

**MANAGEMENT  
ACCOUNTING  
PROFESSIONALIZATION:  
THE CASE OF RUSSIA**

by

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## TABLE OF CONTENTS

<b>1. GENERAL INTRODUCTION .....</b>	<b>1</b>
1.1 Introduction.....	1
1.2 Key works in the sociology of professions literature .....	3
1.3 Management accounting professionalization in the USA, UK and Germany .....	7
1.3.1 Management accounting professionalization in the USA.....	7
1.3.2 Management accounting professionalization in the UK.....	11
1.3.3 Management accounting professionalization in Germany.....	16
1.4 Discussion.....	21
1.5 Method.....	25
1.5.1 Validity .....	26
1.6 Research questions and paper findings.....	30
1.6.1 Paper 1: Importing Certified Management Accountant Certification to a Post-Communist State: the Case of Russia.....	32
1.6.2 Paper 2: Changing Logics of Russian Higher Education in Accounting.....	33
1.6.3 Paper 3: Representation of Knowledge on Some Management Accounting Techniques in Textbooks .....	34
1.7 Contributions of the thesis .....	35
1.8 Organization of the dissertation.....	38
References.....	38
<b>2. IMPORTING CERTIFIED MANAGEMENT ACCOUNTANT CERTIFICATION TO A POST- COMMUNIST STATE: THE CASE OF RUSSIA .....</b>	<b>43</b>
2.1 Introduction.....	44
2.2 Professionalization in accounting .....	48
2.3 Method.....	55
2.4 The Russian context.....	58
2.5 The Institute of Management Accountants.....	62
2.6 Local chapter and examinations development.....	65
2.6.1 Developing exam focused training .....	65
2.6.2 Forming the IMA Moscow Chapter.....	68
2.6.3 Exam adoption rationales.....	71
2.6.4 CMA vs. other international certifications.....	76
2.7 Linking occupation and certification .....	77
2.7.1 Ethics codes .....	77
2.7.2 CMA and linguistic codes.....	79
2.7.3 CMA certification and a professional career .....	80
2.7.4 Association as a community building device.....	82

2.8 Discussion.....	83
2.8.1 Occupational and contextual rationales for exam adoption.....	85
2.8.2 CMA and management accounting occupation in Russia .....	88
2.9 Conclusions.....	93
References.....	96
Appendix.....	100
<b>3. CHANGING LOGICS OF RUSSIAN HIGHER EDUCATION IN ACCOUNTING .....</b>	<b>103</b>
3.1 Introduction.....	104
3.2 The institutional logics perspective .....	107
3.3 Higher education changes in accounting .....	109
3.4 Research methodology.....	111
3.4.1 First set of data.....	112
3.4.2 Second set of data .....	113
3.4.3 Reflective data analysis.....	114
3.5 History of Soviet accounting .....	114
3.6 Accounting education in the USSR .....	117
3.7 Accounting education after the fall of communism in Russia.....	119
3.8 Institutional logics of management accounting education in post-Soviet Russia .....	123
3.8.1 Logic of the state.....	124
3.8.2 Logic of the profession .....	126
3.8.3 Logic of the market.....	129
3.9 Discussion.....	133
3.9.1 Accounting education in the Soviet period.....	134
3.9.2 Management accounting education after the collapse of the USSR .....	135
3.10 Conclusions.....	138
References.....	139
Appendix.....	142
<b>4. REPRESENTATION OF KNOWLEDGE ON SOME MANAGEMENT ACCOUNTING TECHNIQUES IN TEXTBOOKS .....</b>	<b>145</b>
4.1 Introduction.....	146
4.2 Literature review .....	149
4.2.1 Accounting textbook research.....	151
4.3 Theoretical framework.....	154
4.4 Research method.....	158
4.5 Empirical findings.....	162

4.5.1 Activity-based costing (ABC).....	162
4.5.2 Balanced scorecard (BSC) .....	170
4.5.3 Economic value added (EVA) .....	175
4.5.4 Beyond budgeting .....	178
4.6 Discussion and conclusions .....	180
References.....	186





## **1. GENERAL INTRODUCTION**

### **1.1 Introduction**

Accounting professionalization has been studied from a variety of perspectives, illustrating the complexity of the process. The studies focus on several themes including the formation of professional associations (Carnegie & Edwards, 2001), state-profession relationship (Dedoulis & Caramanis, 2007), practice sites of accounting professionalization (Cooper & Robson, 2006), imperialism and the accounting profession (Annisette, 2000), inter-professional rivalry (Kurunmäki, 2004), accounting professionalization of marginalized groups (Loft, 1986), and accounting commercialization (Mitchell & Sikka, 2004). In this body of research, universities and professional associations are seen as important actors shaping professionalization of accountants.

Existing studies tend to focus either on universities or on professional associations as major actors in the professionalization process. Only a few studies address the link between universities and professional associations and their common roles in the professionalization of accountants (Annisette & Kirkham, 2007). This stands in contrast to the fact that universities and professional bodies are crucial elements in the professionalization process (Abbott, 1988). In order to understand all aspects of the professionalization process, it is important to investigate both professional associations, universities and their institutional environments. Therefore, I address the following research question in my PhD-thesis:

*How have universities and professional associations shaped professionalization of management accountants in Russia?*

While much work has been done on accounting professionalization in the area of financial accounting and auditing, this thesis addresses professionalization of management accountants. In the accounting literature it is argued, for example by Ahrens and Chapman (2000), that management accounting is different from financial accounting and auditing because management accounting is dependent on organizational contexts and is therefore less generalizable. Thus, the ways in which traditional professionalization structures and institutions such as universities and professional bodies influence management accounting as an occupation remains relatively unexplored in accounting research. By investigating management accounting, the thesis contributes to a literature stream on the professionalization of the marginalized groups, in this case management accountants. Indeed, Cooper and Robson (2006) emphasize the importance of investigating professionalization of marginalized groups in accounting as such studies show how the boundaries of the accounting profession are constructed and reconstructed and which groups are excluded. In the case of management accounting, it is crucial to investigate the formation an occupational group, socialization, career choices and occupational mobility of management accountants.

The thesis focuses on the unique empirical setting – Russia. While much research in accounting professionalization has focused on Anglo-Saxon and colonial contexts (Annisette, 2000; Sikka, Haslam, Kyriacou, & Agrizzi, 2007), there is a need to explore other sites of accounting professionalization. By expanding the body of literature on accounting professionalization outside Anglo-Saxon countries, the thesis attempts to focus more attention on professionalization of management accounting. The thesis adds additional insights into the globalization of the management

accounting occupation by tracing its history in Russia and focusing on the management accounting education in contemporary Russia.

The structure of the introduction is as follows. In the second section, I provide an overview of the sociology of professions literature emphasizing the roles of universities and professional associations as traditional professionalization structures. The third section reviews literature on management accounting professionalization in the USA, the UK and Germany. The fourth section discusses management accounting professionalization in the USA, UK and Germany and suggests areas for future research. The fifth section focuses on the methods of the study. The sixth section describes research questions and findings of the papers. The seventh section discusses contributions of the thesis to the accounting professionalization literature.

## **1.2 Key works in the sociology of professions literature**

The literature pertaining to the sociology of professions had its ‘golden age’ in the middle of the twentieth century. Yet, arguably starting from 1970s, major changes in professions occurred: growth in the service sector occupations, transformations in organizational and market conditions of professional work and new developments in knowledge and technology leading to the emergence of expert occupations (Gorman & Sandefur, 2011). As professional and knowledge-based work become more important in contemporary society, there is a need for a better understanding of a classical sociology of professions and its further development (Gorman & Sandefur, 2011). In the next section, I will take a closer look at several key works of the classical sociology of professions, paying particular attention to the roles of universities and professional associations in the professionalization process.

Macdonald's book 'The sociology of professions' (1995) is one of the important works for understanding professionalization concept. Macdonald (1995) uses the 'professional project' concept as the key concept throughout his book. According to Macdonald, the aim of a professional project is to achieve economic and social advantages and, most importantly, a social closure and upward social mobility. Professional project can be pursued both in the economic order and in the social order. The economic order of the professional project is developed via legal closure, monopolization of the market and acquisition of a specialized knowledge base for the profession. In the social order, professionals strive to achieve higher status and respectability in society. Thus, Macdonald demonstrates the importance of education, formal credentials and certification in the professional formation. Yet, in various cultural settings, the importance of formal university education and professional associations can be different.

Larson's book 'The rise of professionalism' (1977) is devoted to understanding the concept of professionalism and collective mobility projects. Larson acknowledges the importance of knowledge standardization and market control for professional advancement. Professions strive to achieve a well-defined cognitive basis; therefore, institutionalized credentialing becomes vital. According to Larson, to gain market control, professionals develop monopolistic training centers. Typically, professional associations, as structural elements of professional projects, attempt to establish cognitive exclusiveness in relation to the profession before formal university programs are established. Consequently, universities become important arenas for knowledge development, dissemination and professional socialization:

*The core of the professionalization project is the production of professional producers; this process tends to be centered in and allied with the modern university (Larson, 1977, p. 50)*

Larson argues that societal model shapes professional development; therefore it is important to investigate idiosyncrasies of professional projects in different locations. Larson introduces examples of professional development in the UK, USA, Germany and France to illustrate differences in professional formation. Larson contrasts the British 'aristocratic model' of professional development with the American 'democratic' professional model. For British aristocracy, education became a way to protect their high status from competition. Yet, In the USA, in the absence of formal aristocracy, professions were influenced by a meritocratic ideology.

'Professionalism: the third logic' by Eliot Freidson (2001) is another important work of the sociology of professions literature. Freidson discusses the concept of professionalism and identifies the 'ideal type of professionalism' based on an occupationally controlled division of labor. Traits that characterize the ideal type of professionalism are highly specialized work, exclusive jurisdiction, a sheltered market position, formal training and professional ideology. Universities, according to Freidson, play a major role in developing ideal form of professionalism as they produce theoretically based curriculum, define career lines and produce labor market signals. Freidson argues that professions, as opposed to crafts, develop specialized training at universities and thus gain occupational control. Alternatively, according to Freidson, professional associations do not play a major role in the establishment of professionalism as they typically represent professional elite and not the entire profession.

Abbott's book 'The system of professions' (1988) is of key importance to the sociology of professions literature because it focuses on professional jurisdictions. Abbott (1988) argues that in order to understand professions, we need to investigate professions' work, professional jurisdictions and jurisdictional conflicts. Instead of focusing on the structural elements of the professions, Abbott pays particular attention to professional tasks: historical origins of these tasks and their development over time. According to Abbott, jurisdictional conflicts are constant and thus professions change their boundaries and societal status. Universities, according to Abbott, become an arena of interprofessional competition, they advance knowledge and educate new professionals. Therefore, universities become particularly important in the professionalization process, especially in the countries with strong state regulations such as Germany. Abbott argues that in the USA and England, the state had less control over professional formation and thus 'free professionalism' emerged. According to Abbott, professional associations play different role in countries with strong state regulations as opposed to the rest of the world. For instance, in England, the state had historically almost no influence on professions and thus professionals organized themselves into professional associations to protect their interests and secure market control.

In the classical works of the sociology of professions, the concept of social closure, market control, professional project and collective mobility become central. In order to achieve market control and cognitive exclusiveness, professionals establish university programs and other formal training regimes. Universities serve as legitimators for professionals and arenas of professional socialization. Professional associations, on the other hand, play a minor role in professional advancement. Yet, in

the 21st century, there is a need to revisit classical sociology of professions literature to understand rapid changes occurring in the labor market spurred by technological advancement and globalization. There is a need to investigate professionalization of newer occupations to gain insight into the structure, jurisdictions and knowledge development of the new disciplines. In the following sections, I provide an example of the management accounting occupation through a focus on universities and professional associations as structures of occupational control.

### **1.3 Management accounting professionalization in the USA, UK and Germany**

#### ***1.3.1 Management accounting professionalization in the USA***

Johnson and Kaplan (1987) describe early developments of management accounting in the USA in the book 'Relevance lost: the rise and fall of management accounting'. It is claimed that first management accounting practices appeared in the USA during the nineteenth century to monitor and evaluate the output of internal organizational processes (Johnson & Kaplan, 1987). According to Johnson and Kaplan, cotton textile factories were the first American organizations to develop management accounting systems. Textile factories required cost accountants to calculate direct labor and overhead costs and to control internal resources. By the end of the nineteenth century other industries such as iron and steel, petroleum, chemicals, machinery making were also using costing systems to evaluate internal processes. Yet, American railroad companies advanced cost accounting systems even further as a tool for assessing the performance of individual managers.

Scientific management ideas influenced the development of management accounting in the USA in the late nineteenth and early twentieth century. For the

pioneers of scientific management, Taylor and Emerson, the major goal of advanced cost systems was to maximize the efficiency of internal processes and tasks and to holistically assess profitability of the entire enterprise. Scientific management ideas flourished as firms that were mass producing complex products required accurate information about labor efficiency (Johnson & Kaplan, 1987). Mechanical engineers were capable of calculating costs and developing new cost calculation techniques. One of the major activities performed by ‘engineering-minded managers’ was the calculation of standard costs, ideal rates at which material and labor should be acquired (Johnson & Kaplan, 1987). Thus, engineers played an important role in developing cost accounting practices primarily in complex machine-making firms.

According to Abbott (1988), the rise of cost accounting in the 1900s was associated with technological advances namely the development of mechanical devices for tabulation and calculation. In his book ‘The system of professions’ Andrew Abbott describes ‘a battle’ between accountants and engineers for the cost accounting jurisdiction. Abbott refers to cost accounting as ‘the most heavily contested information jurisdiction in American history’ (Abbott, 1988, p. 230). In the end, accountants won the battle for cost accounting jurisdiction by establishing a professional association (The National Association of Cost Accountants) and monopolizing university education.

After the World War II, management accounting ideas boomed in the USA. As many private organizations started to emerge, the demand for private accountants increased (Van Wyhe, 2007). Before 1950s accounting profession in the US was dominated by public accounting and the Certified Public Accountant qualification fostered legal status of public accountants (Van Wyhe, 2007). He argues that the rise



of management accounting in the US was associated with the demand for higher status by private company accountants, their desire to redefine their organizational status and the need to establish connections with business executives. Additionally, emergence of business consulting reinforced the need to combine management and accounting knowledge (Van Wyhe, 2007). Academicians also contributed to the establishment of the management accounting discipline by developing specialized university courses and fighting for curriculum changes.

Indeed, universities in the USA played an important role in defining management accounting jurisdiction and becoming arenas of interprofessional competition (Abbott, 1988). Several US academics contributed to the development of management accounting as a discipline, yet Robert Anthony contributed notably to American accounting education after the World War II (Anthony, 2003; Birnberg, 2011; Zeff, 2008). Robert Anthony contributed to the transition from cost accounting to management accounting by connecting the work of accountants and managers. Management accountants were supposed to produce information relevant for decision making, i.e. the information that managers can use in their everyday activities. While working at Harvard Business School, Robert Anthony wrote the first management accounting textbook in which he emphasized information use by managers. Robert Anthony also contributed to the curriculum reform at Harvard Business School through new courses (Zeff, 2008). Robert Anthony questioned traditional roles of accountants in organizations and suggested alternative ideas for accounting development. He developed the concepts of goal congruence, employee motivation, responsibility centers and advocated the discounted cash flow approach (Anthony, 2003; Zeff, 2008). Robert Anthony authored many management accounting textbooks

including 'Management accounting: text and cases' (1956), 'Essentials of accounting' (1964), 'Management control systems: cases and readings' (1965), 'Planning and control systems: a framework for analysis' (1965), 'Management accounting principles' (1965), 'Management control in nonprofit organizations' (1975). Zeff (2008) argues that Harvard Business School was the absolute leader in the USA in producing management accounting textbooks and cases after the World War II. Robert Anthony contributed not only with textbook and case production at Harvard Business School, but he was also heavily involved in teaching new courses. In addition, he was innovative in using cases as opposed to traditional lectures in the classroom (Zeff, 2008). Harvard Business School was not the only pioneer of management accounting ideas in the USA. Zeff (2008) states that Massachusetts Institute of Technology (MIT) and the University of Chicago were also leaders of management accounting knowledge production.

The USA was among the first nations to develop management accounting practices. Professionalization of management accounting developed gradually and was linked with the development of economic activities, industrial growth and curriculum changes at universities. The first professional association (The National Association of Cost Accountants) emerged in 1919 and contributed to the development and legitimation of cost accounting as a respectable subject (Anthony, 1989). Yet, the role of universities in management accounting professionalization was more prominent: they contributed to the development of the management accounting discipline and recognition of management accountants in organizations by including management accounting courses in the curriculum of MBA programs, publishing popular textbooks and diffusing their ideas to the other business schools. The

transition from cost accounting to management accounting and the subsequent professionalization of management accounting in the USA was largely driven by the individual leadership of accounting scholars.

### ***1.3.2 Management accounting professionalization in the UK***

Early management accounting techniques originated as cost accounting in the nineteenth and eighteenth centuries (Armstrong, 1987). It is stated that cost and management accounting ideas started to gain popularity in Britain in the late nineteenth century; this period is even referred to as ‘costing renaissance’ (Armstrong, 1987; Parker, 1969; Solomons, 1952). Increased focus on cost accounting techniques was associated with the increasing scope and complexity of British business, declining profit margins, the growing importance of overhead costs and the increased demand for price determination (Napier, 1996; Parker, 1969; Solomons, 1952).

Governmental reforms as well as historical developments of British industries shaped the development of British management accounting in the twentieth century. Loft (1986) argues that in the early twentieth century, Britain did not have favorable conditions for the widespread development of sophisticated costing systems: British manufacturing organizations were small in size and did not require advanced costing systems for mass production. However, during the World War I, the need for management accounting techniques increased dramatically (Loft, 1986). As the British government introduced rules for preventing profiteering, companies started to look for better ways to determine fair market prices and costs (Loft, 1986). Government price control during this period elevated the importance of cost accounting knowledge. Suddenly the cost accounting profession gained prestige with

the emergence of senior cost accounting positions in the war ministries (Armstrong, 1987).

*Thus cost accounting was to play a role in the 'restructuring' of Britain after war. It was believed that the knowledge produced by costing systems would enable the efficient running, not only of individual organisations but the whole of Britain as a nation. (Loft, 1986, p. 150)*

During the World War II, the importance of cost accounting knowledge increased even more. According to Armstrong (1987), the state control over the military and civil services was higher during the World War II as opposed to the World War I. Both Ministries and contractors were willing to employ professional cost accountants in order to avoid understatements and overstatements of costs (Armstrong, 1987). As a result, more employees were working on cost accounting leading to further professionalization of the group.

The growing importance of management accounting in Britain in the twentieth century can also be attributed to American influences. Initially American methods of management accounting were diffused to the UK after a series of American takeovers in the 1920s – 1930s (Armstrong, 1987). Armstrong (1993) argues that management accounting ideas were imported to Britain from the USA under the American initiative to aid Western Europe after the end of the World War II, namely, the Marshall Aid Plan. Under the Marshall Aid Plan, British management experts gained an opportunity to study American business methods in the USA, including management accounting (Armstrong, 1993).

Throughout the twentieth century, British professional associations played a crucial role in the coalescence of management accountants as an occupational group

and discipline advancement. Accountancy in the UK developed as a continuous struggle between the members of professional bodies for status, prestige, monetary rewards and the right of self-regulation (Willmott, 1986). Membership in the most prestigious accounting bodies supported by the state implied reputability, competency and professionalism (Willmott, 1986). The formation of rival associations was an inevitable result of the desire of those excluded from elite memberships to gain a competitive advantage in the market (Willmott, 1986). The Institute of Cost and Work Accountants (ICWA) was established by cost clerks excluded from membership in the elite financial accounting and auditing institutes such as the ICAEW (Armstrong, 1993).

Several studies focused on the historical development of ICWA and its impact on the management accounting professionalization (Armstrong & Jones, 1992; Armstrong, 1993; Loft, 1986). Loft (1986) examines British management accounting development in the period of the World War I and outlines major events shaping professional formation. It is stated that The Institute of Cost and Work Accountants (ICWA.) was formed in 1919 to unite an increasingly important group of cost clerks and claim their professional status (Loft, 1986). Loft (1986) argues for the importance of investigating professional associations as they play a crucial role in the formation of management accounting by defining management accounting techniques and competency. Loft (1986) concludes that ICWA was involved in the professionalization project through which its members gained upward social mobility, social status and increased knowledge base.

Armstrong and Jones (1992) investigate the examination syllabus and practical experience requirements of the Chartered Institute of Management Accountants,

CIMA (former ICWA) after the World War II. The study aims to identify the collective mobility strategy of the Institute. In the post-war period members of the ICWA participated in 'Productivity Teams', a program organized by the British government to study American management methods (Armstrong & Jones, 1992). The program had a profound impact on the Institute's strategy and the definition of management accounting. Inspired by the Productivity Team, ICWA pursued strategic modifications in the qualification requirements and turned its syllabus towards management accounting (Armstrong & Jones, 1992). By so doing, the members of the Institute could get senior managerial positions and further enhance qualification. In the 1950s the Institute gradually broadened the syllabus to focus on the practical aspects of the profession and financial management (Armstrong & Jones, 1992). Armstrong and Jones (1992) argue that by pursuing the goal of increasing membership base of the Institute and prestige of the profession, the Institute followed immediate tactical strategy in terms of knowledge base development.

Armstrong (1993) continues to examine the syllabus of the ICWA after the World War II. The paper discusses how the Institute developed an ideology of management accounting in response to intense competition from universities and other professional bodies. Management accounting was becoming an emergent brand image of the Institute, and the Institute's occupational ideology emphasized the 'practicality' of studies and the examination syllabus (Armstrong, 1993). By increasingly orienting its syllabus towards senior management, the Institute confronted the problem of exclusivity of a professional knowledge base (Armstrong, 1993). Despite all the problems, the Institute's long-term strategy was successful and membership figures rose significantly (Armstrong, 1993). The paper contributed to

the existing literature by demonstrating a tension between managerial credibility of a knowledge base and the ability of management accounting occupation to monopolize it.

The accounting literature indicates that universities in the UK, as opposed to professional bodies, play a secondary role in the professionalization of management accountancy (Ahrens & Chapman, 2000; Annisette & Kirkham, 2007). Ahrens and Chapman (2000) argue that management accounting in the UK is weakly institutionalized and the importance of having a formal university degree in accounting is low. Indeed, Annisette and Kirkham (2007) argue that British universities never gained full control over the accounting profession in the UK.

Annisette and Kirkham (2007) investigate the profession-university education link in the UK focusing on the relationships between the Institute of Chartered Accountants in England and Wales (ICAEW) and English universities. The paper argues that English universities and their accounting departments did not fulfil their traditional roles as defined by the sociology of professions literature. Annisette and Kirkham (2007) claim that formal accounting education in the UK has historically been positioned outside the university sector: accounting as a university subject did not become a significant part of commerce degrees until the second half of the twentieth century. The study shows that English universities were initially unwilling to include accounting in the curriculum due to the subject's vocational, non-professional nature. The paper discusses the uniqueness of accounting knowledge in the UK: academic accounting research in the UK historically has been used to legitimize the professional status of accountants and not to advance the knowledge base of the discipline. Still, ICAEW collaboration with English universities was

successful: the Institute increased its pool of job candidates and gained access to new recruits (Annisette & Kirkham, 2007).

Hopper (2013) presents a historical account of university development in the UK focusing on the accounting discipline. The teaching of accounting in UK universities increased rapidly in the 1960s, followed by an enlarged demand for accounting jobs and a boost in government financing of universities (Hopper, 2013). Yet, professional education and university education remained loosely coupled. Hopper (2013) argues that receiving an academic accounting degree provides few advantages as opposed to professional qualification. Indeed, Hopper (2013) claims that some university lecturers tend to adopt narrow curriculum and non-academic textbooks.

To conclude, the role of professional associations in the development of management accounting occupation in the UK is more pronounced when compared to the role of universities. Universities took a secondary role in the professional development of British accountants by supplying qualified graduates for the profession. As professional associations and professional service firms increasingly attend to the socialization and training of accountants, university education becomes less relevant for professional advancement.

### ***1.3.3 Management accounting professionalization in Germany***

The development of the discipline of cost accounting in Germany has historically been closely connected with neoclassical production theory (Christensen & Wagenhofer, 1997). Early developments of cost accounting in Germany were associated with the work of a prominent scholar Eugen Schmalenbach (Schildbach,



1997). Eugen Schmalenbach defined the boundary between financial accounting and management accounting in organizations: cost and benefits were considered elements of cost accounting while expenses and revenues were considered elements of financial accounting (Schildbach, 1997). The separation of cost accounting from financial accounting had a profound influence on the development of the accounting discipline (Schäffer, Schmidt, & Strauss, 2014). Schmalenbach was the first professor in cost accounting at German business schools – Handelshochschulen - spreading new ideas about cost accounting to academics and students (Schäffer et al., 2014).

The ideas of Schmalenbach on profit calculation and valuation were popular in Germany until the end of the World War II, and in the 1960s, a new concept of controlling emerged (see Figure 1.1) (Schäffer et al., 2014; Schildbach, 1997). Controlling gradually replaced the old concept of cost accounting, shifting focus from cost calculations to performing management tasks (Becker & Messner, 2005). Although the concept of controlling largely coincides with the Anglo-Saxon concept of management accounting, it reflects German institutional environment and organizational uniqueness.

Schäffer et al. (2014) argue that the concept of controlling was imported to Germany after the World War II under the Marshall Plan. Many business professionals from Germany had an opportunity to participate in study trips and learn about American business models. Hence, controlling as the name of the new discipline was borrowed from the English language. Schäffer et al. (2014) claim that in the 1960s, controlling as a profession existed only in the subsidiaries of US enterprises. Thus, controlling ideas originated in practice, in German enterprises because of the diffusion of American ideas.

Schäffer et al. (2014) identify three key factors influencing the growth of the controlling function and controller positions in German enterprises. The first reason is the increased cost pressure caused by external shocks and the unfavorable economic situation in the country. The second reason is the need to be closer to consumers and the increased complexity of German organizational structures. The third reason is technological developments resulting in new opportunities and new tasks for cost accountants. Thus, the growth of controlling in German enterprises became a part of German industrial development.

As controlling emerged in practice, accounting scholars had to develop teaching programs and research programs to reflect business innovations (Messner, Becker, Schäffer, & Binder, 2008). German cost accounting education has historically been developed in universities, and controlling courses became part of established business administration programs (Schäffer et al., 2014). The first university courses in controlling appeared in the 1970s and in the 1990s, controlling as an academic discipline experienced a boom while the number of controlling chairs at universities rose steeply (Messner et al., 2008). Controlling scholars played an important role in the advancement of the discipline by defining its boundaries: they wrote textbooks and conducted the research projects to establish cognitive legitimacy of the discipline (Messner et al., 2008).

As controlling research in German universities developed from production economics, from finance and information economics, it is historically based on quantitative research methods (Ewert & Wagenhofer, 2007). Therefore, the use of qualitative research methods in management accounting is rather uncommon in Germany (Ewert & Wagenhofer, 2007). Becker and Messner (2005) argue that in

Germany there were historically two distinct scholarly communities: financial accounting researchers and management accounting researchers. Yet recent diffusion of the Anglo-Saxon research traditions leads to the increased harmonization of management accounting and financial accounting in Germany (Ewert & Wagenhofer, 2007). According to Ewert and Wagenhofer (2007) current research and practice in German management accounting are driven to a large extent by the American developments.

Given the pronounced role played by universities in the professionalization of controlling, professional associations took a secondary role. Controller Akademie (CA) was founded in 1971 and was the first private institute of advanced studies of controlling in Germany (Schäffer et al., 2014). The Controller Verein (CV) was founded in 1975 as the professional association of German speaking controllers (Schäffer et al., 2014). We know little about the historical development of professional associations in Germany, as only a few studies exist that focus on understanding circumstances under which German professional associations emerged.

