but other factors, such as power and the effect of the new BSC-rule on financial rewards, also explain why resistance occurred (Hardy, 1996; Otley, 1999). Moreover, this section also explores the modifications introduced for the BSC rules due to the resistance by different PackCo employees.

A contradiction between the BSC-rules and the existing accountability institution, plus the effect of the BSC rules on employees' performances resulted in resistance to the BSC by some PackCo staff. As argued by Burns and Scapens (2000), when new rules challenge prevailing institutions and “actors have sufficient resources of power to intervene in the change process,” then new rules would be subject to resistance (p.10). Within PackCo, different change dynamics explained how the BSC's change as a process unfolded. First, the Sales Manager and CC Leader mobilised different sources of power to resist the new BSC-rules. Second, over time, the BSC routine was not self-reinforcing and deliberate change was introduced due to resistance by the PackCo Sales Manager, as well as the CC Leader, to continue reproducing the BSC-rules, especially with the time-consuming raving fan module for the Sales Manager and the credit collection limits for the CC Leader. In addition to the effect of the new BSC-rules on the employees' performance evaluations and financial rewards, as mentioned above. So, these rationales and the power of

resources explain how deliberate change occurred during the routinisation process of the BSC-rules, as will be detailed below.

Employees at PackCo started to enact the new BSC rules as directed by top managers, but two years later some employees resisted the implementation of the BSC. For example, the PackCo Sales Manager resisted enacting and reacting to the new BSC-rule, and the PackCo GM stated, in this regard:

The Sales Manager was feeding the required data into raving fan, and we realised that now it was almost one and a half to two years that the sales people were doing this, and then they started complaining about it: Oh! This is time consuming! If we don't provide Sales Managers with another more user-friendly system then the company will lose. So, management realised that there was a need for some kind of a system before they got fed up and stopped entering data, we need to provide a new system for them.

As discussed earlier, the purpose of introducing the BSC within the group company was to capture a bigger proportion of the A-grade—customer market share. If the group company did not respond to the Sales Manager's resistance, this would have meant that there was a chance of losing the Sales Manager's expertise, which, in turn, meant losing a relationship with customers. Actually, if the Sales Manager left PackCo, the majority of the company's customers would leave the company, because a personal relationship is the basis of developing a business relationship, at least at PackCo, as the Sales Manager believed.

Regarding the customers, I built a personal relationship between me and the customer..... Thanks God, 90% of Omani customers for packaging materials are my customers. The 10% of remaining customers are either with Cut Sheet, which is a normal printing press, or they shifted from PackCo because of the price

Not meeting the requirements of Sales Managers in different units meant that the group company was going to lose the tacit knowledge when Sales Managers left (Burns and Scapens, 2000). That, in turn, would affect the operation of the group company instead of solving the problem, as was reinforced by the PackCo GM in his comment regarding this issue:

If people get bored by typing and writing everything, you give them something which will make their work easier, peace of mind. And if the company did not respond to their claims; then first the data accuracy

would be lost, and, second if the Sales Manager gets bored, he will stop doing it, and then to restart again it is going to be a problem. So that challenge ... we have it in our minds, and we have to face it one day; today or tomorrow

The power of resources, that is, expertise, which Sales Managers possessed, forced top managers to respond to this resistance and introduce a modification to the new BSC rule. This modification helped the Sales Manager to carry on his daily responsibilities according to the existing ways of doing things, at the same time, helped top managers to control the Sales Manager's performance in providing better services to the customers, in general, and to A-grade customers, in particular (Burns and Scapens, 2000; Hardy, 1996).

Top managers at different locations thus took quick action to make the lives of Sales Managers easier in order to save the situation and not to lose the Sales Managers at such a critical time. A modification of the BSC-rule was introduced. The modification was in the way the Sales Manager entered data and produced reports, and the performance evaluation or accountability basis was also modified. A module called Mac-Sales replaced the old raving-fan. The Sales Manager described Mac-sales and how it operated:

Mac-Sales is a sales programme with 8 modules for sales people. If I am sitting with the customer in my office I have to make a note in the system about the customer. So instead of writing it down in a manual dairy I will write it in the system; then they (top managers) will see. Is this a new opportunity, or maintenance? Maintenance means that I met the customer previously, and we spoke regarding an order, but the customer did not place the order and it has been 3-4 days since we discussed the order details. So, I just go and have a coffee with him; ha! Hi, how are you; what is the situation, so and so? This is also considered and entered into the system as well. Calls: because I am doing most of the calls to customers especially those that are in Kuwait, Bahrain and Qatar. So, I have to enter that I have spoken to so and so in the system. Then I will put a reminder for myself; o.k. I called today, and after 5-6 days, if there is any issue, I will call again. So, I have to enter into the system that my schedule is so and so, then the system will remind me automatically.

In addition, despite the fact that PackCo's GM was successful in convincing the CC Leader about the new BSC-rule, she started to resist the new rule, since it affected her performance, even with the usage of corrective parameters, as

stated by the GM and mentioned above. The CC Leader commented in this regard:

I didn't only reject the responsibilities assigned to me with BSC implementation, without limits in credit collection, no, I told the GM that I don't want to handle the credit collection work

According to Busco (2009), critical situations, for example, the introduction of the BSC at PackCo, radically disrupt routines and ontological security as well. The CC Leader, after some time and when she realised the effect of the new rule on her performance with the usage of corrective parameters, started to feel insecure and worry about her performance, because the new rule not only added work pressure for her, but it also affected her performance evaluation. She was always nervous about the collection period, which sometimes forced her to focus on credit collection and neglect other work responsibilities. She therefore resisted continuing to implement the new BSC rules.

Similarly to the Sales Manager, when the CC Leader resisted continuing to implement the BSC, PackCo's GM responded by modifying the new BSC-rule to fit the existing ways of doing things. He modified the new BSC-rule as follows: the CC Leader became responsible only for collecting the credit notes to the limit of 90 days, and any notes exceeding the 90 days and not collected would be transferred to higher level managers, the Sales Manager, or the PackCo GM. In particular, the CC Leader would no longer worry about the collection of credit notes that exceeded 90 days, and the effect that late collection would have on her performance evaluation.

Different change dynamics, in addition to the challenging of the BSC-rules for the existing accountability institution, explain why PackCo's GM modified the new BSC-rule and made the CC Leader accountable only for collecting credit notes up to 90 days. First, and as explored in Chapter 5, the Omani government forced each company investing in Oman to employ at least 35% Omanis as employees (Omanisation strategy). PackCo employs exactly the minimum required percentage of Omanis, and by losing an Omani employee from the unit, the investing company would be breaking Omani investment law. The indirect power that the CC Leader gained from the Omani government's foreign

investment legislation—Omanisation—thus forced PackCo to modify the new BSC accountability rule. If the CC Leader had not been Omani, and she had thus lacked any source of power, the reaction of the PackCo GM might have differed. As was mentioned above, a Production Manager was dismissed from PackCo as a result of his resistance to implementing BSC. In other words, the change process might have unfolded in a different way if the CC Leader had been non-Omani, and thus the Production Manager did not have sufficient power to intervene in the change process (Burns and Scapens, 2000).

Second, as mentioned in Chapter 6, and based on the follow-up interviews, Omani citizens are mainly not employed at the higher levels (i.e., managerial levels), especially in NOROMCs. There are different reasons for this, including the high cost of training them, the lack of qualifications to occupy such positions, and higher salaries for Omanis employed in high positions (within NOROMCs). The Omani productivity level is also lower. Due to the time that PackCo spent in training the current CC Leader, and the time needed to train a new person for such a position, the PackCo GM preferred to modify the new accountability-rule introduced by the BSC so that it would be compatible with the CC Leader's old ways of thinking, instead of employing another Omani and starting training him/her from zero. In addition to the fact that the newly introduced rule associated with the implementation of the BSC challenged the existing accountability institution, other internal, as well as external, dynamics explained why PackCo's GM modified the new BSC-rule for the CC Leader, specifically, the power of governmental authority (i.e. Omanisation) and the cost of training Omanis.

On the contrary, and as explored above, the introduction of the BSC unfolded in a different way within the production department. As there was no resistance to the BSC's new rules, despite the fact that the new BSC-rules added work pressures to the promoted Production Manager and nine parameters were linked to his performance evaluation, he continued to enact and reproduce the new BSC-rule until it became a routine, as he indicated:

The change added work pressure for me, but if I am doing it every day I will not feel that there is more work. But if I skip it for one week then I feel there is more work to do. At the beginning, I felt that there was

more work to do, but now I am doing it every day. I spend only 20 minutes on the reporting. At the beginning I faced some problems, Oh! There are 20 lines to be filled, but now I am o.k. with it

The lack of power over resources, that is, knowledge and expertise, explains why the Production Manager did not resist the new BSC rule, compared with the Sales Manager and the ex-Production Manager, as explained above. It is important to state here that the lack of knowledge was related to understanding how the BSC implementation affected the performance evaluation of the Production Manager. This is not related to the technical knowledge *per se*, as it is not possible to ignore the six years' work experience of the Production Manager within PackCo. Although his experience in the field added technical knowledge in terms of production procedures, he lacked the tacit knowledge and expertise needed for a managerial position, as was reflected in his interview responses (Burns and Scapens, 2000).

The change process might have unfolded in a different way if the dismissed ex-Production Manager had still been working within PackCo. Ezzamel and Burns (2005) study's results demonstrated how conflict of interest and power/knowledge between finance and buyer and merchandise managers resulted in resistance to implementing the Economic Value Added technique at RetailCo. Thus, "formal and overt resistance due to competing interests" might explain why the ex-Production Manager resisted the BSC. His knowledge and experience level was higher than the current Production Manager's, because he has a master's degree (Burns and Scapens, 2000, p.17). The new BSC-rule thus became routinised and maybe institutionalised.

Last, but not least, a company will respond to the requirements of its employees so long as the main objectives of implementing the BSC are not violated, and any modifications do not affect the organisation's operation. That means that the comfort working zone has limitations, and there are red lines that cannot be crossed by any employee. That was clear from the response of the Sales Manager, when he stated clearly that if he resisted implementing the Mac-sales module, then the company definitely would remove him from the business.

See, with my management, I am very frank and very open. I told them clearly, if I can do something; then I will do it. If I can't do it, still I will try to

do it, but at the end I will tell them “sorry”. And this is what happened; I was doing that (BSC) for two years. But I found that it was an irritating activity. And the management understood that, and as a result Mac-sales was introduced. But if I am not doing Mac-sales they will tell me “Bye bye!”. And they said it from the beginning

From the information presented in this section, it is possible to state the following. The BSC was imposed by the HO on different units, which questioned the existing ways of doing things within the group company as a result of “changes to the perceived utility or technical instrumentality of the pre-BSC accountability system, rather than the result of interest mobilization or redistribution in organizational power” (Oliver, 1992, p.571). Yet, employees at lower levels exercised different sources of power to resist the change. However, just mobilising power is not enough to impose a change; it is important to understand existing institutions before introducing any change, because “all the politics and power in the world cannot guarantee intended institutional change” (Burns, 2000, p. 591). The challenging of the new BSC-rules by existing ways of thinking and doing things thus cannot explain fully why actors resist change. Other factors, such as power mobilisation and the effect of change on employees’ performance evaluations, i.e., rewards systems, also support the analysis of how the change as a process evolved in this case study.

7.4.2. Previously formed institutionalisation and Enterprise Resource Planning (ERP)

Burns and Scapens (2000) explored the process of institutionalisation of rules and routines, and, based on their MA change framework, this process involves the reproduction of rules and routines through individual actors’ behaviour. It also “involves a disassociation of the patterns of behaviour from their particular historical circumstances, so that the rules and routines take on a normative and factual quality” (*ibid*, p.11). This section introduces the previously formed automation institutionalisation that preceded the introduction and implementation of the ERP system, SAGELINE500 (SL500, hereafter) in PackCo and its’ importance in shaping how the process of implementing ERP system unfold within PackCo.

