

Development of a Conceptual Cost System Model: An Institutional Approach

1 Introduction

New systems and tools are always being devised in management accounting, and researchers and consultants are virtually unanimous in arguing that companies should use these new management accounting artefacts as they become available. However, in practice, both the rate of implementation and the degree of success of these new tools and systems have been variable (Cohen and Paquette, 1991; Bright et al., 1992; Drury et al., 1993; Drury and Tayles, 1995; Kasurinen, 2002)

In view of these mixed results, many studies have been conducted in an attempt to understand *why* changes in management-accounting practices actually occur (Scapens, 1994; Libby and Waterhouse, 1996; Granlund and Lukka, 1998; Edwards and Emmanuel, 1990; Emore and Ness, 1991; Green and Amenkhienan, 1992; Burns and Scapens, 2000; Granlund, 2001; Soin et al., 2002; Guerreiro et al., 2006; Spraakman, 2006). In addition, several studies have proposed and/or adapted various conceptual frameworks, some from outside the accounting area, to explain *how* these changes take place (Covaleski et al., 1996; Quattrone and Hopper, 2001; Guerreiro et al., 2004; SCAPENS, 2006).

Of these various explanations and models, the present study contends that one conceptual model in particular has potential to offer useful insights into how successful changes take place in management accounting. This model, which was proposed by Burns and Scapens (2000), was originally designed to analyse how various changes in management accounting become institutionalised. In essence, the model demonstrates that changes become institutionalised through a dynamic interaction between the institutional realm and the realm of action through four distinct phases: (i) 'encoding'; (ii) 'enacting'; (iii) 'reproduction'; and 'institutionalisation'.

The objective of the present study is to demonstrate how the institutionalisation model of Burns and Scapens (2000), especially the 'encoding' process of rules and routines, can be applied to analyse the successful implementation of a comprehensive new management accounting system in a large Brazilian financial institution. Relatively few studies have investigated change processes in management accounting in the services sector, although Cobb et al. (1995) and Helliar et al. (2002) have conducted studies in the banking sector. Moreover, because the model of Burns and Scapens (2000) is relatively recent, relatively few studies have utilised this theoretical framework in empirical research, although some (Soin et al., 2002; Spraakman, 2006; Guerreiro et al., 2006) have adopted what might be called an 'institutional perspective' in studying various aspects of management

accounting. The present study would appear to be the first to have specifically focused on the initial modelling phase of a change process from the perspective of institutional theory.

The remainder of this paper is organised as follows. Following this introduction, the paper presents a review of the relevant literature and a theoretical framework for the study. The paper then presents an empirical case study of the initial modelling undertaken by a large Brazilian bank in undertaking a comprehensive change process in management accounting. This is followed by a discussion of the findings in light of the reference framework. The paper concludes with a summary of the main findings.

2. Literature review and conceptual framework

2.1 Institutional theory

Interest in institutional theory has been increasing in all the social sciences, including accounting. The institutional approach to accounting rejects the postulates of neoclassical theory as the main guide to understanding management accounting practices; that is, according to institutional theory, the analysis should focus on the institution, rather than the rational and maximising behaviour of individual decision makers, as posited by neoclassical theory (Scapens, 1994).

There is no simple and broadly accepted definition of the term ‘institution’. Drawing on the work of Barley and Tolbert (1997), Burns and Scapens (2000, p. 8) characterised institutional thinking as:

... presupposition that are shared and taken for granted, which identify categories of human agents and their appropriate activities and relations.

In a similar vein, Burns (2000) has noted that, in 1932, Walton Hamilton referred to an ‘institution’ as:

... a form of thinking or acting that prevails ... in the habits of a group or in the customs of a people.

The notion of a ‘habit’ refers to a predisposition or tendency to engage in previously adopted or acquired forms of action—although this tendency does not exclude the possibility of individual intention and does not imply that habits cannot be modified. When applied to a group of people, individual habits become ‘routines’ (Oliver, 1997), which are one of the main characteristics of institutions. Institutional routines can thus be understood as accepted habits of behaviour, usually bounded by certain accepted rules, which become institutionalised by repetition. Routines thus evolve to become habitual forms of thinking and acting that are adopted without question by a group.