Schäffer et al. (2014) conducted a historical study of Controller Verein (CV) from 1979 to 1989 using archival and interview data. The study identifies German uniqueness of accounting professionalization as opposed to the Anglo-Saxon model. Schäffer et al. (2014) demonstrate how CV developed as an informal club for controlling practitioners having no formal control over education and work standards. The study emphasizes the importance of Albrecht Deyhle, the owner of CA. As a leader, Albrecht Deyhle significantly contributed to the formation of the professional community, founded a professional magazine and was a charismatic speaker (Schäffer et al., 2014).

Germany has a unique professional organization due to the clear separation between financial accounting tasks and controlling tasks in companies and in education. Thus, Schäffer et al. (2014) identify three distinct professional groups in German accounting: auditors, financial accountants and controllers. Having different histories, the societal status of these groups varies. While auditing and financial accounting professions have longer histories, controlling as an occupation did not emerge until the twentieth century. Thus, controllers in Germany are still establishing their status and professional jurisdiction.

Heinzelmann (2016) investigates professional education in management accounting and its role in establishing jurisdictional claims in German-speaking countries and the UK. The study shows that controlling has established jurisdictions in the workplace and in the public arena but not in the legal arena in the German-speaking countries. This differs from the management accounting occupation in the UK, which has successfully established jurisdictions in all three arenas: workplace, public and legal. Heinzelmann (2016) connects the jurisdictional claims with professional training schemes, thereby enhancing our understanding of management accounting professionalization.

In a similar vein, Ahrens and Chapman (2000) compare management accounting professionalization in Germany and the UK. They argue that the occupational identity of management accountants in Germany is shaped by their academic training at universities. Typically, controllers in Germany have a business or economics degree, thus academic training becomes crucial for their professional career. This stands in stark contrast to the UK model where an academic degree

within business administration is not necessary to get a job in accounting (Ahrens & Chapman, 2000).

To conclude, controller occupation in Germany has a relatively short history. Driven by the diffusion of American ideas in management accounting after the World War II, German enterprises started to introduce a controlling function in the organizations. German universities took a key role in educating the emerging professional group of controllers. Nevertheless, professional associations of German controlling never had full control over the profession; instead, they rather acquired the status of well-known informal clubs in the community. This differs greatly from Anglo-Saxon professional associations, which typically have strong market positions.

#### **1.4 Discussion**

The literature review sheds light on the professionalization of management accounting in three countries: USA, UK and Germany. By tracing histories of management accounting occupation in these countries, the review outlines the particular roles played by universities and professional associations in the professionalization process. The findings of this literature review indicate differences in the roles played by universities and profession associations in these countries. Consequently, institutional environments and historical contingencies uniquely shaped management accounting professionalization in the USA, UK and Germany.

Cost accounting emerged in the late nineteenth and beginning of the twentieth century. Growth of the management accounting occupation was related to increased organizational complexity and the need to monitor effectiveness of production processes. Both in the USA and in the UK, the first professional association of cost

accountants emerged in the beginning of the twentieth century. However, management accounting occupation in the USA and in the UK developed differently: professional associations in the UK monopolized the field of management accounting while in the USA universities actively participated in developing the discipline.

Results of the literature review provide evidence that universities were more important in the professionalization of management accounting in the USA and Germany than in the UK. In the USA, several leading university professors developed management accounting ideas and distributed their ideas via teaching, textbook writing and university committees. Thus, universities developed cognitive exclusiveness of management accounting in the USA and its jurisdiction by outlining goals of the discipline, its importance for organizations and its link with company strategy. Universities in Germany, because they traditionally have strong control over professional development, became centers of controlling education. German professors contributed to the theorization of new empirical phenomena – controlling - by writing textbooks, research articles and professional articles. Accordingly, universities also shaped occupational identities of management accountants in Germany (Ahrens & Chapman, 2000). Alternatively, in the UK, universities played a minor role in the initial development of the management accounting occupation. Yet, in the second half of the twentieth century, British universities introduced accounting courses in the curriculum and contributed to the professionalization of management accounting. The introduction of accounting into universities served primarily a symbolic and legitimizing function for management accounting occupation. Still, most accountants in the UK do not have a specialized university degree and are

trained by professional associations and in the workplace (Annisette & Kirkham, 2007).

Professional associations became central to accounting professionalization in the UK, while in the USA and Germany their influence on the accounting occupation was less pronounced. Professional associations in the UK participated in the jurisdictional battles, defined the knowledge base and determined the directions for discipline development. The Institute of Cost and Work Accountants consolidated an emerging group of cost accountants, outlining their social status and working to increase the upward social mobility of its members. While accounting of a vocational nature was not considered a university discipline in the UK, professional associations gained control over the discipline and the profession. In the USA, the first professional association of cost accountants was founded in 1919. While the association certainly contributed to the increased social status of cost accountants, it had limited influence on the jurisdictional battles. As universities gained full control over the discipline in Germany, professional associations became less influential or had the status of professional clubs.

Why do universities and professional associations serve different functions in Germany, UK and USA? First, institutional environments and histories of these three countries are different. In Germany, professions are controlled to a large extent by the universities, formal education is developed in universities. Therefore, professional associations have limited opportunities to gain market control. Abbott (1988) uses the term 'associational professionalism' to describe the importance of professional associations in the development of the Anglo-Saxon form of professionalism. In the USA, and more importantly in the UK, professional associations have long histories

and high societal recognition. Having freedom from the state, these professional associations work for the interests of their members. There are also important differences in professional values among the three countries. As opposed to the British aristocratic model of professional development, professions in the USA were shaped by meritocratic values (Larson, 1977).

Secondly, management accounting can be defined as an information profession, the term introduced by Abbott (1988). Accordingly, information professions have permeable jurisdictional boundaries, diverging career patterns and rapid knowledge development (Abbott, 1988). Management accounting as an information profession changes its knowledge base due to changes in the environment and competition. Professional associations in management accounting in the UK and in the USA historically changed their names to reflect changes in demand. Important brand changes have also been made in the names of professional journals: Institute of Management Accountants, for instance, renamed their flagship magazine into ‘Strategic Finance’ to emphasize the relevance of the certification and association for finance professionals. Because of flexible jurisdictional boundaries, it was possible to adapt management accounting knowledge to the different institutional environments.

The literature review shows that in order to understand the management accounting occupation across the world, it is necessary to trace professional histories and place management accounting development within a wider societal context and professional hierarchy. It is also important to study historical changes happening in the knowledge base of an occupation and the drivers causing these changes. Findings of this paper are relevant not only for understanding management accounting professionalization in the UK, Germany and the USA, but also for understanding

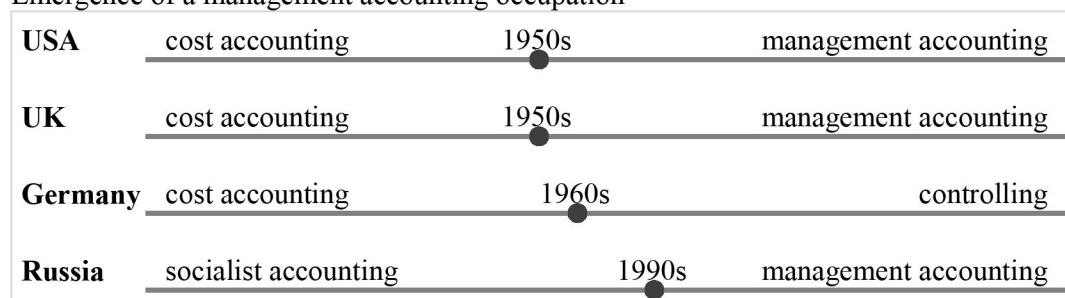


Scandinavian universities, which were historically influenced by German academia and the US developments.

Future studies should extend our understanding of the management accounting professionalization by investigating settings other than Anglo-Saxon, colonial or German-speaking areas. These studies could examine traditional professionalization structures: universities and professional associations and their functions in diverging contexts. While the present literature review shows that American management accounting ideas were diffused around the world after the World War II, it is important to investigate how these ideas were translated to different contexts.

**Figure 1.1**

Emergence of a management accounting occupation



## 1.5 Method

The thesis is based on qualitative methods aiming to capture the complexity of the accounting education field in Russia. While the field of management accounting in Russia is not yet well explored, there is a need to define categories and explore emerging issues. Qualitative data provides well-grounded, rich descriptions and explanations of the processes, and permits identification of cause-effect relationships between the concepts (Miles & Huberman, 1994). McCracken (1988) argues that one of the differences between qualitative and quantitative research is in the treatment of analytic categories. Whereas quantitative researchers use pre-defined categories,

qualitative researchers define categories during the research process. In the case of Russia, there is a need to better understand the context, concepts and categories. The thesis is exploratory in nature and therefore provides grounds for further quantitative analysis.

The data used in the thesis were collected from May 2013 to August 2015. Based on the different foci of the three research questions, I had to use different data sources including interviews, archival materials, textbooks, internet websites, video lectures and exam preparation materials. Overall, I conducted 33 interviews with academics, certification trainers, certified practitioners and professional association leaders. Archival data was collected at the National Library of the Republic of Tatarstan and included Soviet textbooks on planning, operational accounting and production accounting, manuals and conference proceedings. To grasp the complexity of Russian universities, I have also analyzed international management accounting textbooks that are translated into Russian and used for teaching. Because the validity of qualitative research is frequently questioned, the next section is devoted to explaining validity of qualitative research.

### **1.5.1 Validity**

Validity is defined as the best available approximation of the truth or falsity of propositions. The term is typically discussed in the context of a functionalist research paradigm. It is common to assume that validity in qualitative research is 'relative to purposes and circumstances' (Onwuegbuzie & Leech, 2007).

While reliability in quantitative studies is strongly associated with the concept of obtaining reproducible findings, reliability in qualitative studies is less evident; in

such studies, findings cannot be reproduced with the original results. Therefore, a researcher must show reliability of the study by maintaining the field study protocol and database along with all the other documents of the study.

Field studies face several serious threats that can undermine their validity. While the researcher in a field study has a direct communication with the participants, he can influence observer-caused effects, i.e. the effect of the researcher on the field of study. Participants in the study can change their behavior due to the presence of a researcher and therefore the findings will not reflect the true nature of the phenomena. Additionally, as researcher is working in a particular paradigm and has certain expectations of the future findings. He may be tempted to fall into observer bias, i.e. ‘the tendency to observe phenomenon in a manner that differs from the true observation in the consistent fashion’. Qualitative researchers typically face some data access limitations including a limited period at the site and the restrictions imposed by the company management on the data access. There is also a possibility that organizational members will intentionally try to mislead researchers. Moreover, participants in the study may forget or misinterpret important information.

One of the strategies to solve the problems raised above is to stay a substantial amount of time in the field. Observer-caused bias effects could be minimized by understanding the field of study, the environment and organizational actors. It is more likely that participants will behave in a normal way if the researcher becomes a part of the team. Another way to overcome the biases is to use multiple methods and observations. A proper social behavior while at the site can assist the researcher in finding the information he needs. It is recommended that the researcher meet the participants of the study before the main phase of data collection and ensure that

participants are willing to provide relevant information. It is important to present oneself as a friendly and genuinely interested person, one who is neutral and trustworthy.

There are several recommendations for a researcher entering the field. One of the most important ones is note-taking to ensure that all the information is recorded systematically. Working in a team with other researchers can efficiently combat observer bias; however, this method is time consuming and can be expensive. Interviewing both informants (providing general background about the organization) and respondents (providing specific information about their functions in the organization) can be useful. A group of people chosen for interviews should comprise a comprehensive sample involving all actors that can contribute to the study. Asking probing questions (context specific questions) can provide insight into the reasons for the occurrence of the phenomena and other events. Having probing questions is an advantage of a qualitative study as opposed to a quantitative one having a structured set of predefined interview questions (McKinnon, 1988).

Methods to improve validity include triangulation: the use of different methods and sources. It is also necessary to compare the findings of the researcher with the literature on the field. A researcher should provide quotes and thick descriptions of the field and interviews in the study to ensure that there is sufficient data to support the findings and to persuade the reader to believe in the findings. Before explaining the phenomena, a researcher should assess all rival explanations and decide which explanation is the most relevant for the study (Onwuegbuzie & Leech, 2007).

Qualitative research in management accounting has long been subject to criticism of its validity from the scientists in the positivist paradigm. They have argued that results of such studies are subjective and lack validity. Interpretive researchers study the various meanings of the phenomena that are attributed to studies by certain groups in the society. To assess such meanings, interpretative researchers have been increasingly using the emic perspective (of a company insider, the native's point of view). Quantitative researchers in management accounting are using primarily an etic perspective (company outsider, where uniform concepts are used to study the phenomena). The emic perspective provides a holistic picture of the phenomena in its social setting and therefore is preferred in qualitative research. Validity in qualitative research is heavily associated with the concepts of authenticity and plausibility. Authenticity can be strengthened by providing emic descriptions of the environment and including multiple opinions on the phenomena or 'multiple voices' in the literature. Plausibility refers to the readers' attitudes towards the explanations, whether the explanations make sense. Abduction is frequently used to explain the findings, therefore some explanations and theories will be preferred over others (Lukka & Modell, 2010). To conclude, by combing through thick, abductive explanations and deep emic perspectives with relevant methods and theories including philosophical theories of explanation, a management accounting researcher can increase the validity of a qualitative study.

Writing is considered central to the field of qualitative research (Baxter & Chua, 2008). Therefore, I spent a considerable amount of effort on developing convincing narratives focusing on authenticity, plausibility and criticality. The authenticity of the thesis is achieved through the prolonged data collection process.

The data collection process had a two-year duration; multiple sources of data were analyzed and the data was triangulated. To increase plausibility of the narrative, I include historical background information on Soviet history and Soviet accounting. This information helps the reader to become immersed in Soviet reality and to understand Soviet history. To ensure criticality of my thesis, I discuss implications of the thesis findings to the other empirical settings including Western contexts.

### **1.6 Research questions and paper findings**

The post-communist context is not well explored in the accounting professionalization literature. Yet, this context provides new insights into the evolution of management accounting as an occupation, the socialization sites of management accountants and the coalescence of management accountants into a group. Therefore, Russia is chosen as the main empirical context of the study. In this concluding section, I would like to return to the main research question of the thesis and to discuss how each of my papers contributes to the understanding of management accounting professionalization in Russia. The main research question of the thesis is the following:

*How have universities and professional associations shaped professionalization of management accountants in Russia?*

The focus of the research question is on the two major professionalization structures: universities and professional associations. Internationalization of Russian economy is leading to an increased demand for international qualifications and degrees. Professionals in Russia have an opportunity to pursue several international certifications in the area of management accounting. Consequently, international

professional associations and their certifications become part of the management accounting professionalization in Russia. Apart from professional associations, universities in Russia are also major actors shaping professionalization of management accountants: they develop the management accounting knowledge base and educational programs. Russian universities had to undergo a major transformation after the collapse of the Soviet Union, leading to their internationalization. Accompanying research questions of the thesis explore internationalization of management accounting education in Russia. The first question addresses the development of an international professional association and its certification in Russia. The second and third questions explore management accounting education at universities. These two questions focus on the internationalization of curricula, teaching and research at universities with particular attention given to international textbooks:

- 1. How has an international accounting certification contributed to the professionalization of management accounting in a post-communist, emerging capitalist economy, Russia?*
- 2. How have institutional logics shaped management accounting education in Russian universities?*
- 3. How and to what extent do accounting textbooks represent the accumulated knowledge on management accounting techniques?*

The following sections provide an account of how each of the papers attends to the main thesis aim. The main findings and contributions of each paper are discussed in light of the main research question.

### ***1.6.1 Paper 1: Importing Certified Management Accountant Certification to a Post-Communist State: the Case of Russia***

The first paper, referring to the early stage of a professional association development in a new market, investigates how an international professional certification in management accounting contributed to the professionalization of management accountants in Russia. The paper analyses first steps of the association's development in Russia and explores the motives of the first certified members to establish a professional credential. The analysis, informed by the sociology of professions literature (Freidson, 2001), reveals that occupational and contextual factors influence management accountants' decisions to pursue a CMA certification in Russia. While occupational factors are related to the specifics of the management accounting occupation, contextual factors are related to the uniqueness of the Russian institutional context. The paper also reveals several models of interaction between the management accounting occupation and a professional certification, including ethics codes, linguistic codes, professional community and career awareness. Finally, contrary to the findings of existing literature in accounting (Briston & Kedslie, 1997), the paper demonstrates a bottom-up process of certification growth driven by local members.

The paper demonstrates the roles of international professional credentials in a post-communist country – Russia. International professional associations in management accounting are seen as important actors shaping the professionalization process. Despite criticisms of international professional associations as agents of capitalism destroying local accounting professions (Gallhofer, Haslam, & Kamla, 2011), the present study demonstrates the benefits that management accountants in



Russia gain by achieving a global credential; these include community development and knowledge sharing. The paper differs from the existing accounting literature by focusing on the individual perspectives of management accountants and their experiences. Simultaneously, the paper provides a macro perspective on the professional association development from the Institute of Management Accountant's leaders.

### ***1.6.2 Paper 2: Changing Logics of Russian Higher Education in Accounting***

The second paper investigates the fundamental transformation of Russian higher education after the collapse of the Soviet Union. The paper begins by discussing accounting education in the Soviet Union period and continues by discussing contemporary management accounting education in Russian universities. The paper addresses the changes happening in accounting in Russian higher education through the lens of the institutional logics framework. While the logic of the state dominated higher education in accounting in the Soviet Union period, the field of higher education after the collapse of the Soviet Union becomes more complex. In addition to the logic of the state, the logic of the profession and the logic of the market inform the discipline of accounting education.

By connecting field-level institutional logics with the broader societal changes happening after the collapse of the Soviet Union, the paper contributes to the debate on the changing landscape of accounting education (Parker, 2011). While the work of Zhang et al. (2014) focuses on the institutional changes at the macro level, the present study connects the institutional environment with accounting education practices, beliefs and value systems of accounting educators. The paper suggests the importance

of understanding histories of accounting education in order to solve present problems universities face and proposes alternative solutions to these problems.

Universities are considered crucial actors in knowledge development and therefore traditionally have strong links with professions (Abbott, 1988). The paper shows how accounting curriculum, accounting instruction and accounting courses are shaped by multiple institutional logics. Such institutional complexity affects accounting educators and eventually may have an impact on accounting students. For instance, influenced by the logic of the profession, accounting educators promote management accounting occupation to students and employers. The paper demonstrates how institutional complexity makes accounting educators in Russia reflect upon their roles and decide on their own teaching approach.

### ***1.6.3 Paper 3: Representation of Knowledge on Some Management Accounting Techniques in Textbooks***

Textbooks are considered important information sources for accounting courses at universities. In particular, in the emerging or developing contexts, international accounting textbooks are one of the few available sources of global conventional wisdom in accounting. In my interviews in Russia, accounting educators emphasized the importance of using international textbooks in the classroom. Indeed, international textbooks became central to the narratives of accounting educators in Russia. International accounting textbooks diffuse Anglo-Saxon ideas about organizational structures and roles, accounting concepts and eventually convey an Anglo-Saxon form of professionalism in accounting. Therefore, one of the papers in my thesis is devoted to international accounting textbooks.

The paper investigates the genres of several popular management accounting textbooks from the USA and the UK. The study shows how recent management accounting techniques such as activity-based costing, economic value added, balanced scorecard and beyond budgeting are presented in these textbooks. This paper demonstrates how the discussion of recent management accounting techniques is essentially informed by the consulting genre characterized by its technical interest in knowledge, its prescriptive style of argumentation and its limited communication with other research genres. The studied management accounting textbooks are found to be unrepresentative of the critical genre and lack the representation of the critical genre. These findings have important implications for the development of management accounting education in Russian universities. While accounting educators in Russia consider international best-selling management accounting textbooks as a source of conventional wisdom, they should be aware of the limitations of these textbooks and be aware of the perspectives on accounting that these textbooks convey. While international textbooks help accounting educators in Russia become aware of the global trends in management accounting, educators should be cautious when using them in the classroom.

### **1.7 Contributions of the thesis**

The sociology of professions literature understands professions as country-specific phenomena and focuses on describing differences in professional development across the world (MacDonald, 1995). Yet, as professionalization structures are becoming more global, there is a need to revisit empirical research approaches on professionalization focusing on the global professional convergence. Thus, the present thesis reveals the impact of globalization on professionalization

structures (universities and professional associations) examining the case of management accounting professionalization in Russia. In particular, the study puts emphasis on professional convergence and its structural elements. I demonstrate that professional associations contribute to the convergence of management accounting occupation via linguistic codes, ethics codes, professional community, and career awareness development. Universities contribute to professional convergence via international textbook usage, curriculum adaptations to the requirements of professional associations, and international rankings and accreditations. The study attempts to bring researchers' attention to the individual needs of management accountants to gain international recognition, cognitive exclusiveness and occupational control.

The thesis connects the changes occurring in the macro environment, i.e., societal history, with individual narratives, thus developing a comprehensive perspective on professionalization. The thesis suggests mobilizing the institutional logics framework to understand university changes. While the framework is especially useful in analyzing fundamental changes happening in the post-soviet countries, it can also be used to uncover university changes happening in the Western world. The institutional logics framework can contribute to accounting education research by connecting educational history, teaching and research at modern universities, and belief and value systems of individual educators.

The present thesis makes an important empirical contribution by adding a post-soviet context to the accounting professionalization literature. Only a few studies addressed the development of the accounting and auditing profession in Russia (Alon & Dwyer, 2012; Dybtsyna, 2011; Samsonova, 2009). By theorizing management

accounting professionalization in Russia, the study attempts to extend and conceptualize another type of professionalization pattern. While Russia is not unique in its professionalization pattern, its move from cost accounting towards management accounting started much later than in the USA, the UK and Germany (see Figure 1.1). This move from cost accounting to management accounting was largely driven by international corporations willing to establish themselves in a new market and local companies willing to enter the international market. Therefore, the development of management accounting as an occupation in Russia coincided with increased globalization and internationalization.

The thesis makes several important contributions to the potential development of professional education and higher education in management accounting in Russia. The findings of the thesis indicate that management accountants in Russia have multiple incentives to pursue an international professional certification. Factors such as the turbulent labor market and changes in the occupational structures lead to an increased demand by Russian professionals for an internationally recognized certification. Russian universities, in turn, have to adjust their management accounting courses to the needs of the labor market. As Russian universities become more global, international textbooks become part of management accounting curriculum. However, the present thesis demonstrates that best-selling international textbooks in management accounting present a limited perspective on management accounting techniques, primarily referring to the practitioner-oriented literature and lacking representation of various research genres. Therefore, management accounting educators in Russia should be aware of the limitations of these textbooks and use other management accounting literature as supplements in the classroom.

## 1.8 Organization of the dissertation

The structure of the dissertation is as follows. The first paper addresses the development of an international professional association and its certification in a new market – Russia. The case is theorized using sociology of professions literature to illustrate the links between professionalization of management accountants in Russia and a professional certification.

The second paper investigates management accounting education in Russian universities. The paper combines historical archival data with semi-structured interviews in order to provide a comprehensive perspective on institutional logics shaping Russian management accounting education.

The third paper investigates how and to what extent accounting textbooks represent accumulated knowledge on management accounting techniques. By analyzing four management accounting techniques in five bestselling UK and US textbooks, the study provides a comprehensive perspective on textbook content for textbook authors and users.

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## **2. IMPORTING CERTIFIED MANAGEMENT ACCOUNTANT CERTIFICATION TO A POST-COMMUNIST STATE: THE CASE OF RUSSIA**

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**Abstract:** This paper explores management accounting professionalization and its link to the adoption of a Certified Management Accountant (CMA) certification. Using a Russian case of CMA expansion internationally and applying sociology of professions literature, the paper demonstrates a bottom-up process of certification growth. Contrary to the findings of the existing accounting literature (Briston & Kedslie, 1997) where professional associations are portrayed as the major drivers of certification growth, the present study shows that management accountants themselves have powerful incentives to participate in private occupational credentialing. The study identifies factors influencing management accountants in Moscow to pursue CMA certification including globalization, standardization, specialization, occupational labor mobility, professional growth and updating professional knowledge. Finally, the paper reveals the ways in which CMA certification interacts with the management accounting occupation, including ethics codes, linguistic codes, by building a professional community and by career awareness. The paper contributes to the sociology of professions literature by providing a new empirical insight into private occupational credentialing in management accounting and its interaction with management accounting occupation.

**Keywords:** certification, professional education, management accounting, professionalization.

## 2.1 Introduction

The academic community has long emphasized the importance of professional education, certification and training for the development of the accounting profession (Annisette & Kirkham, 2007; Annisette, 2000; Chua & Poullaos, 2002; Willmott, 1986). Professional examinations have historically been used to legitimate the accounting profession and can be viewed as a technology of power (Hoskin & Macve, 1986). Professional examinations are also seen as instruments of occupational and disciplinary closure influencing the boundaries of professional jurisdictions (Annisette & Kirkham, 2007). The importance of the professional education and examination lies in their ability to influence the boundaries of the profession and define its knowledge base (Annisette, 2000). A major focus of the studies has been on how international professional certifications gain significance and power in the world and how they are exported to new locations (Annisette, 1999; Briston & Kedslie, 1997; Johnson & Caygill, 1971).

Most of the existing studies explore professional associations, typically with an emphasis on financial accounting, that control entry to the profession; professional certification is a stringent requirement of career advancement within a discipline and professionals gain explicit benefits from professional membership (Annisette, 2000; Bakre, 2006; Gallhofer, Haslam, & Kamla, 2011). However, only a few studies investigate the professionalization of management accountants who voluntarily join professional associations that do not bring explicit career advancement benefits at the first glance; furthermore, these associations have less control over the profession compared to others of their kind in comparable professions, and they are not necessarily well known to employers (Loft, 1986). Researchers have primarily been

working on understanding the professionalization of accounting on a country level where they explore international professional associations only as one of the many actors in the professionalization process (Mihret, James, & Mula, 2012; Yapa, 2006). The paper specifically focuses on understanding an international professional association as it enters a new market. The study investigates the professionalization of management accountants in Russia and its relation to the Certified Management Accountant certification. Russia can be seen as an interesting and unique context for a study on professionalization as its professional labor market has been under transformation after the collapse of the Soviet Union. Theoretically, the Russian empirical setting provides a lucrative opportunity to explore the challenges of labor market transformations from a command to a market economy. The following research objective is therefore addressed in this paper:

*To investigate the role of an international accounting certification in the professionalization of management accounting in a post-communist emerging capitalist economy – Russia.*

The empirical setting of a study is the Institute of Management Accountants (IMA), a US-based international professional association of management accountants. One of the major activities of the Institute of Management Accountants is developing the management accounting occupation by offering a Certified Management Accounting credential. Professionalization is a complex process of coalescence into a group that brings economic benefits and rewards to occupational members (Abbott, 1988). In order to answer the research question, this paper addresses three separate issues that frame professionalization: motives of management accountants in Russia to adopt CMA certification, establishment of the IMA Moscow Chapter and the

interaction between the management accounting occupation and CMA certification in Russia.

In the present study, I investigate the initial stage of development of a professional association in a new market as it is considered an important event in the professionalization process and a signal of movement towards occupational ascendancy (Carnegie & Edwards, 2001). By focusing on the formation stage of the association, it is possible to define actors involved in the process and their initial motivations, and clarify the start of the professionalization project. The study broadens up the knowledge of the management accounting occupation across the world and explores the link between the professionalization of management accountants and the activities of professional associations.

The study is based upon one example of an international expansion of a professional body – the Institute of Management Accountants (IMA) into a new market – Russia. The Institute of Management Accountants is relatively new to the Russian market as compared to other foreign professional associations; therefore, the case provides an opportunity to gain a thorough understanding of the very first steps in the spread of a global credential to a new market. Russia has undergone significant political, economic and cultural changes in the past 25 years with a rapid transformation from the command-and-control economy to the market economy. During these years, many market institutions were created to support the emerging economy. Some of them, such as the Institute of Management Accountants, were imported from abroad.