As was detailed above in the previous section, top managers within the group company automated the process of entering data for Sales Managers by introducing the Mac sales system module, instead of the raving fan module, due to the resistance to the new BSC rule. This automation solution can be referred to here as a previously formed institutionalisation, which paved the way for the implementation of the ERP system within PackCo. In other words, the PackCo GM experienced the benefits of automating the new BSC rule for the Sales Manager, and based on such experience, he decided to propose the implementation of the new ERP system as a solution to the reporting pressures he faced, especially after the partnership with the Canadian company.

Accordingly, the previously formed institutionalisation explained to some extent why resistance to the new rules that were introduced with the introduction of the ERP system at PackCo was lower compared with the resistance that PackCo's GM faced when the BSC was introduced⁸⁰. There were also other change dynamics that explain how the introduction of SL500 evolved at PackCo as a process. The remainder of this section explores how the implementation process of a new ERP system evolved within PackCo, and how different change dynamics, including existing manual-data-entry institutions, as mentioned previously, power, rules, and routines, shaped the change as a process by drawing on Burns and Scapens (2000) MA change as a process framework and Hardy's (1996) power mobilisation framework.

Since the current GM joined PackCo in 2004, he has started to change and develop the management control system at PackCo. The system that PackCo used before the current GM joined was semi-automated and had too many limitations. More precisely, data entry was manual, and there was no database in the system; the system was not user friendly and was time consuming as well. The PackCo Sales Manager described that system thus:

The computer system was an extreme nightmare for sales people and for the accounts department. I don't remember the name of the system, but it was a very basic system; where I have to type the sales order and all the details related to the order (ID number, delivery date and everything). Then after that, even if I made a mistake during typing; I can't rectify it immediately. I have to save the order and then

⁸⁰ Assuming that the resistance level can be measured.

go back to the file and I have to remember which row the mistake was in and what the mistake was also. Then I go to that row and re-do it again. This system was only to track the orders and order numbers; but for everything else we were depending on Excel; 100% Excel: invoicing and delivery order everything

However, in 2004, FOCUS was introduced, as the PackCo GM was unable to deal with the old system, since his previous work experience was at a multi-national company in India, and he had never worked with such a basic system before. FOCUS was introduced not only for that reason, but also because the old system was time consuming. The PackCo Sales Manager described FOCUS:

Then, after that, when the GM joined, we shifted to FOCUS, which is much, much better than the previous one. Everything that I was doing in half an hour I was able to do in 2-3 minutes in FOCUS. Even tracking the orders and tracking the material, and everything, was much better

Although FOCUS was a more powerful system, if compared to the older one, on 1st December, 2011, PackCo's GM proposed a new system, which is SL500. As will be detailed below, though there was no fundamental change in the nature of reports produced by the new ERP system, there were new rules in terms of data processing related to the new ERP system. Additionally, there was no change in the existing management accounting routines (costing system, budgeting system, etc.) that were associated with the implementation of the SL500 ERP system. Thus, the ERP system played a stabilising role in the existing management accounting routines, and no new, sophisticated management accounting practices were introduced following the implementation of the ERP system at PackCo (Burns and Scapens, 2000; Granlund and Malmi, 2002).

Accordingly, before the implementation of the SL500 ERP system, there were different legacy modules for each department in PackCo, and information duplication existed. Moreover, for a report to be produced, data was collected from different departments; there was no integration between them, because there was no properly developed database. The existing reporting routines associated with the pre-ERP system were time consuming, as employees at PackCo had to pull data from different sources to produce the required reports,

and data entry was mostly manual, as mentioned by some interviewees. The existing reporting routines thus added more pressure onto the PackCo GM, since he was responsible for providing various reports to different higher level management, the Dubai HO and the Canadian partner. First, PackCo's GM had to adjust the format of the different reports that were produced by FOCUS so that he could upload the reports into the HO system, which was a different system. PackCo's GM described that as:

Because there are too many reports that are required by the HO. I had to import data from FOCUS to Excel and process data according to HO requirements; I had to do it manually. That consumes time

Second, the group company had entered into a partnership with a Canadian company in 2011, as mentioned above. The new partner also required from each and every unit within the group company, including the head office in Dubai, the uploading of reports to the Canadian company's system directly. The performance reports of the different units within the group company were not consolidated, so each unit was sending its reports separately. PackCo's GM was responsible for uploading those reports to the Canadian company system as well. The reports were similar to those sent to the HO in Dubai, in terms of content, but they differed in format. To meet the reporting pressure of the new partner and also the Dubai head office's reporting requirements, in addition to the new reports emerging with the BSC's requirements simultaneously, the PackCo GM realised a need for a change and proposed the implementation of an ERP system in his unit to the Dubai HO. Hence, unlike other case studies, for example, Scapens and Jazayeri's (2003) and Yazdifar et al.'s (2008), where the parent company imposed the implementation of the same ERP system as the one used by itself, PackCo GM instead proposed the implementation of an ERP system in his unit that was similar to the one used by the head office in Dubai. Change in the ownership structure of the group company, thus forced the GM to question the existing ways of doing things that were related to MCS, which was taken for granted and unquestionable for some time (Burns and Scapens, 2000). He thus proposed the introduction of the SL500 ERP system within his unit. PackCo modelled this implementation on the one at the Dubai HO, though such modelling was not the result of an uncertain situation, as argued by Powell and DiMaggio (1983). However, introducing this system would

facilitate the uploading of reports between PackCo and the Dubai HO with the click of a button, which is why PackCo's GM proposed the SL500 ERP system and not another one. That, in turn, would reduce the workload for the PackCo GM, at least for the reports provided to the Dubai HO.

Introducing an ERP system similar to that used by the Dubai HO would decrease routine reporting pressures for PackCo's GM, and his employees as well, from different aspects. First, the group company already had previous experience with this ERP system. So, instead of going to another system and once again having the same problem of different formats for reports, the PackCo GM proposed the implementation of this system. Second, the group's previous experience with the same ERP system would make the customisation process to meet PackCo's needs easier, as explained by the GM:

So what we have done is, instead of going out and searching for a different ERP solution, we have selected something already implemented in our group. So that is a good advantage for us, as the process is already mapped. Thus documentations, data collection, activities and all things become easy for us. So that is the reason why we went for the SL500 ERP system

Unlike the GM, current reporting routines for PackCo employees were enacted and reacted without questioning, and without their realising the need for change, which resulted in employees resisting the implementation of SL500 when it was introduced, as will be explored below.

From above, we can conclude that the PackCo GM proposed the implementation of the SL500 ERP system within his unit for the following reasons: (1) less work pressure for him, in terms of uploading the same reports in different formats for different top managers, namely, the HO and the Canadian partner company; (2) live updating of reports between PackCo and the HO in Dubai; and (3) automation of data processing, development of database, and integration of different departments within the unit (sales, production, and accounting).

7.4.2.1. Mobilising power of meaning over the Dubai HO

Although the implementation of the SL500 ERP system would reduce reporting pressure for PackCo GM and facilitate live reporting between PackCo and the Dubai HO, top managers at the Dubai HO were not convinced by the PackCo GM's proposal for introducing and implementing SL500 at his unit. This section explores how the PackCo GM mobilised the power of meaning to convince the Dubai head office's top managers to introduce the SL500 ERP system at PackCo (Hardy, 1996).

It took about five months for the PackCo GM to convince HO top management of the importance of, and need to implement the SL500 ERP system in his unit. As there would be a huge capital investment involved in such an implementation, in addition to the yearly licence costs paid to the SL500's vending company. Providing better services to A-grade customers and increasing group company size in terms of higher turnover were the arguments used by the PackCo GM to convince top management at the Dubai head office to implement the new ERP system. PackCo GM's opinion, in this regard, was, ".... you have to change with the time. When FOCUS was in use, there was no big turnover, there was no huge competition."

According to the PackCo GM, the proposed ERP system would facilitate the provision of better services to A-grade customers by prioritising⁸¹ their orders, which would mean that customer orders were organised based on order value. Higher value orders are orders from key customers. This prioritising feature is not available with FOCUS, while it is with the SL500 ERP system as the user needs only to refresh the system screen and he/she gets all the updates related

⁸¹ **Now how do we prioritise?** Based on the value of the order; I would say the largest order should be printed first and that is even if the order is not required by the customer. Because it serves two purposes: first, larger orders mean that it is from our key customers and if you serve the top 15 customers better, then chances to get better business in the future are secured. And other customers also will get the priority, but of course, the more margin and the better relation, and you have volumes here. And before Sage, all these things were getting ignored, for example, in the effort to save an R.O.⁸² customer, you were affecting customers of R.O.1,500 although his delivery is not urgent, but if you serve him better he will give you a good volume of business and a recommendation, because these are from big companies and that does not mean that we are ignoring customers from small companies; it will be in our list but the priority will be given to the top 15 customers. Now production, they don't know how to prioritize the top 15 customers and how to serve them. So we made that 48 hours schedule and any order comes in will go to the 48 hours schedule based on the idea of prioritizing, and the new ERP helps in doing that for a better service provision to A grade customers and that also will depends on the availability of materials as well, which will then make the 48-hours printing schedule clearer. But in 48-hours the top 15 customers' orders should be printed. (GM, PackCo)

to any binding orders, and the prioritising feature will put orders with high values before orders with lower values. All staff within the unit would thus focus on responding to the higher value orders. This feature in the SL500 ERP system facilitates the better utilisation of the 48-hour airport concept to serve A-grade customers:

The company introduced the airport concept and the work of the production people improved with the 48 hours' schedule. To utilise that better, the company needed some data on how to prioritise that 48 hours' schedule and how to frame it. This idea of prioritising is linked to the airport concept, which was introduced earlier by the company, but now that idea is supported by on-line data, which makes the service provided to A-grade customers better than before

In addition, PackCo's GM referred to the future needs of PackCo and the group company in order to convince the Dubai HO's top managers about the introduction of the new ERP system to his unit, since, with the new partner, the chance to grow faster in the region would be higher: With the CCL merger the group is now growing in a much bigger way, and if they are not systematic it will be difficult to meet the needs of the new partner.

PackCo's GM mobilised the power of meaning to convince top management at the Dubai HO to accept his proposal for implementing the SL500 in his unit. He referred to providing better services for A-grade customers, and increasing company size in terms of turnover to do so. Providing better services to A-grade customers may be a better explanation of why the Dubai HO's top managers accepted the proposal. As was discussed above, the BSC was introduced into the group company to capture a higher market share of A-grade customers through providing better services in terms of on-time delivery. In addition, the lock-in of the organisation with different investments in production procedures, for example, the airport concept, supported the PackCo GM's argument with the Dubai HO in relation to the introduction of the SL500 ERP system in his unit. The SL500 ERP system would support those existing strategies and operating systems. Having said that, it is not possible to ignore the effect of the new partner on the reporting routines. Eventually, top managers at the Dubai HO were convinced, and provided the required capital for investment in the new ERP system at PackCo.

7.4.2.2. Implementation process of SL500 ERP system, its new rules and the routinisation of the new rules

The previous section explored the mobilisation of the power of meaning by PackCo's GM to convince top management at Dubai HO to introduce SL500 at PackCo. This section explores how he imposed such change within his unit by mobilising different sources of power, including power over resources and the power of meaning (Hardy, 1996). In addition, it demonstrates how the informal introduction of the SL500 ERP system facilitated the enactment of SL500-rules within PackCo, without any modification when compared with the implementation of the BSC-rules (Burns and Scapens, 2000). In contrast to the BSC change as a process, the resistance level to the SL500 ERP system was lower, and only the CC Leader resisted its introduction initially, as will be detailed below.

After PackCo's GM convinced top managers in the Dubai HO to invest in the new ERP system, he received general training from the SL500 consulting company on how to use the ERP system from the Vendor Company of the Sageline500 ERP system. Training was provided only for the PackCo GM for one week, as training for each and every employee was too costly. However, the vending company provided some technical support to PackCo's GM when that was needed, and there was no direct involvement of the vending company during the implementation process of the new ERP system at PackCo.