According to Scapens (1994), the routines of an organisation (and the ‘rules’ that accompany them) are akin to organisational ‘genes’; as such, organisations evolve through the reproduction and gradual adaptation of behaviours over time—rather than being intentionally created with a view to optimal behaviour. In a similar vein, Oliver (1997) noted that companies evolve within a normative social environment of values and premises that presuppose what constitutes economically appropriate

behaviour. This ‘institutional view’ suggests that economic optimisation (as posited by neoclassical economic theory) is actually subordinate to institutionalised routines—which tend to be long-lasting, socially accepted, resistant to change, and not directly dependent on rewards or monitoring of their performance.

2.2 Institutional approach to management accounting

In general, management accounting systems have two functions in an organisation: (i) producing information for making rational decisions directed at profit maximisation; and (ii) providing an institutional structure for making decisions in accordance with established corporate beliefs and expectations. The question is how these two roles are reconciled in any given organisation and how the process of institutionalisation influences an organisation’s choice of management-accounting practices.

In applying institutional theory to management accounting, Scapens (1994) has observed that, over time, accounting practices can become institutionalised in a ‘taken-for-granted’ structure that eventually becomes dissociated from its historical objectives. In a similar vein, Guerreiro et al. (2006) noted that such institutionalised practices in management accounting: (i) enable individuals and groups within the organisation to make sense of their daily activities; (ii) define expected standards of behaviour for those groups and individuals; and (iii) become accepted by the group almost automatically, without question or discussion.

According to Burns and Scapens (2000), two research streams are apparent in the literature on institutional theory and accounting: (i) new institutional sociology (NIS) and (ii) old institutional economics (OIE). Of these, OIE is the stream that analyses changes in the routines of management accounting systems, which is the focus of the present study.

Studies with an OIE focus in management accounting began with the work of Scapens and Roberts (1993), who studied the resistance met by a project-development team in attempting to introduce a new management accounting system. Following this work, Scapens (1994) pioneered the development of theory in this field by contesting the paradigm of neoclassical economic theory as a basis for the development and implementation of particular management-accounting systems; in its place, Scapens (1994) asserted that institutional theory represented a more adequate approach for understanding developments in management accounting. Since then, other studies have strengthened the institutional approach to management accounting by offering new case studies and reflections (Burns, 1997, 2000) and a conceptual structure for the analysis of the institutionalisation process in management accounting (Burns and Scapen, 2000).

Other studies of importance have utilised the conceptual structure proposed by Burns and Scapen (2000). These have included the study conducted by Soim et al. (2002), who applied the model of Burns and Scapens (2000) to interpret the role of management accounting in organisational change in a British financial institution, and the work of Siti-Nabiha and Scapens (2005), who used an

institutional approach to analyse the duality between stability and change in the implementation of a new value-based management system in a gas-processing company. Guerreiro et al. (2006) also applied the model of Burns and Scapens (2000) to analyse the institutionalisation process of the management-control system of the Brazilian bank, *Banco do Brasil*, seven years after its implementation. Spraakman (2006) also utilised the conceptual structure of Burns and Scapens (2000) to examine the various management-accounting systems used in the history of Hudson's Bay Company, and Lukka (2006) used the same model in a study of the coexistence of change and stability in management accounting.

It is thus apparent that the model of Burns and Scapens (2000) has been of singular importance in research in this field. The model is discussed in more detail below.

2.3 Institutionalisation model of Burns and Scapens (2000)

The work of Burns and Scapens (2000) modified a model that had initially been proposed by Barley and Tolbert (1997), whose general model of institutionalisation had originally been developed by integrating institutional theory and structure theory in accordance with Giddens' (1984) distinction between the 'institutional realm' and the 'realm of action'. It could be said that Barley and Tolbert (1997) transformed Giddens' (1984) static model into a dynamic social structure model—in which the separated notions of 'institution' and 'action' interacted, thus modifying the actors' roles through processes of encoding, enacting, reproduction (or revision), exteriorisation, and objectification.

The subsequent work of Burns and Scapens (2000), who were seeking to establish a model for change in management accounting, modified the model of Barley and Tolbert (1997) by incorporating fundamental OIE concepts of institutional theory—such as habits, routines, and rules—in place of the notion of 'roles', which had originally been present in the Barley and Tolbert (1997) model. As shown in Figure 2, the adapted model depicts a dynamic connection between the institutional realm and the realm of action through four basic processes: (i) 'encoding'; (ii) 'enacting'; (iii) 'reproduction'; and (iv) 'institutionalisation'.

