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great by
deeds, not by
birth"

-Chanakya

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Philosophies and tradition of accounting research

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Abstract

The tendency to follow the masses without any rationale is an inborn tendency of human beings and researchers are not different in this regard. Many a times when a researcher encounters question like why is he doing the research in a particular manner, he struggles to convince himself and the others with his reasons. Research philosophies that explain how people perceive reality and how they go about acquiring understanding of the reality helps the researchers to have a clarity regarding where he is positioned in the research domain and the reason why he is there. The paradigms which follow common set of assumptions provides the researcher a feeling of belongingness to a group of people who have similar approach. Hence it is very important for a researcher in any domain to have a basic understanding of the research philosophies and paradigms of his domain. We in this paper examine the different paradigms in accounting research by analyzing the different research philosophies. We also provide an overview of how these paradigms have evolved in the management accounting research and financial accounting research. This paper will help the young researchers in the accounting domain to have an overview of the various philosophies and paradigms that will guide them in finding relevant research questions and in choosing the right research design that is appropriate for addressing the question.

Introduction

Research is a process of creating and transforming knowledge and understanding of the world around us. This understanding of the world which comprise of innumerable social and natural phenomena entails beliefs about the nature and existence of what we observe. The fundamental question is whether what we observe around is an objective reality subsisting in the external objects which is separate from the observer or is it a creation of the observer's mind. These approaches towards the nature and existences of reality determines the ontology of the knowledge domain. Reality in its different forms should be understood for creating knowledge. There are different sources of understanding the reality based on the relationship between the observed and the observer and these sources determine the different epistemologies of knowledge creation. These multiple perceptions of what constitutes reality and what are the ways of knowing reality will have an impact on how an individual pursues his quest for knowledge and determines his philosophical stance and preferred paradigm in a research domain (Chua, 1986). Accounting research domain has been witnessing acceptance, growth and dominance of different research philosophies and paradigms across different stages of its development as a branch of the Management discipline. We in this paper attempt to provide an over view of the various approaches followed in accounting research by analyzing the philosophical stance behind them and also examine the evolution of these approaches in the two broad areas of accounting research- Management Accounting and Financial Accounting.

Studies that have examined the various research methodologies in accounting have tried to understand methodologies by classifying the research publications in renowned journals across the years on the basis of the methods used in the papers (Dunbar & Weber, 2013; Oler, Oler, M., & Skousen, 2010; Suman, Sharan, & Sachan, 2012;) . Some have traced the evolution of the

research approaches in accounting (Carnegie, 2014; Jeanjean & Ramirez, 2009). There are studies that have compared, criticized philosophies or tried to establish the superiority of one paradigm over the other (Fraser, 2014, Hopper & Powel, 1985; Lukka, 2010; Nørreklit, H., Nørreklit, L., & Mitchell, 2010; Watts and Zimmerman 1978, 1979). Studies that provide an overview of the different philosophies of research and which examines the evolution of accounting research with respect to these philosophies is sparse.

Studies that have reviewed renowned Accounting Journals to see the emerging directions for future research in accounting have observed nearly complete absence of studies that have done accounting research using classical approaches such as field research and history which are important in addressing questions in the field of accounting (Dyckman & Zeff, 2015). This trend is in alignment with what Kuhn(1970) warned about the tendency of researchers to take their paradigms' foundations for granted and overlook the potentials of alternate paradigms. Bamber, Christensen and Gaver (2000) have also demonstrated the existence of such tendency in accounting research domain. This methodological narrowness in the leading journals is a cause of concern as it constraints the growth of the domain which can address more diverse questions if it supports researchers from different paradigms. The problem of dominance of positivist methodologies and over emphasis on quantitative methods limits accounting research's capability of examining social ramifications of accounting (Baker & Bettner, 1997). Quantitative methods are capable of detecting variations between elements but they are incapable of analyzing why that variation happens. Many accounting researchers even though they may be following a particular paradigm, they may not be aware of their own philosophical assumptions or the range of methodological approaches they could apply (Fraser, 2014).Hence it is essential to provide an overview of the different philosophies and paradigms that exists in accounting and

the ontological and epistemological alignment of different methodologies adopted in accounting research to the researchers and the doctoral students so that they can match their philosophical perspective with the methodology for solving the research problem at hand. This paper also try to overcome the problem of being blinded by a particular paradigm.

