

ADOPTION OF MANAGEMENT ACCOUNTING PRACTICES BY PUBLIC INSTITUTIONS: THE SRI LANKAN EXPERIENCE.

JK Padmasiri¹, Roshan Ajward²

¹Postgraduate Institute of Management, Sri Lanka.
ranaliya@yahoo.com

²Senior Lecturer Department of Accounting, University of Sri Jayawardenepura,
Gangodawila, Nugegoda, Sri Lanka.

Abstract- Scholars use new institutional sociology (NIS) theory discourse to clarify how three macro environmental institutional pressures exert pressure as to institutionalization of particular rules, norms and practices etc. mainly to gain legitimacy. Meanwhile, empirical evidence shows that, the use of advanced management accounting practices (MAPs) and in most of the cases, traditional MAPs especially by public organizations in developing countries is rather slow and low. Based on literature findings, this theoretical paper postulates that the presumed relationship between three isomorphic pressures and institutionalization of MAPs is moderated by four conformity factors which are proved to be dependent on the economic advancement of the country concerned. Thus, this research, using the mixed method, investigates this organizational phenomenon in PIs in the developing country context focussing, Sri Lanka. While this study provides a useful framework for further studies, it will also produce new knowledge concerning NIS theory by providing an alternative perspective pertaining to the application of the institutional isomorphism mechanism with moderating effects by four conformity methods. Further, this study generates novel empirical evidence regarding the level of adoption of MAPs and highlights determinants of the application of MAPs by PIs in the referred context. Also, the study may assist stakeholders of such PIs in understanding of the foregoing revelations that could be leveraged especially, in the best interest of those institutions and the countries concerned in overall sense.

Keywords- Management accounting, Management Accounting Practices, New Institutional Sociology theory, Conformity methods.

I. INTRODUCTION

The American Institute of Certified Public Accountants (AICPA)) cited in Deviarti, Dewib and Sunaryo, (2013, p. 1165) defines, “Management accounting (MA) as practice extends to the following three areas: Strategic management—advancing the role of the management accountant as a strategic partner in the organization, Performance management—developing the practice of business decision-making and managing the performance of the organization, Risk management—contributing to frameworks and practices for identifying, measuring, managing and reporting risks to the achievement of the objectives of the organization.”

Referring to advantages of MA, Drury (2008, p.7) states “ MA is concerned with the provision of information to people within the organization to help them make better decisions and improve the efficiency and effectiveness of existing operations.” Meanwhile, Ittner and Larcker (2002, p.788 cited in Alleyne and Weekes-Marshall, 2011, p. 50) defines management accounting practices (MAPs) as, “a variety of methods specially considered for manufacturing businesses so as to support the organization’s infrastructure and management accounting

processes. Management accounting practices can include budgeting, performance evaluation, information for decision-making; and strategic analyses are some of the methods used among many others provide an important competitive advantage for the organization helping it to create better decision making value, and providing an integrating perspective to the management strategy with useful and relevant information.” Otley, 1995; Kaplan and Atkinson, 1998; Hoque and Mia, 2001; Fullerton and McWatters, 2002; and Haldma and Laats, 2002, cited in Kader and Luther, (2006, p. 230) have emphatically pointed out that advanced techniques have impacted on the traditional process of MA as; Planning, Controlling, Decision-making and Communication and have switched its focus from a basic ‘simple’ role of determining costs and controlling finance to a modern role of generating value through increased deployment of resources.

Adding to that, Otley, (2009 cited in Fonseka, 2013, p. 1) has pointed out that challenges confronted by managers in complex organizations be met by implementing new cost and management accounting systems (MASs) and sophisticated MASs are central to superior organizational performance, e.g., success of Japanese companies, (Kharbanda and Stallworth (1991 cited in Joshi, (2001, p. 86) and positive responses by key players of focused entities in Barbados, (Alleyne and Weekes-Marshall, 2011, p. 49).

Despite the referred advantages of MA, it is a puzzle to find through empirical literature evidence that the adoption of, especially contemporary/advanced MAPs by public institutions (PIs), (i.e., a juristic person in the United States which is backed through public funds and controlled by the state.) (Anon., n.d. para 1) specially in developing countries as found by the following scholars are rather slow and low, (Abdel and McLellan, (2011, p. 2) – Egypt; Lin and Yu (2002, cited in Uyar, 2010, p. 114) – in developing countries; Ahmad and Leftesi, (2014, pp. 6-8) – Libya; Al-nimer, (2011, pp. 16-17) – Jordan; Joshi, (2001, p.104) – India; McLellan and Moustafa, (2011, p.11); in Gulf Cooperative Council (GCC) Countries; and Fonseka, 2013, p. 3 – Sri Lanka).

Meanwhile, Clarke, (1997, cited in Abdel and McLellan, 2011, p. 3); Uyar, (2010); Ahmad and Leftesi, (2014); Al-nimer, (2011); Joshi, (2001); Fonseka, Manawaduge and Senaratne, (2005, cited in Subasinghe and Fonseka, 2008, pp. 96-97); and Fonseka, (2013, p. 3) confirm that a gap

is noticed between the MA theory and its application in developing country context. Highlighting adverse consequences of this phenomenon, Fonseka, (2013, pp. 2-3) has found that there is a mismatch, (resulting in a dissipation of resources organizationally, nationally and internationally) between investments made by way of expenditure, time and energy deployed to propagate MAPs and returns gained as assessed in terms of their adoption, use and performance as evident in cross sectional studies from developed and developing countries. Moreover, this author has found through a preliminary survey carried out in 2016 that even traditional MAPs are not adopted by most of the focused public institutions (PIs) in Sri Lanka.