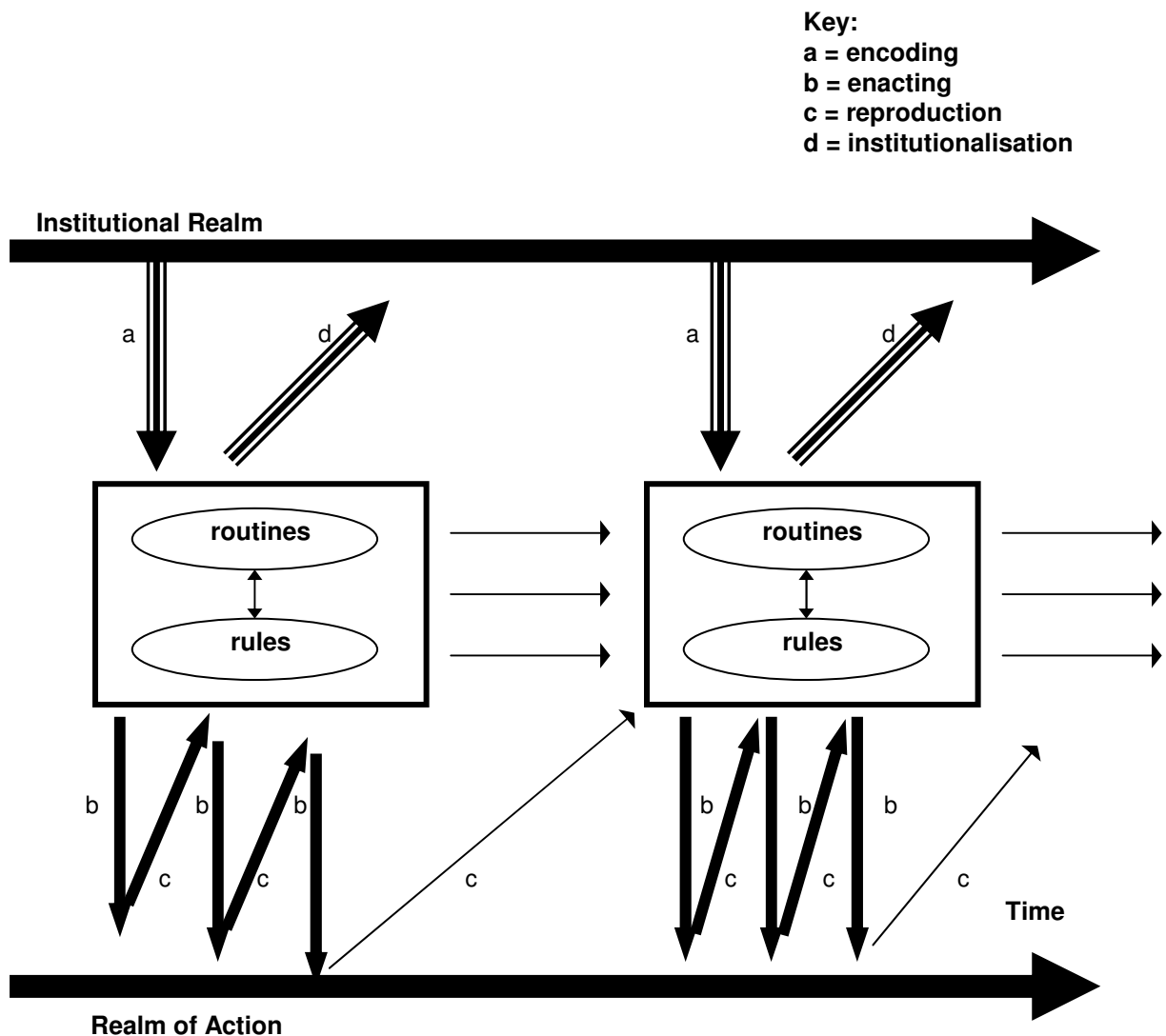


Figure 2: Process of institutionalisation (Burns and Scapens. 2000, p. 9)

The first process ('encoding') is shown by 'arrow a' in the diagram. This process, which takes place in the institutional realm, involves specifying the 'ideal' institutional principles as routines and rules. This encoding process is oriented by the architecture of the set of desired principles, but is also affected by existing routines and rules in the organisation.