The paper has been divided into five sections. The first part talks about philosophy of research and the various components of research philosophy. The next section tries to narrow down the research philosophies to the ones which are applied in accounting research by adopting classifications of accounting research into different paradigms. The third and fourth sections analyses the evolution of these paradigms in two broad areas of accounting namely management accounting and financial accounting. Section five concludes the paper.

1. Philosophy of Research

The western philosophy of duality, which originated in Greece, characterized reality by its ability to confirm to one of the two opposites, either truth or false. It also identified individuals as subjects in a subject-object relationship that individuals have with the external world. This separation of individuals from object and the need to identify the dual nature of reality necessitated the individuals to have beliefs about what is true or false in their objective world. The two ways in which individuals generate these beliefs about the external world is through either perception or through reasoning. Plato and his successors have defined knowledge as justified true belief. Hence beliefs regarding the nature of reality becomes knowledge when that belief can be justified to the satisfaction of others. Individuals try to justify their beliefs either using rational arguments derived out of existing knowledge or by documenting the manifestation

of the multiple occurrences of the relationship or the phenomena that they believe to be true. The central problem of epistemology is to decide on how to acquire knowledge i.e. how to acquire justified true belief.

To understand the philosophies of accounting it is essential to have an understanding of the various ontologies, epistemologies and practices followed for justification of the knowledge creation process. It is also important to know how the knowledge domain transforms with the creation and destruction of paradigms and the way theories are developed and refined to enrich the knowledge domain. The following sections explain these components in detail.

1.1. Ontology- sources of belief

Individuals differ in their belief regarding where reality exists. These beliefs regarding the sources of reality shape their ontology. The realists believe that reality subsists in the external objects and idealists believe reality subsists in the minds of the subject. These two philosophies form the two ends of the subjective objective continuum. Realism being the most objective as it is value free and idealism being the most subjective as the reality is the product of individual minds. The ontologies have evolved over time and there also exist beliefs which share features of both the realistic and idealistic views. Morgan and Smircich (1980; 492) has classified ontologies or the ways of viewing the world into six categories. The objective reality in its extreme sense wherein reality is assumed to be a concrete structure is called Naive Realism. Individuals who believe that reality is absolutely subjective and is a projection of human imagination are proponents of naïve idealism. In between these two extremes of the continuum fall other views like transcendental realism, contextual relativism, transcendental idealism and social constructionism. When naïve realists believe in objective facts or general laws derived

from external world as reality, transcendental realist or critical realists assumes that reality subsists in the relationships and general laws that explain how things change. Roy Bhasker (1997) employed transcendental method proposed by Kant to build creative realism view which claims that new objective realities in the form of laws are created when we interfere with the process of creation of future by applying previously established universal laws. The contextual relativist move further towards subjective views and perforates the separation of subjectivist and objectivist philosophies. They believe that reality exists in the network of constituents of the environment or the context and it is also relative to the beliefs of the observer. Kant's philosophy of Transcendental Idealism provides a meta-principle for viewing and understanding the outside world by positing that we depend on both our experience and a priori concepts to make sense of the reality. He claimed that the reality subsisting in the external discrete objects can be understood by applying principles of causality space and time which we conceive a priori through pure reason. Moving further towards subjective realities of the continuum is socially mediated idealism. In Naïve Idealism reality exists only in the individual consciousness.

1.2. Epistemology-ways to acquire knowledge

The multiple sources of beliefs (Audi, 1998) also influence the way knowledge is acquired. The existence of diverse ontological assumptions indicate the need for different ways to understand the reality. Epistemology is a branch of philosophy that essentially deals with creation and dissemination of knowledge (Hughes & Sharrock, 1997). Knowledge is the understanding of reality, it is the justified belief or truth. Hence epistemologies depend on ontologies. The nature

of reality influences how it is understood. If an individual believes that reality is subjective then it is futile for him to seek evidences outside for creating knowledge.