Above phenomenon is in contrary to new institutional sociology (NIS) theoretical substantiation that organizations are pressurized to adhere to isomorphic mechanism and thereby, to conform to a set of institutionalized beliefs emanated from the macro environment. (Scott, 1987, cited in Yazdifar, Zamanb, Tsamenyi, and Askarany, 2008, pp. 406, 407). Explaining the nature of macro environmental pressure, DiMaggio and Powell (1991, cited in Yazdifar, Zamanb, Tsamenyi, and Askarany, 2008, pp. 406, 407) elaborate three modes of change occurring as to institutional isomorphism which is having its own antecedent as; 1) coercive, 2) mimetic and 3) normative isomorphism that lead to institutionalization of rules, norms and practices etc., “Institutionalization, a process entailing the creation of reality.” (Scott, 1987, p. 505 cited in Carpenter and Feroz, 2001, p. 569). When investigated such organizational phenomena, it was revealed through empirical literature evidence (as discussed under conceptualization below) that four conformity methods as, personal, procedural, categorical and structural, moderate the relationship between three isomorphic pressures and institutionalization of rules, norms and practices etc. in PIs in developing country context.

In this backdrop, the researcher envisages that it is worthwhile to explore and investigate this social/organizational phenomenon as it would contribute to both originality and utility as critically discussed and pointed out in this paper. Adelegan, (2000); Sulaimanet al, (2004); Ismail, (2007); Triest and Elshahat, (2007); Kattan, et al., (2007) and Billings and Capie, (2004) cited in Al-nimer, 2010, p. 2) have found that studies conducted on the adoption of MAPs in developing countries are sparse. Fonseka (2013, p. 6), has emphasized the importance of conducting research into how and

why public sector service and utility organizations in Sri Lanka do not adopt management accounting systems sophistication (MAS). Fonseka, (2013, p. 206) also states that since no any systematic and comprehensive research has been carried out concerning the adoption of MAPs by public institutions in Sri Lanka, (a developing, lower middle income country with per capita GDP in 2017 of US \$ 4,065, World Bank, Overview, Sri Lanka, (2017, p. 1), there is neither sufficient information available on the level of adoption and performance of MAPs in such institutions nor real reasons for low/non-adoption of MAPs in such institutions. (DiMaggio and Powell, (1991); Scott, (2001); Dillard, Rigsby and Goodman, (2004) cited in Moll, Burns and Major, (2006. P. 187) have found that NIS theory that spells out how the adoption of rules, norms practices etc. occur as a result of three isomorphic pressures exerted by the macro environment as opposed to a surpassing rational-optimizing drive for increased internal efficiency which is spelled out in new institutional economics (NIE) theory, is increasingly and popularly used by researchers in accounting field.

Thus, the main research issue to address and the central question to raise is: "How do the conformity methods (i.e., personal, procedural, categorical and structural) moderate the relationship between the three isomorphic pressures and institutionalization of MAPs in PIs of developing countries?" Accordingly, the main purpose of the paper is to understand how four conformity methods moderate the relationship between the independent variables (isomorphic pressures) and the dependent variable (institutionalization of MAPs) that is premised in NIS theory. Thus, in an attempt to realize the above purpose, this paper draws upon key theoretical insights of NIS theory. Further, using the mixed method, this intended research explores and investigates this weird organizational phenomenon in PIs in the developing country context, focussing Sri Lanka.

Being selection of (PIs) of Sri Lanka as the field of research is justified below. Through literature, it was found that Sri Lanka has a large public sector (Report of Committee on Public Enterprises (COPE) (2013, p. 1) incurring high costs (i.e. around 15% of annual budget) Ministry of Finance Sri Lanka, (2016.) to maintain them. Bad consequence of this situation is evident by assertions made by World Bank (WB), (2004, p.1) that emphatically point out as, "An important message of this report is that much of Sri Lanka's skewed growth record (Ex. "the

growth rate declined to a 16-year low of 3.1 percent in 2017"- the lowest it has been since 2001, WB, (2017, p. 1) and ensuing increased income inequality, spanning through alternate governments, is a reflection of the unfinished reform agenda and little progress was made in fundamentally redefining the role of the state, partly owing to Sri Lanka's strong attachment to a large public sector." WB, (2016, p. 2), further states, "Ineffective governance critically impedes the ability of the state to mobilize revenues and spend effectively owing to inter-alia, 50 percent increase in the size of the public sector in the last decade." Thus, considering the key role played by PIs in Sri Lankan economy, the selection of public sector is a useful site for this study.

The rest of this paper is outlined and organized as follows. The section two sets out the theoretical background relating to management accounting, institutional theory, isomorphism and conformity methods. This is followed by a discussion on the conceptualization and deriving propositions under the section three. Theoretical contribution and implications, managerial implications of the study and reflections on future research are then explained briefly under the fourth, fifth and sixth sections respectively. Finally, the conclusions are presented under the section seven.