After PackCo's GM received training for the new ERP system, he introduced the change to his unit. Not all employees accepted the introduction of the new ERP, so PackCo's GM mobilised different sources of power to impose the implementation of the SL500 ERP system. Specifically, he exercised the power of resource, in terms of authority backed by his position, to influence the implementation of the SL500 ERP system within PackCo in order to put change into action (Hardy, 1996). And that power mobilisation was expressed openly by PackCo's GM. He admitted that it was difficult to shift to a new system, but employees still had to follow whatever was required by the top managers. He stated in this regard:

See, when you shift from one thing to another thing, it is not easy. It is a sociological thing, if you are comfortable with Hotmail you will not shift to Gmail. If you are comfortable with Gmail you will not shift to anything else. So when I force you to shift, there is retaliation for some time, but then you have to overcome that

Despite the GM's mobilising of the power of resources, the CC Leader still resisted the introduction of the SL500 ERP system. She explained her resistance:

You know, because I got trained for FOCUS, and it was very easy and I didn't face any problem with it. But with SL500 there are too many options to choose from, and there are many steps you must do to complete the data entry. And, you know, we were working with FOCUS for a while and suddenly the GM told me to work with the new system

Ontological insecurity thus explains the resistance of the CC Leader to the new ERP system-rules that were introduced (Busco, 2009). Although the CC Leader persisted in resisting the change, she said:

I was going back always to the GM and tell him that there is no need to implement the new system and we already got used to FOCUS and it is easier to deal with. But the GM insisted that I should try the new system, and see the results later on

PackCo's GM exercised the power of meaning to convince the CC Leader and the remaining PackCo staff that implementing SL500 was reasonable and desirable in terms of making their working environment comfortable and data processing better "by showing her and other employees the advantages in their daily life, in terms of automating reports production"; PackCo's GM.

Again, with the SL500 ERP system change as a process, the power institution embedded within the group company was reflected here, as it was with the BSC change as a process. PackCo's GM utilised the power of resources earned from his hierarchical position to impose the change upon his unit's employees, who also have to implement the change, as it is directed from top level management—the power institution. In addition, power over meaning to convince employees that the change is good and desirable, enforces the power of resources institution that existed within the group company.

After PackCo's GM imposed the SL500 onto his unit by mobilising different sources of power, he started to provide technical training for his employees. Technical training was related to the new ERP system's rules. The GM described that stage, and said:

I gave training sessions here regarding how to enter the data, how to process the data, and, if you are stuck, who you are supposed to contact for each module

The GM provided eight sessions in total for all of the employees within his unit, each in his/her area. His main focus during those training sessions was to make sure that his employees understood all of the new ERP system's rules. After training was provided to the employees, data transfer between FOCUS and SL500 was the next step. It took about two months, and it was a challenge for the GM and his team, since there was no previous database that they could build from. Instead, the database was created from scratch.

Although PackCo's GM focused on the formal introduction of the SL500 ERP system-rules, there was about a two-month gap between the end of the technical training and the formal introduction of SL500 at PackCo, which helped PackCo employees to interact with the system. During that two-month gap, PackCo's GM allowed his employees to explore the new ERP system before the system went live. This helped employees to become familiar with the interface of the new ERP system and how to enact its new rules, such as how to enter data, select different options related to different reports from the database, and produce the required reports; i.e., they learned how to enact the new rules informally. PackCo's GM referred to those two months of training as a learning period, and stated:

A demo version was provided to concerned employees to try it and make entries and learn from mistakes for another 2 months. So when the company goes live the probability of making errors will be less

Referring to Rutherford (1994), Burns and Scapens (2000) stated that formal change "occurs by conscious design, usually through the introduction of new rules and/or through the actions of a powerful individual or group" (p. 18). However, they also argued that informal change occurs when management tries

to change the existing ways of thinking that are embedded in the existing routines, as explored in Chapter 3. Based on the quotation above from the PackCo GM, the two-month gap thus allowed employees at PackCo to enter dummy variables into the SL500. That helped to change employees' ways of thinking, which were embedded in their daily routines, and it facilitated the formal introduction of SL500 with minimum resistance when the system went live. Though new ERP system-rules that were introduced challenged the existing ways of doing things, the informal ERP change as a process that preceded the formal ERP change explains why resistance to the ERP system was lower. Based on Burns and Scapens (2000) study, "if the processes of informal change lag behind the formal change processes, tensions may be introduced in the form of anxiety and resistance, possibly leading to the failure of the implementation" (p.19). At PackCo, informal change preceded the formal change, decreased the level of tension between PackCo's GM and his employees, and helped employees to cope with the different challenges associated with the implementation of the SL500 better and with less tension and resistance, as will be detailed below.

As explored above, the FOCUS system was less advanced than the SL500 ERP system. For example, data entry in FOCUS was mainly done manually. The user also had to pull data from different departments in order to produce a report. With the implementation of the SL500, new rules were introduced, as mentioned by different system users at PackCo. Those new rules challenged the existing FOCUS system routines that were embedded in the existing manual institution. Though that was the case, resistance to the SL500 was minimal, due to previously formed institutionalisation and the informal introduction of the SL500 preceding the formal implementation, as previously discussed.

Employees at PackCo were comparing the new ERP system rules with the existing FOCUS reporting routines. For example, the CC Leader referred to the new SL500 rule regarding selecting data related to transaction details from a drop-down menu instead of the existing routine of manually entering data. Previously, if the CC Leader needed to develop an invoice, she had to type all the details related to the invoice. However, with the SL500's new rule, all

information related to different customers was available in the system, and she needed only to select the required detail from a drop-down menu. This new rule thus challenged the existing manual ways of doing things in the FOCUS system. The new rule represented a challenge for the CC Leader, as according to her:

First in FOCUS anything we enter it manually, but with SL500 everything is available within the system database and you only have to select the right option for each transaction. Before, with FOCUS, if there is any extra information associated with the invoice, we enter it manually; but with SL500, as I mentioned before, it is a must to select from the drop-down menu and we cannot change that manually. And this was difficult for me at the beginning

Moreover, with FOCUS, realising that mistakes had been made and correcting such mistakes was time consuming, in terms of the time the FOCUS system took to discover such a mistake, and the effort needed to correct it. For instance, if an employee made a mistake during the month, the effect of that mistake would not show immediately within the system; the employee would discover the mistake at the end of the month, when the records did not balance. In addition, correcting any mistake meant reviewing the full month's cycle to find where the mistake came from. Employees were used to this way of data retrieving and data correcting, i.e., a routine. The process of correcting the mistakes in FOCUS also required currency conversion, and FOCUS did not cope well with converting Omani Rials (PackCo reports), Canadian dollars (Canadian partner reports), and Emirati dirham (Dubai HO reports), as PackCo's CC Leader commented on that:

See, everything was done manually in FOCUS. For example, if I discover a mistake at the end of the month; then I have to take out all the billings of the month and make currency change calculations for each and every transaction of the month from Omani Rials to UAE Dirham and then to US dollars. Thus, any small mistake will affect the whole month's cycle in terms of the difference between the amount recorded and the amount received. But now, with SL500, everything is done with a press of a button and I get the required information immediately, without a need for currency conversion or any of the other adjustments I used to do when FOCUS was in operation.

With the implementation of the SL500 ERP system, a new rule was introduced that related to correcting any mistakes that an employee made while entering

the data into the system. The new ERP system discovered the mistakes immediately, and the user could refer to the database to find the mistake without the need to take out the whole month's bills. In addition, the currency conversion was done with a button click, instead of all the manual work that was done before with FOCUS.

Though SL500 discovered a mistake immediately, and rectifying a mistake could be done with a click of button, the SL500 had a separate procedure for mistake correction, as it was not done in the same window as the one in which the original data was entered; this new rule represented a challenge for users of the SL500 ERP system at PackCo. The CC Leader described that new rule and said:

The second thing is that when we want to adjust a mistake it was a very difficult activity with SL500. And we tried to avoid making mistakes, since in this system, any data we uploaded in the system, it is not possible to change it. And if there is any mistake in the uploaded reports we face too many problems to adjust the mistake before sending the reports to the GM as we need to do that in a separate system

That challenge related to mistake correction was also mentioned by the Production Manager, and he compared that new SL500-rule with the existing data entry routine of FOCUS and how it was easier for the user to correct a mistake in FOCUS, regardless of the time consumed. The Production Manager stated, comparing the two systems:

The disadvantage of the new system is that once you enter the data you can't go back and rectify the mistake. And to correct the mistake there is a lot of procedures to go through as there is a separate procedure for correcting mistakes and that one mistake takes long time as it could take you around half to one hour to rectify it, while you realise that you did a mistake in ten seconds. And because of this procedure we suffered a lot at the early stages of implementing the new system. In the old system, you can correct any mistake immediately, and without any control procedure like this one.

Moreover, the SL500 ERP system had different features that were not available with FOCUS, including customer prioritising and integration between different departments. That helped to achieve the organisation's vision related to providing better services to A-grade customers, as referred to by different actors

within PackCo. That resulted in eliminating the existing routine of collecting data from different departments to produce the required reports, and also helped employees to respond to customers' enquiries faster. The Production Manager said:

Actually it is easier to get the required information from SL500 than from FOCUS. Before, I didn't have a database in the system and not only that, I had to collect the data from other departments and enter it again in my system. But now there is a database and data is entered once only, and with one refresh button I can get updated information and reports, and I can respond to different customers' enquiries better

In addition, PackCo's Sales Manager referred to the SL500, particularly the integration feature, as a professional system that helped him in providing responses to customers' order enquiries in a better way. With FOCUS, such communication between sales and the production department did not exist. PackCo's Sales Manager stated:

Sage is a professional system and, as I told you, with a click of a button I can get what I need. But in FOCUS that was not the case, as with FOCUS I can't get information about what we have in stock, if the goods are available or not. But with SL500, when I am releasing an order there is a link now between the cost sheet in Excel and SL500 which is telling me I am going to put 60,000 meters of materials so and so. And I can check automatically with a click of button if the material is available or not. So, for example, it will tell me that, no, this material is not available, o.k. what is the alternative? Yes it is more complicated, but more outcome information is provided by the new system

Communication and information flow between different departments at PackCo also improved due to integration in the SL500 ERP system. That, in turn, facilitated the provision of better services to A-grade customers, as was proposed by the PackCo GM to the Dubai HO. This was emphasised by different employees at PackCo. The PackCo GM emphasised the importance of implementing the SL500 for providing better services to A-grade customers, by integrating different departments and aligning their efforts in the direction of providing better services to such customers. He said:

The focus is customer service, and to do that customer service we should know what we are doing in production. Are we printing the jobs which are related to 'A-grade' customers or not? Prioritising job printing is important, and SL500 facilitated that by integration, as

before the introduction of SL500 production was in a different direction and sales was in a different direction and SL500 aligned the two departments' efforts

Although the new ERP system's rules challenged existing ways of doing things, nine months after the introduction and implementation of the SL500 system at PackCo, routinisation of the new imposed ERP system did occur (Burns, 2000). That was reflected in the responses of different interviewees at PackCo. Despite the fact that the CC Leader faced many challenges when the SL500 was introduced in January, 2012, nine months later she was describing the Omani team as being experts in the system:

When we changed to SL500, it was a very different system and complicated, and such a system was very new to us and we didn't get used to working with such a system before; but now I think you can call us experts on SL500

Moreover, the process of enacting and reacting the new ERP rules became routine to the CC Leader:

I had difficulties at earlier stages of SL500 implementation, but now after I get use to the system and I learn how to use it and know as well how to use it, I found it easier than FOCUS

Although the Sales Manager said that difficulty would always exist when a change—new rules—was introduced, as time passed a person gets used to the change, and the new rule becomes part of daily life—routine. He stated:

See, any system, even a device, or whatever, when you buy something new; it is not easy in the beginning to deal with. Then you will see the benefits of the new system after some time; the same idea applies with me when Sage was introduced

Moreover, even though the PackCo Production Manager said that it was difficult to enact and reproduce the new ERP system rules, nine months later after the SL500 was formally introduced to PackCo, such rules were a daily routine for him. He stated:

When we started in January, 2012, we felt that the SL500 system was very tough, but today, after 9 months, we are very much online; because we changed from another system, which is different from the

new system. The work load we feel is more, as in January we were entering a lot of new data, but now we don't face that difficulty and all documents are available on-line and updated as well. Plus, as you know, it is a new system, and it takes time for us to get used to it

In spite of all these challenges that the employees at PackCo experienced during the ERP system change as a process—and some employees possessed some source of power and were able to resist the change—they enacted and reproduced all those new ERP rules. Nine months after the formal implementation of the new ERP system, such new rules thus became organisational routines, as was described above (Burns and Scapens, 2000). Different factors can explain why the SL500 ERP system change as a process, at PackCo, evolved in a different way from the implementation of the BSC and met less resistance.

