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Across the Great Divide: Bridging the Gap between Economics- and Sociology-Based Research on Management Accounting

Sven Modell
The University of Manchester
Norwegian School of Economics
Turku School of Economics

ABSTRACT: This paper reviews emerging attempts to bridge the gap between economics- and sociology-based research on management accounting and discusses how such research may be advanced. Particular attention is paid to research combining insights from various economic theories such as agency theory and transaction cost economics, and institutional theory. This body of research has made important contributions by opening up a discussion of how different kinds of institutions constrain as well as enable economic agency. However, I argue that the two dominant approaches in this area of research still display strong, paradigmatic legacies of economics- and sociology-based research, respectively, and that they have not yet produced a unified, socio-economic perspective on management accounting. I advance a third research approach, rooted in critical realism, that transcends the paradigmatic constraints of these approaches. I discuss the paradigmatic premises of this approach and how it may be applied in empirical research.

Keywords: critical realism; economics; management accounting; paradigms; sociology.

I. INTRODUCTION

Management accounting research has evolved into a very diverse body of research drawing on a broad range of theories to make sense of accounting and control practices in their organizational context. While this proliferation of theories has created a rich pool of intellectual resources, it has also led to fragmentation and a lack of dialog between different strands of research (see, e.g., Lukka and Granlund 2002; Merchant, Van der Stede, and Zheng 2003; Englund and Gerdin 2008). One of the main divides in this regard is the one between research based on economic and sociological theories. Despite repeated calls for bridging this gap (Covaleski, Evans, Luft, and Shields 2003b; Modell 2010; Eldenburg, H. Krishnan, and R. Krishnan 2017), research that seeks to integrate insights from such theories has been relatively slow to take off. This lack of rapprochement has often been attributed to the significant paradigmatic differences between economics- and sociology-based research on management accounting (e.g., Malmi and Granlund 2009; Lukka 2010; Modell 2010). Nevertheless, over the past decade, steps have increasingly been taken to bridge the gap between these bodies of research (e.g., Covaleski, Dirsmith, and Samuel 2003a; Modell and Wiesel 2008; Eldenburg and Krishnan 2008; Bol and Moers 2010; Holzhacker, Krishnan, and Mahlendorf 2015).

The purpose of this paper is to review these emerging efforts to bridge the gap between economics- and sociology-based research on management accounting, discuss the relative strengths and weaknesses of the approaches that have been mobilized to this end, and propose a way forward for such research. In doing so, I concentrate on a body of research that has sought to integrate insights from various economic theories, such as agency theory and transaction cost economics, and

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Sven Modell, The University of Manchester, Alliance Manchester Business School, Accounting and Finance Division, Manchester, U.K.; Norwegian School of Economics, Department of Accounting, Auditing and Law, Bergen, Norway; Turku School of Economics, Department of Accounting and Finance, Turku, Finland.

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institutional theory.[1] Institutional theory originally emerged as a distinct, sociological alternative to the economic theories of organizational behavior, and it recognizes that organizational design choices are not only determined by the economic imperative of enhancing efficiency, but also by wider concerns with social legitimacy (Meyer and Rowan 1977; DiMaggio and Powell 1983). Rather than conceiving of human agency as guided by unbounded notions of economic rationality, institutional theorists see organizational behavior as governed by relatively abstract norms and regulatory schema that assume a taken-for-granted status in the institutional fields, or recognized areas of social life, in which organizations are situated. The need for compliance with such norms and regulatory schema to ensure organizational legitimacy and survival was initially seen as creating strong tendencies toward homogeneity, or isomorphism, in institutional fields (DiMaggio and Powell 1983). Such homogenizing tendencies, emerging in the quest for social legitimacy, may occur at the expense of concerns with economic efficiency.

Management accounting scholars pioneering the use of institutional theory initially followed this line of thought relatively closely (e.g., Covaleski and Dirsmith 1983, 1988; Ansari and Euske 1987), but have increasingly relaxed the distinction between economic and institutional explanations to advance our understanding of how management accounting practices take shape (Covaleski et al. 2003a; Tsamenyi, Cullen, and Gonzalez 2006; Hopper and Major 2007; Modell and Wiesel 2008). The uptake of institutional theory in studies rooted in economics-based research is of more recent origin, but has also generated valuable insights into how economic and institutional explanations complement each other (Eldenburg and Krishnan 2008; Balakrishnan, Eldenburg, Krishnan, and Soderstrom 2010; Bol and Moers 2010; Eldenburg, Gaertner, and Goodman 2015; Holzhacker et al. 2015).

This convergence of research interests across studies emerging from slightly different vantage points offers a useful point of departure for discussing how the gap between economics- and sociology-based research can be bridged and how a more unified, socio-economic perspective on management accounting may be advanced. However, as demonstrated in this paper, extant research in this area has mainly evolved along two distinct lines—labeled the social embeddedness approach and the theory juxtaposition approach—whose paradigmatic premises largely mirror each other. Both strands of research display strong legacies of the paradigmatic premises of economics- and sociology-based research, respectively. Hence, from a paradigmatic point of view, they are only partial and not easily reconcilable solutions to the problem of overcoming the divide between economics- and sociology-based research on management accounting. To address this issue, I advance a different position, rooted in critical realism, that takes research beyond the paradigmatic constraints that are still present in the social embeddedness and theory juxtaposition approaches. I discuss the key paradigmatic premises of this approach and how it can be applied in empirical research.

The rest of the paper proceeds as follows. In Section II, I start by briefly revisiting the debate around the prevalence of multiple research paradigms that underpins the divide between economics- and sociology-based research on management accounting. I then review the social embeddedness and theory juxtaposition approaches and discuss their relative strengths and weaknesses in Section III, before outlining my critical realist approach in Section IV. I close the paper with some brief concluding remarks that summarize my argument in Section V.