The paper offers three main contributions. First, it identifies rationales for management accountants in Moscow to pursue CMA certification. Management

accountants are motivated to get a CMA by both occupational factors, related to the specifics of the management accounting occupation, and by contextual factors related to the uniqueness of the Russian context. Occupational factors reflect international trends in the evolution of management accounting occupation and are related to advances in technology and globalization forces. Yet, contextual factors are unique to the Russian context and are primarily associated with shifting labor market after the economic transformations of the 1990s. Theoretically, the paper investigates the professionalization of management accountants who aim to increase their occupational status, manage their knowledge base and gain competitive advantage in the expert labor market. Second, the paper demonstrates a bottom-up process of expansion of the Institute of Management Accountants into Russia, motivated by local members and facilitated by local leaders. The bottom-up process of expansion is associated with the involvement of local professionals in organizing a local IMA community. Contrary to the existing literature portraying professional associations as major interested parties in the expansion process, the present case demonstrates how local management accountants in Russia played a major role in the establishment of the IMA Moscow Chapter. Third, the paper identifies ways in which CMA certification, as a form of private occupational credentialing, interacts with the local management accounting occupation. The study demonstrates how CMA becomes a tool for management accountants to achieve their interests and gain occupational control. Furthermore, the study sheds light on how management accountants establish themselves in a labor market where professional jurisdictions are not clearly defined and the knowledge base is constantly changing.

In the following sections, I present a historical perspective on the international expansion of professional accounting associations, an overview of the sociology of professions literature and theoretical concepts that I use in my paper and my research design. Furthermore, I provide an overview of the uniqueness of the Russian context, introduce my case organization – the Institute of Management Accountants, and its establishment in Russia. Finally, I discuss the expansion of the CMA examination into Russia, rationales for management accountants in Moscow to pursue the CMA exam and the interaction between professionalization of management accountants and a professional certification.

## **2.2 Professionalization in accounting**

The concept of professionalization is central to the sociology of professions literature. Professionalization is defined as a collective project aiming at market control by translating occupational skills into social and economic rewards. Professionalization can be seen as a way to advance social status for the occupational members (Larson, 1990). In order to secure high occupational status, professionals strive to achieve the protection of scarcity, asymmetry of their expertise, economic monopoly and social closure (Abbott, 1988; Larson, 1990). The achievement of high occupational status is also linked to the establishment of professional legitimacy (Larson, 1977). Finally, one of the most important features of professionalization is its relation to the production and certification of knowledge (Larson, 1990).

The sociology of professions literature views ‘production of producers’ as the core element of a professionalization project. Universities create professionals linking the production of abstract professional knowledge and the job market. They institutionalize and standardize training and influence a profession’s power position in



the market (Larson, 1977). Universities rationalize and theorize professional work by codifying, refining and diffusing abstract knowledge, and their strong theoretical importance lies in the standardizable, theoretical curriculums they produce (Abbott, 1988; Freidson, 2001). The occupational formal knowledge base created and sustained by universities is essential to securing jurisdictional claims and legitimating them (Freidson, 2001). By involving a professional with the knowledge system in exclusive training programs under the umbrella of higher education, universities are able to increase the professional prestige and status of an occupation (Abbott, 1988; Freidson, 2001). According to the classical sociology of professions literature, universities control and monopolize relatively standardized professional education, determine occupational hierarchy leading an occupation to social closure (Larson, 1977, 1990).

The production and certification of knowledge are also institutionalized by professional associations; however, they are considered to take a secondary role in this process (Abbott, 1988). At the initial stage of a professional project, professionals tend to gather in groups and form professional associations (Larson, 1977). Typically, professional associations are formed before the official development of university curriculums and programs (Larson, 1977), while the credentialing system of professional associations provides occupational shelters and establishes cognitive exclusiveness to its members (Freidson, 2001; Larson, 1977). Certifications and licenses produced by professional associations become solid structures of occupational control and an apparatus of formal professionalization (Abbott, 1988). Professional education also contributes to the development of shared identity, feeling

of community and development of an occupation into a career, providing a basis for claims to exclusivity and control over a field of work (Freidson, 2001).

Historically, accounting has become one of the disciplines where professional associations and their credentials play a significant role (Millerson, 2001). Professionals in accounting join professional associations to improve career and employment prospects, and they tend to work in multinational corporations (Gallhofer et al., 2011). For example, in the Arab countries, US and UK professional accounting certifications are considered superior to local ones and are thus beneficial for career growth (Gallhofer et al., 2011). Loft (1986) demonstrates that members of the first management accounting association in the UK were primarily motivated by social advancement, upward social mobility, the desire to have a common association and a better understanding of management accounting functions. International professional associations can be also used as a part of the professional closure strategy to control entry into the accounting profession by rich elites, as happened in the case of Jamaica (Bakre, 2006). Overall, occupational members have strong incentives to control professional education, influence and shape claimed areas of knowledge and expertise (Annisette & Kirkham, 2007).

The sociology of professions literature views the establishment of a professional association as one of the stages in the professionalization of a particular occupation (Abbott, 1988). Typically, this process is presented as a collective project in pursuit of common interests. Loft (1986) provides an example of how business leaders greatly supported the establishment of the first management accounting association in the UK where the changing economic environment created higher demand for qualified cost accountants.

Establishment of a professional association is considered as one of the core events in the professionalization process (Abbott, 1988). After the 1970s, Anglo-Saxon accounting associations actively started to establish examination centres abroad and export their certifications. It has been stated that such expansion was associated with several factors. Firstly, in this period, some British professional associations were forced to market their examinations abroad due to increased pressure and competition in the local market (Briston & Kedsle, 1997). Existing studies emphasize the commercial nature of export activities of professional associations; international expansion is viewed as an element of capitalism in pursuit of the enlargement of capital (Bakre, 2006). Secondly, global expansion to developing countries has been driven by strong institutional links between local and global accounting bodies, particularly in former colonial states (Briston & Kedsle, 1997). Thirdly, establishment of the global professional accounting association has usually been supported by a powerful group such as industry leaders, government, universities or local elites (Bakre, 2006; De With, 2012; Whitney, 2011). Overall, accounting literature portrays the international expansion of professional associations as a top-down process; a part of the global market strategy of an international expansion combined with the active involvement of a powerful group.

Global expansion of professional associations and their establishment in new markets has been continuously addressed by accounting researchers (Briston & Kedsle, 1997; Johnson & Caygill, 1971). Most existing studies focus on financial accounting associations, such as ACCA, moving into new markets (Annisette, 2000; Parker, 2005; Uche, 2002). Only a few studies investigate professional associations in management accounting and their international activities. De With (2012) for

instance, explores expansion of Certified Management Accountant certification to the Netherlands where this process was greatly supported by local universities as well as business leaders. Others, such as Whitney (2011), emphasize the important role played by government in supporting and encouraging the spread of CMA certification.

Professional examinations organized by associations can be divided into two groups: occupational licensing and occupational credentialing (Freidson, 1988). Occupational licensing refers to an exclusive permission, typically granted by a government agency, to work in a particular occupation. Alternatively, occupational credentialing is a voluntary form of examination associated with an official acknowledgment of a particular skill or expertise. Professional licensing is used by professionals to gain exclusive market control by defining entry requirements and the knowledge base of the profession. Private occupational credentialing provides professionals with a weaker opportunity to control the market for professional services by controlling a particular market signal. The accounting profession is associated with both forms of credentialing (Freidson, 1988). While professional training for financial accounting and auditing is usually in the form of occupational licensing, management accountants are typically involved in private occupational credentialing.

Occupational licensing is considered to be a strong tool for occupational control and international occupational licensing has received considerable attention in the accounting literature (Annissette, 1999, 2000; Bakre, 2006). Among criticisms of the international occupational licensing, researchers include inadequacy of the examination curriculum related to the local accounting profession, the lack of English

knowledge among the local population thus favoring rich elites, high exam costs and failure rates (Briston & Kedslie, 1997; Gallhofer et al., 2011). It is argued that international professional associations influence local universities, spreading Anglo-Saxon ways of teaching and impeding local university development (Briston & Kedslie, 1997). On a global scale, international professional associations are seen as agents of capitalism, shaping the development of developing countries, which are attempting to destroy local occupations and establish an Anglo-Saxon financial infrastructure (Briston & Kedslie, 1997).

Management accountants are not usually required to fulfil obligatory licensing for legal or statutory recognition, but they have an option to pursue certifications in the form of private occupational credentialing. It has been argued that professional associations influence the management accounting occupation by supporting claims for areas of expertise in multi-professional organizations and by distinguishing domains of judgment (Ahrens & Chapman, 2000). Moreover, Goretzki et al. (2013) argue that professional training can influence reconstruction of management accountants' role identities within organizations and the formation of a professional philosophy.

The profession of accounting in Russia has been undergoing a fundamental transformation since the 1990s. During the Soviet period, the accounting profession, and the theory and practice of accounting were controlled by the state (Lieberman & Eidinov, 1995). To ensure the centralized supply of resources, all industrial enterprises and organizations had to follow principles of uniformity, comparability and governmental control in accounting (Lieberman & Eidinov, 1995). Under the centralized economy, accounting was primarily used to discover and monitor

deviations from the standard models of behavior in organizations, to collect statistical information and to ensure the safety of assets belonging to the state (McGee & Preobragenskaya, 2006). According to Liberman (1995), management and financial accounting were significantly distorted during the Soviet period, including decreased accuracy, authenticity and effectiveness. Management accounting as a concept didn't exist in the Soviet Union; however, accountants were trained in three broad areas: operational accounting, cost accounting and analysis of economic activities (Enthoven & Sokolov, 1994).

In the 1990s, a series of economic reforms were conducted in Russia, including market liberalization leading to the introduction of private property and the emergence of private companies (Liberman & Eidinov, 1995). Radical changes in the social structure of society and the role of the state in professional development led to the institutionalization of new kinds of occupations (Korableva, 2014). Western management accounting knowledge started to diffuse into Russia during the 1990s, augmented by the translation of Western textbooks, academic and practitioner literature (Smirnova, Sokolov, & Emmanuel, 1995). However, little is known regarding the development of management accounting as an occupation in Russia and the roles played by different institutions in this process.

To conclude, the sociology of professions literature has brought significant attention to the professionalization of different occupational groups. Accounting scholars have applied sociology of professions theory to understand the processes of occupational closure and occupational ascendancy primarily in the context of financial accounting and auditing. While a few scholars addressed the management accounting occupation and its institutional environment, little is known regarding the

professionalization of management accountants after fundamental labor market shifts. Russia becomes an interesting context to investigate management accounting professionalization and its link to professional education and certification. Existing management accounting studies have not focused exclusively on the interaction between global occupational credentialing and the management accounting occupation. In the following sections, I investigate this new empirical setting.

### **2.3 Method**

The study can be classified as belonging to interpretive accounting research (Kakkuri-Knuuttila, Lukka, & Kuorikoski, 2008; Lukka & Modell, 2010). Interpretive research refers to the examination of meanings that people attach to various events and is related to a social constructionist view of reality (Lukka & Modell, 2010; Lukka, 2014). In this study, I attempt to understand meanings that different actors have attached to CMA certification in order to define causal linkages that actors attribute to their meanings. Understanding causality is considered crucial for interpretive researchers since people's meanings are commonly realized in their actions and have important consequences for their behavior (Lukka, 2014).

Empirical studies of professional associations can contribute to improved definitions of categories and concepts in the sociology of professions literature. Qualitative research methods are best suited to isolate and define categories and concepts that can change during the project's time span (McCracken, 1988). The study sheds light on the development of one particular case of a professional associations' expansion – the establishment of an IMA Chapter in Moscow. Case studies help to achieve high conceptual validity, better understand the context and define avenues for future research (Flyvbjerg, 2011). By identifying the nuances of

one particular case, researchers aim to uncover new relationships, patterns and latent elements (Berg & Lune, 2012).

The study uses both primary and secondary data. Formally, the empirical base of this paper consists of 18 formal interviews conducted in English and Russian with IMA-certified professionals, IMA officials, global IMA office leaders and representatives, professors and coaches (see Appendix). Each interview lasted between 25 and 100 minutes. I have used various methods to gather data including analysis of internet sites, exam preparation materials, video lectures, meeting observations and interviews. I have also taken the opportunity to talk to certified professionals during coffee breaks at the IMA Moscow annual meeting. By using data from different actor groups, the paper presents a comprehensive and multifaceted view of the professionalization of management accountants in Russia and its link to the Certified Management Accountant certification.

Getting emic, subjective or insider accounts of the field to enhance the validity and reliability of the study is considered crucial for interpretative studies in accounting (Lukka & Modell, 2010). In order to get an emic understanding of actors' meanings, I spent a considerable amount of time in the field, conducting in-depth interviews with different actor groups and employing various sources of data. To further enhance the validity of my interpretative study, I have given voice to the 'other' by interviewing various groups of individuals working in different fields using a purposive sampling strategy (Lukka & Modell, 2010). In my interview sample, I have included CMA-certified professionals, professionals in the process of gaining CMA certification and a non-certified management accountant. While choosing interviewees from IMA global headquarters, I have considered several factors



including familiarity with the IMA expansion into the Russian market and an overall understanding of IMA global policies towards international expansion.

Most interviews were organized face-to-face, however when an in-person interview was not possible, a phone call was arranged. I prepared carefully for each interview, reshaping interview questions after each interview and constantly becoming more reflexive (Alvesson & Sköldbberg, 2000). Interviews were audio recorded and field notes were made during and after each interview. In order to increase credibility and trustworthiness of the study, in-depth interviews were conducted until no new patterns or possible categories could be found and theoretical saturation was achieved (Glaser, 2001). Most interviews were conducted in Russian; subsequently, they were transcribed and coded in the original language. After a thorough analysis of the interview codes and interview transcripts, the most detailed and theoretically relevant quotes were chosen for translation into English.

Pilot interviews were conducted in the period between May and August, 2013. Their purpose was to gain an initial understanding of the field, reshape research questions, become familiar with the literature that can be used in the study, and problematize the field. A second round of interviews was conducted in October 2013. During this period, I gained in-depth understanding of the field, identified patterns and developed my study even further. A third round of interviews was conducted in February 2014 after extensive time spent on data analysis. This final interview round allowed for the filling in of the gaps in my conceptual understanding of the field.

During the interviews, management accountants were asked about their reasons for joining the Institute of Management Accountants and the implications of having a professional certification for their accounting practices and professional

careers. Additionally, management accountants were asked about their opinion of university education versus professional education in relation to their professional careers. Interviews with global IMA leaders included questions on the IMA expansion strategy towards Russia and the roles of different actors in the expansion process including training organizations, universities and government. An interview with a distinguished university professor provided me with additional academic insight into the role of professional accounting associations in Russia.

All recorded interviews were transcribed and coded. To identify interrelationships between concepts, conceptual maps were used. I graphically depicted key concepts and made links between them. Abduction as a mode of analysis was used to find the best possible theoretical explanations based on empirical observations (Modell, 2009).

Various concepts relevant to the data analysis were identified from the review of the literature, but the relationships among these concepts became clearer as the interviews took place. Rationales for professionals to become certified were grouped into general themes: globalization, standardization, occupational labor mobility, professional growth, specialization and updating professional knowledge. Furthermore, for all general themes, subthemes were identified and analysed.

## **2.4 The Russian context**

The development of foreign professional certifications in Russia, including the emergence of the CMA certification, can be attributed to the unique historical path Russia has followed since Perestroika. The collapse of the Soviet Union in 1991 forced Russia to move quickly from a command-and-control to a market economy,

followed by trade liberalization, massive privatization, and a whole new market of private business enterprises (Lieberman & Eidinov, 1995). As Russia opened its borders, foreign companies started to establish and operate their subsidiaries within its borders, raising the demand for qualified and well-trained employees working in different business functions. In this context, international accounting certifications became valuable as the quality of local certifications in Russia was considered low (McGee & Preobragenskaya, 2008b).

Rapid changes in the demand for professions in Russia resulted in a labor market where many professionals did not have a university education within the field of economics and business. Universities in Russia have thus faced a serious challenge establishing new accounting programs, securing their cognitive exclusiveness, and finding qualified teachers to lead the courses (McGee & Preobragenskaya, 2008a). The lack of proficiency in the English language has been a serious barrier for the globalization of educational programs and the introduction of dual language business programs in Russia. And, as it takes time to transform educational institutions, universities in Russia are still facing the same challenges. Even though a high proportion of the population in Russia has engaged in higher education, issues of transparency associated with the examination process at universities has led to an increased demand for additional labor market signals, whereas professional certifications such as CMA provide considerable aid in the screening process.

According to the interviewees, management accountants in Russia still do not have an organized community or clearly defined professional jurisdiction with a standardized knowledge base and training. While cost accounting and planning were well developed during the Soviet period, many changes have to be made to adapt

those practices to the market economy (Lieberman & Eidinov, 1995). Companies in Russia do not have extensive experience performing management accounting tasks in the market economy and are lacking standards of practice that can be followed. For CMAs in Russia, CMA textbooks thus become a guide or a standard of practice and provide a detailed explanation on how to perform management accounting routines.

*I don't know any Russian or translated book that I can use, therefore the certificate program is a standard that I use at work. If I have questions, I come back to the materials, read, find what I've forgotten at that moment – that is, after I had passed the exam and subsequently forgotten. I come back to the materials and it helps me a lot. At work, I also use CMA books.<sup>1</sup> (CMA-certified professional, Moscow, #1)*

Also, according to the interviewees, the uniqueness of the Russian context lies in the gap between local companies and international companies working in Russia. Management accounting is still not considered as an important function in Russian enterprises as it is in the foreign ones, although interviewed management accountants have emphasized the greater need for higher occupational status inside local-based organizations. This could be explained due to foreign organizations being more interested in the CMA certification and willing to support their employees in their attempts to gain certification.

*Of course, in Russian companies it is absolutely not relevant. It is clear that there are companies that have international accounting, for them it is relevant. If you take a company where I worked before, of course, for such employers it is absolutely not relevant because you can't use this knowledge: the English language, budgeting concepts and*

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<sup>1</sup> Interview quote was translated from Russian to English by the author. Most interviews that were conducted in Russia were held in Russian.

*variance analysis. They don't have that level of corporate management culture and the culture of accounting to use all of it. (CMA candidate, Moscow, #3)*

One of the challenges that developing countries face while improving and growing their business enterprises is the introduction of ethics into organizational culture. For post-communist countries such as Russia, creating the culture of ethics and transparency becomes even more difficult due to the rapidity of economic transformation and the continuing existence of soviet institutions. Professional certification in turn allows management accountants to legitimate their professional behavior within organizations and hence to improve communication flow between management accountants and senior managers. It has long been claimed that there is a conflict for accountants between an 'administrative principle' (bureaucracy) and 'occupational principle' (professionalism) (Jones, 1992). Having a professional accounting certification brings more arguments in favor of professionalism.

The importance of the IMA Ethics Code in professionalization lies in its relation to professional work. Interviewed management accountants indicate that by joining the IMA association, they are obliged to comply with the IMA Ethics Code. IMA members should behave according to the IMA-defined ethical principles of competence, confidentiality, integrity and credibility, whereas noncompliance can be penalized ("IMA Statement of Ethical Professional Practice," 2015). This change in professional behavior can be attributed to the development of professional identity and an affiliation with a respected international association.

Strong hierarchical organizational structures still persist in Russian companies where communication between organizational levels is complicated. According to the

interviewees, autocratic leadership style is still popular in local organizations. The CMA ethical code helps employees to understand their rights in the organization, operationalize such rights in practice and achieve professional legitimacy.

*Before I started to work in a company with an ethical code, where it is explained more or less explicitly, I never had an idea in mind that if my manager is doing something wrong I can complain to a manager one level up. That I can say to my manager that he/she is doing something wrong and if it doesn't work, I can go one level further up. I didn't have an idea in my head that I could go one level up. We have difficult relations with managers that are at a higher level. That is also a problem. (CMA certified professional, Moscow, #1)*

To conclude, business education in Russia is still undergoing transformation; the management accounting function in Russian enterprises is still developing and many organizations lack explicit codes of ethics and professional norms. According to the interviews I conducted, CMA certification is encouraged more by international enterprises that are familiar with certifications, thus attributing more importance to the management accounting function.

## **2.5 The Institute of Management Accountants**

The dominant U.S.-based professional association for management accountants, the Institute of Management Accountants (IMA), is a worldwide association with more than 70,000 members across the globe (“About IMA,” 2015). It was founded in 1919 with a mission to ‘provide a forum for research, practice development, education, knowledge sharing, and the advocacy of the highest ethical and best business practices in management accounting and finance’. The association

was initially called the National Association of Cost Accountants and, in 1991, renamed as the Institute of Management Accountants.

IMA underlines its active role in the development of the management accounting occupation by identifying, supporting and perpetuating positive changes in the profession. IMA holds certain activities to fulfil its purpose including the development of continuous education programs. Such educational programs are designed to keep expertise and knowledge of its professionals up to date. IMA conducts research and constantly develops its educational programs and courses. Additionally, IMA supports management accounting programs at universities and participates in the development of the curriculums of management accounting courses.

IMA has nearly 300 chapters worldwide (“About IMA,” 2015). Chapters are volunteer organizations typically created by local IMA members to meet, collaborate and discuss their professional activities. IMA candidates take the CMA examination in countries as diverse as the Netherlands, Turkey, China, the United Arab Emirates, Russia and Egypt. The majority of IMA members outside the US are located in the Asia-Pacific, Middle East and African regions. The European IMA presence started in 2003 with the establishment of the Amsterdam Chapter (De With, 2012).

The comprehensive CMA examination is organized by IMA and consists of two parts: financial planning, performance and control and financial decision-making. Striving for better validity and reliability of exam results, IMA has introduced both a part of the test that includes 100 multiple-choice questions and an essay section that includes two essay questions. To avoid exam obsolescence and to keep up-to-date with the changing organizational environment, IMA organizes regular surveys of the

practice. According to the results of such surveys, exam questions are modified and new questions are introduced. Exams are administered by an independent test centre and are computer-based. A separate division of IMA, The Institute of Certified Management Accountants, is responsible for certifications and exams and collaborates with the independent test provider Prometric, administering exams in hundreds of testing facilities worldwide. CMA certification is primarily designed for working individuals with some experience and practical knowledge.

*So, we are not really the certification that is designed for undergraduate students, our certification is designed primarily for the working professionals, such as finance and accounting professionals who work inside businesses. (Vice President, International Business Operations, IMA)*

In order to receive a CMA certification, candidates should fulfil certain criteria: completing any bachelor's degree, having two years of relevant work experience and becoming a member of the Institute of Management Accountants ("Become a CMA," 2015). Additionally, candidates are expected to comply with IMA statements of Professional Practice. After the successful completion of the exams, CMAs have to participate in the continuing learning process: they are required each year to gain 30 hours of continuing professional education credits. Exam content is standardized throughout the world with the same question bank in Russia as in the US and other countries. Exam focus is on the testing of conceptual knowledge and analytical skills that will, according to IMA officials, allow management accountants throughout the world make informed decisions.

*Most of the concepts, pretty much all the concepts in management accounting, are universally applicable. When we did our CMA exam,*



*about 2-3 years ago, we actually took out the financial accounting section. So there is really nothing along that line to worry about – different from market to market. So, there are basically uniform concepts throughout the world. (Vice President of Research, IMA)*

Internationalization of IMA happened largely in the 1990s fuelled by the advances in the forces of technology and globalization (Gurowka, 2012). Implementation of the Prometric testing platform allowed IMA to gradually move from paper and pencil exam administration to the computerized exams. Computer-based testing allowed IMA to cut examination costs, become more flexible and increase the number of testing locations. Computerization of exams made it possible to take CMA exams outside the US and played a major role in the CMA expansion beyond national borders (Gurowka, 2012). Interestingly, initial growth of IMA outside the US was largely member-driven. IMA officials describe this process in the following way: ‘For IMA and the CMA program, initial global growth just happened. It followed members’ (Gurowka, 2012). In contrast, for other professional associations, such as CIMA and ACCA, their international growth was a result of a global expansion strategy deliberately developed by their headquarters.

## **2.6 Local chapter and examinations development**

### ***2.6.1 Developing exam focused training***

After the Soviet Union collapsed in the 1990s, the Russian market became open to foreign investors and grew into a major target for multinational corporations to establish their presence. To operate such organizations, high-level auditing procedures should be conducted. That was the time when the international professional services firms gained their significance in Russia. However, they

encountered a major difficulty: the lack of qualified and properly trained employees for foreign companies. To solve the problem, several international accounting certifications were imported from abroad.

With time, many more professional certifications appeared in Russia; one of them, Certified Management Accountant certification, started to grow in Russia only recently. In many countries, the initial growth of CMA certification was associated with the development of large training companies, preparing students to pass CMA exams. Such training companies develop their own educational materials, run their own courses and contribute to the high brand recognition of the IMA.

*...large training companies started to get into the business, they started to train people for the CMA program and we saw a huge amount of growth through our training partner network and that really led us to expand into markets and start to fund those markets. (Vice President, International Business Operations, IMA)*

The establishment of a training organization played a significant role in Russia too, where, in 2000, American entrepreneur and CMA member Brian Hock established a HOCK Training centre in Moscow to provide training for CMA and CPA certifications, gradually extending its scope to become HOCK *international*; the largest training organization covering finance and accounting certifications in the CIS countries. The Moscow HOCK training centre became the first venture for Brian Hock in the Commonwealth of Independent States. The first CMA students in Russia were trained by HOCK *international*, which actively participated in the initial establishment and growth of the Moscow Chapter. The initial expansion and greater brand recognition of IMA in Russia happened largely because of HOCK Training.

*When I, just kind of a statistic, started in Russia, when we ran our first course in Russia, there were in total around 5 CMAs in Russia - 4 Americans who were working in Russia and one Russian gentleman who at that time got to London to take the first exams, so he was the first 'Russian' Russian CMA. Since then, we now have hundreds of CMAs - we ran classes for both part 1 and part 2 three times a year for each of the exam windows and we have probably 60 to 80 people between those 2 groups, so CMA is something that is in demand in Russia and will continue to grow in demand. (Founder of HOCK Training speech 'CMA in education' downloaded from [www.youtube.com](http://www.youtube.com))*

*We have a good training provider there called HOCK Training. He was established there locally and he helped to create this chapter (Moscow Chapter) tremendously and continues to help because the chapter is able to have events at his venue for free, I think. (Director of European Operations, IMA)*

The growth of HOCK Training in Russia was partly associated with the development of the unique set of preparation materials by Brian Hock. While CMA exam is administered in English, HOCK textbooks provide CMA candidates in Russia an overview of management accounting concepts in the English language. CMA candidates can also broaden their management accounting vocabulary using assumed knowledge preparation materials. The preparation materials are continuously in the process of revision based on the demands of the customers of HOCK *international*. Course participants in Russia emphasize the usefulness of the HOCK CMA Exam Preparation textbook.

*The biggest difference between HOCK textbooks and other textbooks is that our textbooks are not a review. A review assumes that you have studied the topics before and are just refreshing your memory before*

*the exam. The HOCK books are comprehensive so you can learn the concepts even if you have not studied them before. (HOCK international website)*

The expansion of IMA across the world was supported by some multinational corporations and their desire to find qualified employees and train them. According to interviewees, some international companies in Russia provide funding and encourage international certifications such as CMA. Moreover, interviewees claim that the ‘Big 4’ largely support employees in their pursuit of international professional certifications including CMA.

*They (CMA certification) are well known in the ‘Big 4’ consulting companies and American businesses that are in minority here, as you know. (President of Russian IMA chapter)*

### **2.6.2 Forming the IMA Moscow Chapter**

The next stage in the development of IMA and its expansion in Russia was the official opening of the local chapter in 2011. The chapter opening was to a great extent driven by the initiative of the local members and volunteers; it happened as a bottom-up process. The Moscow Chapter is also largely supported by HOCK Training.

*...it’s really driven by our members who wanted to see us again more active in Russia. (Vice President of Research, IMA)*

The development of each IMA chapter is unique. Some IMA chapters, in the Netherlands and Switzerland for example, have very close connections with local universities, develop joint programs with universities and their growth was largely driven by university professors (De With, 2012). Other IMA chapters developed strong ties with the local governments, like in China, where state-owned enterprises

largely support CMA certification (Gurowka, 2012). At the moment in Russia, IMA does not have any established relations with either universities or the government. The Moscow Chapter largely supports Certified Management Accountants in Russia, organizes free seminars and regular meetings as well as trips for international conferences.