II. LITERATURE REVIEW

A. *Management Accounting:*

The Institute of Management Accountants (IMA) (2008, cited in Deviarti, Dewib and Sunaryo, (2013, p. 1165) states, "MA is a profession that involves partnering in management decision-making, devising planning and performance management systems and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy."

Commenting on the role of a management accountant, Devie, Tarigan and Kunto (2008 cited in Sunarni, (2013, p. 618) state, "Management accountant is intended to satisfy top level management needs and to motivate in achieving organization's objectives." Meanwhile, Kaplan and Atkinson (1998, cited in Sunarni, 2013, p. 618) have stated as, "Management accountants are no longer mere scorekeepers of past performance but become value adding members of management teams." Cooper, (1996,

cited in Sunarni, 2013, p.618) asserts, “The management accountant should be highly skilled and important members of management team.” Thus, “Management accountants today is metamorphosing from bean counters into financial and strategic managers.” Sunarni, (2013, p. 618).

Referring to the evolution of MA, Kader and Luther, (2006, pp. 229-231) quotes International Federation of Accountants (IFAC) model of conception showing four stages as; “stage 1- prior to 1950, the focus had been for cost determination and financial control, applying budgeting and cost accounting technologies, stage 2 – by 1965, the focus had been on provision of information for management planning and control using of technologies such as decision analysis and responsibility accounting, stage 3 – by 1985, focus had been on reduction of waste in resources used in business processes, using process analysis and cost management technologies, and finally, stage 4 –by 1995, attention had been shifted to the generation of value by the productive use of resources, applying technologies which examine the drivers such as, customer value, shareholder value, and organizational innovation. As the above statement further explains, those four stages are not mutually exclusive; instead, each stage is recognizable yet, the process of change from one to another has been evolutionary.”

Concerning the relevance of MA, Kaplan, (1984), (1986); Kaplan & Johnson, (1987); Cooper & Kaplan, (1991); Ashton et al., (1995) cited in Leftesi, (2014, p. 2); state, that traditional MAPs have been under criticism as being obsolete and not fitting for present day’s new manufacturing and business environment. Thus, to cater to such environmental demands, it is essential for organizations, to adopt advanced MAPs such as, activity based costing (ABC), just in time (JIT), total quality management (TQM), life cycle assessment and target costing. Referring to empirical evidence in that regard, Joshi, (2001, p.86), says that findings on recent empirical studies in Western developed countries provide proofs that MA has to satisfy changing needs of today’s managers so as to maintain its relevance to ever changing world requirements.

Meanwhile, the literature reveals that the adoption of MAPs by the firms in developed countries compared to developing countries is somewhat good; Chenhall and Langfield Smith (1998) in Australia, Abdel-Kader and Luther (2008) in the United Kingdom cited in,

McLellan and Moustafa, (2011, p. 2-3). As per Subasinghe and Fonseka, (2008, p. 96), “Most of the multinational companies (in Sri Lanka) use most of the MA techniques and they treat the role of a management accountant as extremely important.” Further, Barbara, (2004) in Australia, Michel, (2004) in France, Thomas, (2004) in United Kingdom cited in Subasinghe and Fonseka, (2008, p. 98) have emphatically pointed out the future potential, enhanced role to be played by management accountants for the progress of different organizations.

As shown under the introductory section, global empirical evidence also show that especially, the adoption of advanced or contemporary MAPs in developing countries is rather slow and low. Subasinghe and Fonseka, (2008, p. 102) have cited the following scholars as stating that the low adoption of MAPs by private firms in Sri Lanka place them at a very serious disadvantages like; low level of operating efficiency, (Karunaratne, 2007), poor treasury management resulting some other negative consequences.(Gunaratne, 2008).

B. Institutional Theory:

Scott, (2014, cited in Hall and Scott, 2016 p. 2) has stated, “Institutional theory and analysis addresses the processes by which social structures, including normative as well as behavioral systems, maintain stability or undergo changes over time.” Dillard, Rigsby and Goodman, (2004, cited in Fonseka, (2013, p. 135-143), have stated that most scholars use institutional theory (IT) for accounting related researches. Lawrence and Shadnam, (2008, p. 2288-2289) have pointed out, “IT is a theoretical framework for analyzing social, (particularly organizational), phenomena, which views the social world as significantly comprised of institutions – enduring rules, norms, practices and structures that set conditions on action.” Also, these scholars have pointed out that institutions are to be conditioned by action since departures from them are automatically counter-acted by social controls which make such departure from the social acceptance costly resulting non-conformity with increased costs by way of increase in risk, greater cognitive demands, or lesser provision of resources that accompany it. Meanwhile, Moll, Burns and Major, (2006, p. 1), have asserted, “IT has become a popular choice for accounting studies that seek to understand why and how accounting becomes what it is or is not.”