The second process ('enacting') is shown as 'arrow b' in the diagram. This involves the actors in the realm of action enacting the routines and rules that encode the institutional principles desired by the organisation. The enacting process can involve conscious choice, but usually results from reflexive monitoring and the application of tacit knowledge about how things should be done. If the actors possess sufficient power, the enacting of new routines and rules can be subject to resistance, especially if the new routines and rules challenge existing meanings and values.

The third process ('reproduction') is shown as 'arrow c' in the diagram. This involves repetitive behaviour that leads to reproducible routines. Burns and Scapens (2000) contended that this

reproduction can involve conscious or unconscious choices. A conscious choice is more probable when the actors are capable of joining elements that allow for collective questioning of existing routines and rules. Soin et al. (2002, p. 255) noted that that the issue of reproduction raises a key question: “Do the changes become incorporated into new routines and rules or are they simply ‘one-shot’ interventions?”

The fourth process (‘institutionalisation’) is represented by ‘arrow d’ in the diagram. In this process, the routines and rules become institutionalised by repetitive actions, thus creating new elements in the institutional realm. The institutionalisation of rules and routines reproduced through repetitive behaviour by individual actors assumes that the current behavioural standards are dissociated from their historical circumstances.

Of these four processes, the present study is especially concerned with the first. The case study presented below thus focuses on the process of *encoding*.

3. Case study

3.1 Goal and method

The goal of this case study was to assess the formative stages of implementation process of a comprehensive new costing system in a large Brazilian bank (named ‘Sigma Bank’ for the purposes of this study). This bank was chosen for three reasons: (i) its importance in the Brazilian economy; (ii) ease of access for the researchers for the purpose of data collection; and (iii) the bank’s recent experience of having introduced a comprehensive new costing system. The study focused on the formative modelling phase of the new costing system. In terms of Burns and Scapens’ (2000) conceptual structure, this corresponds to the encoding phase of the organisation’s institutional realm.

Data were collected by means of interviews and documentary analysis. The interviews were held with the manager of the change process, who was an executive from the control area of the bank. Five interviews, each of approximately two-hour duration, were conducted over a period of three months. Data were collected on the following issues: (i) the antecedents of the change process; (ii) the organisational and operational characteristics of the bank; and (iii) the modelling process used to conceive the system.

Documentary analysis involved the following documents: (i) official documents of the institution (dealing with the structure of the organisation, its processes and activities, and its financial reports); (ii) reports provided by executives in different areas of the bank about their particular needs, expectations, and perceptions with regard to the implementation of the new system; and (iii) reports about the modelling of the costing system under analysis.

3.2 Business characteristics

‘Sigma Bank’, which is part of a private Brazilian financial group, was one of the five largest Brazilian financial institutions (in terms of total asset value) in 2005. At the time of the study, the

bank's main products and services were: (i) currency exchange; (ii) credit and debit cards; (iii) insurance services; (iv) working capital financing; (v) guaranteed accounts; (vi) remunerated accounts; (vii) discounted securities; and (viii) direct consumer credit.

The bank was structured in three main levels: (i) business units; (ii) support units; and (iii) units responsible for service production. The first of these, the business units, were the front-line agencies and sales points; their direct costs accounted for approximately 72% of the bank's total costs. The second level, the support units, were responsible for a variety of managerial support activities, including: (i) engineering and equity; (ii) marketing; (iii) human resources; (iv) legal affairs; (v) control; (vi) accounting; and (vii) internal auditing. These functions accounted for approximately 8% of the organisation's total costs. The third level, the service production units, represented the back-office 'factory' of the bank, of which information technology was the most prominent. The cost of these production units accounted for approximately 20% of the bank's total costs.

3.3 Antecedents of the change process

A common theme in management accounting research is that changes in the organisational environment provoke changes in management-accounting systems (Baines and Langfield-Smith, 2003). Although 'Sigma Bank' had invested significant financial and human resources (including considerable amounts on a multinational consulting company) to conceive and implement a conceptual cost model to determine its costs and facilitate effective cost management, the model that had emerged was unsatisfactory. Using a hybrid model based on absorption costing, variable costing, and activity-based costing (ABC), the bank had attempted to assign all actual direct costs to individual cost centres and all variable costs and indirect costs (related to documentation and transaction processing through information technology) to products. Overhead costs, represented by the corporate business unit, including the supervisory and executive boards, were passed neither to products nor to clients. In this regard, it is noteworthy that Major and Hopper (2005) have observed that the definition of ABC is unclear and that companies often define their terminology and methods in different ways. Calculations of various activity-based costs are thus made differently by different organisations; moreover, the calculations are then used to achieve different goals.