First, as described above in Section 7.5.2., the previously formed institutionalisation of automating data entry for the Sales Manager paved the way to introducing an automated management control system to replace the manual system, and that helped to spread the awareness of how this advanced system could assist in data entry and report production. At PackCo, the Sales Manager did not resist the implementation of SL500 at all, as he had already experienced working with Mac-sales and knew how information technology facilitated data entry, information sharing, and report production. Although new rules were introduced for the Sales Manager, he stated that it was not easy to deal with any new system, but because the new ERP system rules did not challenge his existing ways of doing things, in terms of dealing with an advanced automated system, he did not resist the new ERP rules (Burns and Scapens, 2000).

Second, according to Siti-Nabiha and Scapens (2005), “organisational innovation may be more difficult than technological innovation” as organisational innovation, the BSC at PackCo, was linked to employees’ performance and the rewards system (p. 56). Moreover, based on the argument by Bonner et al. (2000), “financial incentives frequently do not lead to increased performance” (p.19). In other words, the introduction of the BSC at PackCo represented an organisational innovation, and one of the major factors that explained why the

resistance level to the BSC was higher than to the SL500 was because the new BSC rules were linked to employees' performance evaluations and rewards. While implementation of the SL500 ERP system represented a technological innovation, with the ERP change there was no connection between implementation and the employees' performance evaluations. The absence of a connection between enacting and reproducing the new ERP system's rules, performance evaluations and rewards could explain why the resistance level to the SL500 ERP system was lower, despite the fact that the ERP rules challenged the existing manual ways of doing things (Burns and Scapens, 2000; Bonner et al., 2000; Siti-Nabiha and Scapens, 2005).

Third, the SL500 was building on and supplementing the already existing organisational routines, in terms of the nature of the data that was entered into the system, but challenged the method of data entry, processing, communication, and reports production (Rom and Rohde, 2007). More precisely, implementation of the SL500 represented an automation of the existing ways of doing things and not a radical change in the existing management accounting routines, for instance, introducing a new sophisticated management accounting practice (Granlund and Malmi, 2002). The SL500 implementation, in particular, "facilitated incremental changes to the existing ways of working, i.e., evolutionary change, rather than fundamentally challenging them, i.e., revolutionary change" (Scapens and Jazayeri, 2003, p.229). In line with this argument, and unlike the case study conducted by Scapens and Jazayeri (2003), where a plant leader complained about the changes introduced into the production schedule with the implementation of SAP, at PackCo, the implementation of the SL500 ERP system supported the existing production, and the airport concept, instead of challenging it, as explained by the PackCo GM:

With the new system there is a big difference production-wise. Before, production people were taking a long time to do the job, then the company introduced the airport concept, as discussed before, and the work of the production people improved with the 48 hours' schedule. To utilize that better, the company needed some data on how to prioritize that 48 hours schedule and how to frame it. This idea of prioritizing is linked to the airport concept which was introduced earlier by the company, but now that idea is supported by on-line data, which makes the service provided to A grade customers better than before

Moreover, the group company's strategy of providing better services to A-grade customers was already established through the implementation of the BSC before introducing the SL500 ERP system at PackCo. According to the study conducted by Scapens and Jazayeri (2003, p.212), "one of the first steps in implementing an ERP system is to create a 'To Be' vision of the organization". For PackCo that vision was established earlier, with the implementation of the BSC, so the introduction of the SL500 supported the achievement of this vision, which facilitated the successful implementation of the ERP system at PackCo.

Last but not least, as argued in different studies, for example, Aladwani (2001) and Scapens and Jazayeri (2003), top management support is important for a successful ERP system implementation. The support that the PackCo GM provided to his employees during the process of implementing the SL500 ERP system thus facilitated its successful implementation at PackCo, as was mentioned by several different employees. For example, the CC Leader stated, "The biggest training for me was the General Manager. As I told you, I got trained, and after training I got top management support with the implementation."

Moreover, and as Veblen (1899) suggested, the evolutionary paradigm provides a basis for encapsulating both continuity and change (Hodgson, 1998, p175). In relation to the implementation of the ERP system at PackCo, the continuity of the same management accounting practices, and change in the way they were carried out, were explored, above, and that confirms Veblen's theory. There was a particular change in the way that data flowed between different departments at PackCo, as well as change in the level of detail provided in the reports produced by the SL500 ERP system, but there was no change in the nature of the management accounting practices used by PackCo, as most reports relating to management accounting routines were handled in a standalone system.

In conclusion, it is possible to state the following. The main purposes of introducing the SL500 ERP system were the automation of data entry, live reporting, and the availability of up-to-date, detailed information for different users at PackCo. Implementation of the SL500 did not lead to a change in the

management accounting practices adopted by PackCo; there were no new, or more sophisticated, management accounting practices that were introduced at PackCo as a result of implementing the SL500 ERP system (Scapens and Jazayeri, 2003). In short, implementation of the SL500 ERP system only automated the data processing at PackCo, and it facilitated the communication and data flow between different departments within PackCo. Such a change represented a case of stability and of change at the same time (Siti-Nabiha and Scapens, 2005): stability, because there was no change in the existing management accounting practices and reports, or routines; and change, because there was a change in the way such reports were produced, or new rules.

7.5. Conclusion

In this section, a comparison between the two changes implemented at PackCo has been developed. The purpose of this research is to explore the management accounting change as a process within the case study company, PackCo. Different change dynamics (Burns, 2000), including the existing institution, new rules, existing routines, power mobilisation, and reward system explain how the management accounting changed as processes—of the BSC and the SL500 ERP system—at PackCo evolved (Hardy, 1996; Burns and Scapens, 2000).

The BSC was imposed by the Dubai HO's top managers—top-down change—to gain a higher market share of the A-grade customers by mobilising different sources of power (Guerreiro et al., 2006; Moilanen, 2008; Jabbour and Abdel-Kader, 2016). The change as a process was formal in its nature, in the sense that top managers focused on delivering the technical knowledge that related to the implementation of the new BSC rules, and they ignored the existing ways of doing things which was embedded in the daily routines of employees at PackCo. As Burns and Scapens (2000) maintain, formal change without changes in the ways of thinking can result in resistance and a failure in implementation; that is in line with how the BSC change as a process evolved at PackCo.

On the other hand, the implementation of the new ERP system, SL500, at PackCo, which was driven by reporting pressures from the Dubai head office and the new Canadian partner, was a bottom-up change, as it was the PackCo GM who proposed the change to the Dubai head office (Burns and Scapens, 2000, Wanderley and Cullen, 2013). In addition, with the ERP system change as a process, informal change preceded the formal change. More precisely, the informal change was in the form of PackCo's GM allowing his employees to use the new ERP system two months before the company went live with it, thus allowing employees to enter dummy variables and to get familiar with the new ERP system interface. That, in turn, helped to change the current ways of thinking and the manual institution of employees, and it reduced the resistance to the new ERP system (Burns and Scapens, 2000).

Although the resistance level to the BSC's new rules was higher than that to the ERP system's new rules, both changes represented evolutionary, and not revolutionary, change (Burns and Scapens, 2000; Burns and Vaivio, 2001; Soin et al., 2002). In particular, with both changes, there was only incremental change to existing ways of doing things, and change was not radically challenging the existing routines. The resistance to both changes (new rules) at PackCo could be explained as being a result of conflict between the new rules and the existing routines that were embedded within the existing institution (Scapens and Roberts, 1993; Granlund, 2001; Lukka, 2007; Ammar, 2014). The higher resistance to the BSC's new rules can be explained by the link between the new BSC-rules and employees' performance evaluations and financial rewards, in addition to challenging the existing ways of doing things. With the ERP system, previously formed institutionalisation and the absence of a link between new ERP rules and employees' performance evaluations explain why the resistance level was lower to the ERP change.

CHAPTER 8 : CONCLUSION, IMPLICATIONS, AND CONTRIBUTION

8. Introduction

This chapter summarises this thesis's research project. The main objective of this research, as mentioned in Chapter 1, was to investigate the changing nature of MAPs within NOROMCs by exploring the type of MAPs adopted by the surveyed NOROMCs, plus understanding in detail how different contextual factors affect the nature of the MAPs adopted (or not) by an Omani organisation, i.e., PackCo. This chapter is divided into four further sections. These are: the research summary, the theoretical and literature contributions, the limitations of the study, and future implications.

8.1. Research summary

The aim of this thesis is to explain and understand the complexity of MA change as a process within a highly-institutionalised organisation, PackCo. Specifically, this thesis seeks to obtain: (1) a general overview of MAPs in NOROMCs in Oman; and (2) a more in-depth exploration of MAPs adoption and implementation in an Omani NOROMC.

Accordingly, the findings of this research are based on multi-research methods; that included a survey, follow-up interviews, and a case study. The survey was distributed to NOROMCs operating within the Al-Ruysal Industrial Estate. This helped in attaining a breadth of knowledge about the nature of the MAPs adopted by the surveyed organisations, and the changing nature of MAPs between 2001 and 2010. The follow-up interviews were conducted to secure a deeper understanding of the survey results, as demonstrated in Chapter 6. Finally, the case study was conducted at the Omani branch of PackCo, a Middle-Eastern based packaging company (HO in Dubai). Two major changes were introduced to PackCo during the research time; they are: the introduction of BSC and an ERP system.

This research utilised two theoretical frameworks as lenses for explaining how MA as process of change evolved within PackCo; and these are Burns and Scapens (2000) MA change as a process framework, and Hardy's (1996) power

dimensions framework. They explained the BSC and ERP system's implementations as a process, in terms of the interplay and conflict between the institutionalised pre-BSC accountability system, the institutionalised pre-ERP reporting system, and the new BSC- and ERP system-rules, power mobilisations at different organisational levels, and contextual pressures. The results revealed that resistance to enacting and reacting to the BSC's new rules was due to the conflict between the existing accountability system, in terms of financial rewards, and the new BSC rules that were linked with a rewards system, which was referred to by various different employees at PackCo. While previously formed institutionalisation and the absence of a link between the new ERP system's rules and financial rewards explain the lower resistance level to the ERP system's new rules, as detailed in the previous chapter.

8.2. Theoretical and literature contributions

This section reflects upon the contributions of the current research.

8.2.1. Literature contributions

First, the findings of this research contribute to the literature addressing the changing nature of MAPs and how different socio-economic-contextual factors affect the adoption, or non-adoption, of specific MAPs (Al-Omri and Drury, 2007; Abdel-Kader and Luther, 2008; ElGammal et al., 2016). This adds to the existing literature about the adoption of various MAPs, and what factors affect the nature of MAPs adopted by different organisations through using a survey, as mentioned above (Hutaibat, 2005; McLellan and Moustafa, 2008; King et al., 2010; Hansen, 2010; Libby and Lindsay, 2010; SpekLé and Verbeeten, 2014; ElGammal et al., 2016).

Second, the current study also contributes to the existing literature relating to exploring the complexity and inter-dependency of the various change dynamics and how that shapes the unfolding of MA as process of change within an organisation (Burns and Scapens, 2000; Burns, 2000; Kasurinen, 2002; Scapens and Jazayeri, 2003; Modell, 2012). In this regard, Burns and Scapens (2000) emphasised the importance of the embedded existing ways of doing things, i.e., institutions, in shaping how change as a process evolves within

organisations (Please see Chapter 3). Precisely, Burns and Scapens (2000) stated:

“institutions are the structural properties which comprise the taken-for-granted assumptions about the way of doing things, which shape and constrain the rules and routines, and determine the meanings, values, and also power of the individual actors” (p.11).