Moll, Burns and Major, (2006, p. 184), have emphasized that although “More general surveys are available across disciplines pursue the wider plethora of institutional approaches available across disciplines as per DiMaggio and Powell, (1991), Maki et al., (1993), Lowndes, (1996), Scott, (2001) three institutional approaches as, old institutional economics (OIE) theory, new institutional economic (NIE) theory and new institutional sociology (NIS) theory that comprise either economic or sociological theories that to date have exerted most influence on accounting research could be utilized as theoretical lens to be based for a research endeavor of this nature. Also, as Moll, Burns and Major, (2006, p. 184) have stated, given below is a brief critical assessment of the relevance and the usefulness of the NIS theory discourse on which this study would be grounded.

1) New Institutional Sociology Theory: “NIS emerged out of opposition towards the dominant rational-actor perspectives its discipline at the time. ... and it is a branch within organizational studies (hence, with immediate and direct attention to organizations, their systems and practices), which has probably had most influence on recent accounting research” Moll, Burns and Major, (2006, p. 186). Meyer and Rowan, (1977); DiMaggio and Powell, (1983); and Scott, (1998) cited in Mbelwa, (2015, p. 40), “Neo-institutional theorists argue that, organizational behavior results not only from intra-institutional pressures but also from the external environmental pressure. Adding, DiMaggio and Powell, 1983; Meyer and Roman, 1991, cited in Mbelwa, 2015, p. 40) argue “Early formulation of the NIS contended that organizations and their actors respond to environmental pressures to retain their legitimacy which is defined as, ‘a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially-constructed system of norms, values, beliefs, and definitions.’ (Suchman, 1995, p. 574 cited in Mbelwa, 2015, p. 29), and survival prospects, but not necessary for organizational efficiency.” This means that the early NIS formulation treated legitimacy and efficiency as dichotomous elements rather than integrated aspects that are both needed for the survival of the public sector organization. The later formulation of NIS states that institutional pressure can result in both legitimacy and efficiency, that these aspects are treated as intertwined aspects which can emerge to be the reasons behind the actors’ behaviors and actions towards the organization’s

form and process (Collier, 2001; Modell, 2001; Mkasiwa, 2011; Mzenzi, 2013), cited in Mbelwa, (2015, p. 40).

Drawing the attention towards negative aspects of NIS, the under-mentioned scholars cited in Yazdifar, Zamanb, Tsamenyi, and Askarany, 2008, p. 407), have stated that despite its current vogue in organizational analyses, NIS is laden with some key deficiencies as; first, criticism over its deterministic nature and neglecting of the role of active agencies and micro-level issues of power and interest, (Carmona et al., 1998), second, the assumption that practices formulated to gain external legitimacy are only symbolic which always being manipulated through adherence to decoupling from internal operating systems has been seriously questioned among scholarly circles, (Abernethy and Chua, 1996; Carruthers, 1995; Mouritsen, 1994; Zucker, 1987), and third, NIS focuses on change at an extra-organizational level and does not consider the path of change in the organizational realm. (Dillard et al., 2004).

Based on the above critics and with several similar others, such scholars conclude that the NIS suffers from inadequate consideration of the relationship between environment/institutional determinism (e.g., parent companies) and cultural and political factors within (subsidiary) organizations, and thus, NIS needs to be complemented by other perspectives, one which factors internal organizational dynamics into NIS explanation. (DiMaggio, 1988; Fligstein, 1989; Scott, 1987; Zucker, 1988) cited in Yazdifar, Zamanb, Tsamenyi, and Askarany 2008, p. 407). Drawing from this discussion, the author argues that endeavoring to showcase an enhanced model showing moderating effect by four conformity methods to existing NIS theory discourse is amply justified.

Yet, envisaging the most of the merits embodied with the NIS theory as pronounced by scholars in this domain, especially as to conducting a study of management accounting discipline and giving weightage on the main features of NIS theory discussed so far, the authors opted to ground this novel and enhanced theory building exercise on NIS theory.

Isomorphism: DiMaggio and Powell, (1983 cited in Moll, Burns and Major, (2006, p. 187) have stated, “Congruence between organizational arrangements and impinging (society-level) is explained through a process by which external institutions permeate internal

structures and procedures, called 'Isomorphism'. Two components of isomorphism are offered, namely; (1) competitive isomorphism, (i.e. how competitive forces drive organizations towards adopting least-cost efficient structures and practices) and (2) institutional isomorphism, (i.e. portrays such permeation, i.e. from environment to organization, as a predominantly cultural and political process.)

Adding further, DiMaggio and Powell, (1983 p. 150) have identified, "Three mechanisms through which institutional isomorphic change occurs, each with its own antecedents: 1) coercive isomorphism that results from both formal and in-formal pressures exerted on organizations by other organizations upon which they are de-pendent and by cultural expectations in the society within which organizations function; 2) mimetic isomorphism, not all institutional isomorphism, however, derives from coercive authority. Uncertainty is also a powerful force that encourages imitation. When organizational technologies are poorly understood (March and Olsen, 1976), when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations; and 3) normative isomorphism, stems primarily from professionalization."

DiMaggio and Powell, (1983 p. 149) have stated "The concept that best captures the process of homogenization is isomorphism. In Haw-ley's (1968) description, isomorphism is a con-straining process that forces one unit in a population to resemble other units that face the same set of environmental conditions." Carpenter and Feroz, (2001, p. 570-572), have pointed out that the competitive isomorphism mainly relates to environs with liberalized market with stiff competition, and accordingly, it is not fitting to the analysis of public organizations.