Senior management at 'Sigma Bank' perceived that this hybrid system presented two main problems: (i) it was conceptually ambiguous; and (ii) it involved excessive processing time. As a consequence of these problems, the system was not effectively institutionalised in the organisation and had met with significant resistance among various levels of bank management. Senior management became aware that some of the main questions bothering managerial staff members were:

- * What are the true variable costs of the products?
- * What are the true variable costs of serving the customers?

- * Besides the variable costs (all direct), what other costs should be considered for calculating the unit cost of the products?
- * Besides the variable costs, what other costs should be considered when calculating the cost per customer?
- * Besides the direct (variable or fixed) costs, what other costs should be considered when calculating the costs of the business units?
- * Should the full unit cost of each product be measured? If so, how can the capacity level be determined?
- * How should the costs of unused capacity be treated?
- * What is the impact of managers' decisions on their unit's costs?
- * What is the impact of volume variation on the bank's costs?
- * What is the impact of efficiency variation on the bank's costs?

Although the board of the bank wanted to be more rigorous in demanding cost and income management actions from its managers, senior management was aware that the bank simply did not have an information system to support this. This realisation provoked a complete reappraisal of the conceptual model of the bank's costing system. In the first half of 2005, using the opportunity of a change in the organisational structure, the company therefore decided to ask the control area of the bank to take charge of a full reappraisal of the conceptual basis of the bank's costing system.

3.4 Identification process in the institutional realm

The bank's initial steps in undertaking this fundamental conceptual review of its costing model were in accordance with the view of Soin et al. (2002, p. 255), who noted that that the first step is:

... an analysis of the institutional realm with an identification of the initial set of routines and rules that [characterise] management control in the bank.

In the present case study, the project team began the revision process by examining the institutional realm of the bank in three phases. *First*, an internal open-ended survey of 31 bank executives (members of the executive board, commercial managers, managers from the transaction-processing area, and managers from the support areas) was conducted to identify the respondents' main information needs, their views on the objectives of the review, and their opinions on the relevant dimensions that the cost system should have. In the *second* phase, the project team conducted a benchmarking exercise comparing other financial institutions of similar size and characteristics to 'Sigma Bank', with a view to ascertaining their costing systems, the mean implementation time, critical factors for success, and traps to be avoided. In the *third* phase, the model was discussed with a team of external consultants.

Although the internal survey had revealed that full allocation of costs was well accepted by the respondents, there was no consensus on whether the cost allocation should be in accordance with

‘absorption costing’ or with ‘full absorption costing’. However, irrespective of the decision regarding the degree of indirect cost allocation to the products, there was a consensus that cost variations should be determined at the level of the manager, who should have autonomy to implement corrective measures.

The internal survey also revealed that the respondents were almost unanimous in expressing concern about the lack of reliability of cost forecasts. It was therefore decided that the system should be capable of providing a preview of the attributed values, thus avoiding surprises.

Another important finding of the survey was the usefulness of determining the unit cost of products and assessing the performance of managers in product-processing areas in terms of unit costs. This finding raised the question of which measure of capacity (theoretical, practical, normal, or budgeted) should be used as the basis for determining unit costs and assessing managerial performance.

In view of the findings regarding the doubt about the unit cost of the products and the need for accurate forecasts, the project team decided: (i) that the bank should develop a standard cost system; and (ii) that product user areas (agencies) should have previous knowledge about the standard unit cost of products. It was acknowledged that these issues are challenging in an operational environment with a large volume of fixed costs and varying product volumes.