The Moscow Chapter emergence and growth is greatly associated with the efforts of the local leader Larissa Lowe, IMA Moscow Chapter president, and her desire to build a professional network in Moscow. She gathered CMA-qualified people and organized a volunteer board of directors for the local chapter. Moscow Chapter activities are organized by local volunteers; CMA-certified management accountants willing to support the chapter growth and development in Moscow.

*In principle, the whole chapter is working because of Larissa (Moscow Chapter president). Without her, nobody would be here. Larissa is the one big driver moving it forward. If she stays, everything will be good, the chapter will grow and develop. Perhaps it will become an office. It will depend on the financing and how we will get financing, because nobody of course wants to invest their own money. (CMA certified professional, Moscow, #2)*

The first IMA seminar in Moscow was held in December 2010 and the IMA Moscow Chapter was officially opened in May 2011. It is managed by 10 volunteer leaders taking initiative and promoting the chapter. The development of a local chapter has been solely driven by volunteers interested in professional communication and growth. Every month, members of the Moscow Chapter organize a seminar that grants CPE credits to attending CMAs. Seminar presenters are successful business people willing to share their ideas and practices. Seminars can be seen as a way to

diffuse innovative ideas in management accounting and become a major arena for networking of management accountants. While it may be difficult to benchmark a company against the peers due to the lack of publicly available information, IMA Moscow Chapter provides its members with an opportunity to discuss work-related problems.

*I can say that it is a big plus that you can see here how everything is done in other companies. It is very interesting. You can compare, take some good ideas, something that can be done better than you think. It is also a big benefit. Communicating here I can ask: 'How do you do this at work?' and share thoughts. (CMA certified professional, Moscow, #1)*

According to the IMA officials, there are around 400 IMA members in Russia and the number is constantly growing, most of them live and work in Moscow. According to official IMA statistics, most of CMA members in Russia state their job titles as: director/manager, controller, analyst and accountant. The majority of CMA members state their primary work responsibility within the areas of Finance or Budgeting & Planning. CMA members in Russia work in diverse areas, however, the most popular industries are finance, manufacturing and retail/trade. According to the interviewees, the group of CMA members in Moscow is fairly homogenous comprising ambitious, career-oriented individuals working primarily in international enterprises. Interviewees suggest that accountants have similar rationales to pursue foreign certifications, being primarily motivated by the desire to advance professionally and build their careers. According to the CMA exam instructor at HOCK Training, management accountants pursuing CMA certification comprise a fairly homogenous group of motivated individuals willing to promote their careers.

All of them speak English, have advanced degrees and their work is somehow related to management accounting.

### ***2.6.3 Exam adoption rationales***

One of the most powerful forces influencing professions today is globalization. Globalization becomes one of the factors shaping development of CMA certification in Russia. CMA certification becomes a tool for globalizing management accounting education and the profession. As more international companies are entering the Russian market, management accountants with international certifications are more in demand. Conversely, some Russian companies are entering foreign markets and also require certified employees. Certified CMAs in Moscow are able to work in international companies as well as to cooperate with foreign companies and speak the same management accounting language. Certification confirms management accounting knowledge and skills at an international level; it is a global brand and it has recognition in many countries across the world. At the moment in Russia, there is no local management accounting certification that can be equivalent to CMA. Moreover, obtaining an internationally-recognized management accounting certification gives one an opportunity to learn international management accounting terminology in English. In Russia, where most economics and business programs at universities are taught in Russian, knowledge of English-language management accounting terminology is greatly valued by employers. According to the CMA officials, CMA certification combines best practices in management accounting from around the world and therefore gives an opportunity to use them and adapt at the local level. Professional certification CMA allows accountants in Moscow to grasp

linguistic codes of international management accounting and to communicate in the same language with foreign colleagues.

*We are working with foreign companies, want to enter new markets. Accordingly, we need to provide accounting based on international standards and to analyse it in a way that is understandable for our Western colleagues and friends. It is a compulsory condition. We can't do it differently. We can't be a closed country. We should do everything based on some standards that already exist in order to 'speak the same language'. (CMA certified professional, Moscow, #1)*

One of the complementary aspects of globalization is standardization of knowledge and expertise. CMA is a standardized exam and it covers a predefined curriculum developed by IMA. In Russia, some Certified Management Accountants use knowledge of the CMA curriculum at work as a standard of practice. For employers looking for qualified management accountants, CMA becomes a sign of quality, an opportunity to simplify the recruitment process. By passing the CMA exam, a candidate gives the potential employer a sign of expertise in the broad range of topics covered by the IMA curriculum. Professional certification helps in overcoming information asymmetry problem during recruitment process. Certified management accountants gain cognitive exclusiveness as a professional group and have certain advantages in the labor market.

*Having a professional certification is one of the desirable criteria. It indisputably demonstrates that a candidate at least knows something. Often HR specialists looking for a candidate don't examine in detail the specifics and the demands of the position. They may look first at general formalized criteria. Professional certification is a formalized criterion. (CMA candidate, Moscow, #4)*



Globalization goes along with specialization in different fields, including management accounting. CMA certification is specifically focused on management accounting issues. CMA certification allows candidates to further specialize after completing their university degree, focusing more on the practice of management accounting. Interviewees noted that a move to management accounting from other business areas including information technology, management, economics and finance is very common. In many cases, employees do not have any formal education within management accounting. For them, CMA certification becomes a tool to further specialize within management accounting, gain more specific, formal knowledge and attain a formal qualification. As CMA certification can be completed within one year, it is a faster way to specialize within an area than a formal university degree.

*CMA – people come to it on their own, like me, when they purposefully understand that they need to get more specific applied knowledge in an area. (CMA candidate, Moscow, #3)*

For companies and employees, CMA becomes a tool to increase occupational labor mobility i.e., changing employers, changing professional careers or advancing one's career inside the same organization. Obtaining CMA certification is a way to become employed by MNCs that particularly value CMA certification in Russia. Moreover, some specialists working within management accounting in Russia do not have specialized economics or business university education; for them, CMA certification becomes a way to gain the knowledge needed for their jobs. Finally, career progress in some organizations (such as the 'Big 4') is dependent upon the completion of a professional certification; for many, CMA certification becomes a tool for career advancement. Status and prestige of an international IMA association

aids certified management accountants in Moscow to increase their occupational status and establish professional legitimacy within their organizations. Certified management accountants in Moscow secure and legitimate jurisdictional claims within their organizations as IMA defines the formal occupational knowledge base through its standardized curriculum.

*Certification confirms your qualification in a way. You don't need to prove that you know everything. Because in finance, at the entry level positions, you do only one stream... In principle, you don't know anything in detail except that stream. And CMA confirms that you know not only one stream. Yes, you have a better expertise in one area, but you're a professional in a broad area. That is when you change companies, or you want to get a higher-level position, there are no questions to you whether you can do it because you're certified. An international association checked the quality of your knowledge and granted you a certificate: yes, he can and that's it. (CMA certified professional, Moscow, #2)*

Obtaining a CMA certification also has some more implicit benefits of professional advancement. All Certified Management Accountants are required to maintain membership in the IMA association. IMA members in Moscow have an opportunity to meet regularly at the Moscow Chapter meetings, share their experiences, network and gain new knowledge and skills. CMA members are a part of a big professional network contributing to the development of the management accounting occupation in Russia.

*In principle, I am very satisfied and glad that I am a member of IMA. Anyways, you feel good being a part of a big international organization. (CMA certified professional, Moscow, #1)*

According to the interviews, some CMA members in Russia developed higher professional self-esteem as a result of passing CMA certification. They argue that after becoming certified, they would apply for higher-level corporate positions and would be more confident in their knowledge and skills. Higher professional self-esteem can be attributed to obtaining practical knowledge and skills of management accounting function in organizations, better understanding career trajectory and having a sense of accomplishment. Additionally, by passing a rigorous examination, a candidate shows proactivity to the employer, a desire for advancement that can indirectly lead to getting a higher position or receiving bonuses.

For many CMA candidates in Moscow, obtaining CMA certification is a way to update their professional knowledge and confirm their skills and expertise. CMA candidates in Moscow have an opportunity to attend preparation classes organized by Hock Training and to use Hock Training preparation materials. The CMA examination focuses on the practical knowledge and skills that can be directly used at work. Textbooks and training materials developed by HOCK Training become important intermediaries of practical management accounting knowledge base.

*When I needed to develop from scratch the whole budgeting and management accounting system in a start-up, I did it. On the one side, I had my CMA books, on the other side I tried to construct something – prepare tables, write macros, where to put everything to send it out to accountants. (CMA certified professional, Moscow, #2)*

To conclude, management accountants in Moscow have a complex set of rationales to pursue CMA certification. On the one hand, the management accounting occupation is developing and changing along with increasing competition, globalization and complexity. These changes create a need for professional training

and credentialing. On the other hand, fundamental changes in the Russian economy and society after the collapse of the Soviet Union move towards capitalism, thus creating the conditions allowing or stimulating private occupational credentialing.

#### **2.6.4 CMA vs. *other international certifications***

Accountants in Russia can choose between several internationally-recognized professional certifications including ACCA (The Association of Chartered Certified Accountants), CFA (Chartered Financial Analyst), CPA Russia (Certified Public Accountants), CIA (Certified Internal Auditor), Dip IFR (Diploma in International Financial Reporting), CAP (Certified Accounting Practitioner), CIPA (Certified International Professional Accountant), CIMA (Chartered Institute of Management Accountants), etc. All these certifications can be classified into several broad areas including financial accounting, management accounting, financial analysis and auditing. CMAs that I interviewed in Russia emphasized their interest in working in management accounting functions and, therefore, they chose CMA certification as a way to further specialize in their areas of interest.

Management accountants in Russia have a choice of two internationally-recognized management accounting certifications: CIMA and CMA. While CIMA certification involves passing 15 exams and would typically take 3 years or longer to complete, CMA certification involves only 2 exams and typically takes 1 year to complete. Interviewees emphasized their desire to receive their certificate in a shorter period, and therefore chose CMA as opposed to CIMA qualification.

## **2.7 Linking occupation and certification**

CMA certification becomes a part of management accounting professionalization in Russia by supporting management accountants in achieving their professional goals and meeting their needs. As a post-communist state, Russia faces numerous challenges of establishing market institutions, becoming a part of global competition, transforming its labor market and developing educational and socialization programs for emerging professional groups. CMA certification helps management accountants in Russia to understand the ethical norms of their occupation, learn the international linguistic codes of management accounting, understand their professional careers and participate in building their professional community.

### **2.7.1 Ethics codes**

One of the important steps of the professionalization process is the development of professional ethical codes. According to Freidson (2001), professional ideology includes ethical behavior and is crucial in the development of the ideal type of professionalism. In Russia, many locally based companies still have not fully developed such ethical codes. Ethical codes provide specialized knowledge of different professional situations to employees and can influence the reduction of conflict of interest situations within enterprises (Freidson, 2001). For CMA candidates in Russia working in management accounting functions, the IMA ethical code is a way to achieve professionalism within their fields and to learn how to behave in complex work situations. CMA can become a way to bring new business culture into organizations:

*If you have your professional opinion, you can freely express it. Don't go against managers but say 'It should be like this, I don't agree with it'. If you're a part of IMA, it also supports you that you have a big organization behind you and, besides that, when you are subordinate to somebody at work, you should also comply with IMA ethical norms. If you even have an understanding inside you that something is wrong, you have a reinforcement, an obligation that you should behave ethically. Because managers are managers, they can always push and influence you. Maybe you will never need this at work, but anyways this can influence your behavior at work, including the professional point of view. (CMA certified professional, Moscow, #1)*

One of the crucial focuses of the CMA exam is ethics. Ethics questions are included in both parts of the exam. CMA graduates are expected to continue ethics education through their continuing education courses. IMA specifically developed the 'Statement of Ethical Professional Practice' where principles and standards of ethical practice are explained. All IMA members are expected to comply with the rules and principles of IMA ethical conduct. IMA standards include competence, confidentiality, integrity, credibility and resolution of ethical conflict. IMA has provided members with an opportunity to use the Ethics Helpline service to ask specialists for ethics advice. In developing countries where the business environment is still in the development stage, ethics knowledge becomes even more important. Many local companies in Russia have strong hierarchical organizational structures preventing effective information flow and communication inside organizations. According to the interviewees, most companies in Russia that are not listed on the stock exchange still do not have explicit statements of ethical conduct. The CMA examination helps local companies to introduce the ethical philosophy and enhance their reputation in the business community. To be able to communicate internationally

and understand IMA ethical norms and principles, management accountants should be proficient in learning international management accounting terminology or international linguistic codes of management accounting.

### ***2.7.2 CMA and linguistic codes***

The CMA exam is held in English for the Russian market. Consequently, CMA candidates in Russia are obliged to learn management accounting terminology in English. On the one hand, it limits the number of potential CMA candidates to those who are able and willing to undertake the exam in English. On the other hand, it provides employers with an important market signal demonstrating that a candidate can potentially work in a foreign environment. At the moment, competency in management accounting combined with fluency in business English is valued in the local market for expert labor.

The CMA exam interacts with the local management accounting occupation through the use of common vocabulary initiating students into the values and language of the profession. Once management accountants are familiar with the terminology, they are able to increase their skills through professional literature and webinars. Additionally, by mastering international linguistic codes, management accountants gain mobility and the opportunity to work internationally.

Finally, international linguistic codes in accounting become important instruments for the diffusion of management accounting innovations. IMA claims to be a leader in dissemination and research on innovative tools. Typically, local chapter meetings are organized around new tools and technologies, where management accountants can share their experiences. International linguistic codes simplify

information flow and thus speed up the spread of new concepts and tools. By learning the international linguistic codes of their occupation, local management accountants have a chance to understand international business literature and to create their own understanding of their professional career.

### ***2.7.3 CMA certification and a professional career***

Management accounting occupation in Russia is still developing and management accounting career patterns are still not well understood among practitioners. Development of a professional career with stable and institutionalized job patterns is typically closely linked to the individual and to professional advancement (Larson, 1977). Professions differ in the length and rigidity of their professional careers. Some professions require lengthy training, fixed careers and they possess high inter-professional status, while others have less rigid careers and much shorter training (Abbott, 1988). Management accounting as an organizational profession closely resembles the second alternative; its career pattern is less rigid and training is not extensive. When the career pattern is less rigid, it is more difficult for a professional to build awareness of a career and to realize career opportunities. In the case of the newly developing and advancing management accounting occupation in Russia, understanding career patterns becomes even more difficult and important. CMA certification becomes one of the ways to build awareness of the management accounting career in Russia:

*In this sense, finance is a broad profession in terms of what you can do. And CMA opened these possibilities for me, because I was completely 'green' and for me there existed only accountants and investors that are only people who do bookkeeping and people who do*



*analysis of where to invest 10 million dollars. (CMA certified professional, Moscow, #2)*

Management accounting is a dynamic and constantly changing profession and its professional jurisdiction has undergone significant changes in the last 50 years (Abbott 1988). Abbott (1988) argues that some professions facing a high knowledge replacement problem typically develop continuous education and career turnover opportunities. Management accounting certifications can also be seen as ways to cope with a rapidly changing professional knowledge base.

Professionalism is an important concept closely linked to the understanding of a professional career. Abbott (1988) even considers professionalism as one of the first career forms. Professional advancement and professionalism depend on the possibility of knowledge acquisition and, consequently, building a career within a field (Abbott, 1988). As a career-awareness and career-building tool, CMA certification gives opportunities to individuals to achieve professionalism.

In the ideal form of typical professionalism described by Freidson (2001), having a formal credential is an obligatory means to enter a closed labor market. In the case of management accounting in Russia, CMA certification is a way to build career awareness and to update professional knowledge and it is not used as a prerequisite to enter the management accounting labor market. The professionalism concept in management accounting takes a different meaning: management accounting professionalism is associated with being up-to-date in terms of professional knowledge and skills, having awareness of the possible career opportunities and being trustful and committed to the profession.

For a newly developing management accounting occupation in Russia, CMA certification, as well as some other international professional certifications, serve as career growth devices. As a highly complex organizational occupation, management accounting requires employees to understand organizational structure and organizational processes as well as different functions and roles within an organization. CMA certification serves as a way for young professionals to extend their competence areas outside their initial specialization.

*In my experience, a person with CMA will not apply for a specialist position. In any way, he will apply for a management position. If he/she doesn't have extensive experience, it will be a junior management position. He/she will perhaps manage a group; with more experience, a division. The same happens with ACCA and other certifications. A person who is certified will apply for a management position. That's what happens at the moment in our market. (CMA certified professional, Moscow, #2)*

By joining an internationally recognized professional body, management accountants in Russia become a part of a global occupation, thus raising their occupational status both in organizations and in the society. On the one hand, CMAs in Russia become a part of a global management accounting community. On the other hand, the IMA Moscow Chapter creates a local management accounting community and a networking space.

#### **2.7.4 Association as a community building device**

One of the important aspects of professionalization is community formation. For an emerging occupation of management accountants in Russia, feeling a sense of a community becomes especially important. During interviews, management

accountants in Moscow emphasized the need for professional communication and professional standards. The IMA Moscow Chapter organizes regular seminars for its members that serve as an arena of diffusion of management accounting innovations. During such seminars, presenters cover novel organizational problems and share their experience of using innovative techniques and tools. IMA chapter meetings bring a sense of community to the members and help them to grow professionally.

*I am sure, if I have any difficulties at work, any question that I can't solve myself alone – I can ask professionals here that will help me or I can write to the organization and they will help me. I am not alone.  
(CMA certified professional, Moscow, #1)*

To conclude, the management accounting occupation interacts with the CMA exam via several channels: by building a community, developing career awareness, and by introducing international linguistic and ethics codes.

## **2.8 Discussion**

The concept of professionalization is central to the sociology of professions literature. Most studies investigate professionalization under linear conditions where professional groups develop in an evolutionary way, not experiencing significant shocks or transformations. Also, most professionalization studies in accounting focus on either Anglo-Saxon or developing countries, whereas little is known about the professionalization of accounting in a post-communist state where the labor market has been fundamentally transformed from a command-and-control to a market economy. By investigating the professionalization of management accountants in Russia, this study brings forth a different perspective on the professionalization concept. Specifically, this paper contributes to the management accounting

professionalization literature (Ahrens & Chapman, 2000; Loft, 1986), identifying the emerging needs of management accountants in a post-communist country and linking them to the importing of international occupational credentialing into the region.

The study's ambition is not to encompass the entire network of institutions and actors involved in the professionalization of management accountants in Russia. Rather, the case is presented as only one of the ways in which management accountants pursue their professional interests, gain occupational control and international recognition. Although the membership base of the Institute of Management Accountants in Russia is rather small and concentrated in the capital region, the case still demonstrates the importance of professional education within management accounting in Russia.

Most accounting studies investigating professional accounting bodies and their influence across the world have adopted a macro approach (Annisette, 1999; Briston & Kedslie, 1997), where global competition, strategies and the history of international professional accounting bodies are of primary interest. On the contrary, the present study adopts a micro perspective on the role of professional associations, linking it to the individual needs of management accountants, their motivations and their professional work.

A case of the expansion of the Institute of Management Accountants and its certification into Russia demonstrates that management accountants can become the major drivers behind the import of global certifications. The study provides an example of local management accountants' active involvement in the establishment of the Moscow Chapter. Contrary to the existing literature where international expansion of professional accounting associations and their certifications is presented as a top-

down process, this study shows that management accountants themselves have powerful incentives to pursue a foreign certification and that they can drive a bottom-up expansion.

### ***2.8.1 Occupational and contextual rationales for exam adoption***

The present study shows that management accountants in Russia have multiple rationales for pursuing a Certified Management Accountant certification and that these rationales can be divided into two groups: occupational and contextual. Occupational rationales include external forces that influence the development of the management accounting occupation, such as globalization, standardization, specialization, the increasing needs of occupational labor mobility, professional growth and the updating of professional knowledge. CMA certification is used as a standard label of expertise in an increasingly complex and dynamic labor market where employers face numerous challenges to the hiring and recruitment process. Global expansion of multinational corporations leads to standardized management accounting practices and requires employees throughout the world to have a standardized set of skills. The increasing drive for the specialization of expertise in management accounting is a result of growth in size and expansion of organizations and differentiation of functions inside them. Increased competition and complexity of labor market lead to a higher pace of occupational labor mobility and new ways to pursue professional growth. Finally, as professional skills and requirements today are constantly changing, there is a greater need for updating professional knowledge.

Another set of rationales motivating management accountants to pursue the CMA certification can be characterized as contextual, or idiosyncratic to the country. The present-day management accounting occupation has been largely developed in

Russia after the 1990s. Professional education bodies and universities responding to the needs of the newly capitalist economy are still developing. Since the collapse of the Soviet Union, many employment groups and employees have had to change their occupations; many of them started to work in companies in different functions, including management accounting. For them, obtaining the CMA certification is a way to gain the necessary knowledge for career mobility. Shifts in labor market demands and the discrepancies between the contents of the higher educational system, workforce demands and the needs of the developing market economy have created a need for private occupational credentialing such as Certified Management Accountant certification. Additionally, management accountants in Russia express their need to join a global management accounting discourse and to learn international management accounting terminology. Finally, contextual rationales to pursue an international certification are linked to the role of universities in educating management accountants in Russia.

The way CMA certification interacts with the management accounting occupation in Russia is also linked to the role of universities, their interaction with professions and local society. Universities are given central attention in the literature as they create standardizable and theoretically based curriculums, bring prestige and occupational status to a profession, expand, systematize and refine the body of knowledge of a profession, strengthen students' professional identities and provide cognitive exclusiveness (Freidson, 2001; Larson, 1977). Universities legitimate the monopoly of knowledge and cognitive superiority (Larson, 1977). Universities play a major role in the development of the ideal type of professionalism as they take part in both teaching and research contributing to the development of abstract theories and

concepts, and they develop credentials for entering the labor market (Freidson, 2001). Larson (1977) argues that universities play a major role in a professionalization project by producing professional knowledge. Overall, the sociology of professions literature portrays universities as major actors in the socialization and professionalization of occupational groups, whereas professional associations are given only a subsidiary role in these processes.

The case of the import of CMA certification to Russia demonstrates that the certification takes on many roles that should be performed by universities, as is discussed in the sociology of professions literature. CMA candidates emphasize the importance of the knowledge function of CMA certification: the CMA exam creates a standardized knowledge base that is practical in nature and can be successfully implemented in the workplace. This function has traditionally been performed by universities that possess power and prestige, playing a major role in the socialization of professional groups and the development and standardization of professional knowledge.

The study contributes to the literature stream on the development of the accounting profession by identifying a set of factors motivating management accountants to pursue private occupational credentialing. The paper shows that management accountants have a complex set of rationales for pursuing the CMA certification. As the external environment becomes more global, management accountants have more reasons to engage in private occupational credentialing. Additionally, changes in the economic development, such as a shift from centrally planned to a market economy, create more need for private occupational credentialing. The study adds additional insight to the paper developed by Loft (1986)

by separating occupational factors and contextual factors. Theoretically, occupational and contextual taxonomy provides a more comprehensive understanding of the professionalization phenomena in post-communist countries. The study also contributes to the accounting education literature (McPhail, 2001) by identifying educational needs of management accountants after a significant labor market transformation and by discussing challenges faced by local universities and their accounting departments.

### ***2.8.2 CMA and management accounting occupation in Russia***

Management accounting is different from auditing and financial accounting in the way its institutional credentialing is organized. While auditors and financial accountants are typically required to undertake an obligatory occupational licensing, management accountants are normally not legally required to become certified. Nevertheless, private occupational credentialing in management accounting has certain influence over their professional work.

The importance of a professional certification lies in its interaction with the local management accounting occupation. According to the sociology of professions literature, occupational credentialing contributes to organizing the profession by streamlining socialization and competency development (Abbott, 1988). In the case of Russia, CMA certification interacts with the local management accounting occupation via several channels. One of them is the Code of Ethics specifically developed by IMA for its members.

Ethics codes become one of the ways in which CMA certification interacts with the professional work of management accountants in Russia. According to the



sociology of professions literature, ethics codes are one of the essential attributes of a profession (Greenwood, 1957). The appearance of ethics codes typically signifies later stages in the professionalization process (Abbott, 1988). Ethics codes become one of the institutional forms guaranteeing professionalism and best standards of work (Abbott, 1988).

According to the interviews I conducted, management accountants in Russia still do not have explicit codes of ethics, where considerable discretion and judgment have to be exercised in their decision-making. CMA certification includes ethics in its exam curriculum and the continuing education credits, and therefore facilitates certified CMAs in Russia in understanding their professional norms. In the case of Russia, CMA ethics codes on the one hand legitimate management accountants' behavior inside hierarchical organizations and on the other hand provide guidance about 'ethical standards of behavior' and professional norms.

Another way in which CMA certification interacts with the management accounting occupation is by building a professional community. While community building is an important factor in the professionalization process, management accountants still lack an organized community (Ahrens & Chapman, 2000). Management accountants working in Moscow do not form a coherent group; they typically have different educational backgrounds, work experiences and skills. For management accountants in Moscow, the CMA certification becomes an opportunity to join an exclusive professional club where they have a chance to share professional experiences and build a professional network. Ahrens and Chapman (2000) argue that management accounting work is strongly characterized by the specifics of organizations and only through their professional experiences can management

accountants gain more specific interpretations of technical knowledge. Therefore, building a professional community becomes an important stage in the professionalization of management accountants. According to the study findings, CMA Moscow members benefit from regular meetings where they can connect to others within the same occupation, increase their knowledge about current trends in management accounting, share ideas and learn more about their career.

The content of the CMA exam provides management accountants with a comprehensive perspective on an organization and CMA becomes a tool of career awareness. Development of a professional career with stable and institutionalized job patterns is typically closely linked to individual and professional advancement (Larson, 1977). Professions differ in length and rigidity of their professional careers. Some professions require lengthy training, fixed careers and possess high inter-professional status, while others have less rigid careers and much shorter training (Abbott, 1988). Management accounting as an organizational profession closely resembles the second alternative; its career pattern is less rigid and training is not extensive. When the career pattern is less rigid, it is more difficult for a professional to build awareness of a career and to realize career opportunities. Management accounting is an occupation with a relatively less formalized education and training as opposed to financial accounting and auditing. CMA certification in Russia serves the function of career awareness for management accountants, providing them with an overview of different organizational functions and opportunities for professional growth inside organizations. As the knowledge base and skills needed for management accounting positions are constantly changing, CMA certification gives professionals new information and opportunities for skill development in the form of

Continuing Professional Education and competency in management accounting terminology in English.

Through the CMA certification, management accountants in Moscow learn international linguistic codes of accounting and change their professional status inside organizations. Researchers emphasize the importance of linguistic codes in accounting as they are considered to be the mediators of power in accounting education; they distinguish the profession and legitimate its professional status (McPhail, 2001). Such knowledge provides career benefits and a status of 'being certified internationally'. Linguistic codes allow certified management accountants to join multinational corporations, become part of a 'global management accounting occupation' and to take part in a global management accounting discourse. Power in accounting education is also mediated through the examination process since 'through examination, individuals come to see themselves in a particular way as healthy or unhealthy, intelligent or unintelligent, normal or abnormal and discipline themselves accordingly' (McPhail, 2001, p. 481). Certified Management Accountants in Moscow gain a different sense of professional identity, of belonging to an international professional association and having, and some of them argue of achieving, higher self-esteem after successfully completing examinations.

Management accounting as an occupation faces challenges of defining professional jurisdiction and status inside organizations (Ahrens & Chapman, 2000). Management accountants work in multi-professional bureaucracies where major battles for jurisdiction and status happen in the workplace arena (Abbott, 1988). Gaining a certification with international recognition can become one of the ways to increase the occupational status of management accountants inside organizations. The

Institute of Management Accountants works on establishing contacts with multinational corporations and thus increasing recognition and status of Certified Management Accountants in the corporate world.