Conformity Methods: "The basic premise of the institutional theory suggests that an organization's tendency towards conformity with predominant norms, traditions and social influences in their internal and external environments will lead to homogeneity among organizations in their structures and practices, and that successful governments are those that gain support and legitimacy by conforming to social pressures." Carpenter and Feroz, (2001, p. 569-570). Meyer and Rowan, (1977); DiMaggio and Powell, (1983) and Scott, (2004) cited in ("IT and Bridging Strategies" n.d. paras 1-6) have stated that the most basic principle and distinct characteristic found in

the IT is the "Conformity" and it is used to determine the legitimacy of an organization. These scholars have further stated that the concept of Conformity establishes 'rational myths'. That is, for the purpose of an organization to be recognized and accepted as a valid one, it is expected to conform to 'rational myths' as; adopting similar job titles/ positions, procedures, departments and organizational roles etc. as those of similar organizations. If there is no Conformity, no homogeneity, no resource allocation, no survival and firm will be considered as illegitimate. Above scholars have further pointed out that four types of conformity methods exist practically as responses to three isomorphism mechanisms as; (a) Personal conformity; many specialized roles in organizations to be filled with certified professionals as recommended by professional and professional bodies, (b) Procedural conformity; organizations are influenced to do certain things in certain ways as; adopting total quality management (TQM), program evaluation review technique (PERT) etc. (c) Categorical conformity; rules serve as guidelines to pattern organizational structures which serve as 'vocabularies of structures'; ex. university departments, job positions and roles and finally; (d) Structural conformity; firms adopting specific structures and hiring people such as, Safety Officers, Affirmative Action Groups etc. from successful firms/consultants. DiMaggio and Powell, (1983, cited in "IT and Bridging Strategies" n.d. paras 1-6, have stated that these conformity methods are especially applicable to Western, developed countries.

III. CONCEPTUALIZATION

A. *Isomorphic Pressures and Institutionalization of MAPs:*

In the overall context of NIS theory framework and in line with the foregoing discussion on literature findings, the authors postulate that three elements of institutional isomorphism namely, Coercive, Mimetic and Normative result in institutionalization of rules, norms and practices in organizations. Based on that, it gives rise to the first Proposition as follows.

Proposition 1: Isomorphic pressures as; Coercive, Mimetic and Normative, positively influence the institutionalization of MAPs in Public Institutions.

Based on referred literature and drawing from the first Proposition, the authors have formulated the Conceptual

Model as delineated in the following Figure 1 which also, demonstrates that such relationship is being moderated by four Conformity Methods as explained and argued underneath.

B. Moderating Effects of Conformity Methods on Relationship between Isomorphic Pressures and Institutionalization of MAPs:

As already explained under literature review, i.e., in the discussion of conformity methods, the noted scholars have identified 'Conformity' as the most prime and distinct characteristic in the institutional theory, which is of four types as; (a) personal conformity; (b) procedural conformity; (c) categorical conformity; and (d) structural conformity, which are means of responding to isomorphic pressures emanated from macro environment). Meyer and Rowan, (1977); DiMaggio and Powell, (1983) cited in "Institutional Theory and Bridging strategies" n.d. para 1), have pointed out that Isomorphism is the master bridging process in institutional environments: that occurs through the incorporation of institutional rules norms and practices etc., within particular organizational structures, through which they become more homogeneous, more similar in structure, as time goes on," (*basically within particularly identified institutional environment and context - Scot, 2004 p. 209*).

Adding to the scholarly findings critically discussed under literature review, it was found as Knetter, (1989) revealing in ("Institutional Theory", Anon., n.d. para. 8) that *there is quite sufficient evidence proving that organizations in different natures of economies react quite differently to challenges of isomorphism pressures*. This is well supported by the assertion made by Lin and Yu (2002, cited in Uyar 2010, p. 114) as, "application of management accounting in less developed countries remains unsatisfactory and studies on this area are rare in the literature, and *this may be due to the relatively under-developed status of economic and business administration in less developed countries*".

In line with the above findings, Oliver, (1991 cited by Aier and Weiss, (2012, 1076-1078) have found that while some actors in organizations concerned may follow three referred environmental pressures almost blindly, *some other actors will perceive all such pressures as constraining (as they practically are) and unwelcome evil, and thereby, trying to defy and manipulate relevant occurrences exerting five ways of response strategies* as, to

simply explain, (1) Acquiesce; basically resembling to tame and blind adherence to new propositions coming from pressure parties, (2) Compromise; Conforming to and accommodating (new) corporate demands, through tactics like balancing, pacifying and bargaining, (3) Avoid; applying tactics such as concealing, buffering or escaping, (4) Defy; more active and unequivocal nature of resistance to arranged demands, Ex. By dismissal, challenge and attack, and (5) Manipulate; sort of controlling instituted content or the power coming by co-opting, influencing etc.