From their argument, they hold the view that institutions are the main change dynamic that shapes how MA as process of change unfolds over time within an organisation.

This research's findings support the argument of Burns and Scapens (2000), as mentioned above. Precisely, and as explored in the empirical findings chapter, the existing pre-BSC accountability institution was important in shaping how the BSC change as a process evolved at PackCo. In Chapter 7 it was explained how PackCo's GM reacted to employees' BSC resistance and adopted BSC-rules in accordance with the existing embedded pre-BSC accountability system. In addition, in relation to the ERP system's implementation: although the new ERP systems' rules challenged the existing manual ways of entering and producing the required reports; previously formed institutionalisation, informal change that preceded formal change, and the absence of a linkage between the ERP-system's rules and financial rewards, explained the lower resistance to the ERP-system's new rules at PackCo.

Moreover, the results of this research are consistent with Burns (2000), who explored the implementation of a financial accountability system and the failure to impinge on the change within the chemical laboratory department. Precisely, he explained the resistance to the new accountability rules by the adherence of employees to an earlier non-financial accountability system, i.e., routines.

Additionally, the findings of this case study in relation to ERP implementation prove that stability and change are not independent-they are both simultaneously part of the same ongoing processes (Burns and Scapens, 2000, p.18). In other words, and as discussed in Chapter 7, the ERP system changed the way reports are produced at PackCo (change) but there is no change introduced in terms of management accounting practices or the reports produced by PackCo due to the introduction of ERP-System (stability).

Additionally, this research also contributes to the management accounting literature relating to developing and transitional economies. Specifically, this research explored MA change as a process within a Middle-Eastern context, i.e. Oman, which is a developing transitional country that has different cultural, economic and political structures,⁸² if compared to developed countries. Different studies have called for the conducting of research in such contexts, as mentioned in Chapter 2. This helps to understand how advanced MAPs, such as BSC, and a developed management control system, such as an ERP system, fit in such a context.

Although the number of studies in this field in developing countries determined the importance of power and politics in shaping the MA as process of change; the focus was on the importance of external political power in shaping the process of change. While in this present study the empirical findings emphasised the importance of power mobilisation within the organisation and how it shaped the unfold of the MA change as a process.

Finally, the majority of the studies that are related to the nature of MAPs within developing countries are descriptive, i.e., those studies' findings reveal the adoption rate of various MAPs; and ignore the influential factors which facilitate or else hinder, the change of MAPs in those countries. The findings and analysis of this research, which was based on multiple research methods, survey, follow-up interviews and a case study, as well as an institutional theoretical framework; is believed to add to the growing body of literature on the changing nature of MAPs within developing countries, as follows. First, as the findings are based on multiple research methods, this has helped in securing a holistic understanding of the changing nature of MAPs within the Omani context, which may apply to other developing countries. Second, as mentioned earlier, most of the studies in developing countries are based on contingency theory, and the analysis of the changing nature of MAP undertaken here, is thought to have made a contribution to the increasing amount of literature on the changing nature of MAPs which is based on institutional theories, especially that literature which relates to developing counties.

⁸² See Chapter 5

The findings of the PackCo case study have demonstrated the importance of institutions in shaping MA as process of change, and their ability to constrain change, as argued by Burns and Scapens (2000). The evidence from this study thus suggests that Burns and Scapens MA as process of change framework, which is based on OIE, can be utilised as a theoretical lens through which to explore MA change as a process within organisations across different contexts. Precisely, this case study's results provide an analytical generalisation⁸³ of Burns' and Scapens' (2000) theoretical framework.

8.2.2. Theoretical contributions

As already detailed in Chapter 7, power mobilisation was core within PackCo at different levels, i.e., top management and employees, to impose and to resist changes. Different sources of power, as identified by Hardy (1996), were mobilised within PackCo to impose and/ or resist both changes. PackCo's GM combined the power of resources and the power of meanings to impose BSC within his unit. On the other hand, employees mobilised the power of resources and power that was earned from governmental regulations, to resist BSC.

Additionally, it was concluded in this research that a rewards system has an effect on shaping how MA as process of change evolves within organisations. Precisely, the case study's findings have demonstrated how two changes within the same organisation evolved differently due to the effect of the rewards system. In other words, as the enacting and reacting of the BSC-rule was linked with financial rewards, employees resisted enacting and reacting to the BSC-rule almost two years after its implementation. However, although the ERP-systems' rules challenged existing ways of doing things, the level of resistance to the ERP-system was lower, if compared to that to the BSC, and employees continued to enact and react to the ERP-system's rule. This lower resistance level was explained by the absence of the financial rewards effect and other factors, as mentioned above.

A variety of research has identified the limitations of Burns and Scapens (2000) MA change process framework. For example, Ribeiro and Scapens (2004)

⁸³ See Chapter 4

found that the rules and routines in the case study organisation were held in place by power mobilisation, i.e., circuits of power, rather than by existing institutions within the organisation (Scapens, 2006). Precisely, “the case illustrates that rules and routines can be kept in place by the explicit use of power, as well as by taken-for-granted assumptions” (Scapens, 2006, p.25). Similarly, Burns (2000) reported the importance of power in shaping how MA as process of change unfolds over time within organisations, as detailed in Chapter 2.

Furthermore and as referred to in Chapters 2 and 3, Burns and Scapens (2000) focused on the role of organisational taken-for-granted ways of doing things in shaping MA change as a process, and ignored some other factors, such as: a rewards system (Burns, 2000). It is, however, noted from this research and in line with some other studies (Bonner and Sprinkle, 2002; Ferreira and Otley, 2009) that rewards systems do affect, and may shape, MA change as a process differently than had been planned.

Burns and Scapens (2000) MA change as a process framework does not take into account the importance of other non-institutional sources of power, nor do they examine the role of a rewards system in shaping how MA as process of change evolves within an organisation. This case study’s results, though, confirm Burns and Scapens (2000) argument about the importance of existing ways of thinking and doing things in shaping the management accounting change as a process. Still other change dynamics have facilitated the analysis of the case study, including power mobilisation, and the link between new rules and employees’ performance evaluations; which helped in explaining why the management accounting change as a process evolved in the way explored in Chapter 7 at PackCo. The findings of the PackCo case study therefore provide an extension to Burns’ and Scapens’ MA change as process framework. It is claimed here that power and the financial rewards system were also important, as was institution, in shaping MA change as a process within PackCo, as was developed in Chapter 3, and detailed in Chapter 7.

8.3. The limitations of the study and future implications

Although the research has reached its aims, I acknowledge that it has limitations, like other research. This section outlines the research's limitations.

First, the literature review of this research focuses on understanding the effect of different change dynamics on shaping the change as a process. Precisely, it has examined how change dynamics, including: power, institution, routine, and rewards; shape how MA as process of change unfolds in a different way than had been planned. Future work may examine MA change as a process phenomenon by using a different approach. For example, researchers may give more attention to a specific change dynamic factor, i.e., routines, and develop the notion of that change dynamic, and how it is affecting the unfolding of the change as a process (Quinn, 2011; Burns and Quinn, 2011; Scapens, 2012). Further study of the issue is still required in order to explore the influence of governmental bodies and agencies on shaping management accounting change as a process within organisations. Precisely, how do powerful governmental bodies frame management accounting practice within organisations (Hopper et. al., 2008)

Second, the analyses of this research's empirical evidence are based mainly on an OIE-informed institutional framework. To be specific, in this study Burns and Scapens (2000) MA change as a process framework has been utilised to explain and analyse the research findings. However, and similarly to other frameworks, this theoretical framework has limitations, as mentioned above. Precisely, although Burns and Scapens (2000) MA change as a process framework acknowledges the importance of extra-organisational environmental factors in shaping the MA change as a process, it mainly explains MA change as a process based on the institutional embedded change dynamics within organisations. In future research, other researchers could address this issue by adopting different theoretical positions. For example, future researchers of management accounting change as a process based on NIS would be interesting. This would help us to understand the relationship between head-office (parent) and local branches (subsidiary). It also facilitates our understanding of how different institutional isomorphisms make a subsidiary

management control system⁸⁴ organisation look similar to that of the parent organisation. Additionally, utilising this theoretical perspective facilitates our understanding of how extra-organisational forces, such as: governmental agencies, and consulting companies, affects the MAPs that are adopted by an organisation.

Third, this study has explored the process of evolutionary MA change as a process by adopting a case study as research method. The findings of this research are based on a single case study, and therefore, the research findings cannot be generalised to all NOROMCs, or to all packaging organisations. However, and as has been reported, it is not possible to generalise one case study's findings, nevertheless, and as argued in the literature, qualitative accounting research's seeks for theoretical generalisations, and not 'statistical generalisations' (Scapens, 1990). Despite this, future research may adopt quantitative research methodology, i.e., questionnaire-based, to produce statistical results that can be generalised to NOROMCs.

Finally, I acknowledge that there is a scope limitation in this research. Namely, the research focused only on one industrial sector, that is, the non-oil-related sector⁸⁵. The findings of this research can thus be generalised to include organisations that operate in other industrial sectors. The findings of this study may have different conclusions if the case study were conducted in an Omani oil-related organisation, and thus future research may be conducted as a similar study, but in an Omani oil-related organisation, especially as this type of organisation is well developed⁸⁶ in Oman, and they operate in a violent environment. Additionally, the size of the case study organisation in this research is relatively small⁸⁷, and thus, the MA change as a process complexity will be less if compared with a change process within a big organisation, with more operations levels and more employees. Future research of MA change as a process within larger Omani organisations is therefore desirable to extend our

⁸⁴ That includes information systems as well as management accounting practices adopted by an organisation

⁸⁵ Chapter 5 detailed why the focus of this research was on the non-oil related sector

⁸⁶ As such organisations have been in operation for a long time

⁸⁷ According to the Ministry of Commerce and Industry, records and number of employees within PackCo

knowledge of the complexity of MA change as a process in the economy of an emerging country context.

8.4. Practical implications

The research results have demonstrated that there are several issues which managers and/or practitioners need to consider when introducing change within their organisations. First, as organisations are operating in different contexts, which is considered an important factor in shaping the unfolding of the change process, then managers should be aware that there is no prescribed common rule to follow in implementing MA change as a process, and there is no universal effective practice that is suitable for organisations in the global context. Instead, it is the organisation's needs and the alignment of new practice with the existing ways of doing things, which determine the best and most effective practice for the organisation (Siti-Nabiha, 2000; Ammar, 2014)

Second, managers should understand that change as a process is not a linear process; where the organisation moves from point A (without the change) to point B (with the change) (Hopper and Quattrone, 2001). Instead, there are different factors and change dynamics that may shape the change process differently than planned. Actually, change as a process is complex and simultaneously incorporates different factors (Innes and Mitchell, 1990; Burns and Vaivio, 2001; Busco et al., 2007). Change agents, or consulting organisations, should thus be aware of the existing ways of doing things within an organisation prior to the introduction of any change, in order to minimise resistance to the change introduced (Brignall, 2000; Contrafatto, 2014; Powell and Tilt, 2017). The findings of the PackCo case study suggested that the Dubai-HO can impose and influence change within PackCo, i.e., the introduction of the BSC. The Dubai-HO needs thus to consider the existing institutionalised embedded ways of doing things in order to integrate the change within PackCo successfully, or, at least, with less resistance.

Organisational actors who mobilise the power of resources are influential and can mobilise such sources of power to put plans into actions (Hardy, 1996). However, other organisational actors, such as: the Sales Manager and Credit

Collection Leader were able to mobilise different sources of power (see Chapter 7) so as to resist the BSC's new rules. This suggests the importance of involving employees who are subject to change (Ammar, 2014, p.255), and that the earlier involvement of employees from different organisational levels that are subject to change in the change process, the less the probability that they will resist the change. As such, a training programme may help, and may give a chance for the change agents to expose the conflict between the existing ways of doing things and the new rules that are introduced with change, as demonstrated in Chapter 7, when the ERP system was introduced at PackCo.