As a result of the three initial phases described above, especially the findings of the survey, the project team began to formulate the premises, principles, and guidelines for the new conceptual model of the costing system. The following principles were defined:

- The costing system should provide effective support to the management process and should be consistent with the new organisational structure.
- The costing system should reflect the nature of the business processes.
- The costing system should allow full transparency of the cost-formation process.
- The information produced by the costing system should support the cost-rationalisation process in the organisation.
- The information produced by the costing system should support the performance-assessment process in the organisation.
- The costing system should cover three large costing entities: (i) products; (ii) costumers; and (iii) business units.
- The cost-allocation process should not contain any arbitrariness.
- The costing system should provide managers with security about the accuracy of forecasts of the measured amounts of costs.

3.5 Encoding process

According to the model of Burns and Scapens (2000), the institutional principles noted above must be encoded (that is, detailed and specified) in routines and rules. Burns and Scapens (2000) stated that the encoding process is influenced by the following factors:

- *current routines and rules*: the new encoded rules and routines will have a greater likelihood of successful implementation if they are consistent with the rules and routines already accepted in the organisation;
- *the (rational) intentions of the agents of change*: regarding economic efficiency, cost control, and management decision-making; and
- *other institutions external to the organisation*: best practices used in other companies, consultants' opinions, recommendations from professional associations, and so on.

These three factors are consistent with the three-phase process described above for formulating the principles and guidelines for the new system (that is, the internal survey among executives, followed by the benchmarking exercise, and culminating in meetings with external consultants).

Having defined the principles and guidelines to be used in the new costing system, the project team then encoded these principles in rules and routines. In this case study, the following rules and routines were specified.

3.5.1 Separation between product costs and structure cost

It was decided that the product cost should be distinguished from the structure cost, and that the products should absorb all production costs, which were characterised as the costs belonging to the units (up to the management level) responsible for the production processes.

The costs at the superintendence and board levels were not to be allocated to the products. This decision addressed the anxiety of managers regarding the adoption of absorption costing and resolved the question of the organisational level at which costs should be assigned to the products. All costs from the processing areas (referred to as 'factories') would henceforth be allocated to the products.

3.5.2 Standard cost of the products

It was decided that a standard cost should exist for the bank's main products. This decision addressed the managers' anxiety about the reliability of forecasts of values in their activities. The system would henceforth receive projected (budgeted) values expressed in monetary terms, in addition to the transaction volumes.

To formulate the standards, it was decided that practical capacity should be used and that the system of standards should be integrated in the budget system. The actual cost values should be consistent with book values. As the project manager observed:

A relevant aspect of the new model was the fact that the unit cost of products would not be affected by the actual volume of transactions in the ongoing period and, due to the use of the standard cost, the managers would face no surprises about the unit cost debited to them.

3.5.3 Determination of profit per product, customer, and business unit

It was decided that the determination of the contribution margin of products and customers should consider the net revenues and direct costs of products. As the project team leader noted:

One of the main benefits of the new model was the understanding that different margins need to be analysed and that each of them has a different meaning.

The business units (agencies, account executives, and so on) should be debited for the cost of the products they sell, based on the standard costs and on the actual volumes of each period. Moreover, these business units should absorb the overhead costs related to the central administration directly—that is, without passing through the product cost.

The cost of the central administration support areas should be debited, in a first phase, to the four directories—wholesaling, retailing, private, and associated companies—in proportion to the target contribution margin (as established in the budget). In the second phase, the cost of each directory should be allocated to its respective units (again in proportion to the target values established in the budget). It was decided that the amount of overhead allocated to business units in this fashion should be seen as a form of ‘franchising payment fee’ for using the bank’s brand and the services received from the central administration areas (such as marketing, legal services, and others).

3.5.4 Activity-based costing

It was decided that activity-based costing (ABC) should be used for product costing of the production (‘factories’) activities. This decision was in accordance with the guideline of avoiding arbitrariness in the cost-allocation process by ensuring that the cost drivers reflect true cause-and-effect relationships. In developing the conceptual model of the system, the project team adopted the three conventional modules of an ABC approach: (i) resources; (ii) activities; and (iii) costing objects.

With regard to the *first* module, an initial distinction was made between variable costs and fixed costs—with a view to facilitating the calculation of the contribution margin of products and clients according to the variable costing method. The main variable costs of the bank’s products were identified as: (i) telemarketing; (ii) registration rates; (iii) clearing rates; (iv) interbank fees; and (v) materials (‘tangible costs’). The main fixed costs were identified as: (i) rent; (ii) depreciation; and (iii) wages and social taxes.