II. PARADIGMS IN MANAGEMENT ACCOUNTING RESEARCH

The paradigmatic divide between economics- and sociology-based research on management accounting can be traced back to the emergence of the latter as a distinct strand of research in the 1980s (Hopper and Powell 1985; Chua 1986). Building on Burrell and Morgan's (1979) seminal classification of research paradigms in organization studies, Hopper and Powell (1985) and Chua (1986) discussed how these bodies of research differ in terms of the ontological status ascribed to accounting practices, the epistemological assumptions governing the production of scientific knowledge of such practices, and the methodologies used to study them. In terms of ontology, economics-based research typically starts from a position of realism that assumes that accounting practices have an objective existence that is relatively independent of human cognition and influence, while much (although not all)[2] sociology-based research is rooted in a position of nominalism that emphasizes the socially constructed nature of such practices. This ontological distinction has major implications for the view of the role of human beings in the shaping of accounting practices. Researchers viewing accounting practices as objective entities treat such practices as essentially predetermined phenomena whose meanings are largely given. Insofar as such practices vary across different contexts, this is generally seen as following relatively predictable patterns. By contrast, the view of accounting practices as socially constructed phenomena emphasizes that such practices are inherently a product of human agency and that

[1] See Roberts (2008) for a comprehensive overview of how insights from economic and institutional theories have been combined in the broader organization studies literature.
[2] Examples of sociology-based research on management accounting, resting on a realist ontology and following a positivist epistemology, include the substantial stream of research adopting a contingency theory approach (see Otley 2016).

they continuously change as human beings interact with them and imbue them with context-specific meanings. This makes variations in accounting practices and the meanings people attribute to them much less predictable and more idiosyncratic to the contexts in which they evolve.

These differences in ontology have far-reaching epistemological and methodological implications (Hopper and Powell 1985; Chua 1986). If accounting practices are seen as objective entities, which vary in relatively predictable ways across different contexts, then it is perfectly plausible to adopt a positivist epistemology with researchers nurturing an etic, or outsider, perspective aimed at investigating causal relationships from a position that is relatively detached from the research context at hand. Methodologically, such a position is typically translated into the adoption of deductive modes of reasoning, aimed at advancing prespecified hypotheses, which are then tested using predominantly quantitative methods. By contrast, if the context-specific meanings that people attribute to accounting practices are of central concern, researchers need to adopt an interpretivist epistemology aimed at nurturing an emic, or insider, understanding of the lived experiences of social actors in the context where they are situated. This is typically associated with the adoption of a methodology based on inductive modes of reasoning and the use of qualitative methods aimed at generating new theoretical insights rather than testing prespecified hypotheses.

More recent discussions of the status and roles of research paradigms in management accounting suggest that the divide between economics- and sociology-based research described above is still very prominent (e.g., Khalifa and Quattrone 2008; Lukka 2010; Merchant 2010; Modell 2010; Parker 2012; Chua 2019). Most of this debate has evolved within sociology-based research on management accounting. Reasons for this, which have been suggested in the literature, include a stronger commitment to theoretical and methodological pluralism in doctoral research training programs and a research tradition encouraging deeper engagements with the philosophy of science than is typically the case in economics-based accounting research (e.g., Panozzo 1997; Khalifa and Quattrone 2008; Parker 2012; Burns, Euske, and Malina 2014). As noted by Lukka (2010), these differences have created distinct "tribes" of researchers, clustered around particular ways of doing research, suggesting that the paradigmatic divide between economics- and sociology-based research is not only perpetuated by differences in ontology, epistemology, and methodology, but also by the politics of policing the boundaries around research paradigms. Yet, there have also been attempts to overcome such "tribal" tendencies and demonstrate how tenets drawn from both sides of the paradigmatic divide can be combined in empirical research (e.g., Kakkuri-Knuuttila, Lukka, and Kuorikoski 2008; Lukka and Modell 2010; Hoque, Covaleski, and Gooneratne 2013). Working on the assumption that there may be shades of gray, or "transition zones," between paradigmatic positions such as those separating economics- and sociology-based research on management accounting (Gioia and Pitre 1990; Lewis and Grimes 1999), these advances have started to map out how the gap between these bodies of research may be bridged. However, much work remains to be done to flesh out the paradigmatic premises of such research and establish this more firmly as a basis for empirical research.

Discussions of paradigmatic issues, such as those outlined above, within economics-based research on management accounting have been more limited and, at times, rather dismissive of the possibilities of reconciling economics- and sociology-based research (e.g., Watts and Zimmerman 1990; Zimmerman 2001). For instance, Zimmerman (2001, 423) argued that a major reason for "managerial accounting's lack of progress is its reliance on non-economics-based theories." However, it is not clear to what extent researchers have heeded his advice to confine research to economic theories as the sole basis for explaining the development and effects of management accounting practices. For instance, there is ample evidence of management accounting scholars extending economic models with insights gleaned from psychology (see Luft and Shields 2009). As demonstrated below, a growing number of researchers are also combining insights from economics and sociology to develop a distinctly socio-economic perspective on management accounting.

III. DOMINANT APPROACHES FOR BRIDGING THE GAP BETWEEN ECONOMICS- AND SOCIOLOGY-BASED RESEARCH ON MANAGEMENT ACCOUNTING

In what follows, I outline two distinct lines of research—labeled the social embeddedness approach and the theory juxtaposition approach—into which much existing research bridging the gap between economics- and sociology-based research on management accounting falls. I discuss the paradigmatic premises that underpin these approaches and how these premises create distinct strengths and weaknesses. I finish the section with a comparison of the two approaches as a basis for the ensuing discussion of how research of this kind may be taken forward.

The Social Embeddedness Approach

The first line of research is represented by a group of qualitative studies that seek to understand how the economic significance of various management accounting practices evolves as they become embedded in their institutional environment (Covaleski et al. 2003a; Tsamenyi et al. 2006; Hopper and Major 2007; Modell and Wiesel 2008). A key theoretical starting point for these studies is Granovetter's (1985) seminal discussion of how economic relationships are embedded in broader social environments. Granovetter (1985) advanced his notion of embeddedness as a counter point to the tendency in much economic research to conceive of economic actors as calculating, rational agents operating in a social vacuum. This, he argued, represents an under-socialized view of how economic relationships come about and are sustained. However, he also objected to the over-socialized view of human agency as determined by social environments prevailing in much earlier, sociological research and sought to overcome the divide between this view and that of actors as guided by relatively unconstrained notions of economic rationality. In terms of ontology, this leads to a view of economic relationships as intricately intertwined with social concerns. This intertwining requires us to conceive of any notions of economic agency and rationality as socially constructed phenomena (see, also, Granovetter 1992). Even though Granovetter (1985) does not reject notions of economic rationality, he argues that such notions are always situated in specific social contexts and, therefore, imbued with context-specific meanings. Such meanings constrain as well as enable economic agency in institutional fields. However, insofar as agents pursue radical change in such fields, they often need to disembed themselves from extant meaning systems and to legitimize their actions in relation to competing notions of economic rationality (for reviews of the literature on social embeddedness, see Dacin, Ventresca, and Beal [1999] and Krippner and Alvarez [2007]).