Based on some negative comments about NIS theory by scholars as shown under 'Literature Review of NIS', Yazdifar, Zamanb, Tsamenyi, and Askarany (2008, p. 407) conclude, "*NIS suffers from inadequate consideration of the relationship between environment/institutional determinism (e.g., parent companies) and cultural and political factors within (subsidiary) organizations*." Citing (DiMaggio, 1988; Fligstein, 1989; Scott, 1987; Zucker, 1988); Yazdifar, Zamanb, Tsamenyi, and Askarany (2008, p. 407) further say "NIS thus needs to be complemented by other perspectives, one which factors internal organizational dynamics into NIS explanation."

Drawing from the above scholarly findings, it is argued and postulated that in one hand, three institutional isomorphic pressures do not directly result in institutionalization of rules, norms and practices by organizations (i.e. which is in contrary to NIS theory discourse) and on the other hand, aforementioned four conformity methods which are applicable contextually, (i.e. depends on the level of advancement of the economy of the country concerned), impact on such institutionalization process. Therefore, this leads to the conclusion that the relationship between the above antecedent of, three isomorphic pressures and the consequent of, institutionalization of MAPs in PIs in developing countries is moderated by above referred four conformity methods. Accordingly, the following propositions sum up the implications of this discussion and present the argument raised in the discussion.

Proposition 2: Personal conformity method moderates the relationship between isomorphism mechanisms and the institutionalization of MAPs in PIs in developing countries.

Proposition 3: Procedural conformity method moderates the relationship between isomorphism mechanisms

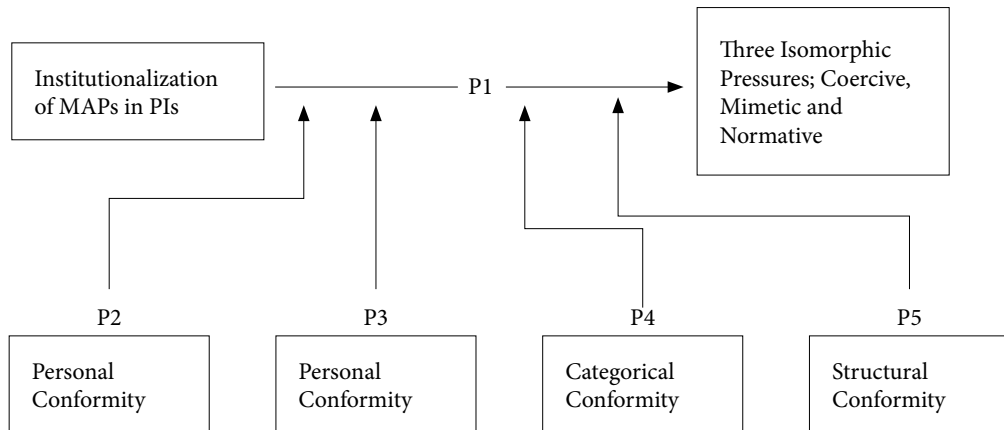


Figure 1. Conceptual Model of the Study
Source: Author

and the institutionalization of MAPs in PIs in developing countries.

Proposition 4: Categorical conformity method moderates the relationship between isomorphism mechanisms and the institutionalization of MAPs in PIs in developing countries.

Proposition 5: Structural conformity method moderates the relationship between isomorphism mechanisms and the institutionalization of MAPs in PIs in developing countries.

IV. IMPLICATIONS

A. Theoretical:

As critically discussed above, this research study which would be grounded on the NIS theory attempts to understand and explain how the institutionalization of MAPs in PIs of developing countries is moderated by four conformity methods. This is supplementary to the existing literature, as stated by Modell, (2005 cited in Fonseka, 2013,) that perceives institutional forces to be mediating the presumed relationship between the dependent and the independent variables; isomorphism pressures and the institutionalization of rules, norms and practices etc. respectively, in organizations. Thus, the main contribution of this study is to offer new operational insights into the institutionalization of MAPs with the above noted moderating effect pertaining to the NIS

theoretical framework. Accordingly, this study will help adding new knowledge to the existing body of knowledge of NIS theory by providing an alternative perspective into the practical application of the institutional isomorphism mechanism. Further, it is envisaged that this study will provide a useful framework for further studies in the same field, especially in the Asian region. In that sense, this study is a novel attempt. In addition, the use of two major inquiry approaches applying a mixed method to this research endeavour will help validate the findings of this study.

B. Managerial:

In an environment where PIs' play a very critical role concerning development and growth of most of the developing countries, the findings of this study would generate new evidence relating to the adoption of MAPs by PIs in that context. Thus, this report highlights what determinant factors lead to the adoption of MAPs, barriers to applying MAPs in a developing country context and at which stage PIs of Sri Lanka (being a developing country) are of the IFAC-based model of evolution of MA as to the adoption of MAPs which are dire needs in developing country context. Accordingly, gaining knowledge of the organizational phenomenon discussed in this report can contribute to the taking of remedial actions for effective application of MAPs in the public sector that will result in better administration of PIs paving the way to a country's overall development and growth. Accordingly, this study will signal a very progressive effort in the MA domain in developing countries.

V. CONCLUSION AND FUTURE RESEARCH DIRECTIONS

As shown above, this paper introduces an enhanced model to existing NIS theory explaining moderating effect exerted by four conformity methods which would add to the existing body of knowledge and utility in MA discipline.