Based on the source; knowledge can be a priori or a posteriori. A Priori knowledge is acquired through pure reasoning and is not dependent on experience. Logical truths and Abstract claims are examples of a priori knowledge. A posteriori knowledge is acquired after an individual experience a phenomenon. Based on this broad differentiation of knowledge type the two main theories of epistemology are Rationalism and Empiricism. Socrates believed that knowledge can be acquired through pure reasoning which later on became rationalist school of epistemology. Rationalism posits that knowledge is a product of our ability to reason and it is not require to look beyond us to form justified true belief. Socrates' disciple Plato propounded that there exist ideal forms of phenomena and the pursuit of understanding this ideal forms results in knowledge creation. Plato started the realism school of thought. Aristotle took the middle path saying that knowledge can be acquired through observation and categorization and led to the formation of Lyceum philosophy of epistemology. On further refinement researchers started acquiring knowledge through their experience which later became the empiricist way of acquiring knowledge. Empiricism believes in the role of experience and the way it is perceived in creating knowledge. Positivism and Logical positivism are variants of Empiricism which believe that the perceived experience are value free (independent of the beliefs of the perceiver) and objective facts which acts as general laws. Phenomenalism is another view in epistemology that posits that physical objects do not have an existence in itself but they are parts of the perceptual phenomena situated in time and in space. Hence Phenomenology tries to combine the views of Empiricism and Rationalism. Another recent perspective of epistemology is constructivism which is an

alternative to empiricism and rationalism. Constructivism posits that knowledge is constructed and is derived from conventions, human perceptions and social experience and hence for constructivists knowledge does not deal with any transcendental or external realities.

1.3. Justification of Beliefs

Knowledge is not just any belief but they are justified true beliefs. An individual's beliefs will be accepted as truth or knowledge by others when it is convincing enough. Hence different philosophies exist regarding the different ways in which the process of knowledge creation and the acquired beliefs of reality can be justified as true beliefs. The problem of justification can be solved using philosophies that lie on the continuum with one end occupied by logical positivism which claims that the truth can be established only if the problem is solved through logical analysis. Another end of the continuum for different ways of establishing true beliefs is occupied by instrumentalism which considers theories as tools or instruments for explaining the cause and effect relationships that is observed in real life scenarios and that the theories don't have the capabilities to reveal realities beyond experiments.

1.4. Growth of a Knowledge Domain

In the course of time individuals engaged in the process of knowledge creation tend to form clusters based on their underlying beliefs about the epistemology and ontology. This leads to the formation of paradigms wherein the followers of a paradigm share common beliefs. Burrell & Morgan (1979, p.23) defines paradigm as "very basic meta-theoretical assumptions, which underwrite the frame of reference, mode of theorizing and modus operandi of the social theorists

who operate within them". Understanding of paradigms also demands knowledge how various paradigms evolve in a knowledge domain. The book *Structure of Scientific Revolution* by Thomas Kuhn (1962) can be considered as a landmark and historical turning point in the field of research philosophy. In the book Kuhn defines and explain the concept of a paradigm. He also talks about how paradigms evolve in natural sciences. Kuhn claims that the first stage of development of a science is the pre-paradigmatic phase wherein the domain will have conflicting interpretations, none of which is predominant. When a few researchers agree on some of these conflicting interpretations it results in the birth of a single paradigm and denotes the start of a normal science. Followers of the same paradigm are bound by the same rules and standards of scientific domain. This help the scientific community to build its discipline by creating new opportunities of inquiry, frame questions, select methods to examine the questions and define areas of significance. He also claims that each paradigm will possess the source of its own demise as it allows some conflicting questions to remain unanswered. When these unresolved questions multiplies in number, persists or necessitates further examination, it bring about a revival of scientific knowledge.