Management accounting research following this line of thought has underlined the need to relax the distinction between economic and institutional environments as analytically separable and often conflicting entities that prevailed in early versions of institutional theory (e.g., Meyer and Rowan 1977; Scott and Meyer 1983). Covaleski et al. (2003a) set out to extend theoretical explanations of the design of management control systems, derived from transaction cost economics, with insights from institutional theory with specific reference to the deregulation of public utilities. Drawing on the works of the early institutional economist John R. Commons, they demonstrate how he not only anticipated the view of economic relationships as socially embedded, which is more commonly associated with Granovetter (1985), but also supported the notion that efficiency and legitimacy concerns "are inexorably inter-twined and cannot be easily separated from one another" (Covaleski et al. 2003a, 438). They also showed how contemporary institutional developments, such as the global movement toward deregulation of public utilities, are translated into local, socially embedded forms of rationality in specific contexts and how accounting is implicated in constructing such notions of rationality.

Extending this line of argument, other researchers have shown how the intertwining of economic and institutional concerns constrains as well as enables economic agency in individual organizations. Both Tsamenyi et al. (2006) and Hopper and Major (2007) demonstrate how the intertwining of such concerns in response to regulatory changes facilitated the rationalization of new management accounting practices and enabled their implementation. However, as demonstrated by Modell and Wiesel (2008), whether the institutional context plays a constraining or enabling role depends on how compatible management accounting practices are with such contexts. Examining the implementation of new performance measurement practices in two central government agencies increasingly exposed to economic market forces, they showed how especially efficiency-centered performance indicators (e.g., measures of cost efficiency) gained traction as a result of being reinforced by regulatory changes, while the implementation of other indicators (e.g., customer satisfaction) was hampered by extant institutional constraints. Similar to Covaleski et al. (2003a), they also illustrated how new performance measurement practices did not merely respond to regulatory changes, but also played an important, constitutive role by helping to construct novel conceptions of economic rationality that entailed concerns with economic efficiency as well as social legitimacy. This resonates with Granovetter's (1985) view of economic and social concerns as intricately intertwined as they are translated into context-specific rationalities.

The studies reviewed above add valuable insights into how management accounting practices are implicated in the intricate intertwining of economic and social concerns in specific contexts. As such, they offer a socio-economic perspective on management accounting that is consistent with the Granovetterian tradition in economic sociology, but quite far removed from economics-based research that sees economic actors as socially isolated, calculating agents (see, also, Barber 1995; Krippner and Alvarez 2007). By showing how management accounting practices respond to changes in their socio-economic contexts as well as contribute to the social construction of emerging notions of economic rationality, they also underline how such practices can play an important constitutive role. Moreover, by adopting an epistemology aimed at providing in-depth, emic insights into the evolution of management accounting practices in their organizational contexts, they enhance our understanding of the context-specific meanings of such notions of rationality. Following a methodology based on qualitative, longitudinal inquiries they offer valuable insights into the complex organizational processes through which such meanings take shape and constrain as well as enable economic agency.

However, management accounting research following the social embeddedness approach also has a number of partly inter-related limitations that can be traced back to its paradigmatic premises. First, as a body research rooted in the Granovetterian tradition in economic sociology, there is a risk of it over-emphasizing social embeddedness and erroneously rejecting traditional notions of economic rationality, derived from economic theories, as an ontological possibility. According to Barber (1995, 400; emphasis in original), this research tradition is based on the view "that *all* economies are inescapably embedded" in social environments. However, the Granovetterian tradition has increasingly been challenged by a growing stream of research within economic sociology inspired by the work of Michel Callon (1998), who, rather provocatively, argued that economic relationships are not necessarily embedded in social environments *per se,* but in the economic theories that propound to represent such relationships. The gist of Callon's (1998) argument is that, in some circumstances, economic theories play an important, constitutive or, to use his preferred terminology, performative role in the sense that they do not merely reflect but actively shape economic relationships and, therefore, become nearly self-fulfilling as they are put into practice. This often entails an element of isolation, or disembedding, of economic relationships from their broader social environments and can reinforce the propensity of economic actors to display many of the features postulated by economic theories. There is now a substantial body of empirical work showing how economic theories play such performative roles (see MacKenzie, Muniesa, and Siu 2007; Boldyrev and Svetlova 2016). Similar lines of argument have been invoked to demonstrate how the use of such theories exacerbates, rather than resolves, problems of self-interested economic behavior as they inform the development of accounting and control practices (Roberts 2001; Roberts and Jones 2009; Dobbin and Jung 2010). Unless management accounting scholars, relying on Granovetterian notions of embeddedness, allow for the possibility that there may be instances where the use of economic theories creates such behaviors, the range of behaviors that can be explained will be somewhat restricted. As noted above, greater recognition of the possibilities of agents to disembed themselves from extant meaning systems is also required to enhance our understanding of how radical change in the notions of economic rationality that come to dominate institutional fields may be accomplished.

Second, the focus on the social embeddedness of management accounting practices in a relatively small number of organizations limits the extent to which empirical findings can be generalized. This limitation is of an epistemological and methodological, rather than ontological, nature since it is rooted in the choice of in-depth, qualitative inquiries in specific organizational contexts as a preferred research method. However, as discussed earlier, such choices often follow from the subscription to an ontological conception of the world as constituted by context-specific, socially constructed meanings. As such, they may be due to the authors' commitment to the Granovetterian view of embeddedness, which emphasizes the significance of context-specific meanings as a basis for understanding how notions of economic rationality take shape. Even though the studies under review entail an element of analytical generalization, as the authors systematically compare their findings with prior research (Eisenhardt 1989), there is a pronounced emphasis on the primacy of such meanings and the complex organizational processes through which they take shape. Also, the Granovetterian view that all economic relationships are socially embedded may have constrained the choice of research sites and prevented researchers from exploring the circumstances under which economic agency gets disembedded from extant institutional arrangements. Such circumstances are especially likely to emerge where institutional fields experience exogenously induced shocks or crises that compel agents to radically rethink institutionalized practices (Seo and Creed 2002).