With regard to the *second* module, the following activities were identified:

- * attending to VIP customers;
- * process operations (IT);
- * approving and granting credit;
- * providing advice regarding self-banking;
- * providing support in control;
- * providing support in legal issues;
- * managing client relationships;

- * providing support in marketing issues; and
- * providing support in information technology.

It was decided that first-stage cost drivers (resource cost drivers) would be identified on the basis of interviews and a periodical survey. The project team decided not to adopt the time sheet registry system for activity costing. In the bank's experience, this practice would have been counterproductive because it was not in accordance with the bank's organisational culture and would have consumed people's precious time. For these reasons, the cost/benefit analysis of this practice was deemed to be unfavourable.

With respect to the second-stage cost drivers (activity cost drivers), it was necessary to allocate the operations processing costs to the products. For this purpose, the respective process and activities were observed and the responsible managers were interviewed. The following drivers were identified as a result: (i) machine time; (ii) labour time; and (iii) transaction volume.

With regard to the *third* module (costing objects), the following entities were defined:

- * *products*: exchange, saving accounts, collection, current account, loans;
- * *business units*: wholesaling, retailing, private bank, and agencies; and
- * *customers*: individual customers and customer categories.

4. Discussion

The findings of the study have confirmed that the formative stages of the case firm's development of a model for its new costing system can be equated with the first ('encoding') process of Burns and Scapens' (2000) model of institutionalisation. This encoding process began with the identification of 'ideal' institutional principles through an analysis of the prevailing institutional realm (Soin et al., 2002). When that analysis had identified the desirable institutional principles, they were then 'encoded' (that is, detailed and specified) as rules and routines. These steps were entirely in accordance with the institutionalisation model of Burns and Scapens (2000).

It is also apparent that the previous system in use in the bank was not institutionalised because it did not address the users' expectations and did not reflect the institutional principles of the organisation. As Burns and Scapens (2000) have noted, the imposition of new routines and rules that contradict the existing rules and routines of the prevailing institutional realm is likely to provoke resistance and conflict, thus increasing the likelihood of failure in the implementation of the new system. The project team in the present case was very conscious of avoiding this error. By seeking the opinions of the bank's managerial staff and then developing the project in close consultation with these staff members, the project team accurately identified the institutional principles that needed to be encoded in the new costing system. Moreover, the encoding process itself (that is, the formulation of the principles as rules and routines) also proceeded in accordance with institutionalised perspectives of staff members.

Despite the project team's desire to respect the institutionalised principles and practices of the bank, it is apparent that concern with the institutional aspect moved in parallel with the rational-normative dimension. In this regard, the project team performed benchmarking with other financial institutions of similar size and characteristics. The project team carefully considered the various costing models in use among other firms and analysed their experiences of system implementation. The team also discussed the proposed new model with a team of specialised consultants. Institutional theory therefore did not entirely displace the rational normative dimension; rather, the former gave coherent direction to the latter, and thus increased the likelihood of organisational acceptance and ultimate success.

5. Conclusion

Drawing on the institutionalisation model of Burns and Scapens (2000) as a conceptual framework, the present study has analysed the formative stages of the development of a comprehensive new costing system in a large Brazilian bank. In particular, the study has described how the bank's project team identified the 'ideal' institutional principles of the organisation and then proceeded to 'encode' these principles in terms of the rules and routines of the new system.

The first conclusion of the study is that the institutional dimension was regarded by the case firm as being as important as the technical-rational dimension in the conception phase of the new costing model. In particular, there was a conscious decision to identify the institutional principles that should be incorporated in the new model. Although the present study was limited to only one case, it is likely that this finding has general application in successful change processes. All firms that wish to increase the likelihood of success should pay due regard to the institutional principles (as well as the technical aspects) of any change process.

The second conclusion to be drawn from the present study is that the encoding process should specify rules and routines that are coherent with the institutional beliefs and practices of staff members. Irrespective of the technical merits of any new system, it will not become institutionalised unless it is accepted as a valid and appropriate instrument of the organisation.

Thirdly, the present study offers a useful conceptual structure for the modelling of any new accounting system. The study contends that the likelihood of success will be significantly enhanced if firms model their new systems in terms of the adapted institutional model of Burns and Scapens (2000).

Finally, the study provides new insights into cost accounting in general, with a closer focus on the institutional dimension than on the rational-normative dimension.

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