8.5. Final remarks

This thesis has demonstrated a case study of management accounting change as a process, i.e., a BSC and an ERP system, by drawing on an institutional framework. The study was conducted within an organisation that is operating in an emerging economy context, i.e., Oman. The results indicated that embedded ways of doing things are important in the unfolding of the management accounting change as a process. Additionally, the research found that there are other change dynamic factors which shape the MA change as a process, including different sources of power and a rewards system.

APPENDICES

APPENDIX No (1): SURVEY COPY

SURVEY COPY



Management accounting techniques used by non-oil-related-Omani-manufacturing companies.

Dear Participant,

My name is Sabrina Alasimi, and I am a PhD student at the University of Dundee (U.K.), anticipating moving to Exeter University in October, 2010. I am conducting a survey to investigate the management accounting techniques being used by manufacturing companies in Oman. I shall explore the relationships between company characteristics and the management accounting techniques used; and also highlight the impacts on the techniques used from shifts in the global (and Omani) business environments.

Your participation in this survey would be much appreciated, and confidentiality is assured. It will take no more than 25 minutes to complete.

Please tick the box if you would like to be sent a summary of the survey results, and, if so, please also include your forwarding details below

Name: Mr./ Mrs./ Ms. _____

Address: _____

Telephone: _____

E-mail: _____

Thank you once again for your cooperation and kind assistance

Signature:.....

Section 1: Demographic Information

This section seeks general information regarding the survey participant and the organisation in which s/he works.

A. Name: _____

B. Nationality: _____

C. Name of organisation: _____

D. Age (years): 20-30 31-40 41-50
 more than 50

Gender: € Male € Female

Your highest academic qualification is:

Your highest academic qualification is:

PhD degree Master degree Bachelor degree
 High diploma Diploma Other (Please state)

Present position/ title in your organisation: _____

How long you have been in your present position? years

Your total experience in this line of work: (Please tick one box only)

Less than 2 years 2-5 years 6-10 years
10-15 years 16-20 years More than 20 years

Which professional accounting qualification do you hold, if any?

Which professional accounting qualification(s) do you have?
(You may tick more than one box)

American Certified Public Accountant (CPA)

- American Certified Public Accountant (CPA)
- British Chartered Certified Accountant (ACCA)

Arabic Certified Public Accountant (ACPA)

American Certified Management Accountant (CMA)

American
 British

Others (please state)

The legal structure of your organisation:

The legal structure of your organisation:
○ Sole proprietorship ○ Partnership ○ Corporation

€ Sole proprietorship € Partnership
The ownership structure of your organisation:

The ownership structure of your
100% Omani public company

100% Omani public company
100% Omani private company

100% Foreign Investment (FI) Company (FI type)

100% Foreign Investment (F1) Company (F1 type)
Branch of a multinational company (Company origin)

Mixed Investment, Omani and Foreign (% Omani) % Foreign

Industry sector88 (Please choose one of the following):

€ Food products and beverages
€ Other non-metallic mineral products

€ Other non-metallic mineral products
€ Fabricated metal products

⁸⁸ The classification of the manufacturing companies into these different sectors is in accordance with the Omani Ministry of Commerce and Economics.

€ Chemicals materials dyed	€ Clothing and fur garments
€ Machinery and equipment	€ Refined petroleum products
€ Wood and cork products (except furniture)	€ Electrical machinery and tools
€ Paper and paper products	€ Basic minerals
€ Other products, (Please state _____))

Number of employees:

Less than 10	10-40	41-80	81-120
121-160			
161-200	More than 200		

Average annual sales of your organisation (for the last 3-5 years): _____
Omani Riyals

What is the percentage of your company's exports in respect of total sales?

<input type="checkbox"/> No exports at all	<input type="checkbox"/> 1%-5%	<input type="checkbox"/> 6%-14%
<input type="checkbox"/> 15%-30%	<input type="checkbox"/> 31%-50	51%-70%
71%- 90%	More than 90%	

Nature of the factory operation (production) plant:

€ Manual	€ Semi-automated	€ Fully automated
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The level of competition which your company faces from other companies is:
(Please tick one box per row)

Type of competition	Very low	Low	Moderate	High	Very high
Domestic					
International					

Does your company have the following sections/departments or not?
(Please tick one box per row)

The department	Yes	No
Accounting		
Cost/Management Accounting		

Section 2: Management Accounting Techniques and Tools

This section seeks to understand the management accounting techniques that your organisation uses.

Which of the following product costing techniques does your organisation use, and to what extent are these techniques important to your organisation?

(You may choose more than one option)

Costing technique (*see glossary for interpretation)	Does your company use this technique?	If used, how important is this technique to your organisation? (Tick as appropriate)					
		Please TICK (✓) If Yes	Not important	Of Below average importance	Of Average importance	Important	Very important

		1	2	3	4	5
Job order costing system*						
Process costing system*						
Standard costing*						
Activity based costing*						
Batch costing system*						
Absorption costing*						
Target costing*						
Back flush costing*						
Operation costing						
Variable costing*						
Other? Please state:						

Which of the following performance evaluation techniques does your organisation use? (You may choose more than one option)

PERFORMANCE EVALUATION TECHNIQUE (*see glossary for interpretation)	Does your company use this technique? Please TICK (✓) If Yes	If used, how important is this technique to your organisation? (Tick as appropriate)				
		Not important 1	Of Below average importance 2	Of Average importance 3	Important 4	Very important 5
Return on investment*						
Residual income*						
Economic value added*						
The market share						
Sales						
The share price						
Division (sub-unit) profit*						
Product quality						
Customer satisfaction surveys						
Employees' attitude/satisfaction						

Budget variance analysis*						
Meeting the budget						
Balanced scorecard*						
Cash flow return on investment*						
Team performance						
Supplier evaluation						
Product profitability analysis*						
Cost-volume profit analysis*						
Customer profitability analysis*						
Controllable profit*						
Benchmarking of product characteristics*						
Benchmarking of operational processes*						
Benchmarking of management processes*						
Benchmarking of strategic priorities*						
Others (please state):						

Which of the following budgets for decision making and/or controlling purposes does your organisation use? (You may choose more than one option)

BUDGETING AND CONTROL TECHNIQUES (*see glossary for interpretation)	Does your company use this technique? Please TICK (✓) If Yes	If used, how important is this technique to your organisation? (Tick as appropriate)				
		Not important 1	Of Below average importance 2	Of Average importance 3	Important 4	Very important 5
Sales budget*						
Production budget*						
Cash flow budget*						
Master budget*						
Flexible budget*						

Activity-based budgeting*					
Incremental budgeting*					
Zero-based budgeting *					
Day-to-day operations planning budget*					
Cost control budget*					
Financial position planning budget*					
Managers compensations budget					
Budget system for coordinating activities across business units					
Capital budgeting* (use of net present value, internal rate of return, payback period, or accounting rate of return)					
Others (please state):					

Which of the following capital investment appraisal techniques does your organisation use? (You may choose more than one option)

capital investment appraisal techniques (*see glossary for interpretation)	Does your company use this technique?	If used, how important is this technique to your organisation? (Tick as appropriate)				
		Please TICK (✓) If Yes	Not important	Below average importance	Average importance	Important

		1	2	3	4	5
Payback period*						
Accounting rate of return*						
Net present value*						
Internal rate of return*						
Meeting the budget						
Others (please state):						

Section 3: Contemporary Management Accounting Techniques:

This section seeks to understand the contemporary management accounting techniques that your organisation uses

Contemporary management accounting techniques (*see glossary for interpretation)	Does your company use this technique?	If used, how important is this technique to your organisation? (Tick as appropriate)				
	Please TICK (✓) If Yes	Not important 1	Of Below average importance 2	Of Average importance 3	Important 4	Very important 5
Total quality management*						
Activity-based management*						
Value-chain analysis*						
Just in time*						
Kaizen costing*						
Target cost planning*						
Life-cycle costing*						
Re-engineering approach*						
Strategic management accounting*						
Balanced scorecard*						
Strategic investment appraisal*						
Throughput accounting*						
Others (please state):						

Section 4: Management Accounting Change:

This section explores any changes that your organisation has experienced (or is currently experiencing)

During the last 10 years has your organisation experienced any changes in any of the following areas:

Change introduced	Please TICK (✓) if Yes
New product costing system	
Balanced scorecard	
New budgeting system	
World class manufacturing system	
Non-financial performance measurement	
New production technique (e.g., from manual to automated)	
New management accounting information system	
New external or internal reporting system	
Others, please state:	

Where you ticked (an) option(s) in 4(A) above, what are the main driver(s) that incited this change in your organisation? (You may choose more than one)

- € Globalisation
- € Internationalisation
- € Advanced information technologies
- € Production technology
- € Change in organisational structure
 - Environmental and sustainability issues
 - Change in management styles
 - New governmental rule or regulation related to the non-oil manufacturing companies
- Others, please state: _____

Please use the space here to add any comments about relevant issues that have not been covered in the survey.

Once again thank you for your time and assistance

APPENDIX No (2): DETAILED SURVEY RESULTS

Surveyed companies' age

Data related to company age was obtained from the interviews as well as the Public Establishment of Industrial Estates website⁸⁹ (PEIP) website as there was no question in the survey related to the company's age. Obtained data showed that the majority 46.15% (n=24) of the surveyed NOROMCs were established between the years 1991 and 2000. Of the studied population of 52 companies, 15 companies (28.85%) started operation between the years 1981 and 1990; while 9 companies (17.30%) were established during the 10 years which ended with the year 2010. Moreover only 4 (7.70%) companies started operation between the years 1970 and 1980.

The majority of NOROMCs were established during the period 1991-2000 and this is not abnormal, since in that period there was a drop-in oil prices, and oil is the major source of revenue for the Sultanate. That recession in oil prices forced the Omani government to look for other alternatives in addition to oil, and thus, motivations were given to investors to invest in different industrial sectors, including the non-oil-related manufacturing sector (Ministry of the Economy website⁹⁰).

Product number (product categories)

The study results show that the majority 44.23% (n=23) of surveyed NOROMCs are producing one kind of product. Of the total of 52 surveyed companies, six companies (11.54%) are producing 2 major product types, and eight (15.38%) companies produce 3 different types of products. While nine companies (17.37%) produce four different types of products, and 5 companies (9.62%) produce more than five types of products. It is worth noting that though the major product number is low, surveyed companies are producing different categories of products, which range from 2 categories to more than 100

⁸⁹ <http://portal.peie.om/tabid/655/Default.aspx>

⁹⁰ The Ministry was closed later after I started the study and its' duties were transferred to different governmental bodies.

categories. Around 50% (n=9) of the interviewed companies mentioned that their companies are producing more than 100 product categories.

Participants' age and gender

The results obtained from these two questions are shown in the table below. It is apparent from this table that 96.15% (n=50) of chief accountants are male and only 3.85% (n=3) are female.

Moreover, the majority of the participants' ages range between 31 years to 40 years-38.46% (n=20), followed by the age range between 41 years to 50 years which represented 28.85% (n=15). Then 17.31% (n=9) and 15.38% (n=8) for age range 20 to 30 years and more than 50 years, respectively.

Participants gender	Count	Participants age	Count
Male	50	20 to 30	9
Female	2	31 to 40	20
Total	52	41 – 50	15
		More than 50	8
		Total	52

Gender and age of participants

Participants' higher education qualification & professional accounting qualification

The analysed data showed that 46.15% (n=24) of the participants hold a Master's degree, 40.38% (n=21) of them hold a Bachelor's degree, and 13.46% (n=7) were holding either a diploma or a high diploma.

Around 30% of the participants (n=17) hold Indian professional accounting certificates, such as, Certified Management Accountant (India), Certified Accountant (India), and qualifications from the Institute of Cost and Works Accountants of India (ICWAI). Other qualification certificates (such as CPA⁹¹, ACCA⁹², ACPA⁹³, CMA⁹⁴, and CIMA⁹⁵) were also held by the participants, but

⁹¹ American Certified Public Accountant

⁹² British Chartered Certified Accountant

⁹³ Arabic Certified Public Accountant

⁹⁴ American Certified Management Accountant

⁹⁵ British Chartered Management Accountant

with a lower rate 15.38% (n=8) compared to the Indian qualifications. It is also worth noting that around 50% (n=27) of the chief accountants did not hold any professional accounting qualification.