The studies on the diffusion of international accounting qualifications across the world emphasized the negative effects of such qualifications on local professions. Such studies claim that Anglo-Saxon accounting education is not relevant for their communities or that it negatively affects their university research and development (Briston & Kedsle, 1997). On the contrary, the present case demonstrates that management accountants in Russia benefit from becoming certified by increasing their labor mobility, knowledge base and through the building of a professional community.

To conclude, the study identifies the role of an international professional certification in professionalization of management accounting in a post-communist state – Russia. Thus, the paper contributes to the literature stream focusing on understanding the international expansion of professional associations in accounting and their influence over local accounting occupations (Annisette, 2000; Bakre, 2006; Briston & Kedsle, 1997). In the case of Russia, where management accountants as specialists are still not an organized community, Certified Management Accountants gather in a small group to pursue their professional interests. In financial accounting and auditing, certification functions primarily as an occupational closure tool, a way to close the profession to outsiders, limit entry to the profession by lengthy training and qualification requirements. In contrast to this situation, in management accounting, certification can become a way to open the profession to outsiders; for example, to professionals with different educational backgrounds and experiences.

## 2.9 Conclusions

The study explores the role of international accounting certification in the professionalization of management accounting in a post-communist country – Russia. The study advances the literature by investigating a different angle of professionalization concept: a major shift in the occupational structure after the collapse of the Soviet Union. Specifically, the paper addresses three issues: rationales of management accountants to pursue a CMA certification, establishment of the IMA Chapter in Moscow and the interaction between management accounting as an occupation and a professional certification.

Russia is a post-communist state and its educational institutions are still undergoing transformation after the collapse of the Soviet Union. CMA certification, as well as other international management accounting certifications, serve important functions of professional knowledge update and career advancement within management accounting. Expansion of CMA certification into Russia is driven by local members; it is both a result of internationalization and globalization of businesses and local needs for continuing business education and career advancement. Contrary to the findings of the existing literature, the present study demonstrates that CMA certification in Moscow is not used as a formal requirement to enter the professional labor market of the local organizations. Instead, the certification is increasingly recognized and valued by foreign organizations. Certified management accountants in Moscow achieve more implicit benefits from a certification, such as gaining professional legitimacy, learning international linguistic codes of management accounting and increasing their career awareness.

The case adds more insight into the understanding of how the management accounting occupation develops in a post-communist country and what role management accounting certification plays in this process. Contrary to the existing literature on professional accounting certifications in developing countries that focuses primarily on the adverse effects of international professional accounting bodies and their credentials, the present study demonstrates that international management accounting certification has some positive influence on the development of management accounting in a post-communist state.

Professional accounting certifications are a relatively recent phenomenon in Russia and their growth is limited to the capital region. Despite a relatively small number of CMA candidates in Russia at the moment, the study clearly indicates the importance of continuing education and training within the area of management accounting for the advancement of the management accounting occupation. Thus, the study contributes to the accounting education literature by providing an overview of accounting education challenges in a post-soviet economy.

The international professional association IMA, along with its professional certification, has a certain influence over the local management accounting occupation. First, it serves as a community-building device for management accountants working in diverse organizations. Second, certification serves as a way to increase career awareness within management accounting, to improve understanding of an organization as a whole and the role of management accounting in it. Third, professional ethics codes, developed by the Institute of Management Accountants, give management accountants more confidence in the decision-making process and simplify work in complex hierarchical organizations. Fourth, as English is the main

language of the CMA exam in Russia, management accountants acquire the international linguistic codes of management accounting through exam preparation.

The study provides an insight into globalization of the management accounting occupation through the lens of IMA expansion. Through their examination and certification processes, international professional associations shape the local management accounting knowledge base and diffuse a standardized curriculum. Professional associations, such as IMA, possess significant power over the formation of the local management accounting occupation through a standardized, practice-oriented curriculum. Expansion of IMA to Russia happened as a bottom-up process; global IMA did not initially invest resources into a new market. The certificate grew in Russia because of the initiative of the local members as well as the promotional activities of the local training organization.

Finally, the paper uncovers professionalization of management accountants and its link to professional education and training. At the early stages of professional formation, CMA in Russia serves as a source of a standardized knowledge base within management accounting. The study shows that CMA certification becomes a sense-making and community-building device for management accountants with some behavioral implications. To conclude, international professional accounting associations and their qualifications become an important part of the professionalization of management accountants in post-communist states by introducing local management accountants to the global professional community.

Future studies need to explore further professionalization of accountants in post-communist states, identifying the roles of different institutions in this process.

These studies can address the question of how accountants as a social group adapt to the fundamental changes in their societies.

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## Appendix

**Table 2.1**

Data sources

Position	Time and date	Interview time	Location
Vice President of Research IMA	May 29, 2013	28 minutes	Phone interview
President of Russian IMA chapter	May 23, 2013	41 minutes	Phone interview
Vice President, International Business Operations, IMA	June 11, 2013	42 minutes	Phone interview
Deputy Dean, Graduate School of Management, St. Petersburg University	June 17, 2013	58 minutes	Phone interview
Director of European Operations, IMA	August 24, 2013	45 minutes	Phone interview
President of Russian IMA chapter	October 7, 2013	80 minutes	Interview, Moscow
Certification coach	October 8, 2013	40 minutes	Interview, Moscow
	October 8, 2013	95 minutes	IMA Moscow annual meeting
Finance professional	October 8, 2013	25 minutes	Interview, Moscow
Instructor and manager of CMA preparation courses in Moscow	October 9, 2013	84 minutes	Interview, Moscow
CMA certified professional #1	October 9, 2013	69 minutes	Interview, Moscow
CMA certified professional #2	October 10, 2013	69 minutes	Interview, Moscow
CMA candidate #3	October 13, 2013	100 minutes	Interview, Moscow
CMA candidate #4	October 16, 2013	79 minutes	Interview, Moscow
CMA candidate #5	October 18, 2013	44 minutes	Interview, Moscow
Professor, Saint Petersburg State University	October 21, 2013	43 minutes	Interview, Saint Petersburg
Vice President of Research IMA	February 7, 2013	45 minutes	Phone interview
Senior Vice President, Institute of Certified Management Accountants (ICMA)	February 12, 2014	29 minutes	Phone interview
Founder of Hock training	February 13, 2014	-	E-mail correspondence interview
Founder of Hock Training		33 minutes	'CMA in Education speech' extracted from YouTube recorded on April 17, 2013
Founder of Hock training		68 minutes	'Dayton chapter of the IMA speech' extracted from YouTube recorded on

			February 18, 2014
	October 7, 2014	120 minutes	IMA Moscow Chapter meeting



### **3. CHANGING LOGICS OF RUSSIAN HIGHER EDUCATION IN ACCOUNTING**

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**Abstract:** Drawing on the institutional logics literature, the study examines the fundamental transformation of Russian higher education in accounting after the collapse of the Soviet Union. In particular, the study shows the transition from the state logic dominating accounting education in the Soviet Union period to multiple logics, namely the logic of the state, professions and markets, shaping accounting education after the collapse of the Soviet Union. We focus on the case of management accounting education, tracing the history of management accounting as an academic discipline in Russia. The paper contributes to the accounting education literature by outlining the transition from Soviet accounting education to management accounting education in contemporary Russian universities. Likewise, the study contributes to the accounting literature by connecting field-level institutional logics influencing accounting educators with the broader societal changes happening after the collapse of the Soviet Union.

**Keywords:** accounting education, management accounting, universities, institutional logics, educational change, history, Russia.

### **3.1 Introduction**

Higher education in accounting has been one of the sectors experiencing significant changes in recent decades due to globalization (Gallhofer, Haslam, & Kamla, 2009), commercialization (Guthrie & Parker, 2014) and shifting professional boundaries (Kurunmäki, 2004). In the transitional and developing economies, changes in accounting education were more radical in nature, augmented by political instabilities, revolutions and dramatically changing sociopolitical environments (Ahmad & Gao, 2004; Zhang, Boyce, & Ahmed, 2014). The Eastern European region experienced some of the most radical transformations in accounting education due to fundamental political, economic and societal changes after the fall of communism. Accounting departments of Eastern European universities faced the need to update curriculum, organize funding and update textbooks (McGee & Preobragenskaya, 2005; Smirnova, Sokolov, & Emmanuel, 1995).

Accounting education in the socio-political context of transitional economies attracted relatively little attention on the part of accounting researchers (Gallhofer et al., 2009). The prior literature concerning higher education in accounting in Eastern Europe is scarce and descriptive and little is known about the influence of the communist past on accounting education (Albu & Albu, 2015; McGee & Preobragenskaya, 2005). Yet, Parker (2011, p. 448) argues that understanding universities and their social, political and institutional histories enables us to uncover present educational problems and influence ‘the trajectory of the future for the redefined university’. In other words, by investigating the institutional environment that shapes accounting education, we gain insight into the complexity of the field of



accounting education, its challenges and contradictions. Thus, the present study will address the following research question:

*How have institutional logics shaped management accounting education in Russian universities?*

The study focuses on the development of management accounting education. While many studies in accounting education investigate accounting as a broadly defined concept and discipline (e.g., Zhang et al. (2014)), there is a need clarify accounting as a concept and acknowledge the fundamental transformations of theoretical concepts, discipline content and occupational structures that occur during the twentieth and twenty first centuries. By focusing specifically on management accounting education, the paper contributes toward understanding the historical roots of management accounting as an academic discipline in the Soviet Union. To trace the history of Soviet accounting, the paper draws on accounting history studies, focusing particularly on the origins of management accounting.

Russia is an advantageous context in which to investigate changes in higher education as changes are still ongoing and data can be collected via several channels. Russian accounting education literature is scarce due to the low priority given to the accounting education in the past (Stoner & Vysotskaya, 2012). There is also another possible explanation for the lack of international accounting publications focusing on Russia: the teaching and working language in most of the local universities is Russian, and many faculty members do not possess a sufficient mastery of English. Overall, the study has benefitted from the author's inside information of the Russian university education, the Russian language and environment.

To address changes in Russian university education in accounting, I adopt an institutional logics perspective. Building on the long history of institutional theory the, institutional logics perspective is a relatively new approach to understanding cultural heterogeneity, the duality of agency and structure and historical contingencies (Thornton, Ocasio, & Lounsbury, 2012). The paper connects macro and micro levels of analysis by investigating both historical origins of accounting education and individual narratives of accounting educators. The study contributes to research into changing university environments by demonstrating how institutional logics approach can be used in understanding multiple forces shaping contemporary universities (Parker, 2011). The study contributes to the literature focusing on accounting education in transitional contexts by theorizing major changes happening in universities after a major political upheaval – a move from the centralized communist economy to the market economy (Ahmad & Gao, 2004; Gallhofer et al., 2009; Zhang et al., 2014).

The analysis is structured as follows. The first section introduces the institutional logics perspective. In the second section, I discuss literature focusing on higher educational changes in accounting. In the third section, I present the research methodology. In the fourth section, I present the empirical findings of the study focusing on the Soviet period in accounting education and highlighting the importance of the State's influence during this period. In the fifth section, I report on a series of interviews in order to better understand the present status of management accounting education in Russia. Subsequently, I discuss empirical findings in light of existing literature and my theoretical framework. In conclusion, I summarize some key insights and discuss implications of my study.

### **3.2 The institutional logics perspective**

Institutions are multifaceted social structures with distinctive properties consisting of symbolic elements, social activities and material resources (Scott, 2014). Institutions possess different properties including the ability to stabilize, create meaning, control, constrain behavior, resist change but also to support and empower, provide stimulus and guidelines for change. Much of the early institutionalist scholarship focused on isomorphism and diffusion (DiMaggio & Powell, 1983). Friedland and Alford (1991) proposed that society consists of individual, organization and societal levels that are interrelated, forming a complex pattern of interinstitutional relations. They suggested an alternative model for understanding the rationalizing power of cultural schemes and understanding cultural heterogeneity through the introduction of the concept of ‘institutional logics’ (Friedland & Alford, 1991). Thornton and Ocasio (2008, p. 101) define institutional logics as ‘the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’.

The four fundamental metatheoretical principles of institutional logics including the duality of agency and structure, viewing institutions as material and symbolic, historical contingency of institutions and multiple levels of analysis (Thornton et al., 2012). Institutional logics can both enable and constrain individual interests because individual identities, values, beliefs and assumptions are embedded in the prevailing institutional logics (Thornton & Ocasio, 2008). Institutional logics can develop at several levels including the organizational, market, industry, network, community and field levels. Because these levels interrelate, institutional and

organizational changes can occur (Thornton & Ocasio, 2008). In contemporary society, multiple institutional logics often exist simultaneously, compete and change.

The institutional logics approach proves especially useful for understanding institutional changes and contradictions. Institutional logics can both facilitate institutional changes and reinforce resistance to change. Competing logics can facilitate resistance to change (Thornton & Ocasio, 2008). Yet, institutional contradictions provide actors opportunities for institutional change and agency (Thornton et al., 2012). Thornton and Ocasio (2008) describe several mechanisms reinforcing institutional logic change, including institutional entrepreneurship, structural overlap and event sequencing. Institutional entrepreneurs as agents with resources manipulate social relationships to support their self-interests. Structural overlap is a result of merging individual or organizational structures with different logics, thus actors with divergent cultures are forced into association. Event sequencing occurs when various events lead to changes in cultural schemas, resource allocation and create new power sources.

Institutional logics change attracted much attention among institutional scholars. Much empirical and theoretical research has been done on the mechanisms of institutional logics change, focusing on the process of change and the change stimuli. For instance, Thornton and Ocasio (2008) call for more research on institutional logics change and for better understanding cases in which changes are not supported and accepted.

### **3.3 Higher education changes in accounting**

University-level education around the world has undergone significant transformation in recent decades with the emergence of, and shaped by, rationalization, corporatization, marketization, Americanization and commodification of higher education (Boyce, 2002; Juusola, Kettunen, & Alajoutsijärvi, 2015). It has been argued that the import of the private sector philosophies, reduced funding levels from the government and increased focus on university performance KPIs led to radically altered university missions, core values, strategies, academic identities and structures (Parker, 2011). Business schools played an important role in this transformation process typically considered as ‘cash cows’ for the universities, commodifying higher education and generating increased revenues (Parker & Guthrie, 2010).

Several studies addressed histories of accounting education focusing on the developing and transitional economies (Ahmad & Gao, 2004; Gallhofer et al., 2009; Zhang et al., 2014). These studies position accounting education within the broader societal system. In these papers, accounting education not only reflects societal changes but also shapes and influences societal development. Gallhofer et al. (2009) investigate accounting education in the Syrian transition context. The study identifies challenges facing accountants in Syria after the country moved towards greater liberalization and internationalization. The study connects Syrian colonial history with the individual subjective experiences of accounting educators. In a similar vein, Ahmad and Gao (2004) examine the development of accounting education in Libya focusing on its problems and challenges. The study shows how changes in accounting education in Libya were largely a result of the country’s independence in 1952. After

independence, British and American accounting standards and practices exerted their influence and shaped the development of accounting education and the accounting profession in Libya.

Zhang et al. (2014) focus on understanding the historical development of accounting education in China after 1949, the formation of the People's Republic of China. By employing institutional theory, the paper shows how regulative, normative and cultural-cognitive pillars have shaped accounting education. The paper describes how different periods of Chinese history: centrally planned economy, planned commodity economy, socialist market economy and integrated global market economy influenced accounting education. During the period of the centrally planned economy, accounting education was heavily politicized and significantly influenced by accounting education in the Soviet Union. After 1992, Chinese universities started to internationalize and move towards a market economy. The study contributes to the accounting literature by showing that universities reflect history, their environment and power structures of societies. By focusing on institutional pillars, the study adopts a macro perspective on accounting education lacking particular insights into micro processes that shape the individual identities of accounting educators and their actions.

Accounting education at universities also underwent changes driven by discipline development and international influences. In the case of management accounting, the discipline developed continuously throughout the 20th century, moving from cost accounting to management accounting (Anthony, 1989; Johnson & Kaplan, 1987). During the 20th century, a number of countries took the lead in developing the accounting discipline worldwide, including Germany and Anglo-

Saxon world. For instance, Bjørnenak (1997) investigates the historical development of cost accounting textbooks in Norway; his findings show the gradual move from the German influence in the 1930s to the American influence from the 1970s. In a similar vein, Kurunmaki (2004) argues that accountancy emerged as a discipline in Finland strongly influenced by the German traditions of business economics.

Existing studies on accounting education in transition and developing economies demonstrate how accounting education is linked to the history, social and political environment of a country. Most of the studies focus on the financial accounting and auditing education (Gallhofer et al., 2009) and little is known about the developments of management accounting education. These studies show the profound changes in accounting education after major political events: revolutions, independence and ideological shifts. Russia is another example of a country that has undergone major political and societal transformations during recent decades. Russian universities experienced significant transformation after the collapse of the Soviet Union including marketization, commercialization of educational services and diffusion of market ideology (Maximova-Mentzoni, 2009). These changes were sudden, revolutionary in nature and therefore more challenging (Maximova-Mentzoni, 2009). In the following sections, I will examine one example of university changes in Russia, with a particular focus on management accounting education.

### **3.4 Research methodology**

In this study, I focus on the changing logics of higher education in accounting after the collapse of the Soviet Union. In particular, the study describes the transition from the state logic shaping accounting education in the Soviet Union to the logic of market, profession and state shaping management accounting education after the

collapse of the Soviet Union. To capture the complexity of the field, the study employs qualitative research methods (McCracken, 1988).

While institutions operate at different levels of analysis including individual, organizational, field and societal, institutional logics can be investigated at all these levels (Thornton et al., 2012). Therefore, it is important for a researcher to select a level of analysis (Thornton et al., 2012). The study focuses on the organizational field level, on the institutional changes happening at the university sector in Russia as a whole. However, societal and organizational logics become an important part of the narrative.

The study is based on two complementary sets of data including interviews and archival data. Archival information helps to reconstruct the field of accounting education in the Soviet Union. Qualitative interviews are used to understand experiences of Russian accounting lecturers and to get inside information. Interviews are used both to gain a historical perspective of the past events and to understand the present state of university accounting education. The studies of institutional logics significantly benefit from triangulating the types of data employed in the analysis (Thornton et al., 2012). Therefore, by using both data sources, the study gains additional details pertaining to the change process.

#### ***3.4.1 First set of data***

To collect personal stories of the university accounting education change, I conducted a total of 17 semi-structured interviews between June 2013 and October 2014 (see Table 3.2 in appendix). Interviews were conducted with university faculties of Russian universities in the three major Russian cities: Moscow, Saint Petersburg



and Kazan. Interviewees were asked about the development of management accounting as a university discipline in Russia, their experiences in teaching and doing research in management accounting. Additionally, interviewees were asked about the changes happening in management accounting university education, their personal experiences and challenges. All interviews were conducted in Russian and tape-recorded. Afterwards, a professional transcription service transcribed all recorded interviews.

### ***3.4.2 Second set of data***

To increase study validity and acquire additional information about Soviet accounting education, archival materials were collected. Archival data were collected at the National Library of the Republic of Tatarstan and included Soviet textbooks on planning, operational accounting and production accounting, as well as manuals and conference proceedings. To find relevant literature, I searched a manual card catalogue of the Soviet literature published between 1917 and 1991. I identified relevant keywords for the literature search in the book title: ‘uchet’ (accounting), reporting, calculation, costing, analysis of economic activities and financial control. Afterwards, I examined the content of identified books looking for the histories of accounting education in universities, accounting professional development and accounting discipline formation. To ensure the trustworthiness of the data, I searched the library’s electronic database for the literature published after the 1990s to find historical reviews of accounting developments in the Soviet Union and add details to the storyline. While reading books, I made notes on the important dates, concept definitions, quotes and conceptual elements. Additionally, I made copies of important sources. Afterwards, I translated all relevant quotes from Russian into English.

### **3.4.3 Reflective data analysis**

Data analysis proceeded through two stages. At the first stage, interviews were coded and three general themes were identified: logic of the state, profession and market. Initially, all interviews were coded in Russian; afterwards relevant quotes were translated into English. At the second stage, second-order themes, concepts and connections were identified. To connect empirical findings with existing literature, the findings were analyzed iteratively. Interviews were analyzed reflexively to encourage different interpretations, challenges and reconsiderations of assumptions and beliefs (Alvesson, 2003).

### **3.5 History of Soviet accounting<sup>2</sup>**

The Great October Socialist Revolution in 1917 brought many changes to the Russian economy including the centralization of all economic activities, shrinking trade and money relations and abolition of private property (Lieberman & Eidinov, 1995; Sokolov & Sokolov, 2003). The capitalist accounting system was distorted and modified to meet the needs of the command and control economy (Lieberman & Eidinov, 1995). New accounting theories started to emphasize the ideological superiority of Soviet accounting over capitalist accounting (Sokolov & Sokolov, 2003). Such fundamental economic transformations significantly affected accounting education. After 1917, many schools of business and commerce were closed down and all control of bookkeepers' training was vested in the State Bank of the USSR (Lieberman & Eidinov, 1995). The theory and practice of accounting became unified and controlled by detailed normative acts (Lieberman & Eidinov, 1995).

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<sup>2</sup> Socialist accounting ('uchet') was classified into three areas: bookkeeping, statistical record keeping and operational record keeping.

Accounting education and the accounting system in the USSR were streamlined to meet the needs of the industries. According to our informants, the accounting system is connected to the purposes of the economy and the roles of the organizations in it. The uniqueness of management accounting in Soviet enterprises is emphasized rhetorically by comparing the ‘Western world’ with the ‘Soviet world’. Soviet management accounting is regarded as being technically oriented with a strong focus on production technologies. By mobilizing the Soviet terminology of accounting in their narratives, ‘batch size of work pieces and components’, ‘machine utilization’, interviewees demonstrate the professional vocabulary of an economist in the Soviet Union.

*I can tell you that in the western tradition, significantly less attention was paid to production and it is clear why. Because in the centralized economy of the Soviet Union, financial tasks were completed by Gosplan [The State Planning Committee], the State. And the technical problems, organizational tasks were tackled by the enterprise. In this sense, we always paid more attention to the ways equipment was used. We had special technical tools, special programs that precisely controlled all levels of machine utilization. We have very interesting research in terms of the organization process – scheduling, batch size of work pieces and components. Still all these works had fundamental importance during mass production. Today, even if we were still living in the centralized economy, we would still need to change the accounting system. Because the meaning of production changed. (Interviewee 11)*

In the Soviet Union, the new term of ‘socialist economic accounting’ emerged reflecting its major purpose – to control and secure state socialist property (Mezencev, 1970). Mezencev (1970, p. 11) defines the main task of the socialist accounting: ‘...

the main task of the socialist economic accounting is to control and to systematically observe performance of planned activities by ministries, departments, companies and organizations focusing on quality and quantity'. The difference between socialist accounting and capitalist accounting can be explained by the differences in ownership forms: the USSR abolished private property, replacing it with collective property (Sokolov, 1991). Mezencev (1970) argues that socialist accounting was used beyond one single enterprise; accounting reports were used to create statistical information about the whole country. To receive comparable accounting indicators from throughout the country, all accounting and reporting was regulated by obligatory norms (Mezencev, 1970). Accounting regulation and control by the state results in centralization of accounting practice, science and education.

As a result of economic unification and state property ownership, accounting practices became standardized throughout the country (Sokolov & Sokolov, 2009). In 1929, the decision was made to unify accounting, operational record keeping and statistical record keeping (Sigidov & Rybjanceva, 2015). Socialist accounting was classified into several groups including: statistical record keeping, operational record keeping and bookkeeping (Mezencev, 1970). Statistical record-keeping involved the preparation of statistical records to facilitate control over the fulfilment of plans (Gallik, Cestmir, & Rapawy, 1968). Operational record -keeping included narrow operational processes of the enterprise and therefore employed physical terms (Gallik et al., 1968). In contrast to the operational record-keeping, bookkeeping typically involved value terms and focused on the development of accounting records (Gallik et al., 1968). Accounting education in universities and colleges became a major arena for standardizing accounting practices throughout the country.

### 3.6 Accounting education in the USSR

Reforms of accounting practice and education significantly affected the status of accounting as an occupation. Several scholars discuss decreasing prestige of the accounting profession in the USSR (Smirnova et al., 1995; Sokolov & Sokolov, 2009). The Association of Accountants, a monopolistic and state-controlled organization, was founded in 1924 and predominated, leaving no room private accounting organizations and societies (Sokolov, 1991). In 1931, the Central Committee of the Socialist Economic Accounting was formed to serve the need for a uniform socialist accounting system and to merge accounting with statistics. (Sigidov & Rybjanceva, 2015). Duties, rights and responsibilities of chief accountants in the USSR were manifested in a special decree (Goloshhapov, 1953). Goloshhapov (1953) identifies the role of soviet accountants as state controllers:

*The accountant should be the first assistant of the director in conducting economic transactions, saving resources, mobilizing internal production reserves and increasing efficiency. (Goloshhapov, 1953, p. 4)*

Accounting education was viewed in the USSR as an industry, and universities produced the required number of graduates defined in state plans (Smirnova et al., 1995). The university curriculum, educational plans, schedules and programs were standardized to ensure uniform education throughout the country (Smirnova et al., 1995). In the 1930s, the sectoral account plans started to develop. These were used to standardize the accounting discipline and practice for different industries (Sokolov & Sokolov, 2009). Universities and colleges followed this trend and began to organize industry-specific accounting courses. Some examples of accounting textbooks in the USSR include 'Accounting in the oil industry' (1964), 'Primary accounting in the

department store' (1952), 'Accounting in industrial enterprises' (1958), 'Accounting, calculations and reporting of a machine-building enterprise' (1954). As a result of these changes, the accounting discipline was narrowed down and simplified to eliminate many operations that were considered unnecessary (Sokolov & Sokolov, 2003). Sokolov (2009) states that the quality of accounting education diminished due to the abundance of unnecessary subjects based on Marxist ideology propagating the superiority of the socialist economy over capitalism.

Soviet accounting system is unique in the organization of educational programs and professional fields. While accountants were working on simple information processing, economists were involved in more complex tasks and prepared information for decision-making purposes. According to the interviewees, economists and accountants were trained separately at the university level. While accountants were involved in reporting, collecting information and calculating actual costs, economists focused on data analysis and calculating planned costs. On the organizational level, the accounting department and the planning department were separate entities and required different educational background and different sets of skills. Interviewees mention the importance of industry guides developed in the Soviet Union that provided detailed instructions on cost calculations in different industries. Industry-specific information was considered crucial for the centrally planned economy and ministries and research institutes developed industry guides to support and harmonize the development of each industry.

*If we take socialism, budgeting was planning. And it had absolutely no relation to accounting. It was a separate, very big educational program about planning. There was a different professional group separate from accountants, and they had higher status and higher*

*salaries. Accountants were considered just as employees; ‘planners’ were considered as engineering and technical specialists having higher status and salaries. It was a completely different organizational function that did not have any relation to the accounting department. (Interviewee 8)*

To conclude, soviet accounting was developed as a discipline to control and manage the socialist state-owned property. Accounting education and practice were standardized throughout the country to collect standardized sets of economic indicators and create statistical information. Accounting as a profession lost its prestige, while ‘planners’ were more highly valued in the socialist economy.

### **3.7 Accounting<sup>3</sup> education after the fall of communism in Russia**

After the collapse of the USSR, accounting education and the accounting profession had to be reorganized to meet the needs of the market economy. Universities needed to create new programs, train faculty to teach new subjects, develop textbooks and teaching materials. During the transformation period, accounting as an applied discipline taught at universities had to be reorganized: course curricula were changed, programs were renamed. University changes had to be made rapidly to produce qualified graduates who would work in the market economy. In the 1990s, two business schools were opened to promote education with the ambition of developing leading centers in research and teaching. During this time, the Higher School of Economics and New Economics School were formed. While the Higher School of Economics is a public business school, the New Economics School is a

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<sup>3</sup> After the collapse of the USSR, new classifications of accounting emerged including financial accounting, management accounting and tax accounting.

private graduate business school. Both business schools played a major role in transforming Russian economics and business education in the 1990s.