Finally, the strong process focus in the studies following the social embeddedness approach detracts somewhat from the propensity of researchers to identify the specific mechanisms that are causally efficacious in bringing about and sustaining varying degrees of embeddedness. This process focus leads to relatively descriptive analyses emphasizing the complex dynamics through which economic and social concerns become intertwined. Less emphasis is placed on the development of clearly articulated conjectures, or hypotheses, postulating causal relationships between specific, socio-economic mechanisms, management accounting practices, and the effects of such practices on organizational behavior. Again, this limitation may be a legacy of the epistemological and methodological commitments of sociology-based research on management accounting. The absence of a clearly discernible explanatory ambition does not necessarily mean that qualitative inquiries cannot address issues of causality. However, the emphasis on the need to nurture an emic perspective in interpretive management accounting research, drawing on diverse sociological theories, has arguably led to a widespread reluctance to make causal explanations explicit in empirical inquiries (Lukka and Modell 2010; Lukka 2014). This reluctance to advance clearly articulated causal explanations has been reinforced by the efforts to position such research as a distinct alternative to economics-based research following a positivist epistemology (see, e.g., Parker 2012). However, such attempts to uphold a strict paradigmatic distinction between economics- and sociology-based research on management accounting are not conducive to imbuing the latter with a clearer, explanatory emphasis.

The Theory Juxtaposition Approach

The second line of research bridging the gap between economics- and sociology-based research on management accounting includes a group of predominantly quantitative studies exploring how economic and institutional theories complement each other (Eldenburg and Krishnan 2008; Balakrishnan et al. 2010; Bol and Moers 2010; Eldenburg et al. 2015; Holzhacker et al. 2015). The theoretical starting point for these studies is different from that of the social embeddedness approach in that they pay less attention to the processes through which economic and social concerns get intertwined. Instead, they juxtapose economic and institutional theories in order to test whether explanations derived from the former are amplified or weakened by mechanisms associated with the latter. This choice of analytical approach seems to be grounded in an essentially realist ontology entailing a view of socio-economic realities as largely given and objective, rather than socially constructed, entities. Even though Granovetter's (1985) work is cited in some of these studies (Balakrishnan et al. 2010;

Holzhacker et al. 2015), none of them follow through with his view of economic and social concerns as intricately intertwined and, therefore, implicated in the social construction of context-specific notions of economic rationality. Instead, they conceive of economic and institutional environments as separate from each other, although they can exercise a joint influence on management accounting practices. This is closer to the original conception of economic and institutional environments in institutional theory (e.g., Meyer and Rowan 1977; Scott and Meyer 1983) than Granovetter's (1985) notion of social embeddedness. Similar to early versions of institutional theory, much of the research following the theory juxtaposition approach also seems to assume that there are inherent conflicts between economic and institutional environments, which make it difficult to reconcile concerns with efficiency and legitimacy.

The view of economic and institutional environments as separate and conflicting entities is especially notable in a stream of studies of management accounting practices based on mainly archival data from the field of healthcare (Eldenburg and Krishnan 2008; Balakrishnan et al. 2010; Eldenburg et al. 2015; Holzhacker et al. 2015). Extending a predominantly economics-based body of management accounting research in healthcare (see Eldenburg and Krishnan, 2007), these studies conceptualize institutional mechanisms, such as the regulations and social norms that bestow legitimacy on organizations, as constraints that reduce efficiency-seeking behaviors. Eldenburg and Krishnan (2008) used insights from agency theory and institutional theory to argue that differences in hospital ownership influence the use of incentive contracting and accounting information expenditures. Their findings suggest that incentive contracting, aimed at enhancing organizational performance, is used less in government-owned hospitals than in for-profit and not-for-profit hospitals, as the former face institutional constraints that are less pronounced in the latter types of hospitals. They also show how these differences in incentive contracting lead to distinct variations in accounting information expenditures. Similarly, Eldenburg et al. (2015) found a negative association between the use of profit-based incentives and the provision of charity care in for-profit hospitals, but no association between the two in not-for-profit hospitals. These differences were interpreted as consistent with the notion that for-profit hospitals face fewer institutional constraints than not-for-profit hospitals and that this compels them to reduce spending on charity care in order to boost profits.

Moving beyond the direct effects of incentives, Balakrishnan et al. (2010) combined transaction cost economics with institutional theory, arguing that institutional constraints influence transaction costs and that this, in turn, moderates the relationship between cost pressures and outsourcing of hospital services. Their findings support the argument that such constraints influence both the type and extent of outsourcing and that government-owned hospitals are more constrained than for-profit hospitals in pursuing such efficiency-seeking behaviors. Similar findings, suggesting that for-profit hospitals face fewer institutional constraints than other types of hospitals, were reported by Holzhacker et al. (2015). Although their findings are somewhat mixed in this regard, they suggest that for-profit hospitals respond more quickly to regulatory changes affecting hospital costs than government-owned and not-for-profit hospitals due to the constraints facing the latter.

Taken together, the studies reviewed above reinforce the view that institutional constraints can counteract organizational behaviors postulated by economic theories. However, contrary evidence, affirming the enabling role of institutions, was presented by Bol and Moers (2010) in their study of the diffusion of incentive contracting in a network of local, cooperative banks. Using a mixed-methods approach, mainly relying on archival data and interviews, they set out to examine explanations of adoption patterns derived from agency theory and research on diffusion emphasizing the role of social learning. Consistent with their agency theory predictions, they found that early adoption of a new, performance-based incentive scheme was positively related to expected incentive benefits but negatively related to risk-sharing costs. Their findings also indicate that the speed of diffusion was positively affected by learning effects within the network of banks and that this caused the incentive scheme to be applied as intended. This contradicts institutional theory predictions suggesting that diffusion processes often result in relatively symbolic compliance with institutional pressures in pursuit of legitimacy and decoupling of innovations from organizational practices aimed at enhancing economic efficiency (Meyer and Rowan 1977). Instead, it suggests that institutional mechanisms that facilitate learning can play an enabling role that promotes, rather than constrains, efficiency-seeking behaviors.