Participants' experience in present position

On average, the participants had spent 6 years in their current position with a range of 28 years between the participants. The majority 57.7% (n=30) of the chief accountants had experience in the present position of four years at the most. Of the 52 participants, 13 (25%) had experience in their present position for, at the most, 10 years, but at least 4 years. And 17.30% (n=9) of the total participants had more than 10 years of experience in their present position.

Being in the same position for more than 10 years could explain partly why no change was introduced in the management accounting system in some of the surveyed NOROMCs during the last 10 years (see below); as people get used to the way things are done and may resist any change that challenges the current status (Burns and Scapens, 2000).

Participants' experience in the field

In this question, participants were asked to identify the total experience they have had in the accounting field.

Total experience range	Number of participants in the range	Percentage
Less than 2 years	2	3.85
2-5 years	4	7.69
6-10 years	8	15.38
11-15 years	9	17.31
16-20 years	12	23.08
More than 20 years	17	32.69
Total	52	100

Total experience of participants in the accounting field

The Table, above, gives a summary of the participants' total experience in the accounting field. It is clear that almost three-quarters (73.08%, n=38) of the participants had experience in the field for at least 11 years; and of those 38 chief accountants, the majority -- 30.36% (n=17) have experience in the field for

more than 20 years. While 26.92% (n=14) of the participants have had experience in the field for 10 years or less, with the majority, 15.38% (n=8) of them, having 6-10 years' experience in the field.

Product costing practices (techniques)

Section 2.A of the survey was devoted to product costing techniques. Here, the participants were asked to select the different product costing systems that are used by their companies, as well as indicating the importance level of the technique. Below is a summary of the results related to this section of the survey.

In general, actual costing 51.93% (n=27), job order costing 48.08% (n=25), and standard costing 46.15% (n=24), were adopted by around 50% of the surveyed NOROMCs and were marked as being an important costing technique.

These were followed by process costing, which was used as an important product costing technique by 34.61% (n=18) of the surveyed companies. Then variable, operation, and absorption costing were rated as important product costing techniques by 25% (n=13) of surveyed companies.

On the other hand, activity based costing (ABC), batch costing, target costing, and back flush costing, were chosen as being important product costing techniques by 19.23%, 19.23%, 13.46%, and 3.85%, respectively.

The Table, below, summarises the usage and importance level of different product costing techniques to the surveyed NOROMCs.

Costing technique	Not used	Used			Total
		Not important	Average importance	Important	
Job order	24	1	2	25	52
Process	28	4	2	18	52
Standard	28	0	0	24	52
ABC	38	2	2	10	52
Batch	39	2	1	10	52
Absorption	36	1	2	13	52
Actual	20	1	4	27	52
Target	41	1	3	7	52
Back flush	45	4	1	2	52
Operation	35	2	2	13	52
Variable	36	1	2	13	52
Others	47	0	0	5	52

Adoption level of product costing techniques by surveyed NOROMCs

The interviewed chief accountants gave different explanations for using traditional product costing techniques, i.e., job order, standard, process, absorption, actual product costing techniques. In general, those explanations can be summarized into three major categories, as follows:

First, industry, product type, and the number of products produced were among the drivers that influence the adoption of some specific product costing techniques instead of others. As the Assistant Executive Director in Company 41 stated, the nature of the company's product forces companies to use an actual costing system.

Because our company and production process is labour oriented (most of the cost is direct), and fixed costs are very high, basically machinery depreciation, no standard costing is required because this marble block's quality differs, as sometimes we get good blocks and sometimes bad blocks, and we can't know that from the outside texture of the block. The nature of the company's operation and the product's nature force the company to use the actual costing system

Product diversity in Company 2 meanwhile forces the company to use more than one product costing technique, as stated by its' Account Manager:

There are two production lines within the main plant: solid and liquid medication; plus that we have also the antibiotic line, and thus the company is implementing different costing techniques

Second, the parent company or top management requirements force other companies to use specific product costing techniques; although, in some cases, the chief accountant feels that using other product costing techniques would give enhanced information which would help in making better decisions.

Company 19's Senior Accountant stated:

All company branches are using the same MAPs, imposed by the parent company only, for the data to be similar and the comparison process will be easier. Actually, the company is using only the weighted average costing method, and it will be good if the company uses other product costing systems that are mentioned in the survey, as I see batch costing as an important costing system, because we produce products in batches.

Third, getting directions, helping in decision making regarding customers or product profitability, and product pricing, were also among the rationales for adopting specific product costing techniques. As the Financial Analyst of Company 20 said:

We are using absorption costing as it observes all the production costs and that helps us to make better decisions in terms of product pricing.

Moreover, it is clear from the costing techniques Table, above, that the ABC system was rated as being an important product costing technique by only 10 companies of the 52 surveyed. There were two opposing opinions regarding using or not using ABC as a costing technique.

On one hand, two companies of the 20 that were included in the follow-up interviews are using ABC system, and they see that it is the best costing practice that should be used by companies in order to get accurate information which helps to make better decisions for product costing and pricing, as well as decisions about product and customer profitability. The Cost Management Accountant of Company 5 stated, in this regard;

ABC costing to get the total product cost; wherever we do customer profitability, we should have total product cost to analyse whether a particular customer is profitable or not.

And the Financial Controller of Company 24 said:

Basically, implementing ABC helped to generate more information -- like profit per customer, and profit per product, and that is helping to

identify which customer to deal with, and which products are more profitable.

On the other hand, some chief accountants referred to the complexity of implementing the ABC system, as well as the high implementation cost as factors that hindered their companies from adopting ABC system as a costing system. Despite the fact that, in some cases, the chief accountant is aware of the benefits that the company may get by implementing such a system. And the chief accountants believe that different product costing techniques give the same answer, but just in a different format. The Senior Accountant of Company 13 commented:

ABC gives better information in terms of providing accurate cost information, and using ABC will enable you to get the exact cost of the material, and that may affect your pricing also. But ABC costing is complicated and costly to implement. We are not concentrating on introducing ABC currently, as SAP was introduced only last year (2010) to the company, and we need first to settle down with SAP, and when that happens there is an opportunity to implement ABC.

While the Accounts Manager of Company 14 said:

Regardless of the costing method you are using, your cost will remain the same, and all costing methods will provide you with the same costing information, but only in a different way.

Finally, the Finance Manager of Company 23 added:

We need too many people to apply ABC, and it consumes too much time to do the costing, and, in the end, doing that will not improve the company's performance that much. At this stage, the company is not seeing any benefit from implementing ABC, but it could be an option in the future if the company expands. Also, the company has some ideal capacity and there is no need to add more costs.

Performance evaluation techniques (PETs)

The data related to performance evaluation techniques revealed the following results. First, measuring company performance based on sales was the foremost technique used by about 80% (n=43) of the surveyed companies and it was ranked as an important technique. Second, and as the Table, below, demonstrates, non-financial performance evaluation techniques, such as,

product quality and a customer satisfaction survey, were used by more than 50% of the surveyed companies. Third, evaluating performance based on budgets was also adopted by 61.4% (n=32) and 53.85% (n=28) of companies for budget variance analysis and meeting the budget, respectively.

On the other hand, benchmarking techniques, market based performance evaluation techniques, and other performance evaluation techniques, such as, BSC, EVA, and residual income (See the table below) were not adopted by more than 60% of the companies. Finally, the Table below gives a summary of the adoption/non-adoption rates of different performance evaluation techniques by the surveyed NOROMCs, as well as the importance levels given them.

Performance evaluation technique	Not used	Used			Total
		Not important	Average importance	Important	
ROI	19	0	3	30	52
RI	39	1	2	10	52
EVA	37	4	2	9	52
Market share	32	2	5	13	52
Sales	8	0	1	43	52
Share price	40	3	2	7	52
Division profit	34	1	5	12	52
Product quality	15	0	0	37	52
Customer satisfaction surveys	22	0	1	29	52
Employees' attitude/ satisfaction	23	0	2	27	52
Budget variance	19	0	1	32	52
Meeting the budget	22	0	2	28	52
BSC	40	1	2	9	52
CF return on investment	26	0	2	24	52
Team performance	28	2	3	19	52
Supplier evaluation	27	0	4	21	52
Product profitability	21	0	3	28	52
CVP analysis	26	0	3	23	52
Customer profitability	32	1	3	16	52
Controllable profit	35	2	2	13	52
Benchmarking for product characteristics	40	0	1	11	52
Benchmarking of operational processes	36	2	5	9	52
Benchmarking of management processes	39	3	3	7	52
Benchmarking of strategic priorities	40	2	3	7	52

Others	50	0	0	2	52
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Adoption/ non-adoption of surveyed performance evaluation techniques

The Table above illustrates that of the 24 performance evaluation techniques listed on the survey there are 8 techniques that were adopted by at least 50% of the surveyed NOROMCs. Those techniques included: ROI, sales, product quality, customer satisfaction surveys, employees' attitudes/ satisfaction, budget variance analysis, meeting the budget, and product profitability.

Besides that, the adoption level of different PETs differs between the surveyed companies, as there were companies that adopted few PETs (1 PET/company), while others adopted several PETs (23 PETs/company). On average, the surveyed NOROMCs adopted about 10 PETs/ company. Different explanations were provided by the interviewed chief accountants (CAs) regarding this aspect.

First, 3 of the 20 (15%) interviewed CAs referred to the availability of advanced information technology, like SAP, as a means that facilitated the adoption of more PETs. For example, Company 27 Finance and Accounts Assistant Manager said:

It will not take that much time to get the figures related to PETs because the company is using an ERP system, so because of that the data will be available for us at any point of time and right in front of us.

At the same time, the unavailability of such advanced IT systems hindered other companies from using more PETs, and even, in some cases, there were companies that stopped using some PETs for this reason. As the Account Manager of Company 2 stated:

No way to use more than, sales, budget variance analysis, meeting the budget and product profitability analysis, because apart from those techniques the company was applying other techniques two years back, but because the IT infrastructure of the company is not that strong, and to prepare those techniques it takes time, then we stopped that.

Second, company size and type of operation were mentioned by 5 of the 20 (25%) interviewed CAs to explain why their companies adopted specific PETs. Some stated that, due to the small company size, there was no need to

complicate things and adopt many PETs. The Chief Accountant of Company 29 said:

When you have ROI, sales, and product quality techniques in place, the others would be on the plus side as well. These are the major PETs, and instead of going to more details, like if you concentrate on these three, then I assume that the remaining ones will be in place. And they should be in place if these figures are plus.

While others referred to their company operation type to explain the non-adoption of many PETs. As the Deputy Finance Manager of Company 39 said:

Because our company is not producing too many products where we have to know which product is going well it is only one product that we are selling on the market. And we know that the strength lies only on its uniqueness and the quality of the steel billets. And we are catering according to the customer requirements and whatever we produce is as per order. So there is not much to be done, it is always like, you know, whatever they require we make according to that. And the whole operation cycle goes according to the customer's requirements.