*It was a 'hard war', because the course content that we had to teach under new conditions was very different from what university faculty in the USSR knew and could teach. We were in a situation where we had a huge deficit of university instructors of economics and applied disciplines. It took almost ten challenging years to change the economics education system because we had to change textbooks and retrain course instructors. It was very difficult to find new people to teach courses. (Interviewee 3)*

While new business schools could not meet all the needs of the market economy, existing universities had to re-educate their faculty to teach new programs. Facing a serious shortage of qualified course instructors in accounting, leading Russian universities launched a new program 'Training of the trainers' (Kovalev, 2012). The program consisted of several stages. At the first stage, British academics and practitioners trained the leading accounting professors at Russian universities. At the second stage, newly educated Russian accounting professors organized courses for the remaining faculty. Another educational program was organized to train university students. Representatives of the 'Big 6' auditing firms conducted accounting courses with students of the leading Russian universities. Both programs were financially and administratively supported by the 'Know How'<sup>4</sup> Fund and the British Council.

After the collapse of the USSR, international professional accounting associations moved to the Russian market. They exerted their influence via several channels: professional certifications, practitioner publications and collaborations with

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<sup>4</sup> British Know How Fund is a program of the British government to assist post-Soviet countries in their transition to market economies.



local universities. After the 1990s, the number of professional associations and their certifications in Russia rose steeply. Realizing the benefits of international professional recognition and labor mobility, professionals in Russia joined professional associations and passed professional examinations. University lecturers started to use teaching practitioner publications and reports developed by professional associations. Finally, professional associations began to collaborate with universities to streamline university curriculum and apply their certification requirements. An example of such collaboration is the one between Saint Petersburg State University and the Association of Chartered Certified Accountants (ACCA):

*This year we changed our programs to meet ACCA requirements. In order to meet the number of hours that ACCA suggests for management accounting I was given five courses. Before, we had only one course; now we have five. (Interviewee 8)*

Reading materials and accounting textbooks also became an important part of spreading new knowledge in training programs. Thus, the 'Know How' Fund and the British Council funded the translation of eight accounting textbooks into Russian. One of these was devoted to management accounting: 'Cost accounting: a managerial emphasis' by Horngren and Foster. Translated textbooks played an important role in creating new accounting courses. Interviewed university professors argue that accounting textbooks written by Russian university faculty nevertheless still have more emphasis on costing and controlling and are not very suitable for teaching managers and non-accounting specialists. Thus, the important role of foreign translated management accounting textbooks remains.

*My main understanding of management accounting is consistent with Horngren and Foster's approach and I like this approach. (Interviewee 8)*

Significant changes also occurred in the teaching of management accounting at universities. As universities became more open and increasingly international, some university lecturers learned about the importance of teaching management accounting as a dynamic and constantly changing discipline. Interviewees stress the importance of teaching not merely technical aspects of accounting but also understanding its social and societal impact. As decision makers, management accountants should be able to analyze, make decisions and adapt to the changing environment. Therefore, interviewed lecturers use multiple management accounting textbooks in the classroom and teach their students that there is no single or 'right' definition of management accounting.

*We make our students analyze management accounting definitions in existing literature, look for pluses, minuses, benefits, drawbacks. At the first seminar, we give them an assignment – to examine all the existing literature and create their own definition of a management accounting system. (Interviewee 16)*

Organization of management accounting knowledge as a separate discipline is another important element of university transformations. In the Soviet Union, management accounting was not widely recognized as a separate university discipline. After the collapse of the Soviet Union, universities started to organize management accounting courses and publish management accounting textbooks. Accounting departments of Russian universities organized new accounting courses that focused on financial accounting, management accounting and tax accounting.

Management accounting became a broad and rapidly changing scientific discipline. Interviewees argue that management accounting as a discipline relates to many other business fields including information science, management, accounting, financial management and finance.

*Subjects such as financial management, management and accounting are becoming interrelated in organizations and in education thanks to computer technologies... Management accounting includes a lot from financial management and from management because it is created for managers and accountants. (Interviewee 8)*

In the 1990s, management accountants started to organize as an occupation in Russia. As the business environment becomes more complex, the number of accounting information users grows proportionately. Managers demand reports that are more complex and hire specialists to work with forecasts, budgets and costs. Thus, management accountants appear to be gaining more recognition in organizations.

### **3.8 Institutional logics of management accounting education in post-Soviet**

#### **Russia**

After the fall of the Iron Curtain in the 1990s, Russia opened its borders and established more contacts with the outside world. During this period, many institutional transformations were ongoing including the creation of market institutions and new organizational fields. A number of factors contributed to the institutional change process. International companies started to establish their presence in Russia. Residents of Russia got access to international knowledge. Russian organizations joined in international competition and started to attract foreign capital and investments. Societal changes contributed to the institutionalization of several institutional logics. In the following sections, I will demonstrate how the field

of higher education in management accounting is shaped by the logics of state, profession and market.

### **3.8.1 Logic of the state**

Even after the collapse of the Soviet Union, the state still continued to influence the development of management accounting education at universities via curriculum and syllabus development, legislation and professional standards (see Table 3.1 in appendix). The themes of centralization and standardization became an important part of the interviewees' narratives. The prevalence of the state logic at Russian universities is exemplified by the interviewee discussions focusing on the importance of standards defining the boundaries of the management accounting occupation, state programs of management accounting development and standardized course syllabi.

*Yes, it is a profession. We now work on a professional standard; now it is becoming legal; our president ordered to prepare standards for the majority of professions. Controlling also has a standard called 'Control of industrial construction enterprises'. This is a professional standard that is approved by the Ministry of Labor... (Interviewee 15)*

*First of all, there is a standard that includes all main subjects. Some of the subjects are developed by universities... For each subject we organize groups to create syllabi. These syllabi are called 'exemplary'... Such centralization exists since Soviet times and it is very useful. Syllabi are not developed by each university; instead each university uses a common ground, exemplary syllabus, and specifies it according to their needs. (Interviewee 6)*

Influenced by the logic of the state, interviewees refer to the Ministries and Committees as the main sources of authority. For instance, Ministry of Finance

approves the 'Program of accounting and reporting development in the mid-term' and the Ministry of Labor and Social Affairs approves and prepares professional standards. While the program focuses primarily on financial accounting and reporting, it still includes some aspects of management accounting. Ministries and Committees legitimate their actions by issuing programs, educational standards, guidelines, defining exemplary syllabi, etc. Having strong soviet traditions, Russian universities still expect some guidelines from the state authorities on how to develop educational programs and strategies.

The state becomes a powerful force that can influence the professional boundaries and disciplinary boundaries, educational practices and educational objectives. By developing a professional standard of control, the state is able to control discipline content, legislation and professional jurisdiction. By creating a 'Program of accounting and reporting development in the Russian Federation for the mid-term', the state defines the priorities in the discipline development. Finally, the state logic also influences the perceptions of the educational goals and objectives by management accounting educators:

*We need to teach them that getting a big profit is not what is most important – that the goal is not to earn a great profit. The goal is mainly to satisfy social needs of society... Profit is an element of the long-term development. We need to teach them this concept.*  
(Interviewee 16)

According to the interviews, the logic of the state shapes identities of some management accounting educators. Some interviewees have a sense of attachment to the soviet traditions of accounting education. They feel proud of the soviet developments in the accounting discipline and use their soviet experience in teaching

accounting. Several interviewed educators emphasized the importance of teaching the societal impact of management accounting decisions. This shows that educators identify themselves with the state, societal problems and see themselves as important actors educating 'good' citizens.

Interviews show the importance of state logic in the field of higher education in accounting. Yet, the state exerts more influence in the area of financial accounting and reporting than in the area of management accounting. The state-oriented logic in management accounting education is reinforced via laws, regulations, programs and other normative documents. The state defines textbook usage in the classroom via recommended and certified textbooks. The state also influences syllabus development, curriculum development, educational objectives and key competencies using recommended programs.

### ***3.8.2 Logic of the profession***

Logic of the profession reflects professional values, the desire to develop and promote management accounting as a discipline. Driven by this logic, management accounting educators see themselves as leaders shaping the development of management accounting occupation. The main sources of authority for the professional logic are professional associations and the academic community, and the legitimacy of the profession-oriented logic stems from personal experience and reputation of management accounting educators (see Table 3.1 in appendix). Professional associations become ambassadors of new knowledge in the discipline; therefore, university lecturers have to adjust their teaching by introducing innovative topics and new materials:

*...I think many international professional associations are opening their offices here. Even ten years ago, this was something out of the ordinary, but now many young students and professionals take examinations and receive certifications. We have to adjust our communication with students according to the general level of knowledge in the discipline. You see, instructors need to take into account the knowledge level of students and student horizons. Therefore, the understanding of management accounting changes for everyone. (Interviewee 10)*

In my interviews, some management accounting educators described their identity as being influenced by a particular school of thought. Others see it as their role and mission as educators to develop the management accounting discipline and to promote the management accounting occupation. In particular, international education, training and experience of accounting educators contributed to their understanding of management accounting as a discipline and their professional identity:

*I am a student of Henry Anderson... In his classes, I learned that management accounting is dynamic; it presents management with a real situation, as opposed to tax accounting, where we are talking about a tug-of-war between regulatory agencies. (Interviewee 14)*

Some interviewees discuss the importance of having a professional community of management accountants. According to interviewees, such a community will promote the profession on the organizational level. By publishing articles, presenting these ideas at conferences and other events, accounting educators take part in management accounting professionalization:

*We do not have a professional community. We do not have a separate association of accountants doing analytical work. We have a CIMA*

*office here, but it does not mean anything... By the way, at our department we are often writing articles, doing conference presentations and talking about the importance of a community that will increase the status of management accountants. (Interviewee 10)*

According to interviews, management accounting as an occupation in Russia undergoes jurisdictional disputes with other occupational fields such as finance and information technologies. Interviewees indicated the need to define jurisdictional boundaries of management accounting, promote management accounting as a brand and achieve professional power. By centralizing management accountants under one occupational label, recognition in the workplace arena could be facilitated:

*From my point of view, it extremely important for us to centralize informational and analytical work under the label of management accounting, focusing on the problems of firm's management. This is the cheapest and most effective way because programmers understand well where to find a file, what program to use but they have a very limited understanding of what management needs. (Interviewee 14)*

Professional logic influences management accounting educational practices including educational objectives, course materials, textbook writing and research. Guided by the professional logic, accounting educators see their mission as building the prestige of management accountants in the classroom. Some interviewed educators talk about the importance of discussing a wide range of international and local literature in the classroom. They emphasize the importance of writing their own textbooks and using them in the classroom. Finally, interviewees frequently discuss the importance of research and the creation of new knowledge.



### **3.8.3 Logic of the market**

The transition from the planned to the market economy in the Soviet Union and the development of neoliberal thought and laissez-faire economic liberalism led to the increasing importance of market ideas. Market logic also developed in the field of higher education in management accounting where new ideas of market demand and practical applicability of knowledge started to gain significance. As universities were granted the freedom to determine student numbers, form educational programs and charge tuition fees, more attention was devoted to the demands of students.

*Business schools in big Russian cities such as Moscow, Saint Petersburg and Nizhny Novgorod are trying to develop. They have to compete, because a number of western business schools are established in Russia and young people move abroad for studies – this forces them to advance their educational programs. (Interviewee 3)*

After the collapse of the Soviet Union, many professional accounting associations moved to the Russian market. The Association of Chartered Certified Accountants (ACCA) was one of the first professional associations to establish itself in Russia. The first ACCA office in Russia opened in the year 2000 and Russia has more than 9,000 students and 2,000 members of the ACCA (“ACCA в России,” 2015). ACCA provides local universities with an opportunity to get ACCA accreditation. Students of such universities benefit from exemptions from certain ACCA examinations. Interviewees see the benefit of university collaboration with ACCA as the ACCA qualification is in demand in the workplace. Cooperation with professional associations becomes one of the strategies of increased connection to the business world:

*We are negotiating with the ACCA for exemptions from the exam F 5 'Performance management' for the students completing our program. It is an ACCA accreditation for our program. What does it mean? It means that we coordinate program content, exam format, demands for different exam question types. That is we are teaching here in accordance with this program, and in this way we align our university program and exam format with this certification, because we know that students demand this program; as they start working, they will need different modules from this ACCA program. (Interviewee 10)*

Market logic shapes identities of some management accounting educators in Russia. They see themselves as working primarily for companies, educating new employees who can contribute to the organizational development. Interviewees emphasize the importance of having their graduates in high demand in practice. The increasing demand for their graduates becomes one of the main drivers of management accounting educators. Some interviewees feel proud of working in a practice-oriented, applied university:

*Our university is specialized in practice; we are educating good specialists in finance. We are proud of that, because Financial University has always had a good brand. That is, our graduates are in demand; we do not have any unemployed graduates. Everyone is working in their specialization, they are respected and in demand. According to our research on the labor market... our graduates get the first jobs, they are in demand. Reciprocally, we are working for business. (Interviewee 16)*

To meet the market demand, universities in Russia are increasingly willing to cooperate with companies. Driven by logic of the market, Russian universities position themselves as centers of applied knowledge. Facing increasing competition, universities and business schools establish their particular niche in the market:

*We cannot educate specialists outside of society. We have enterprises with certain needs. We cooperate with companies, enterprises and understand what they need today. Therefore, of course, we have an applied focus. Even bachelor-level students have a certain specialization and they write their bachelor's theses with a particular company. (Interviewee 17)*

As Russia opened its borders in the 1990s, Russian universities started to face increasing international competition. In this period, universities become more heterogeneous: some of them continue to be locally oriented while others internationalize, join global alliances and participate in global ratings. Boards of directors and university management are becoming major sources of authority in such universities as they define university strategy and benchmarks (see Table 3.1 in appendix). University management legitimates its actions by achieving top results in international rankings and competitions. The following quotation demonstrates how the identity of a professor in accounting is shaped by university status in the hierarchy and international reputation:

*Probably here we need to take into consideration that the Graduate School of Management, according to 'Universal' rating, is the top business school not only in Russia but also in Eastern Europe; it is also included in the 'Financial Times' rankings and so it is performing much better than any other business school and university in Russia. According to our strategy, we are oriented towards leading international experience... That is why Russian organizations have a minimal impact on us. This is characteristic of our business school. (Interviewee 7)*

Influenced by the logic of the market, the management-accounting faculty internationalizes course syllabus and introduces international textbooks and

publications in the classroom. Driven by a desire to remain up-to-date with international competition and global innovations, the faculty uses international practitioner publications and reports of professional associations. For instance, 'Harvard Business Review' and CIMA are considered authoritative sources of new knowledge within management accounting:

*If there have been interesting articles about management accounting in the 'Harvard Business Review' during the past three years, we will certainly include them in courses. If Chartered Institute of Management Accountants recommends something, it will also be reflected in our courses. Therefore, naturally our courses follow new, leading ideas in science. (Interviewee 7)*

To achieve a leading position in the hierarchy, the Graduate School of Management located in Saint Petersburg develops its school brand and reinforces it via identity construction of the school's faculty. The school is positioned as the top Russian business school with an international focus and networks achieving top results in all areas of training and research. The following quotation shows how the faculty of the Graduate School of Management presents the school as a leader in case-study production, developing cases adapted for Russian institutional environment:

*We have our own case-study center. The Graduate School of Management is an absolute leader in Russia in terms of case-study development. (Interviewee 7)*

Market logic reflects the desire of educators to cooperate with businesses and take into consideration market demand. The major sources of authority for the market logic are professional associations and organizations (see Table 3.1 in appendix). The legitimacy of the market logic stems from student demands for educational programs and the employment rates after graduation. The institutionalization of the market logic

is further evidenced by the increased importance of student feedback. Logic of the market reveals the internationalization of Russian academia and the heterogeneity of Russian universities. This logic draws the attention of management accounting educators particularly to the importance of status in the hierarchy, and high local and international rankings.

### **3.9 Discussion**

The study demonstrates how management accounting education in Russian universities evolved over time and is shaped by institutional logics and discipline development. Institutional logics existing on the field level shape priorities of management accounting educators and their educational goals. The logic of the state dominated Russian universities in the Soviet Union period. After the collapse of the Soviet Union, Russian universities started to be exposed to the logics of professions and markets. As management accounting discipline evolved over time from operations accounting, cost accounting to management accounting, Russian universities started to pay more attention to social aspects of accounting.

Russian universities are not the only ones experiencing influences of logics of state, professions and markets. Throughout the world universities are exposed to increasing marketization, globalization and corporatization (Parker & Guthrie, 2010; Parker, 2012; Saravanamuthu & Tinker, 2002). Thus, the study adds additional insight into how accounting education and in particular educational changes could be understood and theorized. In contrast to the gradual, evolutionary logic changes in universities of the developed world, Russian universities experienced an abrupt shift in dominating logics after the collapse of the Soviet Union. Similar sudden changes in university education happened in other transitional economies such as China (Zhang

et al., 2014). Therefore, the study contributes to the stream of literature focusing on accounting education in the transitional and developing economies (Ahmad & Gao, 2004; Gallhofer et al., 2009).

### ***3.9.1 Accounting education in the Soviet period***

Accounting education and training in the Soviet Union were controlled by the state. Accounting was primarily used as an instrument to achieve the national economic plan, therefore a unified set of accounting and reporting rules was developed for enterprises and organizations (Lieberman & Eidinov, 1995). The Soviet state developed accounting and economics disciplines, education and professions to meet the demands of the communist economy. Logic of the state in Russian universities was reinforced via identity creation, professionalization and the development of clearly defined scientific disciplines. The identity of lecturers in the Soviet Union was created in the state universities and colleges where educators had limited access to international publications and research work. Yet, university professors in the USSR had relatively high social status and received certain privileges (Shpakovskaya, 2009). Professional jurisdictions in the Soviet Union were clearly defined with limited opportunities for inter professional competition and jurisdictional disputes: the state rigidly controlled socialization and training programs.

The mission of the Soviet educators was to prepare qualified employees for soviet enterprises. In the Soviet Union, the state controlled the content and number of educational programs at universities. Educators throughout the country strived to standardize educational programs, clearly define the boundaries of each discipline, develop calculative skills and produce graduates to work for the soviet industrial machine. Consequently, university professors and lecturers lacked professional

autonomy and freedom from influences of the state. In the university education field, the logic of state was particularly influential. Moreover, the ideological state apparatus reinforced the prevalence of the state logic.

In the Soviet Union, accounting and economics programs at universities devoted much attention to statistics, mathematics and calculative practices. Indeed, many of the interviewed lecturers with experience from teaching in the USSR categorized cost accounting as a mathematical discipline. Accountants and economists in the Soviet Union worked extensively with statistical data and reporting, therefore these skills were developed at universities and colleges. Yet, education focused on solving analytical problems where only one solution to the problem is accepted and only one view of accounting was presented.

### ***3.9.2 Management accounting education after the collapse of the USSR***

In the 1990s, the whole system of university education had to change in order to supply an educated workforce to the emerging private market. The institutional environment became more complex, as more actors were involved in the education process. Universities began to educate employees for a wide range of both public and private organizations and introduced the new concepts of financial accounting and management accounting. Similarly to the Chinese case (Zhang et al., 2014), Russian accounting education moved from soviet state-controlled universities towards free universities with the rights to design curriculum, admission and financing. Thus, the government control over accounting education was relaxed. Apart from the logic of state, the logics of markets and professions began to influence the accounting education field.

After the collapse of the Soviet Union, the state influence on accounting education continued, yet this influence became less pronounced. Ministries and committees as major sources of authority of the state logic define professional standards, programs and standard course syllabi, thereby contributing to centralization and standardization of accounting education. Interviews show that the influence of state logic is more pronounced in the field of financial accounting than in the field of management accounting. Interviews demonstrate that accounting educators interpret government activities in different ways. Some interviewees attach particular importance to the state recommendations, programs and professional standards, while others are less influenced by logic of the state. After the collapse of the Soviet Union, the state-oriented logic changed from total compliance to the state rules to increased agency of accounting educators as they received the freedom to define, interpret and communicate educational goals and objectives.

The logics of the profession and market started to influence Russian accounting education after the collapse of the Soviet Union. As Russian universities became more open and international, Western ideas were infused into them. Sources of authority on profession and market-oriented logics derive from international professional associations, multinational corporations, university management and international journals.

Similarly to the Chinese case, internationalization and westernization of Russian universities is largely associated with the forces of mimetic isomorphism (Zhang et al., 2014). Educational reforms were conducted as a part of a big project of westernization. Westernization of accounting education unfolded in several steps, including the creation of new curricula, the rewriting of textbooks, changes in



teaching, examination and grading practices in accordance with Western practices. While old educational practices were quickly forgotten, Western business education values and ideals were disseminated in Russia. Segmentation of the university market was a result of increased pressure on universities to perform well in rankings and gain leading positions in international hierarchies.

The import of a Western educational model brought changes to accounting as a discipline: the division between management accounting and financial accounting was introduced. New accounting courses started to focus on decision-making, analysis and creative solutions introducing case studies into classrooms. Translations of international accounting textbooks made it possible to present multiple views on accounting to students. Interviews show the importance of textbooks as elements of institutional logics. While state logic was reinforced via recommended textbooks and the logic of profession via faculty-authored textbooks and monographs, the logic of the market was introduced via textbooks of professional associations. Professional associations not only played a major role in diffusing the logic of professions, but also took on a leading role in spreading market logic.

While state logic exerted a major influence on accounting education in the USSR, Russian management accounting education is shaped by several institutional logics. This finding is consistent with Zhang et al. (2014) stating that the Chinese government strongly influenced Chinese accounting education until 1980s via coercive mechanisms. After 1980s, the era of internationalization started in China with a more balanced set of institutional influences (Zhang et al., 2014). While the study of Zhang et al. (2014) adopts a macro perspective on accounting education change in China, the present paper investigates individual beliefs of accounting

educators and their relations to the broader societal changes. The study demonstrates how institutional logic in accounting education influences universities through educational goals and objectives of individual educators, their priorities, values and beliefs. This approach underscores individual agency, individuals actively shaping their environment.

The present study shows the importance of understanding individual interpretations, sensemaking and sensegiving processes of accounting educators. The institutional logics framework provides a good insight into individual identities, cognition, beliefs and goals. Thornton et al. (2012) argue that individual goals and identities are embedded within institutional logics. Thus, the institutional logics approach can provide a valuable insight into educators' identities and educational goals. Drawing on institutional theory in accounting education, we need to take into account educators, their sensemaking, their agency and how they actively interpret, shape and disseminate ideas.

### **3.10 Conclusions**

Drawing on the institutional logics literature, the study examines the fundamental transformation in the university accounting education in Russia after the collapse of the USSR. In particular, the study outlines the transition from a predominant state logic in the Soviet Union period to the new logics of the state, professions and markets shaping management accounting education after the collapse of the Soviet Union. Contextual analysis shows how Soviet history contributed to the state regulatory focus in accounting education. The development of logics of markets and professions in Russia is associated with increased university globalization and westernization. Future studies need to focus on analyzing the logics of financial

accounting education. Drawing on the institutional logics literature, these studies can explain changes happening in global universities.

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## Appendix

**Table 3.1**

Institutional logics of management accounting education in Russia.

	State	Profession	Market
Sources of Authority	Ministry of Finance, Ministry of Labor	Professional associations, academic community	Employers, Professional associations, companies, university management, stakeholders, other information users
Sources of legitimacy	Account plans, Educational standards, 'Guideline for the development of accounting in Russia', educational programs	Personal experience	Demand for programs, employment statistics, ACCA accreditation, CIMA standards, rankings
Sources of identity	Traditions of Soviet accounting	Education and training	Interaction with companies, international community
Elements	Programs, educational objectives, recommended courses, key competencies, state-approved and recommended textbooks	Educational objectives, course content, status of management accountants, importance of management accounting in organizations, labeling, personal textbooks, conferences	Educational programs, curriculum, educational objectives, student feedback, courses, thesis work, practice-oriented textbooks
Key actors	Ministries, Committees	Professional associations, academic community, students, foreign universities	Professional associations, companies, students, university management, journals
Examples	Defining a professional standard 'Controlling of industrial-construction enterprises'	Creating own frameworks, theories and schools of thought ('Complex analysis of economic activity' by Anatoli Sheremet)	Cooperation with ACCA

**Table 3.2**  
Data sources

Position	Time and date	Interview time	Location
Deputy Dean, Graduate School of Management, St. Petersburg University	June 17, 2013	58 minutes	Phone interview
Professor, Higher School of Economics	October 11, 2013	61 minutes	Interview, Moscow
Professor, Higher School of Economics	October 11, 2013	51 minutes	Interview, Moscow
Professor, St. Petersburg State Economic University	October 14, 2013	36 minutes	Interview, Moscow
Professor, Higher School of Economics	October 14, 2013	73 minutes	Interview, Moscow
Professor, Moscow State University	October 17, 2013	89 minutes	Interview, Moscow
Associate Professor, Graduate School of Management	October 21, 2013	43 minutes	Interview, Saint Petersburg
Professor, Saint Petersburg State University	October 24, 2013	100 minutes	Interview, Saint Petersburg
Professor, Saint Petersburg State University	October 24, 2013	25 minutes	Interview, Saint Petersburg
Professor, Financial University under the Government of the Russian Federation	October 6, 2014	66 minutes	Interview, Moscow
Professor, Financial University under the Government of the Russian Federation	October 8, 2014	53 minutes	Interview, Moscow
Docent, Moscow State University,	October 8, 2014	42 minutes	Interview, Moscow
Professor, Moscow State University,	October 9, 2014	69 minutes	Interview, Moscow
Professor, The Russian Presidential Academy of National Economy and Public Administration	October 9, 2014	60 minutes	Interview, Moscow
Professor, Bauman Moscow State Technical University	October 10, 2014	37 minutes	Interview, Moscow
Associate Professor, Kazan Federal University	October 15, 2014	47 minutes	Interview, Kazan
Professor, Kazan Federal University	October 18, 2014	98 minutes	Interview, Kazan





#### **4. REPRESENTATION OF KNOWLEDGE ON SOME MANAGEMENT ACCOUNTING TECHNIQUES IN TEXTBOOKS**

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**Abstract:** This paper explores the genre of several popular management accounting texts, reflected in their interests of knowledge, styles of argumentation and communication patterns with research genres. The study reveals that textbooks in their discussion of recent management accounting techniques are essentially representing the consulting genre, characterized by its technical interest of knowledge, prescriptive style of argumentation and limited communication with other research genres. Leading management accounting textbooks are found to be unrepresentative of the critical genre, concerned with emancipatory interest of knowledge and an increased awareness of ideologies predominant in current accounting practices. Finally, this study suggests that popular management accounting texts lack the representation of the basic genre oriented towards practical and theoretical interests of knowledge and an argumentation that possesses scientific rigour. If accounting educators have the ambition to offer broader perspectives on accounting in their teachings, then they should be more considerate in their choice of textbooks.

**Keywords:** textbooks, genre, education, management accounting.

## 4.1 Introduction

Accounting educators have long been concerned with expanding the boundaries of accounting curriculum by incorporating broader perspectives on accounting which are not limited to the narrowly defined functionalist view of the discipline (for recent calls to reform accounting education, see Boyce (2004); Boyce, Greer, Blair and Davids (2012); Chabrak and Craig (2013); Boyce and Greer (2013); Carmona (2013); Hopper (2013)). Such a broad understanding of accounting is considered crucial because it shapes the way educators perceive accounting and inculcate it in their students. Likewise, spurred by the *Relevance Lost* (Johnson & Kaplan, 1987) debate, management accounting curricula have also been questioned with regard to their continuing relevance to the profession (e.g., Tan, Fowler and Hawkes (2004)). These concerns directed toward accounting education in general could also be ascribed to accounting textbooks, given the prevalence of relying on accounting textbooks as resources for teaching (Brown & Guilding, 1993). Indeed, several accounting scholars have indicated that textbooks become part of the educational problem as they fail to incorporate multiple perspectives on accounting (Cuganesan, Gibson, & Petty, 1997; Ferguson, Collison, Power, & Stevenson, 2005, 2006, 2007, 2009, 2010; Kelly & Pratt, 1994; Sikka, Haslam, Kyriacou, & Agrizzi, 2007). Some even suggest that the usage of textbooks in the classroom should be limited, but without providing any guidelines on how textbooks could actually be improved (Boyce et al., 2012). Accordingly, given the need for incorporating new material and the prevalence of textbook revisions, continuing research is recommended for understanding the relevance and quality of accounting textbooks (Hammond, Danko, & Braswell, 2015; Smith & DeRidder, 1997). Research into

textbook content can provide deeper insights as to what perspectives and knowledge are currently influential in accounting textbooks, reflecting what students are expected to learn, and can thereby facilitate faculty member's decision when selecting textbooks. Since management accounting techniques are widely used in practice and their body of knowledge is developing considerably, this paper hence investigates how and to what extent accounting textbooks represent the accumulated knowledge on management accounting techniques.