An alternative to Kuhn's view is that of Lakatos who presented his views as an improvement or modification of Popper's falsificationist view. Popper had claimed that "refutations" or falsifications of conjectures shows the actual rationality driving the growth of knowledge over time. For Lakatos, a sequence of theories within a knowledge domain constituted a Research programme. Each new theory marks an advance over its predecessor and this advance was called as problem shifts .Problem shifts which are progressive may occur through theoretical progress or empirical progress. Theoretically progressive problem shift are a move towards a new theory that has more predictive power than its predecessor and the problem shift is empirically

progressive when in addition to predicting observable evidence, there exists actual observation that testifies this new prediction. A problem shift in a research programme should at least be theoretically progressive and at least occasionally empirically progressive. Otherwise the research programme becomes degenerative and the researcher should abandon such degenerative research programmes.

The accounting research is mostly empirical in nature and recognizes the distinction between theoretical and empirical domain. Accounting research recognizes the existence of abstract theoretical models of reality and believes in its validation through empirical testing. Hence Lakatosian methodology of development of scientific research seems to explain the development of accounting domain.

Figure 2 illustrates the different components of philosophy of research and their relationship

2. Philosophy of research in Accounting

The research in finance and accounting pertains to application of appropriate methods of scientific enquiry for solving economic and social issues in the accounting domain which makes the research in this field to have the features of both social and natural science. The philosophies of natural science which believe in objective realities are applicable to research in accounting discipline as the domain depends on some basic rules or principles that are more or less universal. But the differences in the interpretation of the information generated by the accounting practices by individuals and the. The alternate philosophies originated when it was understood that unlike natural phenomena, accounting practices are socially constructed and hence it is difficult to observe absolute objective realities. Hence to have a comprehensive picture of the philosophies of accounting research, it is essential to know the different paradigms and their

evolution in the two broad areas of accounting research i.e. management accounting research and financial accounting research.

2.1. Paradigms in Accounting Research

Accounting is not a single paradigm discipline (Lukka, 2010; Belkaoui, 1981) and all the paradigms are embedded in their own philosophical assumptions about reality, knowledge and empirical evidence (Chua,1986). Even though Accounting has a dominant mainstream paradigm which follows the economics-based research agendas that are more inclined to objective ontological assumptions, there are alternate paradigms that claim that accounting has social ramifications and hence the ontological assumptions of these paradigms are more subjective. During recent times another paradigm emerged that believed in the ontological assumptions like critical realism which resulted in accounting research which considers accounting reality as an intermediary between subjective and objective reality. Studies have used the framework developed by Burrell and Morgan (1979) for classifying literature in social sciences into different paradigms (Cooper, 1983; Hopper and Powell, 1985).They have used two independent dimensions: the nature of the social science and nature of society. The four broad classifications provided were functionalism, interpretative, radical humanism and radical structuralism. In 1995, Laughlin also tried to incorporate methodology dimension and brought out a three dimensional classification of social research on the basis of theory, methodology and change.Hopper and Powell (1985) drew on the work of Burrell and Morgan(1979) and provides a classification of accounting research on the basis of two dimensions: subjective or objective view of reality and the researcher's approach towards the societal norms. Chua (1986) has classified accounting research into mainstream accounting research, Interpretive accounting research and Critical accounting research. Interpretive research being the similar in both classifications, mainstream

accounting research shares the features of functionalism, and critical accounting research have the features of radical humanism and radical structuralism classification of Burrell and Morgan (1979). The Interpretive and Critical approaches are called the alternative approaches to accounting research. These approaches have been explained in detail in the following sections. Figure 3 provides

2.1.1. Mainstream Accounting research

Mainstream accounting research commenced with a normative approach or a priori approach arguing how accounting ought to be practiced. Then there was a gradual shift to positivist empirical approach which tried to explain and predict accounting phenomena rather than prescribe practices. Normative approach led to formation of normative theories in accounting. Normative theory is defined as “a set of knowledge which, while remaining in touch with the possible uses of that knowledge, was nevertheless detached from those uses to exist as a system of knowledge (Jeanjean & Ramirez, 2009).” Normative approach in accounting research was an outcome of the intension to make accounting information useful for decision making which led to the need for standard practices among accountants. Hence how the research can improve the decision usefulness along with the prescription of “what ought to do” was central to the research under normative approach. Normative research published up to the end of 1950s can be classified as those which prescribe policies in which authors either express their views in support or against accounting treatment or the study would result in frameworks to guide the practitioners (Dyckman & Zeff, 1984, p.227). The significant contributions in normative accounting research were that of Paton (1922), Canning (1929), Sweeney (1936), Sanders et al. (1938), MacNeal (1939), Paton and Littleton (1940), May (1943), Alexander (1950), and Littleton (1953). Nelson (1973) referred to the 1960s as the ‘golden age in a priori research in

accounting'. The studies during 1960s involved debates over the usage different methods of valuation which form the basis for researchers who build analytical models. Staubus (1961), Moonitz (1961), and Sprouse and Moonitz (1962) were some of the significant contributors.