Third, a quarter of the interviewed CAs (n=5) referred to requirements from the parent company or other regulatory bodies as a force encouraging them to adopt more than the average number of PETs. The Senior Accountant of Company 19 commented:

As I said, whatever the parent company uses, the whole group has to use, but these are good techniques when it comes to performance evaluation

The Finance Manager of Company 23 also said, regarding this issue:

Some of these reports are required by the Muscat Securities Market Authority, and another part is required by the owners of the company. Additionally, the external auditor requires some of these PETs so s/he can produce the management letter. Which I consider to be an extra load for me, as we have to prepare reports based on those PETs, but we are not getting any benefit from them

Finally, the Table above shows that the adoption level of non-financial PETs, such as, customer satisfaction, product quality and employees' satisfaction, is quite high, but of the 20 interviewed CAs 3 (15%) stated that the company uses these PETs, but in an informal way, as it is costly to carry out those types of

measurements in formal ways and also company size, in financial terms, does not help in conducting such measurements formally. As Company 16's Accounts Manager stated:

The non-financial PETs-like product quality, customer satisfaction- are done in informal ways, because without customer satisfaction nobody can survive; so that is there, but not in a formal way; because the company turnover is not that big, so you can have a separate department to do all these things

The same point was reinforced by the Financial Deputy Manager of Company 4, when he said:

Customer and employees' satisfaction -- the company is not doing it formally. It is very important to know the opinions of customers on our products, as well as how our employees feel. But doing it in a formal way adds cost to the company. On one side we are dealing with non-professional employees (labour force), they may or may not respond to a formal survey. In addition, most of the feedback we get immediately from the plant floor; any worker can see managers if there is any issue. In addition, customer satisfaction surveys are not that reliable and, at the same time, it costs too much to do it.

Though this was the case with the majority of the surveyed NOROMCs, there are companies that have adopted these measurements in a formal way. For instance, the Financial Controller of Company 24 commented in this regard:

The company is carrying some road campaign where they check the cars that use the company's batteries and get feedback from customers. For employees, in the annual review report there is a section that is related to customer satisfaction, and in that section the employee can state if there are any complaints.

Regardless of whether the non-financial PETs are adopted in an informal or formal way, all 20 of the interviewed CAs emphasised the importance of such measurements to improve the company's performance. The Deputy Finance Manager in Company 4 said:

Definitely, you have to use non-financial performance practices. Because financial performance measurement practices only tells you part of the story. So you have to supplement it with non-financial performance measurement practice. That will tell you why your financial performance measurements are doing that.

And the Chief Accountant in Company 28 stated his opinion, and said:

They don't add value in actual terms, but in real terms, yes. You have a satisfied customer, then you know the product you have there is a ready customer for it. And if employees' satisfaction is high you know even if you have lot of raw material, then the employees will be there and put a little bit of extra effort and finish the job. So you can't put this in figures, but in real terms, yes, that adds value to the company.

Budgeting and control techniques

All types of budgets were used by the surveyed companies, but with different adoption rates. Cash flow, sales, and production budgets were adopted by more than 70% of the surveyed manufacturing companies, and they were rated as important budgeting techniques. Around 50% of the surveyed companies were using a master budget and rated it as an important budgeting technique. The data also revealed that flexible, activity-based; managers' compensations, a budget system for coordinating activities across business units, incremental, and zero based budgets, were implemented by at most 20% of the surveyed NOROMCs.

The Table below gives a summary of the budgeting and control techniques that were adopted by the surveyed NOROMCs.

Budgeting & control techniques	Not used	Used			Total
		Not important	Average importance	Important	
Sales budget	10	0	0	42	52
Production budget	11	0	0	41	52
Cash flow budget	8	0	0	44	52
Master budget	24	0	0	28	52
Flexible budget	38	0	3	11	52
Activity-based budget	40	2	0	10	52
Incremental budget	41	3	1	7	52
Zero-based budget	45	2	1	4	52
Day-to-day operation planning budget	33	3	2	14	52
Cost controlling budget	24	0	1	27	52
Financial position planning budget	24	0	3	25	52
Managers compensations budget	39	2	3	8	52
Budget system for coordinating activities across bus. Units	40	1	3	8	52
Capital budgeting	32	1	1	18	52
Others	52	0	0	0	52

Summary of budgeting and control techniques adopted by surveyed NOROMCs

All of the interviewed CAs stated that their companies produce different types of budgets to get directions in order to achieve company goals for the budgeted period. As Company 19's Senior Accountant said:

The company is producing different types of budgets to be able to monitor its performance. If we don't have budgets, we don't know where we are getting to. When we have budgets, we have a target to achieve. So budgets show us if we are going in the correct direction and achieving the results, or not

The Chief Accountant of Company 40 enforced the same point:

Budget is giving the way to where you have to reach and how much you need to spend. So budgets are giving us directions toward achieving organisational targets

Despite this, there are some companies that do not prepare budgets because of the product nature, and this point was stated clearly by the Chief Accountant of Company 28, when he commented on this matter, and said:

Yes, because we deal with a natural product which could be available or could not be available. So experience has told us, you could do a lot of budgets and forecasting, but if it is not going to happen, so why waste time? (and he laughed from the bottom of his heart)

Capital investment appraisal techniques

The Table below shows that the payback period was rated as an important capital investment appraisal technique by 29 manufacturing companies of 52 (55.77%). The next most important technique was meeting the budget, with an adoption rate of 44.23% (n=23). Net present value, internal rate of return, and accounting rate of return were adopted by 34.50%, 32.69%, and 26.93% of the surveyed NOROMCs, respectively.

The Table gives a summary of the adoption rate by the surveyed companies of different capital investment appraisal techniques with the importance level if the technique were adopted.

Capital investment appraisal techniques	Not used	Used			Total
		Not important	Average importance	Important	
Payback period	22	0	1	29	52
Accounting rate of return	34	0	4	14	52
Net present value	32	0	2	18	52
Internal rate of return	31	0	4	17	52
Meeting the budget	26	2	1	23	52
Others	52	0	0	0	52

Adoption level of different capital investment appraisal techniques by surveyed NOROMCs

Contemporary management accounting techniques

Contemporary MATs	Not used	Used			Total
		Not important	Average importance	Important	
TQM	25	0	1	26	52
ABM	34	0	1	17	52
Value-chain analysis	40	1	2	9	52
JIT	35	2	2	13	52
Kaizen costing	43	1	1	7	52
Target cost planning	42	2	0	8	52
Life-cycle costing	46	2	0	4	52
Re-engineering approach	46	2	0	4	52
SMA	42	0	1	9	52
BSC	44	2	0	6	52
Strategic investment appraisal	45	0	2	5	52
TPA	41	2	0	9	52
Others	51	0	0	1	52

Adoption level of different contemporary MATs by surveyed NOROMCs

It can be seen from the data in the Table, above, that the adoption level of different contemporary management accounting techniques by NOROMCs is, in general, poor. Apart from TQM, which was rated as an important technique by 50% ($n=26$) of the surveyed NOROMCs; the remaining techniques were hardly adopted at all by the surveyed NOROMCs. For example, JIT comes in the second place after TQM, with an adoption rate of 25% ($n=13$). In short, there are 14 companies out of the 52 surveyed NOROMCs that are not using any contemporary management accounting techniques, and that represents around a quarter (26.92%) of the surveyed companies.

Different explanations were given by interviewed CAs for this low adoption level of different contemporary management accounting techniques.

Firstly, requirement from top authorities, such as top management, head office, or parent company, was one of the reasons for using contemporary management accounting techniques. The Senior Accountant of Company 19 stated:

No, it is not that the Oman branch applies these techniques by itself, you can say that we are going along with the parent company

Secondly, some CAs stated that the techniques are in use, but companies are not using them on a regular basis, but on a case to case basis. As the Deputy Financial Manager of Company 4 said:

When you say contemporary MA practices, people will be using it. But, there are certain things which will work in certain situations only. Suppose when it starts off with a new product, I have to use target costing. I can't use the absorption costing or cost plus, as you can never go into the market in that way. You have to count everything. So the company uses target costing when it wants to launch a new product, and that is not applicable all the time.

And the same point was reinforced by Company 24's Financial Controller:

These are not regularly done, but on a case by case basis. For Kaizen costing, the company is trying always to improve the product quality while controlling the cost

Moreover, there are other different explanations that were given by interviewed CAs. For example, company size, company operation nature, importance of such techniques in getting access to other things (like getting an ISO certificate), information technology availability, and difficulties associated with implementing such techniques. The Accounts Manager of Company 16 said:

I think ABM is more effective in big companies and more applicable, rather than in a small company like ours.

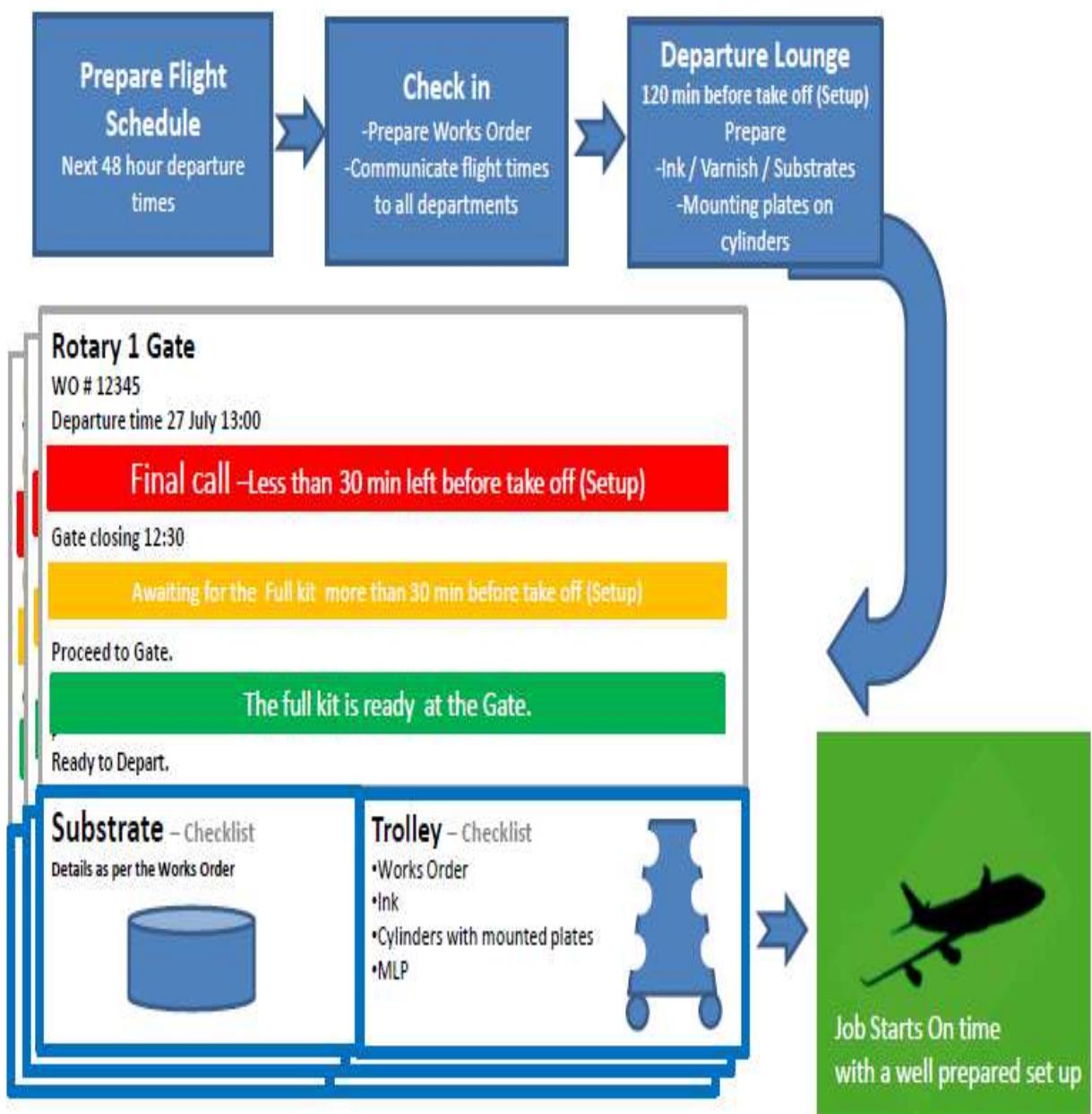
Whereas the Finance Manager in Company 23 said the following about implementing contemporary MAPs, like TQM:

TQM: it is difficult to apply, and also costly. It is used in the production department only so our product can get the ISO certificate, as it helps in marketing the product, and if that is not the case, the company is not going to implement the technique as it is costly to do that.

APPENDIX No (3): Airport concept at PackCo

AIRPORT - Oman

On-time departure for all Pacman CCL flights Delay cost 8AED per minute



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