Textbooks are crucial for accounting education as 'they have a profound influence upon the ways in which academics and students construct concepts and practices' (Guthrie, Parker, & Gray, 2004, p. 413). If textbooks do not represent multiple perspectives on accounting, students are deprived of a critical understanding of accounting and its role in society. Indeed, it is increasingly important to develop students' critical awareness, as professional accountancy bodies increasingly demand more graduates with critical thinking skills (Albrecht & Sack, 2000). Textbook discussions of assumptions, surveys of practice, and criticisms associated with certain accounting techniques would inform students and help them develop their skills and knowledge. Comprehensive technical competence and broad understanding of accounting is also economically beneficial for students preparing for the role of management accountants. Employers value these skills highly and they can result in potentially high salaries (Boyce et al., 2012). Despite the significance of accounting textbooks in education, research literature on the content of management accounting textbooks is rather limited (Bates & Whittington, 2009; Cuganesan et al., 1997; Ferguson et al., 2005, 2009; Kelly & Pratt, 1994; Laksmana & Tietz, 2008; MacDonald & Richardson, 2011; Sikka et al., 2007). Prior studies have tended to

adopt a macro perspective on textbook content, lacking a more in-depth textual analysis with regard to specific topics within the textbook.

This study differs from previous studies examining accounting textbooks by focusing on the three-fold research genre structure (Lukka & Granlund, 2002) and its representation in leading accounting textbooks. The paper presents a more detailed analysis of texts by focusing on several relatively recent and quite popular management accounting techniques: activity-based costing, balanced scorecard, economic value added, and beyond budgeting. As knowledge of recent management accounting techniques has developed rapidly, an investigation of texts that describe these techniques might provide a better understanding of the diversity of accumulated knowledge distributed by textbooks. In this paper, we investigate textbook discourse of traditional best-selling US and UK management accounting textbooks by Horngren, Datar and Rajan (2012), Garrison, Noreen and Brewer (2012), Drury (2012), Bhimani, Horngren, Datar and Rajan (2012), and Seal, Garrison and Noreen (2012). By analysing the representation of knowledge on management accounting techniques in textbooks, we provide some insights into the management accounting textbook genre.

The paper contributes to the literature on the development of accounting textbooks (e.g. Cuganesan et al. (1997), Ferguson et al. (2006, 2010)) by outlining particular problems with leading management accounting texts. By relying heavily on the consulting genre when discussing management accounting techniques, textbooks fail to provide comprehensive discussions associated with these techniques. Moreover, textbooks fail to represent not only critical but also basic genres in their texts, indicating a lack of scientific rigour as material tends to be unchallenged, and

alternative perspectives are not provided. We find that there are variations in textbook discourse across studied textbooks: for example, Horngren's text seems to provide the least comprehensive discussions of management accounting techniques, whereas its adaptation by Bhimani is more wide-ranging in representation of different research genres. Additionally, we find variations in how different management accounting techniques are represented: techniques with longer history and more extensive coverage in existing literature tend to have longer and broader descriptions in textbooks. Finally, adaptations of leading textbooks seem to incorporate more perspectives and research evidence on recent management accounting techniques, showing that using adapted texts in the classroom can be beneficial. This paper attempts to bring educators' attention to the problems of leading management accounting textbooks and thus underscores that textbooks should represent multiple research genres to redeem their role in university education as disseminators of legitimate knowledge.

The paper is structured in the following way. The second section reviews research literature on accounting textbooks. The third section discusses the three-fold genre structure. The fourth section describes the research method. The fifth section presents the findings. The sixth section discusses the findings and concludes the paper.

## **4.2 Literature review**

Textbooks have been considered to form a significant part of conventional wisdom, embodying existing knowledge about a field, and are fundamental tools in education, preparing students for professional practice (Kuhn, 1970). Yet, instead of being neutral in their presentation of 'legitimate' knowledge in the field, textbooks

reveal a particular standpoint by selecting and organizing certain pieces of information from a vast body of general knowledge (Apple, 2000). Some management scholars have initiated the debate about whether textbooks are propaganda, and whether texts are written to present theory and research of academic discipline (Cameron, Ireland, Lussier, New, & Robbins, 2003). Although Cameron et al. (2003) do agree that established textbooks support a managerial ideology, they also stress that academic research is central in these textbooks, e.g. 'using lots of research/references improves the quality' and 'the same standards of validity and reliability should characterize management textbooks as characterize academic articles' (Cameron et al., 2003, p. 727). It is thus important for textbooks to possess academic rigour, i.e. the knowledge provided should have undergone empirical verification and theoretical discussion. One would thus expect textbooks to have incorporated only those ideas that possess the highest degree of academic rigour and have remained uncontested for a considerable time (Richardson, 2004). However, due to differing interests in the production and content of textbooks, textbook authors tend to experience a tension, through frequently revised editions, between the provision of confirmed bodies of knowledge and the inclusion of new material. Huczynski (2011) has instead investigated the textbook discourse of main management ideas that were considered fashions in the past and conclude that only management fashions with the highest academic rigour are most prominent among current textbooks. Some of these fashions have become 'generified', i.e. they are considered vital or taken-for-granted by textbook authors, offered to readers as a generic concept stripped of its provenance (Huczynski, 2011). However, there remains a limited understanding of the extent or manner in which new ideas are represented in contemporary textbooks. Moreover, further research is called for in such areas as the underlying structure and genres used

in textbooks, rhetorical positioning of textbook authors to support or undermine dominant views (Stambaugh & Trank, 2010).

#### ***4.2.1 Accounting textbook research***

Textbooks in the accounting discipline, acting as repositories of concepts and techniques, are also considered authoritative for organizing and understanding the world (Kaplan, 2011; Sikka et al., 2007). Research literature on accounting textbooks has been steadily developing over the past several decades. The empirical papers to date have adopted a variety of perspectives on textbooks across a range of subject areas, including financial accounting, management accounting, auditing and taxation. The following aspects have been investigated in the research literature on accounting textbooks: textbook selection process (Hammond et al., 2015; Smith & DeRidder, 1997), textbook production process (Ferguson et al., 2006), textual and illustrative attributes and readability (Davidson & Baldwin, 2005; Davidson, 2005; F. Phillips, Alford, & Guina, 2012; Sullivan & Benke, 1997), sequence of topical discussions (Wouters, 2008), specific topical coverage (Bates & Whittington, 2009), practical relevance of the material (Laksmana & Tietz, 2008; MacDonald & Richardson, 2011), textbook's ideological character (Cuganesan et al., 1997; Ferguson et al., 2005, 2009; Kelly & Pratt, 1994; Sikka et al., 2007; Tietz, 2007), and its usage (Ferguson et al., 2007; James, 2000; B. J. Phillips & Phillips, 2007).

While textbook authors have been considered slow to feature new topics (Kelly & Pratt, 1994), accounting educators perceive the timeliness and quality of text material as one of the most important criteria for textbook selection (Hammond et al., 2015; Smith & DeRidder, 1997). Accordingly, publishers claim to have addressed this concern, indicating that the increase in more frequent textbook revisions does provide

faculty and students with the most up-to-date information possible (Hammond et al., 2015). However, a more recent study by Laksmana and Tietz (2008) has revealed that changes in textbook editions are not radical but are progressing rather slowly, and the best-selling textbooks are very much alike in their content coverage. In fact, the time lag for Horngren's textbook to incorporate new topics has decreased over time, and a similar pattern is seen in Garrison's textbook (Laksmana & Tietz, 2008). Nevertheless, educators increasingly recommend the use of supplementary material in addition to textbooks (Ferguson et al., 2009, 2010; Laksmana & Tietz, 2008; MacDonald & Richardson, 2011), yet they acknowledge that such ancillary support materials play a smaller role in accounting education, because they are thought to be potentially too burdensome for students to deal with (Ferguson et al., 2010; Smith & DeRidder, 1997). Therefore, it is even more important for textbooks to include new material and provide topical discussions from a range of views and perspectives.

Only some studies have focused on understanding the content of mainstream, dominant university level textbooks in management accounting (Bates & Whittington, 2009; Cuganesan et al., 1997; Ferguson et al., 2005; Kelly & Pratt, 1994; Laksmana & Tietz, 2008; MacDonald & Richardson, 2011; Sikka et al., 2007). Two decades ago Kelly and Prat (1994) expressed their concerns about popular management accounting textbooks and pointed out their lack of attention to the theoretical premises of accounting and the critical presentation of accounting in organizations. They concluded that the content of management accounting textbooks is similar, particularly those written by Horngren and Drury. According to Kelly and Prat (1994) Horngren's text did not change much over 30-year period covered by the study.



Accordingly, Kelly and Prat (1994) called for a new genre of texts discussing accounting's social and political nature and its underlying purposes in organizations.

Cuganesan et al. (1997) have investigated how 'mainstream' management accounting textbooks infuse students with certain norms of behaviour that do not encourage social and organizational awareness of accounting. In particular, they analyse Horngren's text to find out how this textbook contributes to the 'disablement' of management accounting. It is argued that 'materials used to teach accounting must encourage students to react, question, propose, analyse and evaluate, giving legitimate space to their own lives and experiences' (Cuganesan et al., 1997, p. 450). Ferguson et al. (2005) provide a content analysis of the preface and preliminary chapters of accounting textbooks, with an aim to discover the extent to which different stakeholder groups are represented in the text. Ferguson et al. (2005) come to a conclusion that accounting textbooks have a pronounced shareholder and managerial emphasis encouraging uncritical student learning. It is argued that textbook discourse is limited, supporting the ideological status quo in accounting education (Ferguson et al., 2005). Sikka et al. (2007), also indicate that textbooks lack discussions beyond a technical and instrumental view of accounting. Accordingly, a deeper and more detailed analysis of accounting textbooks has been called for.

Bates and Whittington (2009), for example, have concluded that the interdisciplinary nature of topical content is rarely if ever incorporated in management accounting textbooks. Laksmana and Tietz (2008) have conducted a temporal, cross-sectional and time-lag analysis of cost accounting textbooks, finding that it takes about two publishing cycles for textbook authors to incorporate new topics in their texts. Furthermore, novel textbooks tend to be more innovative in adding emerging

topics compared to more traditional textbooks (Laksmana & Tietz, 2008). MacDonald and Richardson (2011) have examined the gap between education and practice in management accounting, arguing that there is a significant lag between introduction of innovations in the practitioner literature and academic textbooks, but it is not as severe as previously suggested by Johnson and Kaplan (1987). Overall, the studies investigating management accounting textbook content tend to be descriptive and lacking explicit theories for analysing and interpreting the empirical findings. Some papers provide a technical, numerical analysis of textbook content focusing on general trends occurring in accounting education over time. However, too much remains unknown about the management accounting textbook genre and its underlying characteristics.

### **4.3 Theoretical framework**

In this section, we argue in favour of a new perspective on textbooks representing multiple research genres, thus incorporating both a broad area of existing knowledge as well as new research findings. It is common for researchers in various disciplines to draw a distinction between the 'primary' genres of papers and research and the 'secondary' ones of textbooks and lectures (Swales, 1995, p. 4) (Swales 1995, 4). Indeed, accounting researchers regard textbooks as unrepresentative of research *per se*: 'they do not develop or analyse phenomena, but only act as distributors of existing knowledge on a pedagogic basis' (Lukka & Granlund, 2002, p. 166). Whereas textbooks try to represent currently accepted knowledge as a coherent whole, journal articles try to arrive at a strongest possible claim that is in agreement with the gatekeepers of knowledge (Myers, 1992). Likewise, the readership of these genres differ with respect to whether they assess the certainty of statements or take most

knowledge for granted, and whether they can sort out the new knowledge from the old (Myers, 1992, p. 13). Accordingly, there has been a call for a reassessment of textbooks as a component of the system of genres that structure academic life and verbal behaviour (Swales, 1993, 1995). Instead, textbooks could act as consolidating and applying recent scholarship and incorporating new research findings. In this sense, textbooks reflect hybrid genres, or 'blurred genres' (Geertz, 1980, 1983), being 'a miscegenation of scholarly fish and commercial fowl' (Swales, 1995, p. 5).

To understand how accounting textbooks as blurred genres represent a broad area of available knowledge, we introduce the notion of research genres from Lukka and Granlund's (2002) study on the workings of the international scientific community. Following Gadamer (1975), Lukka and Granlund (2002) believe that the development of accounting knowledge, both theoretical and practical, would be enhanced by effective communication patterns between various research genres. These research genres are the products of people in various discussion circles who share common world-views, values and approaches to doing research (Lukka & Granlund, 2002). Given the importance of the dialogue for enhancing a common understanding in science and life overall, both parties in dialogue should be willing to familiarise themselves with each other's viewpoints (Gadamer, 1975). Accordingly, in the event of an unfruitful dialogue between authors of a textbook's blurred genre and research genres, a barrier is created to a common and broad understanding of knowledge. In this vein, we view textbooks as important communication channels that ideally should represent a variety of research genres, also those whose ideas they do not directly support.

Lukka and Granlund (2002), based on a profound review of literature on a single management accounting technique, have identified three genres: consulting research, basic research and critical research. Each research genre represents a corresponding phase in the process of knowledge development in the accounting academia. In the first phase, the development of the core idea and its theory/construction into pilot projects is sold to relevant audiences, leading to initial real-world implementations. The second phase analyses the new theory/construction on a deeper level, e.g. its organizational implications, in order to further understand and explain it. The third phase concerns a more fundamental evaluation of this core idea/phenomenon, which is 'put into a wider organization and social context in order to deconstruct and criticize the core value it reflects and the ends it truly promotes' (Lukka & Granlund, 2002, p. 168). Whereas the literature on activity-based costing seems to represent the latest phase of knowledge development process and thus has a distinguished genre structure, the proposed three-fold genre structure is argued to be applicable to other 'emerging' management accounting techniques too, such as activity-based management, business process re-engineering, the balanced scorecard and economic value added (Lukka & Granlund, 2002).

Each research genre is associated with a set of typical features (Lukka & Granlund, 2002): the interests of knowledge it promotes, the research method it employs, and the style of argumentation it exhibits. With regard to the interests of knowledge (see Lukka and Granlund (2002)), Habermas (1971) has recognized that scientific knowledge can be understood through the rational reasons for which it is developed. Technical interest is concerned with the possibility to forecast and control the events of reality. Practical interest is concerned with understanding cultural

phenomena and enhanced ability for self-reflection through communication. Emancipatory interest is concerned with the criticism of predominant ideologies, and the attempt to deconstruct them. Additionally, Niiniluoto (1980) distinguish a fourth, theoretical interest of knowledge, which is concerned with a systematic and comprehensive description and explanation of reality, without the purpose of forecasting and control. To acquire a deeper understanding of how textbook's blurred genre represents different research genres, it is worthwhile to elaborate the different features of research genres (see Lukka and Granlund (2002)).

The genre of consulting research is typically characterized by its strong practicability, where the purpose of the text is to sell ideas that arguably improve organizational efficiency. Even though the writing style in this genre is typically unscientific, the consulting research genre can be considered as representing the technical interest of knowledge. The genre exhibits occasional empirical evidence of the case-study type and an argumentation style that is very straightforward, prescriptive, optimistic and vigorous, which can be criticized for its one-sided views and lack of evidence on which the argumentation is based.

Common to the genre of basic research, this genre utilises *ex post facto* analyses of a 'given' phenomenon in practice. This genre represents 'standard' scholarly practices and is concerned with describing, explaining and understanding with scientific rigour the fundamental qualities of management accounting techniques, their usefulness and diffusion patterns. The genre of basic research has multiple interests of knowledge: implicitly technical interest, but also theoretical interest of knowledge. This genre is methodologically diverse, e.g. those writings that employ interpretative case studies, tend to follow the practical interest of knowledge. The

basic research genre attempts to be neutral in its argumentation pattern and is more comprehensive. It avoids audacious claims and generalizations without extensive and systematic evidence on which to base such claims.

The critical research genre is relatively new in accounting research as such and therefore rather marginal compared to the total available knowledge. It typically uses contextual in-depth analyses and sociological theories on a 'given' phenomenon, increasing the reader's awareness of the suppressing influence of accounting technology, i.e. the entire market-based value system ruling in the business world, which in turn distances it from practical business activities. This genre follows the emancipatory interest of knowledge. The writings of the critical research genre have a critical, deconstructive, value-laden and committed style of argumentation.

Even though it might be difficult to clearly classify the available research literature into these three genres, it is more important to reveal the common characteristics that these genres reflect. Overall, we argue that accounting textbooks ideally should represent a variety of research genres both to stimulate a broad understanding of accounting discipline and to incorporate new emerging themes in practice.

#### **4.4 Research method**

This section describes the method employed to assess textbooks as blurred genres, the motivation behind the sample of textbooks and the sample of techniques. To investigate whether textbooks represent a variety of research genres, i.e. reflect broad and relevant practical and theoretical knowledge available, we examine the argumentation style of the textbook genre and the information sources addressed in

the text. The argumentation style of textbook discourse is analysed along several dimensions, and these aid in revealing the attributes of research genres that the textbooks represent. These include claims, evidence and warrants, e.g. with regard to the long-term ability of the technique to improve performance; inclusion or exclusion of various perspectives, e.g. the impact of the technique on employees; and presentation of benefits and/or drawbacks associated with the idea at hand, e.g. implementation problems within an organization. In addition, we analyse mentioned sources of information that represent the knowledge drawn upon and/or recommended by writers for further reading and that is therefore important for understanding the pattern of information flow. References in textbooks provide an overview of the most influential researchers in the field. Analysis of references hence sheds light on knowledge accumulation occurring in a discipline. When reviewing textbook chapters on certain topics, we identify, classify and compare all relevant references across textbooks. Reviewed references may appear in the main text, in case boxes and in lists of recommended readings usually presented at the end of a textbook chapter or as a complementary online material. The analysis of references focuses on cited publications' authorship and research genre. Whereas citations can be strategic by nature when reporting a scientific study, e.g. citing only those prior studies and texts that support the overall direction of an argument, we are concerned with how textbooks as distributors of knowledge represent various research genres.

Leading textbooks are the media most likely to represent the accepted body of knowledge in a discipline. Worldwide circulation of the most popular textbooks ensures that a majority of students are exposed to similar education material. Such global homogenization of management accounting education, where various

education programmes communicate the same management accounting terminology and techniques is exemplified in the widespread use of Horngren texts and Harvard cases (Shields, 1998). Furthermore, most textbooks seem to develop their format and content based on previous textbooks, resulting in further homogeneity (Kelly & Pratt, 1994). To address the concern of increasingly homogenous textbooks, three leading management accounting textbooks having a long tradition in the USA and the UK, have been chosen for this study. Conventional wisdom in the USA is represented by Horngren's *Cost accounting: a managerial emphasis* (first appeared in 1962), and Garrison's *Managerial accounting* (first appeared in 1976), whereas conventional wisdom in the UK is represented by Drury's *Management and cost accounting* (first appeared in 1985). These textbooks have been used extensively throughout the world and are considered by many accounting faculties to be crucial in management accounting education. Whereas most management accounting textbooks are perceived as covering almost the same major topics (Laksmna & Tietz, 2008), comparison of Horngren's and Drury's texts shows that Drury appears to provide students with broader knowledge, as the discussion includes limitations of traditional management accounting practices (Kelly & Pratt, 1994). It may be argued that less popular textbooks might incorporate more innovative topics to target a market niche. To address this, our choice of the three best-selling original management accounting textbooks is supplemented by European adaptations of US textbooks to gain more insight from in-depth comparisons and discussions of the dimensions involved. These are *Management and cost accounting*, an adaptation of Horngren's text edited by Bhimani (first appeared in 1999), and *Management accounting*, an adaptation of Garrison's text edited by Seal (first appeared in 2003). Comparing both the original and the adapted editions can provide insight into argumentation style differences,



suggesting whether either textbook, which is subject to less fundamental revisions, can actually represent the accumulated knowledge in a broader perspective. While previous studies adopted primarily a historical perspective in studying textbooks, i.e. focusing on change in content coverage over time (e.g. MacDonald and Richardson (MacDonald & Richardson, 2011)), this paper aims to uncover differences in the present state of textbooks. The same year editions of all five textbooks have been chosen for the analysis (Bhimani et al., 2012; Drury, 2012; Garrison et al., 2012; Horngren et al., 2012; Seal et al., 2012), which, for simplification purposes, will be referred to as textbooks by Horngren, Garrison, Drury, Bhimani, and Seal respectively.

Even though textbooks, as elements of education, are considered slow to change and conservative, new research findings and cutting-edge knowledge still appear in the texts. To allow meaningful comparison across textbooks, several management accounting techniques are studied in this paper. Although much knowledge exists about activity-based costing, since its inception in practice, and the three-fold genre structure is applicable to different literature themes, it does not follow that activity-based costing is representative of other management accounting techniques. Our choice of techniques is grounded on the idea of the concept's 'innovation', whereas we focus on techniques that are of relevance to practice and are still being researched and hence published under different genres. This developing body of knowledge might provide further understanding of textbooks as representative of various research genres. Whereas the coverage of customer profitability analysis in leading management accounting textbooks has already been investigated (Bates & Whittington, 2009), we focus in this study on the respective

techniques: activity-based costing, balanced scorecard, economic value added, and beyond budgeting, which serve management accounting functions of costing, performance management, profitability analysis, and planning and budgeting respectively.

#### **4.5 Empirical findings**

Textbook discourse is analysed successively for each management accounting technique to be able to depict any variation in its representation and provide richer and more appropriate comparisons across textbooks. First, we evaluate the content of the text, such as claims made, supporting evidence provided, variety of perspectives discussed etc. Then, we look into the sources of references mentioned in textbooks, research genres of these information sources and their origins, which are indicative of the comprehensiveness of available knowledge drawn upon. At first glance, just like conclusions in prior studies (e.g. Kelly and Pratt (1994), Laksmana and Tietz (2008)), one finds that leading management accounting textbooks appear to be quite similar to one another; in reality, however, there are significant differences in how they represent available knowledge on management accounting techniques.

##### **4.5.1 Activity-based costing (ABC)**

ABC is described in a relatively similar number of pages in all five textbooks, and the structure of chapters on ABC is similar. Horngren, Garrison, Bhimani and Seal discuss activity-based management (ABM) alongside ABC, whereas Drury presents ABM under a different chapter, on strategic cost management. Overall, ABC is positioned as an important topic in all five textbooks. Since ABC has been a topic introduced in leading management accounting textbooks for several decades now, e.g.

in Drury's text since 1992 (Kelly & Pratt, 1994), it should be plausible for texts to accommodate and generify new knowledge in current textbooks.

The description of the ABC system takes various forms in all five textbooks (see Table 4.1). Interestingly, Horngren describes it as *one of the best tools for refining a cost system*. Both Garrison and Seal present ABC as a supplementary tool to the existing costing system. Drury is also rather neutral in his presentation of ABC systems compared to traditional cost systems: *ABC systems can more accurately measure the resources consumed by cost objects*. Using a hedging verb *can*, Drury's message becomes more neutral. In the adapted editions for the UK market, Bhimani sees ABC as *one often-used approach for refining a costing system*, while Seal adds that ABC as presented in the text is '*best practice*'. Overall, Horngren and Seal's somewhat strong positive claims can be considered as propagating, whereas Garrison, Drury and Bhimani are more neutral in their textbook discourse. Using such claims, textbooks shape initial reader's perceptions about ABC and identify its position among other costing techniques.

**Table 4.1**

ABC position within costing practices according to textbook authors

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One of the best tools for refining a cost system is activity-based costing (**Horngren**, p. 146)

Activity-based costing is ordinarily used as a supplement to, rather than a replacement for, a company's usual costing system (**Garrison**, p. 273)

ABC systems can more accurately measure the resources consumed by cost objects (**Drury**, p. 253)

One often-used approach for refining a costing system is activity-based costing (**Bhimani**, p. 341)

We focus our attention in this chapter on what we consider to be 'the best practice' ...

We will assume that the ABC system is used as a supplement to, rather than as a replacement for, the company's formal cost accounting system (**Seal**, p. 276)

---

Even though all five textbooks argue that the implementation of ABC corresponds to more accurate product costs, their presentation is slightly different (see

Table 4.2). Horngren is rather affirmative in his discourse, stating that ABC *leads to more accurate product costs*. Garrison points out that although ABC *generally provides more accurate product costs*, it is not commonly used for external reports. Drury is affirmative as well, stating that the *ABC system should generate more accurate product costs*. In the locally adapted editions, Bhimani is more cautious, stating that ABC *may be seen to lead to more accurate product costs*, whereas Seal is rather positive in that ABC is *costing products more accurately*. Taking a closer look at all these claims, one can see that their message is different. Horngren and Seal generate strong claims but do not provide any support for them, nor do they discuss the conditions under which ABC is more effective than other techniques for measuring costs.

**Table 4.2**

Effects of ABC system on product cost measurement according to textbook authors

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Allocating costs to products by measuring the cost-allocation bases of different activities used by different products leads to more accurate product costs ( <b>Horngren</b> , p. 148)
Although activity-based costing generally provides more accurate product costs than traditional costing methods, it is infrequently used for external reports ( <b>Garrison</b> , p. 296)
A sophisticated ABC system should generate the most accurate product costs ( <b>Drury</b> , p. 265)
Allocating costs to products by measuring the cost-allocation bases of different activities used by different products may be seen to lead to more accurate product costs ( <b>Bhimani</b> , p. 342)
As well as costing products more accurately, activity-based costing offers a way of assessing customer profitability ( <b>Seal</b> , p. 275)

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Textbooks also differ with regard to content. For example, Horngren, Drury and Seal have a separate subchapter on ABC in service organizations. ABC is described as especially useful for service and merchandising companies, since the majority of their costs are indirect. Then, authors also argue about why ABC is often used for strategic rather than inventory valuation decisions. On the other hand, Garrison and Bhimani do not include such discussions in their text. Instead, Bhimani's distinctive feature is a subchapter on ABC and organizational context.

International resistance to ABC implementation is said to be common for cultural reasons. Bhimani provides examples of Finnish organizations that resisted the implementation of ABC due to ‘economic rationale, political concerns and organizational culture’ (p. 358). An example of the French full costing method, similar to ABC in some aspects, is also presented. ABC has not become popular in France because French cultural values are not compatible with the method. ABC is characterized as a ‘traditional, “managing by numbers” style that is prevalent in many American business organizations’ (p. 358). The implementation of ABC in France can cause distrust, as ABC eliminates barriers that exist between departments. It is argued that the French logic behind communication across departments contradicts the American model of management control. It appears that each text discusses different aspects of ABC. By introducing different cultural contexts, for example, management accounting is linked to the environment in which it is used. Accordingly, only Bhimani’s presentation of ABC seem to be different from the mainstream construction of accounting that is criticized by Cuganesan et al. (1997).

All five textbooks vary significantly in their coverage of ABC criticisms (see Table 4.3). Drury and Seal are brief in their presentation of ABC problems, mentioning only the ABC system’s high implementation costs. Garrison and Bhimani are much more diverse in their texts compared to Horngren, Drury and Seal. Moreover, Garrison’s textbook even has a subchapter devoted to the limitations of ABC. Overall, despite the significance of ABC drawbacks and the extensive research literature covering this issue, several leading management accounting textbooks do not fully integrate the available knowledge into their texts.