Normative approach to accounting research started waning when accounting started borrowing principles of neoclassical economics to form a new approach called positivist approach. The assumptions of economics- methodological individualism and (2) the neoclassical maximization formed the basis for developing positive theories in accounting (Watts and Zimmerman, 1978). Lawrence (1992) in his paper has criticized these assumptions along with other issues pertaining to positive accounting research. The application of behavioral theories and social theories statistical decision theory widened the scope of positive accounting research by making it more empirical in approach. The application of behavioral theories helped in checking dysfunctional behavior of managers through accounting. The availability of large computerized database such as Compustat in 1962 and CRSP, which was installed at the University of Chicago in 1960, provided researchers with voluminous data sets that provided impetus to empirical research in accounting. These empirical studies also helped in creating value relevance for accounting information as it became a tool for taking decision with respect to capital market investments. Now the positive accounting may be considered as the only paradigm of the mainstream accounting research. Normative accounting is now very rarely undertaken for lack of predictive powers which makes it less scientific compared to positive accounting theories.

Regarding the philosophical underpinning of mainstream research Gaffikin (1988) claimed that normative accounting research and positivist research shared common ontology and epistemology and similar methodology. They only differed in terms of methods. The mainstream accounting research is very similar to the functionalism paradigm which was explained by

Burrell and Morgan (1979) as the paradigm that views society as a single system with multiple interrelated elements and each of these elements performing a particular function. Positive accounting research followed realist ontological assumptions similarly when normative researchers deriving postulates from observations of the real world or when they claim their postulates as fundamental they too indicate a realist ontology. Both the approaches follow empiricist epistemology and hypothetico- deductivism methodology.

2.1.2. Alternative Approaches to Accounting Research

In 1979 the American Accounting Association published a report titled Empirical Research in Accounting: A Methodological Viewpoint (Ajinkya, 1979) which for the first time explored alternative methodological approaches. Even though the report stated that the scientific methods which uses abstraction, reductionism and statistical methods is the preferred method for accounting research, they acknowledged the existence of naturalist method that studies accounting in its natural settings. The dominance of scientific methods over naturalistic methods was questioned by Tomkin and Groves (1983) who argued that the naturalistic methods are more suitable for studying the everyday behavior of accountants and to understand how accounting interacts with its broader organizational and social context. They also pointed out that the most appropriate research methodology is dependent on the nature of the phenomena being researched. The assumptions regarding the *nature of reality* (ontology) that the researcher has will decide the *way in which knowledge is acquired* (epistemology) and this in turn will affect the *process through which research is conducted* (methodology).

The applicability of philosophy of natural science in social sciences was questioned by Habermas by arguing that the problem of hermeneutic circle exists in social sciences.

Hermeneutic word has its origin in Greek and means interpreter. The problem of hermeneutic circle is the theory of interpretation and understanding which says that no observation or description is free from the observer's experiences, presuppositions and personal values. Habermas identified that in natural sciences the interplay between the subjective and objective is not related to the world observed but only to the observer. There is a phenomenon that has an underlying objective theory that the observer tries to understand using his acquired knowledge. In social sciences where theories mimic facts and are evaluated on the basis of their ability to provide meaning for the observed phenomena, the interplay of subjective objective is two sided. The theories used to interpret a new social phenomena in itself is subjective as it is derived from subjective examination of facts regarding an erstwhile phenomena. The arguments of Habermas showed the limitation of general philosophies of natural science when applied to the human sphere. This along with other issues like nature of social reality and the social nature of research process shaped the alternative philosophies of accounting research. The alternative approach can be further classified as Interpretive Accounting Research and Critical Accounting Research.