The studies following a theory juxtaposition approach have several strengths that, at least partly, address the limitations of those based on the social embeddedness approach. By examining the relative influence of institutional mechanisms on economic agency across larger samples of organizations in specific socio-economic contexts, they are in a better position to draw more general conclusions about how management accounting practices vary within such contexts. This can form a starting point for examining a wider range of behaviors, rather than invariably assuming that economic agency is inescapably embedded in institutional environments. It also resonates with more recent advances in institutional theory stressing that the diffusion of organizational practices does not necessarily reinforce tendencies toward isomorphism, but that it can create significant practice variations and complexity in institutional fields (see Lounsbury 2008; Greenwood, Raynard, Kodeih, Micelotta, and Lounsbury 2011). Insofar as such variations follow relatively predictable patterns, this is consistent with the ontological premises of the economics-based research tradition in which the theory juxtaposition approach originates. None of the studies following this approach can be said to have broken with these premises and should rather be seen as realist extensions of economics-based research with insights from institutional theory. The starting point is invariably hypotheses, deductively derived from economic theories, which are then complemented with hypotheses informed by institutional theory or cognate perspectives. This facilitates the adoption of an epistemology dominated by an etic perspective aimed at the isolation of specific, economic, and institutional mechanisms and the specification of causal relationships between such mechanisms and management accounting practices for statistical testing.[3]

However, similar to the social embeddedness approach, the theory juxtaposition approach has several limitations that can be traced back to its paradigmatic affiliations. First, there is a risk of the analytical separation of economic and institutional environments resulting in either/or thinking insofar as their influence on management accounting is concerned. There is certainly an element of such either/or thinking in the studies that primarily conceive of institutional mechanisms as constraints on economic agency, since organizations are seen as mainly pursuing strategies dominated by concerns with economic efficiency or concerns with social legitimacy depending on the prevalence of such constraints. Such either/or thinking ignores more recent advances in institutional theory, pivoting on the notion of institutional logics, as a basis for explaining how practice variations emerge in institutional fields (Lounsbury 2008; Thornton, Ocasio, and Lounsbury 2012). Institutional fields are often constituted by multiple, competing logics, denoting the socially constructed templates and material practices that imbue action in such fields with meanings. Such logics contain distinct conceptions of what counts as legitimate aspects of organizational performance in particular fields. Hence, what is defined as efficiency or, for that matter, any notions of organizational performance are socially constructed phenomena that are all implicated in bestowing legitimacy on organizations (Lounsbury 2008; Modell 2019). From such a perspective, it is not meaningful to separate notions of organizational performance from the pursuit of legitimacy. Instead, questions need to be asked about how different and perhaps competing conceptions of performance are institutionalized and how such conceptions of performance constrain and enable various courses of action (Modell 2019). Such questions are effectively side stepped in research following the theory juxtaposition approach. Even where the enabling role of institutions is recognized (Bol and Moers 2010), there is little explicit recognition of the notion that efficiency and legitimacy concerns may be intricately intertwined.

Second, shifting the focus toward an emphasis on organizational performance as a socially constructed phenomenon to avoid either/or thinking with respect to efficiency and legitimacy concerns requires a profound sense of the context-specific meanings that permeate management accounting practices and the processes through which such meanings take shape. There is little evidence of concerns with socially constructed meanings in the studies following the theory juxtaposition approach. Even though they are all thoroughly contextualized in that they offer detailed accounts of the socio-economic contexts at hand, these accounts have a strongly etic flavor and primarily serve as background descriptions and a basis for developing context-specific variables. This etic flavor is reinforced by the fact that institutional constraints are not measured directly, but proxied for through the use of ownership forms as independent variables (Eldenburg and Krishnan 2008; Balakrishnan et al. 2010; Eldenburg et al. 2015; Holzhacker et al. 2015). Only in the cases of Bol and Moers (2010) and Eldenburg et al. (2015) are there any greater concerns with the lived experiences of organizational actors as they go about constructing management accounting practices. However, even in these cases, the primary emphasis is on the quantitative analyses devised to test deductively derived hypotheses rather than the qualitative parts of the studies.

Finally, in contrast to the social embeddedness approach, research following the theory juxtaposition approach mainly examines the effects of economic and institutional mechanisms on management accounting practices and pays no attention to the constitutive roles of such practices. This is perhaps not surprising given the realist ontology underpinning the theory juxtaposition approach. From such a perspective, the realities that surround accounting practices are largely given and relatively insensitive to human influence. However, it means that the complex, two-way relationships between management accounting practices and their socio-economic context and the causal dynamics that are implicated in such relationships go unnoticed. Addressing this limitation may be difficult based on the methods dominating studies within the theory juxtaposition approach as it requires deeper, longitudinal inquiries into the processes through which such two-way relationships unfold.

Comparison of the Two Approaches

The social embeddedness and theory juxtaposition approaches have both made important contributions to the management accounting literature by opening up a discussion of how institutions constrain as well as enable economic agency. This compels us to revise the notion of economic actors as socially isolated, calculating agents that prevails in much economic research and to conceive of economic relationships as conditioned by the broader institutional environments in which they evolve. However, neither approach can be said to have severed the paradigmatic ties with the theoretical schools of thought in which they

[3] Even though the hypotheses being tested in the studies following the theory juxtaposition approach are not always specified in causal form, there is often an implied assumption of causality in the line of reasoning leading up to these hypotheses (see Gow, Larcker, and Reiss [2016] for a general discussion of this practice in archival accounting research).