In terms of future research, it is suggested to test the enhanced model proposed in this paper empirically, which would lead to the provision of new vistas of development for body of knowledge of NIS theory as well as empirical research in MA domain. Thus, focusing on the literature findings that researches on the adoption of MAPs in a developing country is very sparse, future research may be conducted on different fields of public sector and private sector organizations of developing countries so as to test the enhanced conceptual model empirically. Future research may further analyse how contingent factors like organizational size, nature and key player attributes affect the four conformity methods concerning its impact on the perceived relationship between the three isomorphic pressures and institutionalization of rules, norms, and practices (MAPs), etc. Further, more research may be needed to explore the evolution of MA within the PIs in a developing country context and level of adoption of MAPs in accordance with the IFAC-based model. Besides, future research could examine the research model on different scales of PIs and private organizations in the contexts referred to.

VI. ACKNOWLEDGEMENT

Firstly, the author acknowledges with gratitude the invaluable academic guidance and direction extended by Prof. Ajantha Dharmasiri, Prof. J.A.S.K. Jayakody, Dr. Nilakshi Galahitiyawa and the rest of the academic staff of the Post Graduate Institute of Management, Sri Lanka. Also, the author extends his heartfelt thanks to Dr. Roshan Ajward, of the University of Sri Jayawardenapura, for his unstinted support provided to make this effort a success.

REFERENCES

Abdel-Kader, M. and Luther, R. (2006). IFAC's Conception of the Evolution of Management Accounting, *Advances in Management*

Accounting, [On line] Vol. 15, pp. 229-247. ISSN 07623-1352-8 [On line] Available at : <http://hub.elsevier.com/wps/find/bookdescription.cws_home/709353/description#description> [Accessed 02nd August 2018].

Abdel-Kader, M. and Luther, R. (2006). Management accounting practices in the British food and drinks industry, *British Food Journal*, [On line] Vol. 108, No.5, pp. 336-357. doi 10.1108/00070700610661321. Definitive version [On line] Available at : <<http://www.emeraldinsight.com/Insight/viewContainer.do?containerType=Journal&containerId=10785>> [Accessed 02nd August 2018].

Ali Uyar, (2010). Cost and Management Accounting Practices: A Survey of Manufacturing Companies. *Eurasian Journal of Business and Economics*, 3 (b), pp. 113-125. [On line] Available at: <https://www.researchgate.net/publication/265819855_Cost_and_Management_Accounting_Practices_A_Survey_of_Manufacturing_Companies> [Accessed 02nd August 2018].

Colin, D. (2008). *Management and Cost Accounting*, 7th ed., United Kingdom, South Western, Cengage Learning, EMEA, Pat Bond, pp. 1-21.

Committee on Public Enterprises of Sri Lanka, (2013). Parliamentary series No. 236 of the seventh Parliament of the Democratic Socialist Republic of Sri Lanka, (First Session) Second Report. 2013, pp. 1-34. [On line] Available at: < www.parliament.lk/uploads/comreports/1374821699038759.pdf> [Accessed 02nd August 2018].

Daniel, M. Hall. and W, Richard Scott. (2016). Early Stages in the Institutionalization of Integrated Project Delivery. In: *Engineering Project Organization Conference - 2016*, Cle Elum, Washington, USA, June, pp. 28-30, [On line] Available at: < <https://www.researchgate.net/publication/304827295>>. [Accessed 23rd July 2018].

Fonseka, K. B. M. (2013). *Management Accounting Systems in Sri Lanka: An Analysis of Sophistication, Determinants and Performance*. PhD. University of Sri Jayawardenapura, Sri Lanka.

Hassan, Y., Mahbub, Z., Mathew, T. and Davood, A. (2008). Management accounting change in a subsidiary organization *Critical Perspectives on Accounting*, 19 (2008), pp. 404-430, 2008, Elsevier Ltd., doi:10.1016/j.cpa.2006.08.004. [On line] Available at: <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1370774> [Accessed 02nd August 2018].

Holy, D., Kartika, D. and Sunaryo. (2013). Review the knowledge of Indonesian Management Accountant in International Financial Reporting Standard (IFRS) Compare with Malaysian, In: *2nd World Conference on Business, Economics and Management--WCBEM2013 Procedia - Social and Behavioral Sciences* 109 (2014), pp. 1164-1167, [On line] Available at: < https://www.researchgate.net/publication/279130975_Review_the_Knowledge_of_Indonesian_Management_Accountant_in_International_Financial_Reporting_Standard_IFRS_Compare_with_Malaysian> [Accessed 02nd August 2018].