**Table 4.3**

Coverage of ABC drawbacks within textbooks

ABC drawbacks	Hornrgren	Garrison	Drury	Bhimani	Seal
High implementation costs	yes	yes	yes	yes	yes
Errors in cost pools	yes			yes	
Wrong allocation base	yes			yes	
Difficulties of comprehension		yes		yes	
Resistance from employees		yes		yes	
Distrust among employees		yes		yes	
National and cultural preferences				yes	
Over-allocation of costs		yes			
Inaccurate data for ABC model		yes			

*Information sources.* There is a wide array of research that can be utilized when presenting ABC. The total number, placement and type of referenced literature vary in all studied textbooks. Hornrgren cites only three books within the ABC chapter. These are books for practitioners authored by Cooper and Kaplan (1999), Cokins (2001), and Kaplan and Anderson (2007). In addition, Hornrgren provides a case block where he exemplifies time-driven ABC in action, referring to an HBS educational case, the aforementioned book by Kaplan and Anderson, and its excerpt that was published in a practitioner journal. Other than that, one can find nine recommended readings on ABC listed in the appendix available online. Except for the CIMA report on the consequences of ABC techniques, all recommended readings are books for practitioners. As such, Hornrgren's presentation of ABC is mostly influenced by US publications, mainly professional books that try to sell an idea and guide managers in its implementation. Only two cited works try to understand and explain the nature and effects of ABC – one educational case and a report on the consequences of ABC implementation. Approximately one-half of the cited authors have a non-academic background. Correspondingly, Hornrgren's text is not at all guided by the critical genre, lacks the representation of the basic genre, and is mainly informed by the consulting genre. Moreover, referenced publications lack non-US focus, depriving students of understanding the nature of ABC in different contexts.

Horngren's reliance on consulting research genre is consistent with the textbook's argumentation style, characterized by its strong practicability and the technical interest of knowledge.

Then, Garrison draws on even fewer ABC publications in his text. There is only one citation within the body text, referring to a practitioner journal. On the other hand, in the case boxes, exemplifying the use of management accounting concepts in companies, Garrison sources six ABC articles, which were published in academic and practitioner journals. As such, Garrison's text is mainly informed by US publications, whereas two out of six articles can be classified under the consulting genre and four under the basic genre. Two non-US publications deal with the implementation of ABC in China and Portugal respectively. Like Horngren, Garrison does not reflect upon the critical research genre, but, for the most part, cited authors in Garrison's textbook have an academic background, possessing more rigour in their discourse and discussing ABC from a broader perspective. Even though Garrison refers only to a limited knowledge base, it is more diverse and corresponds to the argumentation style employed in the text.

Drury's text on ABC relies heavily on the works of Cooper and Kaplan. Nevertheless, some pieces of their work appeared in academic journals and can be considered to represent the basic research genre. Other than the aforementioned publications, Drury cites five academic articles, four of which were authored by UK academics and belong to the basic research genre and one authored by a US academic, which critically approaches costing and ABC. Drury's textbook also encompasses a survey of ABC practice mainly informed by chapters from a book edited by Bhimani (1996), but also by a few CIMA reports, academic articles and one conference

proceeding. These publications all belong to the basic research genre. Overall, Drury is informed by a similar number of publications authored almost entirely by academics from different parts of the world, whereas these publications mainly belong to the basic research genre. It appears that Drury is more cautious in his claims, informed by a variety of research genres; however, the discussion of ABC drawbacks is still limited, compared to other leading management accounting textbooks.

Bhimani, in the revised UK edition of Horngren's text, refers to roughly twice as many publications on ABC as does Horngren. Bhimani presents a global survey of ABC practice and a recommended reading list at the end of the chapter. Bhimani represents a wider selection of literature on ABC, including books, chapters, reports, theses, academic and practitioner articles, conference proceedings and even an article in a newspaper. Eight out of ten publications drawn upon in the survey of practice are of the basic research genre, whereas two belong to the consulting research genre. Most of these surveys appeared as articles in academic and practitioner journals and were authored by academics from a variety of countries including the UK, Ireland, Norway, France, the USA, Canada, etc. As part of the main text and the further reading list, Bhimani cites only three books, all of which also appear in Horngren's version. As books for professionals, they represent ABC publications of the consulting research genre. Except for the three books and the works cited in the survey of practice, thirteen publications belong to the basic research genre. Overall, almost all of the publications cited by Bhimani were written by academics, half of whom are affiliated with UK institutions, whereas the others are located globally. Hence, Bhimani is mainly informed by the basic research genre and partly by consulting research genre. Alike Drury, Bhimani represents a broader set of available



knowledge on ABC, which is also reflected in his coverage of ABC drawbacks. It appears that Horngren's original text could also be revised to incorporate wider perspectives, indicated by the presence of additional co-authors.

Seal, in the revised Garrison's textbook, refers to almost three times as many ABC publications as does Garrison. The citations appear either in-text, in the case boxes, or in the further reading recommendations at the end of the chapter. Overall, Seal is informed by authors from around the globe, the majority of whom have an academic background. Seven of the referred publications appear in academic journals, six of which belong to the basic and one to the critical research genres. Eleven publications appear in practitioner journals, seven of which belong to the consulting and four to the basic research genres. In addition, there are two cited practitioner books, a conference proceeding that was eventually published in an academic journal, and a CIMA report. Hence, Seal is mainly informed by the basic and partly by the consulting and critical research genres. Even though Seal does not discuss an array of ABC criticisms prevalent in the literature, his text nevertheless attempts to represent different research genres.

Overall, it appears that relatively little available knowledge within current literature on ABC is represented in leading management accounting textbooks. In comparison, non-US textbook authors tend to enrich their texts with both local and global perspectives on top of the original ABC discourse coming from the USA. Basic research genre appears to be underrepresented, which might lead textbook authors to adopt the argumentation style prevalent in the consulting genre, which is typically of unscientific style. It is not surprising that the main interest of knowledge adopted by textbook authors is technical, for ABC is mainly a technical tool. However, some

textbooks appear to be concerned with practical interest too, discussing various contexts where ABC is more or less effective. As such, Horngren's text seems to be the most straightforward and prescriptive, while Bhimani's adaptation is more concerned with scientific rigour and comprehensiveness when describing and explaining ABC, its usefulness and diffusion patterns.

#### **4.5.2 *Balanced scorecard (BSC)***

BSC is also discussed in all five textbooks. Presentation of BSC potential differs slightly across the textbooks (see Table 4.4). Horngren's claim is quite straightforward – *many companies have successfully used the balanced scorecard approach*. Garrison emphasize the usefulness of BSC by stating that around half of Fortune 1000 companies have implemented it. Bhimani presents BSC in a cautious way – *the balanced scorecard seems useful to some organizations if it is adopted in a flexible manner*. Such a claim is not strong, as it is based on several conditions including flexibility of its use and implementation in certain types of organizations. Seal calls BSC *a very influential model*. Overall, Bhimani's presentation of the technique seems to be the most rigorous compared to other texts: 'At a conceptual level there are several reasons to treat with some caution claims for its value as a management accounting tool' (p. 765).

**Table 4.4**

Usefulness of BSC according to textbook authors

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Many companies have successfully used the balanced scorecard approach (**Hornrgren**, p. 466)

It has been estimated that about half of all Fortune 1000 companies have implemented a balanced scorecard (**Garrison**, p. 490)

A more recent contribution to strategic management accounting [...] is the balanced scorecard (**Drury**, p. 584)

The balanced scorecard seems useful to some organizations if it is adopted in a flexible manner (**Bhimani**, p. 768)

We will now consider a very influential model, the balanced scorecard (**Seal**, p. 678)

---

A large proportion of Horngren's text on BSC is devoted to presentation and discussion of cases. Bhimani includes a discussion of country-specific approaches to BSC including a Scandinavian BSC and French *tableau de bord*. *Tableau de bord* is discussed in detail in a separate section, which includes a visual example. Additionally, Bhimani includes the discussion of a strategic scorecard. Such discussions broaden the reader's view of the BSC, putting it into context with other performance management techniques and cultures.

Interestingly, all five authors vary in their presentations of benefits and drawbacks associated with the BSC approach (see Table 4.5). Drury devotes a subsection to the discussion of both benefits and limitations. Among the important limitations, he includes the ambiguity of cause-and-effect relationships between BSC measures and performance, the lack of empirical evidence of the cause-and-effect relationship, the omission of important perspectives including environmental impact on society, and employee perspectives. Drury emphasizes that BSC is a broad concept: 'Kaplan and Norton presented the four perspectives as a suggested framework rather than a constraining straitjacket. There is nothing to prevent companies adding additional perspectives to meet their own requirements ...' (p. 594). A BSC variation created by Siemens is presented in the example box (p. 591).

Both Horngren and Bhimani emphasize the pitfalls associated with BSC, presenting them in a separate subchapter; however, the benefits of BSC are not explicitly emphasized in either textbook. The presentation of BSC pitfalls is similar in both Horngren and Bhimani’s textbooks. They emphasize the problem of cause-and-effect relationship between BSC measures and company performance, inconsistency of BSC with a profit maximization objective, imprecision and opportunities for manipulation in subjective measures, and problems associated with incorporating non-financial measures in a bonus system. Alternatively, Garrison does not mention BSC limitations, while Seal presents a limited overview of BSC limitations. Seal’s textbook states that criticisms of BSC come primarily from academics.

**Table 4.5**  
Coverage of BSC limitations in textbooks

BSC limitations	Horngren	Garrison	Drury	Bhimani	Seal
Cause-and-effect relationship	yes		yes	yes	yes
No empirical evidence on the link between non-financial data and financial performance			yes		
Omission of important perspectives			yes		
Improvement across all measures can be inconsistent with profit maximization	yes			yes	
Imprecision and manipulation in subjective measures	yes			yes	
Incorporation of non-financial measures in bonus system can cause dissatisfaction	yes			yes	
No explicit way of monitoring competitors’ actions					yes

Similar to the presentations pertaining to ABC, the text would benefit from broader discussions regarding BSC limitations, given the extant research literature available that has addressed various perspectives on BSC. Garrison, for example, while having discussed ABC drawbacks to some extent, does not touch upon limitations of BSC at all.

*Information sources.* There is only one publication that commonly informs all textbooks other than Garrison's: the core book by Kaplan and Norton (1996). Accordingly, Horngren in his textbook refers to three subsequent books on BSC by Kaplan and Norton (2001, 2004, 2006). These four books are written for a professional readership. In addition, Horngren draws on an HBS case to provide an example of how BSC helped a company in transition and, via the online source, he recommends that readers refer to a CIMA report on different approaches to strategic performance measurement using BSC. Horngren does not use any other supporting publications for his discourse on BSC. Overall, other than the CIMA report, all referred publications are co-authored by US academics and practitioners and can be considered to belong to the consulting research genre.

Garrison, like Horngren, refers to the smallest number of publications in his subchapter on BSC. Garrison refers to three practitioner articles, one academic article, one educational case study, and a newspaper article. Five of these references are sourced in the exemplar case boxes and one in the main text. The majority of publications are of the consulting research genre, and have been authored by practitioners located in the US.

Drury is informed about BSC and substantiates more extensively than Garrison and Horngren. He has seven in-text references to BSC publications, six of which are co-authored by Kaplan and Norton, all belonging to the consulting research genre. In addition, Drury presents a survey of BSC practice in which he draws on nine different publications from around Europe and the US, including three academic articles, two theses, one conference proceeding, two practitioner articles and a book. Most of these sources in the survey of practice belong to the basic research genre,

although a few belong to the consulting research genre. In addition, Drury recommends six readings, three of which have not appeared in the text. These three additional readings have been published in academic journals, and one of them is critical of BSC. Overall, Drury seems to be informed about BSC rather equally by the consulting and the basic/critical research genres.

Bhimani is informed by a greater and more diverse number of publications on BSC, even though no survey of BSC practice is presented in his text. He has twenty-four different in-text references to works that cover BSC, two of which are also recommended for further reading at the end of the chapter. Half of those references appear in a subchapter on evaluating the success of a strategy. Apart from the commonly cited book on BSC for professionals by Kaplan and Norton, Bhimani refers to seven articles in practitioner journals, most of which belong to the consulting research genre. Six conference proceedings drawn upon belong to the basic research genre. All other sources, including academic journals and book chapters, which inform Bhimani, are likewise either of the basic or critical research genres. Only seven referred publications have been solely authored or co-authored by US academics and practitioners; and the same applies for French authors. Most referred works on BSC have appeared as international publications. Overall, Bhimani is mainly informed by the basic research genre and partly by the consulting and critical research genres.

Seal has eleven in-text references to BSC publications and four references in the exemplar case boxes. Overall, these citations refer to six academic articles, six practitioner articles, and three books. All the referenced academic articles and two practitioner articles were authored by non-US academics. Five of these publications

refer to Kaplan and Norton's books and practitioner articles. Except for one book by Simons (1995) and the academic articles, all referenced publications can be classified under the consulting research genre. One of the academic articles can also be classified under the critical research genre. Overall, Seal seems to be informed rather uniformly by different research genres, through works authored by a diverse group of academics and practitioners.

Overall, it appears that Horngren represents other genres than the consulting research genre to the least extent in his text; Horngren lacks comprehensive coverage of available literature on BSC. Drury, Bhimani and Seal in their texts draw on a more diverse knowledge base, discussing BSC with more scientific rigour and attempting to represent interests of knowledge beyond the technical interest.

#### ***4.5.3 Economic value added (EVA)***

EVA is the only technique that is described operationally and given an operational definition. Its description is highly technical in all five textbooks, and its presentations in all five textbooks are similar – the authors present the technique positively and emphasize its advantages.

Horngren's description of EVA is based on examples. The textbook does not include any criticism of the technique. Horngren states that 'division managers find EVA helpful because it allows them to incorporate the cost of capital, which is generally only available at the company-wide level, into decisions at the division level' (p. 813). Horngren also claims that 'comparing the actual EVA achieved to the estimated EVA is useful for evaluating performance and providing feedback to managers about performance' (p. 813). He then provides an example that 'CSX, a

railroad company, credits EVA for decisions such as to run trains with three locomotives instead of four and to schedule arrivals just in time for unloading rather than having trains arrive at their destination several hours in advance' (p. 813). These claims by Horngren are not supported by any evidence and references.

Garrison presents EVA as an adaptation of residual income approach, yet no distinction is drawn between residual income and EVA. The textbook presents a long list of organizations that adopted EVA or some version of the residual income model.

Drury refers to Stern Stewart, claiming that 'compared with other financial measures, EVA<sup>TM</sup> is more likely ... to reduce dysfunctional behaviour' (p. 492). Drury also refers to a case of Armstrong World Industries Inc., which 'considered EVA<sup>TM</sup> to be the best financial measure for accurately linking accounting measures to stock market value and performance, making it ideal for setting financial targets' (p. 493).

Bhimani relies on authority, stating that according to Joel Stern 'EVA<sup>®</sup> is a superior measure for certain management decisions and performance tracking' (p. 636). Bhimani is the only author who includes some criticism of the technique, stating that it is not clear whether EVA can create value for stockholders (p. 637). All the textbook authors emphasize the importance of the technique. Bhimani states that EVA is 'one of the "most important tools" used by European managers' (p. 637). Additionally, it is emphasized that EVA is widely used in the US and Canada.

Seal presents both benefits and drawbacks of the EVA approach. It is argued that EVA and residual income approaches cannot be used to compare performance of divisions of different sizes. Seal calls EVA and other residual income approaches 'single period metrics', therefore 'investment decisions based on these techniques will



not be identical to those based on the “correct” NPV rule’ (p. 597). Authors also argue that the residual income/EVA approach lacks a link with company strategy. Overall, EVA is presented as one single metric that should be combined with other approaches to generate corporate wealth.

*Information sources.* Garrison refers only to one publication on EVA, an academic article, which is co-authored by academics from the UK and can be considered of the basic research genre. Horngren is informed by two publications on EVA; both are books on the implementation process, written for professionals and co-authored by US academics and practitioners. Drury has only one citation of an EVA publication within text, which is a CIMA report, and two academic articles presented in the recommended reading list. All of these sources on EVA in Drury’s textbook have been written by academics and appear to belong to the basic research genre. On the other hand, Bhimani and Seal are more widely informed about EVA. Half of the publications drawn upon by Bhimani and Seal were written by non-US authors. Although Bhimani refers to only one book on EVA implementation, he also cites three academic articles, a book, two chapters and a practitioner article, most of which appear to belong to the basic research genre. Seal refers to the book on EVA implementation, as well as two academic and one practitioner article.

Even though EVA as a concept emerged already in the early 1990s, the body of management accounting literature on EVA is significantly smaller than that of ABC and BSC. Hence, it is no surprise that there is a smaller amount of available knowledge upon which to draw. On the other hand, it is evident that neither Horngren, Garrison nor Seal have referenced any literature published after 2001, indicating that some of their discussions might need a fresh perspective on this financial performance

measure. These discussions would also benefit from a perspective other than the merely technical viewpoint.

#### ***4.5.4 Beyond budgeting***

Although beyond budgeting as a concept is broadly recognized in Scandinavia, none of the textbooks include a section on beyond budgeting. Horngren still considers budgets a useful technique, stating: ‘The widespread prevalence of budgets in companies ranging from major multinational corporations to small local businesses indicates that the advantages of budgeting systems outweigh the costs’ (p. 187); or ‘Multinational companies find budgeting to be a valuable tool when operating in very uncertain environments’ (p. 204). However, Horngren is to some extent critical of traditional budgets, stating that the ‘budget should not be the only benchmark used to evaluate performance’ (p. 186). Bhimani, for example, includes a table that lists criticisms of traditional budgeting and proposals for change (p. 476). Neither Horngren nor Bhimani mention beyond budgeting within their texts.

Garrison does not use beyond budgeting as a concept in his text, yet he mentions some budgeting criticisms and discusses flexible budgets. Seal, however, discusses beyond budgeting idea in his text (p. 715). Seal provides extensive coverage of budgeting criticisms that are typically discussed by beyond budgeting authors. Beyond Budgeting Round Table is discussed in the text as an organization that supports the idea. The textbook explains the meaning of the beyond budgeting concept and discusses potential implications of its implementation.

Drury, for his part, also has a subchapter on criticisms of budgeting (p. 383). He introduces beyond budgeting and provides examples of Svenska Handelsbanken

and Volvo, both of which abandoned traditional budgets. He states that traditional budgets are unable to meet the demands of the modern information age, providing a list of criticisms of budgets.

*Information sources.* In general, Hope and Fraser have co-authored many publications on beyond budgeting, which belong to the consulting research genre. Horngren refers to one of their books in the chapter on master budget and suggests one additional reading on beyond budgeting by Hope in the online material. Garrison does not seem to be informed by publications on beyond budgeting at all. Although Drury does not refer to any books, he cites four practitioner articles by Hope and Fraser, one practitioner article by UK academics and one academic article by Finnish academics. Bhimani refers to the above-mentioned book by Hope and Fraser (2003), as does Horngren, in his chapter on motivation and budgets, and suggests reading one of Hope and Fraser's practitioner articles. By comparison, Seal is the most informed by publications on beyond budgeting. He references two books, three academic articles, one practitioner article, and a report. Three of these publications, co-authored by non-US academics, can be classified under the basic research genre.

Some academic research on beyond budgeting has been published in recent years, but it is not clear if this research would be incorporated in texts, as it usually takes at least two textbook revision cycles to introduce emerging issues. It is also unclear whether research on beyond budgeting would transcend the second phase of knowledge development process and focus on the emancipatory interest of knowledge. However, the pool of knowledge available today could already provide textbooks with some scholarly knowledge in their discussions of budgeting, its problems and alternatives.

#### **4.6 Discussion and conclusions**

Whereas the introduction of new management accounting techniques into textbooks has received some attention in prior studies (Laksmana & Tietz, 2008; MacDonald & Richardson, 2011), the research endeavours so far have not extended beyond the analyses of the time lag that exists between the emergence of novel techniques in practice and their first appearance in textbooks. In view of that, we contribute to the debate on the relevance of textbook content (Laksmana & Tietz, 2008; MacDonald & Richardson, 2011) by providing a more in-depth analysis of leading management accounting texts. Even though the popularity of many modern-day management accounting techniques have gained most traction in the 1990s, stimulated by the debate on the continuing relevance of management accounting (Johnson & Kaplan, 1987), the development of knowledge on these techniques has had different progressions. Eventually, activity-based costing seems to have been researched the most, followed by balanced scorecard, economic value added, and beyond budgeting. Indeed, the existing literature on activity-based costing and balanced scorecard seems to represent the latest phase of knowledge development process (Lukka & Granlund, 2002), which is characterized by a more fundamental evaluation of the core ideas and values embedded in these techniques. On the other hand, the literature on economic value added and beyond budgeting does not seem to have passed the second phase of knowledge development, which is still more concerned with scholarly practices including empirical and theoretical analyses of the nature and organizational implications of these techniques. As such, activity-based costing, balanced scorecard and economic value were first introduced to popular management accounting texts already in the 1990s, although beyond budgeting has

begun to be treated in textbooks only recently. While it usually takes at least two publishing cycles to incorporate new material in the text (Lakshmana & Tietz, 2008), each studied textbook has had at least three new editions since the emergence of beyond budgeting in practice (and even more editions with regard to other techniques). It is thus expected that current leading management accounting textbooks should represent at least some of the accumulated knowledge that is available today.

In fact, our study demonstrates that the volume of literature on different management accounting techniques corresponds to the extent these techniques are being portrayed in popular textbooks. For example, beyond budgeting is integrated in the texts to a limited extent. Whereas Drury and Seal et al. have some discussions of the concept in their texts, Horngren et al. only briefly mention it in the textbook's preface, and Garrison et al. and Bhimani et al. have not introduced the concept at all. However, although different texts devote a similar number of pages to the discussion of more established techniques, it does not show how comprehensive these texts are in representing diverse perspectives and providing latest research evidence. This paper, hence, applies the three-fold genre structure (Lukka & Granlund, 2002) to understand how and to what extent current popular textbooks represent contemporary knowledge on management accounting techniques. While accounting scholars investigating textbook content have mainly emphasized the similarities between management accounting texts (Ferguson et al., 2005; Kelly & Pratt, 1994), our study highlights the differences in their representations.

We find that leading management accounting texts differ in terms of their interests of knowledge (Habermas, 1971). All studied textbooks seem to be fundamentally concerned with the technical interest of knowledge, providing readers

with the description of techniques presumed to assist them in better forecasting and control of the reality. On the other hand, none of the studied textbooks seems to be concerned with the emancipatory interest of knowledge, inhibiting reader's awareness of predominant ideologies inherent in current practices. Whereas an overemphasis on the technical as opposed to the emancipatory interest of knowledge has been somewhat reflected previously (Cuganesan et al., 1997; Ferguson et al., 2005), we also find that leading management accounting texts differ in terms of representing the practical and theoretical interests of knowledge. Bhimani et al. seem to be concerned with discussing different aspects of management accounting techniques in different contexts the most. Such discussions, for example, provide readers with an opportunity to understand the impact of different cultures on the design and effectiveness of management accounting techniques. Accordingly, we contribute to the discussion of Horngren's texts (Cuganesan et al., 1997; Kelly & Pratt, 1994), indicating that Horngren et al. tend to represent management accounting techniques only within a local context. By ignoring global developments of management accounting practice, textbooks may thus deprive their readers of imagining alternatives to the prescribed techniques.

Then again, management accounting textbooks differ with regard to their argumentation style. Horngren's text seems to be the most prescriptive, lacking scientific rigour and making unsubstantiated claims. The exhibited style of argumentation also seems to be related to the extent of research literature drawn upon in the text. For example, Drury, Bhimani et al. and Seal et al. are more neutral than Horngren et al. and Garrison et al. in their representation of management accounting techniques, using more hedging in their claims, while at the same time mentioning

almost three times as many references to existing literature. Horngren et al.'s text seems to be more alike management textbooks, whereas management accounting techniques are viewed as 'generified' (Huczynski, 2011): the knowledge on these techniques in textbooks is presented as established and rigorous, without any supporting evidence provided. Applying the notion of research genres (Lukka & Granlund, 2002) to the existing research literature, we find that critical research genre seems to be neglected in most texts, which can partly be explained by the interests of knowledge currently pursued in leading management accounting textbooks. Nevertheless, it is surprising that the basic research genre is to a certain extent also unrepresented in most popular textbooks. Horngren's and Garrison's texts refer almost exclusively to consulting research genre, whereas Drury's, Bhimani's and Seal's texts are trying to represent at least some of the existing research literature belonging to the basic genre. Representation of basic genre in textbooks would not only provide up-to-date research evidence on management accounting techniques, supported by adoption rates or user satisfaction levels, but would also extend the diversity of empirical and theoretical perspectives currently imposed on these techniques and possibly alter the argumentation style employed in the text. Overall, it seems that the communication patterns between leading management accounting textbooks and various research genres is currently fragmented, resulting in an unfruitful dialogue (Gadamer, 1975) that does not enhance a common understanding and familiarity with different viewpoints among textbook readers, academics and practitioners. As such, none of the studied popular management accounting texts to date seem to resemble the blurred textbook genre (Geertz, 1980). In fact, Horngren's text seems to be the most representative of consulting genre, exhibiting many claims and generalizations in his text. Even though the nature of basic and critical genres

might not always meet the expectations of practitioners (Lukka & Granlund, 2002), textbooks should be more representative of at least the basic genre in their texts. Accordingly, due to worldwide circulations of popular management accounting texts, there is a greater need to inform educators about the genres that these textbooks represent. Accounting educators should thus resist prescribing textbooks that provide a limited perspective on accounting.

Although adaptations of management accounting texts are rarely discussed in textbook research and could be presumed to be similar to their original versions, we find some noteworthy differences between the original and the adapted texts. There is a tendency for adapted textbooks to incorporate wider perspectives on accounting and support their text with more research evidence, which is somewhat consistent with Laksmana and Tietz (2008), who state that newer textbooks tend to be more innovative when compared to traditional books. Nevertheless, it is not the case for all management accounting techniques. For example, Garrison's text addresses limitations of activity-based costing but not of the balanced scorecard, whereas Seal's adapted text on these issues is contrary. Although it is difficult to tell whether Garrison or Seal contributed more to incorporate or inhibit the discussion of activity-based costing drawbacks in their texts (since Garrison's text was accompanied by a new co-author, Brewer, since 2006), it is evident of the overall significance of co-author influence on textbook content. It therefore shows that textbooks do not necessarily need to be written from scratch in order to incorporate new perspectives on accounting. The evidence shows that it is possible to improve texts by revising and adapting them to different contexts, perhaps with the inclusion of additional co-authors. Accordingly, more research might be needed to understand the role of



textbook co-authorship in producing the content of both the traditional textbooks and their adaptations.

As leading management accounting textbooks continue to be mainly concerned with transferring techniques and skills of accounting practice, the role of university education may be called into question. Whereas Hopper (2013) argues that universities should connect teaching and research on accounting to serve the public interest, our study demonstrates that leading management accounting textbooks fail to represent basic and critical genres in their texts. This has important implications for the development of accounting education. As textbooks represent legitimate knowledge in the field, they form and influence students' understandings of accounting as a discipline and its role in the society. By primarily representing the consulting genre, textbooks ignore much of the academic debates on accounting inculcating the relevance solely of technical knowledge and neglecting the socio-economic context of accounting (e.g. Ferguson et al. (2005), Sikka et al. (2007)). In this way, students are deprived of fully understanding accounting as a discipline and the universities thereby fail to fulfil their major purpose – the diffusion and development of knowledge. Accordingly, integration of different research genres into textbooks could contribute to the development of accounting education. Whereas the consulting genre is useful in communicating new ideas and perspectives, the basic genre provides a solid foundation for distributing research findings supported by rigorous and sound argumentation, while the critical genre helps readers to imagine different perspectives on accounting and encourage critical thinking. Therefore, accounting educators who use popular management accounting textbooks in their teaching should be aware of textbook's genre, for it signifies whether educators are

committed to providing preliminary, professional accounting training, i.e. the rudiments of the profession, or to accounting education, which is more concerned with widening the student's understanding of ethical and social consequences of techniques and practices supported by theoretical and empirical research.

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