TABLE 1

Comparison of the Social Embeddedness Approach, Theory Juxtaposition Approach, and Critical Realism

Paradigmatic Premises	The Social Embeddedness Approach	The Theory Juxtaposition Approach	Critical Realism
Ontological conception of socio-economic realities.	Intertwining of economic and institutional environments and efficiency and legitimacy concerns. Recognition of the constitutive roles of management accounting practices.	Separation of economic and institutional environments and efficiency and legitimacy concerns. No attention to the constitutive roles of management accounting practices.	Separation of economic and social mechanisms, but attention to how the interplay between their causal powers leads efficiency and legitimacy concerns to intertwine. Constitutive roles of accounting recognized and seen as conditioned by socio-economic realities.
Epistemological position.	Emic perspective with emphasis on context-specific meanings rather than causal relationships.	Etic perspective with emphasis on causal relationships rather than context-specific meanings.	Combination of emic and etic perspectives to trace the context-specific activation of causal powers.
Methodological emphasis.	Qualitative methods. Limited concerns with empirical generalizations, partly due to risk of over-emphasizing social embeddedness.	Predominantly quantitative methods. Greater concerns with empirical generalizations and practice variations within socio-economic contexts.	Potentially open to both qualitative and quantitative methods. Possibilities of generalizability recognized, but emphasis on context-specific activation of causal powers that generate practice variations.

originate. The social embeddedness approach retains a strongly sociological flavor by stressing how management accounting practices are implicated in the social construction of economic realities. By contrast, the theory juxtaposition approach is still rooted in a realist conception of such realities as largely given and objective entities, which permeates economics-based research on management accounting. The paradigmatic premises that follow from these ontological points of departure imbue each approach with distinct and not easily reconcilable analytical emphases (see Table 1).

The social constructivist ontology underpinning the social embeddedness approach is rooted in a view of economic and institutional environments as intricately intertwined. This leads to a view of efficiency and legitimacy concerns as inseparable from each other. Also, consistent with the view of economic realities as socially constructed entities, several of the studies following this approach recognize the constitutive roles of management accounting practices as they are implicated in constructing novel notions of economic rationality (see, especially, Covaleski et al. [2003a]; Modell and Wiesel [2008]). This social constructivist stance leads to an epistemological position dominated by an emic perspective and an emphasis on the processes through which context-specific meanings take shape rather than the specification of causal relationships between economic and institutional mechanisms and management accounting practices. Methodologically, this position is typically manifest in qualitative, longitudinal inquiries in a small number of organizations. However, less emphasis is placed on generalizing empirical findings within socio-economic contexts, and there is a risk that the emphasis on social embeddedness restricts the range of economic behaviors observed within such contexts.

In contrast to the social embeddedness approach, the theory juxtaposition approach sees economic and institutional environments as separate, albeit interacting, entities. This leads to a view of efficiency and legitimacy concerns as analytically separable from each other. Following its realist view of socio-economic realities as objective and largely given entities, it also ignores the constitutive roles of management accounting practices. This realist stance leads to an epistemology dominated by an etic perspective primarily concerned with the identification of economic and institutional mechanisms and specification of causal relationships rather than the formation of context-specific meanings. Methodologically, the investigation of such relationships across larger samples of organizations, using predominantly quantitative methods, reflects greater concerns with generalization of empirical findings and variations in management accounting practices that are due to the prevalence of specific economic and institutional mechanisms.

The comparison of the social embeddedness and theory juxtaposition approaches shows how the paradigmatic premises of these approaches largely mirror each other. Insofar as researchers aspire to advancing a more unified, socio-economic perspective that integrates elements of these approaches, they may be tempted to ignore their paradigmatic differences and simply combine qualitative and quantitative research methods into a mixed-methods design in an attempt to reap the benefits and evening out of the shortcomings of such methods. Such an approach is commonplace in management accounting research following a mixed-methods design (Modell 2005, 2009). However, adopting such an approach without any consideration of ontological and epistemological questions implies that many of the thorny paradigmatic issues associated with the combination of economics- and sociology-based research are effectively bracketed. This may result in forced reconciliation of ontological and epistemological premises and, ultimately, a position that prevents insights from economics and sociology from being placed on a more equal footing. The above discussion raises particular questions as to whether and how ontologies based on realism and social constructivism can be accommodated within a unified view of socio-economic realities. It also compels us to consider the epistemological challenges and possibilities of combining emic and etic perspectives and the methodological implications this has for empirical research. In what follows, I outline an approach rooted in critical realism that enables us to address these issues.

IV. CRITICAL REALISM AS A BRIDGE BETWEEN ECONOMICS- AND SOCIOLOGY-BASED RESEARCH ON MANAGEMENT ACCOUNTING

As a paradigmatic position informing the social sciences, critical realism is based on an ontology that combines a moderate form of realism with a moderate form of social constructivism (Fleetwood 2005; Elder-Vass 2012). In contrast to the empirical realism that is typically associated with positivist research, critical realists do not see the world as constituted by predictable regularities that are, in principle, possible to detect and exhaustively explain based on empirical observations alone. Instead, following the pioneering works of Roy Bhaskar (1975, 1979), they conceive of the world as made up of a range of distinct, generative mechanisms that have a reasonably objective, or objectified,[4] existence, but whose propensity to cause empirically observable events to occur does not follow strictly law-bound patterns. These mechanisms are imbued with the potential, or causal powers, to produce specific events with a certain degree of consistency and regularity. However, whether this happens depends on whether specific mechanisms, such as those underpinning socio-economic realities, are enacted by various agents, and this leads their causal powers to be activated. Also, the events that actually occur are generally a result of a complex interplay between multiple mechanisms with causal powers that can both counteract and reinforce each other. This interplay is often highly context specific, although similar events can repeat themselves across different instances of space and time and form more regularly occurring tendencies.[5] This makes the actual occurrence of events a highly contingent phenomenon that cannot be easily predicted. Moreover, in contrast to empirical realists, critical realists relax the assumptions that the events and tendencies that actually occur are fully observable by human beings and that empirical observations are a direct reflection of the workings of generative mechanisms and their causal powers. This is so since people's interpretations of events are a product of socially constructed ways of seeing the world and, as such, an imperfect reflection of the potential and actual workings of objective, generative mechanisms. Hence, even though critical realists accept the objective existence of generative mechanisms, they do not abandon the notion that some aspects of reality are, indeed, socially constructed (see Elder-Vass 2010, 2012).

This ontological position provides a starting point for transcending the paradigmatic differences between the social embeddedness and theory juxtaposition approaches (see Table 1). As a paradigmatic, or meta-theoretical, framework critical realism is not wedded to any specific, substantive theory or research method, but rather assumes the role of a philosophical under-laborer that is open to different ways of investigating socio-economic realities without holding any firm, *a priori* assumptions about how such realities are constituted (Bhaskar 1975; Lawson, 1997). Following its view of the activation of causal powers as a highly context-specific phenomenon, it refrains from predicting what mechanisms cause particular conceptions of efficiency and legitimacy to emerge in particular contexts. However, as explicated below, it provides an ontological foundation for transcending the distinction between economic and institutional environments as either intricately intertwined or separate from each other, which separates the social embeddedness and theory juxtaposition approaches.