- Janaka, S. and Fonseka, A. T. (2008). Factors affecting the low adoption of management accounting practices in Sri Lankan business organizations, *Sri Lankan Journal of Management*, Volume 14, pp. 95-114, Number 2.
- Jodie, M., John, B. and Maria, M. (2006). *Institutional Theory, Methodological Issues in Accounting Research: Theories and Methods*, ID: 836911, Book, July 2006, Spiramus Press, pp. 183-205, [On line] Available at: <spiramus.com/methodological-issues-in-accounting-research-1> [Accessed 02nd August 2018].
- John, D. M. and Essam, M. (2011). Management Accounting Practices in Gulf Corporative Countries, *International Journal of Business and Accounting and Finance*, Volume 6, pp. 427-442, Number 1, Winter 2011. [On line] Available at: <https://www.researchgate.net/publication/228118394_Management_Accounting_Practices_in_the_Gulf_Cooperative_Countries> [Accessed 02nd August 2018].
- Joshi, P. L. (2001). The International Diffusion of New Management Accounting Practices: The Case of India. *Journal of International Accounting, Auditing & Taxation* 10 (2001), pp. 85-109, 1061-9518/01/\$ - see front matter © 2001 Elsevier Science Inc. PII: S1061-9518(01)00037-4.
- Kaplan, Robert. S. and H, Thomas Johnson. (1987). *Relevance Lost: The Rise and Fall of Management Accounting*. Boston, Massachusetts: Harvard Business School Press, 1987, pp. 1-13, 125-130, 183-187, 227-232,253-255.
- Latifa, M. (2015). Factors Influencing the Use of Accounting Information in Tanzanian Local Government Authorities (LGAs): An Institutional Theory Approach, in Kelum Jayasinghe , Nirmala D. Nath , Radiah Othman (ed.) *The Public Sector Accounting, Accountability and Auditing in Emerging Economies (Research in Accounting in Emerging Economies, Volume 15)* Emerald Group Publishing Limited, pp.143 – 177.
- Ministry of Finance, Sri Lanka, (2016). Annual Report, pp. 65-98. [On line] Available at: <<http://www.treasury.gov.lk/web/guest/publications/annual-report>> [Accessed 02nd August 2018].
- Munther, B. A. (2011). Exploratory Study on Factors Influencing the Adoption of Management Accounting Practices in Developing Countries: evidence from Jordan. In: AAA, Management Accounting Section (MAS) Meeting Paper, pp. 1-23, [On line] Available at: <<http://ssrn.com/abstract=1661975>>, [Accessed 02nd August 2018].
- Nassar, S. M. A. A. L. (2014). An Exploratory Study of the Level of Sophistication of Management Accounting Practices in Libyan Manufacturing Companies. *International Journal of Business Management*, Vol. II (2), pp. 1-10. [On line] Available at: <https://www.iises.net/download/Soubory/soubory-puvodni/pp-1-10_ijobmV2N2.pdf> [Accessed 02nd August 2018].
- Paul, J. DiMaggio. and Walter, W. Powell. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, Vol. 48, No. 2 (Apr., 1983), pp. 147-160, [On line] Available at: <<https://www.uio.no/studier/emner/matnat/ifi/INF9200/v10/readings/papers/DeMaggio.pdf>> [Accessed 02nd August 2018].
- Philmore, A. and Diana, W. M. (2011). An Exploratory Study on Management Accounting Practices in Manufacturing Companies in Barbados. *International Journal of Business and Social Science*, Vol. 2 No. 9 (Special Issue). pp. 49-56.
- Public institution (Unites States). (n.d), [On line] Available at: <[http://en.wikipedia.org/wiki/Public_institution_\(United_States\)](http://en.wikipedia.org/wiki/Public_institution_(United_States))> [Accessed 02nd August 2018].
- Scott, W. R. (2008). Approaching adulthood: the maturing of institutional theory, *Theory of Society*, Vol. 37, No. 5, pp. 427-442, Special Issue on Theorizing Institutions: Current Approaches and Debates (Oct. 2008), doi 10 1007/s11186 - 008 -9067 - z
- Sherine, F. A. A., and John, D. M. (2011). Management Accounting Practices in Egypt – A Transitional Economy Country. In: Cambridge Business and Economics Conference, ISBN – 97800974211428, pp. 1-23.
- Stephan, A. and Simon, W. (2012). Facilitating enterprise transformation through legitimacy – An institutional perspective, pp. 1073-1084, [On line] Available at: < <https://www.alexandria.unisg.ch/214517/1/Aier.Weiss.2012.InstitutionalTheory-final.pdf>> [Accessed 02nd August 2018].
- Sunarni, C.W. (2013). Management Accounting Practices and the Role of Management Accountant: Evidence from Manufacturing Companies throughout Yogyakarta, Indonesia, *Review of Integrative Business and Economics Research*, Vol. 2 (2), pp. 616-626, pdf, [On line] Available at: < www.sibresearch.org/uploads/2/7/9/9/2799227/riber_b13-243_616-626.pdf > [Accessed 02nd August 2018].
- World Bank, 2004. Sri Lanka: Development Policy Review. P.1, Washington, DC. © World Bank. License: CC BY 3.0 IGO. [On line] Available at: <<https://openknowledge.worldbank.org/handle/10986/14577>> [Accessed 02nd August 2018].
- World Bank, (2016). “Sri Lanka: A systematic country diagnostic”, P.1, [On line] Available at: <<http://www.worldbank.org/en/news/feature/2016/02/15/sri-lanka-a-syatematic-country-diagnostic.>> [Accessed 02nd August 2018].
- World Bank, (2017). Overview of Sri Lanka, P.1, [On line] Available at: <<http://www.worldbank.org/en/country/srilanka/overview>> [Accessed 02nd August 2018].