From a critical realist perspective, it is plausible to conceive of socio-economic realities as made up of a range of separate mechanisms of economic and social origin, while recognizing that the events that these mechanisms actually produce are a result of a complex interplay between their causal powers. This may lead events and tendencies, such as the ones that become manifest in management accounting practices and their constitutive effects, to encompass intricately intertwined concerns with economic efficiency and social legitimacy. Insofar as this intertwining takes reasonably similar forms across diverse, organizational contexts, this will reinforce tendencies toward isomorphism such as those associated with institutional theory. However, critical realists allow for the possibility that human beings may espouse widely diverging, socially constructed interpretations that create considerable variations in the context-specific meanings attributed to combined efficiency and

[4] The notion of objectification refers to the tendency of socially constructed phenomena to be reified into entities that are widely taken for granted by groups of social actors and, therefore, removed from the direct influence of individual, perceiving subjects.

[5] Critical realists use the notion of tendencies, or demi-regularities (Lawson 1997), to distinguish the regularities that follow from the activation of causal powers from more deterministic, law-bound conceptions of causality.

legitimacy concerns. For instance, accounting scholars using critical realism have shown how management accounting practices embodying novel conceptions of economic efficiency, which originate in the global diffusion of new public management reforms, get legitimized in specific contexts as a result of the interplay between the mechanisms associated with such reforms and those of local, institutionalized governance practices (Ashraf and Uddin 2015, 2016). The root causes of this intertwining of efficiency and legitimacy concerns may be difficult to determine based on empirical observations alone, given the imperfect ability of human beings to observe and make sense of the workings of generative mechanisms. However, as explicated below, this does not mean that the mechanisms responsible for particular events and tendencies cannot be identified and, at least partly, investigated through deeper, theoretically informed inquiries.

The adoption of a critical realist ontology has important epistemological and methodological implications that also help in transcending the paradigmatic divide between the social embeddedness and theory juxtaposition approaches. Most important, critical realists insist on the need to combine an emic and etic perspective to make sense of how generative mechanisms might and actually do work (see, e.g., Lawson 1997; Elder-Vass 2010; Modell 2015). To compensate for the fact that empirical observations are, at best, only partial reflections of the many generative mechanisms that might be at work in specific contexts, researchers can assume an etic position as theoretically informed outsiders mapping out what is already known about the events and tendencies they are trying to explain from other contexts. This can entail more or less extensive theory development aimed at identifying the mechanisms that might be responsible for specific events and tendencies.[6] However, to determine what mechanisms are causally efficacious in specific contexts, researchers need to adopt a pronounced, emic perspective. Critical realists argue that the actual activation of causal powers generally takes the form of complex processes, entailing an intricate interplay between multiple powers that need to be investigated based on an intimate knowledge of the context in which such processes evolve (Tsoukas 1989; Lawson 1997; Elder-Vass 2010). An emic perspective is also necessary since the activation of causal powers is often a highly context-specific phenomenon that is difficult to predict regardless of how extensive prior theory development is. However, given the view of all empirical observations as partial reflections of the workings of generative mechanisms, critical realists recognize that analyses of how causal powers are actually activated cannot lay claims to complete, infallible depictions of how such powers work (Bhaskar, 1975; Lawson, 1997). As such, critical realism imbues research with a healthy dose of skepticism of empirically derived knowledge claims that can prevent premature theoretical closures from occurring.

The combination of an emic and etic perspective takes empirical research beyond the research practices that have been observed in the social embeddedness as well as the theory juxtaposition approach. Similar to the social embeddedness approach, critical realist inquiries can retain a strong, emic emphasis on the processes through which context-specific meanings take shape while imbuing analyses of such processes with more explicit concerns with causality. By examining the context-specific activation of causal powers, researchers can develop what Lukka and Modell (2010, 466) call "thick explanations." Such explanations are deeply rooted in the lived experiences of the actors involved in the construction of management accounting practices and the meanings they attribute to such practices and cannot be derived from investigations that are more detached from the context under examination. Interestingly, such research also responds to recent calls for more "descriptive research" aimed at "provid[ing] deep insights into the causal mechanisms underlying observed institutional data" (Gow et al. 2016, 501) to imbue archival research, such as that dominating the theory juxtaposition approach, with greater context sensitivity. Emic analyses of how the causal powers of generative mechanisms interact can also sensitize archival research to the processes through which causal relationships unfold. The pursuit of context-sensitive insights into such processes may necessitate tradeoffs with the extent to which research findings can be generalized across different contexts. However, from a critical realist perspective, it is still possible to retain an element of generalizability by combining emic analyses with etic, theoretically informed inquiries into which generative mechanisms are more or less likely to influence specific events and tendencies across various contexts.

The concrete methodological procedures through which the emic and etic perspectives are brought together in critical realist research are manifest in the twin concepts of retroduction and retrodiction (see Lawson 1997; Elder-Vass 2010, 2015; Modell 2017). Retroduction is the etic process of developing theoretically informed conjectures about which individual, generative mechanisms might influence the events and tendencies that researchers are trying to explain. This is similar to a deductive mode of reasoning, but differs in the sense that the starting point is often context-specific observations of events and tendencies emerging in ongoing empirical research projects rather than predetermined, dependent variables. Retrodiction, by contrast, is the emic process of assessing how the causal powers of identified mechanisms are actually activated and how the interplay between such powers gives rise to particular events and tendencies in specific contexts. Retroduction is a necessary,

[6] Incidentally, Luft and Shields (2014) outline a similar approach for cataloguing potential, causal explanations in positivist accounting research. However, in contrast to the critical realist approach advanced in this paper, they see such cataloging as a mainly etic, deductive exercise and pay little attention to the subsequent, emic process of exploring how causal powers are actually activated and interact.

first step for such analyses as it provides the analytical building blocks for retrodiction. However, it is only by retrodicting how different causal powers interact that deeper empirical insights into how such powers are activated may be derived (Elder-Vass 2010, 2015).

To illustrate how the critical realist approach outlined above can be applied in management accounting research, I will briefly revisit an empirical study following such an approach (Baker and Modell 2019). Baker and Modell (2019) examine how novel conceptions of corporate social responsibility (CSR), centered on the concept of "shared value" (Porter and Kramer 2011), evolved through a field study in an Australian packaging company. Adopting a critical realist ontology, they sought to explain how the observed tendency among managers to translate this concept into a relatively narrow conception of CSR, chiefly concerned with the transformation of environmental performance improvements into cost savings, was influenced by specific mechanisms of both economic and social origin. Starting with a retroductive analysis, they identified three mechanisms—labeled normative management knowledge, customer demands, and labor rights—with a potential impact on this tendency. They then conducted two retrodictive analyses to explain how the tendency to transform environmental performance improvements into cost savings actually emerged and was stabilized over time as these mechanisms were enacted by different agents. These analyses show that this tendency was reinforced by a repeated interplay between the causal powers of normative management knowledge and customer demands that contributed to legitimizing a conception of CSR as primarily a matter of enhancing the company's financial performance. By contrast, the causal powers of labor rights failed to counteract this development despite being mobilized by organizational actors promoting a broader conception of CSR.

These findings show that a consistent and regularly occurring interplay between particular causal powers can reinforce the legitimization of a relatively narrow conception of CSR centered on notions of economic efficiency. By showing how such conceptions of CSR took on context-specific meanings, which were only partly consistent with Porter and Kramer's (2011) notion of "shared value," Baker and Modell (2019) draw attention to how studies starting with the identification of separate, generative mechanisms can produce insights into how concerns with economic efficiency and social legitimacy get intertwined. Baker and Modell (2019) also identified a set of theoretical boundary conditions under which the causal relationships generating such conceptions of CSR may be expected to occur in other contexts. Hence, although their analysis was confined to an individual organization, they offer an example of how emic concerns with context-specific meanings and etic concerns with the more general validity of causal explanations may be combined in a single study.

Qualitative studies, such as that of Baker and Modell (2019), may be extended with quantitative inquiries exploring whether similar tendencies to the ones they observed occur across a broader range of organizational settings. However, critical realists are skeptical of research following a conventional replication logic, based exclusively on repeated, quantitative studies, as a basis for drawing more general and definitive conclusions about how generative mechanisms work (see Lawson 1997; Tsang and Kwan 1999). This is partly due to their insistence on the notion that the activation of causal powers is a highly context-specific phenomenon that is difficult to predict, but also their recognition of the need the delve into the complex processes through which causal relationships unfold. This speaks in favor of a mixed-methods approach where quantitative methods are used to map the extent to which particular events occur and vary across a wider range of contexts, while qualitative methods are used to advance deeper insight into how variations occur. Critical realists have described how mixed-methods research of this kind can be combined with retroductive and retrodictive modes of reasoning (Downward and Mearman 2007; Modell 2009). However, a problem with especially retroductive analyses is that they can result in nearly endless lists of generative mechanisms that might be responsible for particular events and tendencies (Kaidesoja 2007). Following its position as a universally applicable, philosophical under-laborer, critical realism is a highly tolerant paradigmatic position that does not preclude any potential, theoretical explanations from being included in such analyses (Bhaskar 1975). However, this exacerbates the problem of whittling down multiple, potential explanations to the "best" explanations that hold across a wider range of contexts. One remedy to this problem, suggested by Baker and Modell (2019), is to conduct repeated studies based on a systematic sequence of retroductive and retrodictive analyses to ascertain what causal powers are repeatedly activated across different contexts. However, to avoid premature theoretical closures, such research needs to be combined with an acute awareness of the possibility that the context-specific activation of causal powers can always produce unexpected events and tendencies (Modell 2009, 2015).

Another challenge that needs to be addressed for critical realism to be more firmly established as a basis for bridging the gap between economics- and sociology-based research on management accounting, is the need to relax the entrenched paradigm thinking that has long permeated the accounting research community. While I have outlined how critical realism transcends extant paradigmatic boundaries in the management accounting literature, this challenge goes beyond ontological, epistemological, and methodological issues and also requires attention to the broader, epistemic premises that govern research practices. These premises have more to do with the politics of maintaining paradigmatic boundaries, as they refer to the norms and values that hold together different groups of researchers and, ultimately, determine what counts as valid knowledge claims. Critical realists recognize the importance of such premises, while insisting that the norms and values that condition scientific knowledge claims may evolve over time as such claims succeed or fail to hold up in relation to reasonably objective realities

(Elder-Vass 2012). However, if the paradigmatic boundaries separating different groups of management accounting scholars are as entrenched as some observers suggest (e.g., Lukka 2010), there would seem to be significant epistemic barriers to advancing critical realism as a novel, paradigm-bridging approach. Overcoming such barriers requires a more widely based appreciation of critical realism as an admittedly abstract, philosophical school of thought, but also concerted efforts to apply it in empirical studies to demonstrate its value to diverse groups of researchers. Although critical realism is gaining traction in the broader management literature, from which management accounting scholars tend to draw inspiration (Fleetwood and Ackroyd 2004; Edwards, O'Mahoney, and Vincent 2014), its use in empirical management accounting research is still at a nascent stage (Modell 2017).

V. CONCLUDING REMARKS

In this paper, I have reviewed an emerging body of research that seeks to bridge the gap between economics- and sociology-based research on management accounting and discussed how this kind of research may be taken forward. Extant research in this area has made important contributions by opening up a discussion of how social entities, manifest in different kinds of institutions, constrain as well as enable economic agency. However, I have shown how the two approaches that have so far dominated this research still display strong, paradigmatic legacies originating in economics- and sociology-based research, respectively. As such, they have not dealt effectively with the problems of reconciling ontological assumptions grounded in realism and social constructivism and combining epistemological positions based on emic and etic perspectives into a unified, socio-economic perspective on management accounting. To address this issue, I have proposed a research approach rooted in critical realism. Although this approach has only just started to inform empirical research on management accounting, it offers a basis for transcending the current division between realist and social constructivist positions that is manifest in a conception of economic and institutional environments as either separate from each other or intricately intertwined. It also stresses the need to combine emic and etic perspectives to delve into the complex causal relationships that give rise to context-specific events as well as more generally occurring tendencies. I have offered some insights into how my critical realist position may be translated into empirical research. However, much work remains to be done to establish critical realism more firmly as a basis for management accounting research that integrates insights from economics and sociology.

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