2.1.2.1. Interpretive Accounting Research

Researchers in the accounting field also recognize the fact that accounting is effected and effecting social environment and hence it is more analogous to social sciences than natural sciences. One of the major alternative to functionalist mainstream paradigm in accounting is interpretive paradigm and studies under interpretive paradigm are concerned with understanding the social nature of accounting practices. Interpretive research in accounting paradigm takes into consideration the subjective meaning that people attach to things. Ahrens et al. (2008), Kakkuri-Knuuttila et al. (2008); Lukka & Modell (2010) provide a review of studies in this paradigm. The rationale behind the development of the paradigm is that it questions the traditional view of

accounting information as a means of achieving organizational predetermined objectives. Interpretivist argue that accounting information can be used to make rational judgments after the event has occurred (Weick, 1979; Cohen, March & Olsen, 1972) or to retrospectively rationalize actions and to impose goals as though it always existed (Chua, 1986). Hence accounting information even though comprise of numbers which seem to be objective, human intervention in its preparation makes it subjective.

The ontological assumption of interpretive research is social constructionism and they follow constructivism as their epistemology. Chua (1986) claims that in interpretive accounting research reality is socially constructed. The human intensions are explained using theory and the adequacy of the theory is tested through commonsense, logic and subjective interpretations.

2.1.2.2. Critical Accounting Research

Critical accounting research believes in making radical changes in the social structures, contradictions and conflicts in which accounting is embedded and aims at changing the status quo as opposed to other paradigms which engages in the analysis of the status quo. Critical accounting research follow different school of thoughts typically belonging to social sciences. Some of the most prominent being the works of Habermas and Braverman, Marx, Foucault etc. The critical accounting theories are radical theories in accounting.

Critical accounting paradigm do not share a common philosophical stance because of the multiple school of thought it follows. For example critical theories that are informed by Foucault's work might conceive reality as something which exists within the context and is constituted by discursive practices of a historical period. This view of reality resembles contextual relativism. Foucault developed two epistemological techniques namely archeology

and genealogy to understand the reality. Archeological analysis examines the discourses of the historical period and the genealogy connects these discourses to the changes in the non-discursive practice of social power structures (Audi, 1995). Similarly the ontological assumptions may differ with the school of thought applied in the research. Hence we cannot conclusively propose a single philosophy for critical accounting paradigm

3. Traditions of Research in Management accounting

The knowledge domain of accounting has been classified broadly as management accounting and financial accounting for the purpose of research, teaching and professional examinations. The boundaries overlap and is permeable and arbitrary when it comes to practice. Management accounting is the branch of accounting that tries to meet the needs of managers and helps in the decision making process. Financial accounting is concerned with processing and dissemination of information regarding the economic performance of the organization to the outsiders.

The primary focus of accounting within businesses saw a fundamental shift from determining full and accurate cost to recognizing the appropriate costs for different decision making with the increase in the popularity of management accounting. J M Clarke in 1923 identified that there cannot be one single cost for all decision making purpose. Managers need cost information for making decisions. The earliest research in the field of management accounting were normative in the sense that it tried to prescribe the best management accounting practices. Management accounting literature expanded rapidly during 1960s when new techniques were devised for providing accounting information to managers as per their requirement. But the research in this direction lacked an underlying theory. By the late 1970s and 1980s researchers understood this gap between theory and practice (Scapen, 1984). Subsequently the need to explain the nature of

management accounting and the rationale behind the different practices resulted in a positive stance grounded in the neoclassical economics. The limitations of neoclassical economics in explaining the behavior of individual managers encouraged researchers to develop alternative approaches. The recognition that management accounting practices are influenced by the actions and perceptions of individual managers resulted in the adoption of the alternative philosophies.

Mainstream management accounting research used Neoclassical Economic framework for analyzing the management accounting problem. Neoclassical economic framework is based on the assumption that the decision makers are profit maximizers and the profit maximizing objective can be pursued through marginal cost principle. It also assumes that the decision maker has all the required information to make a decision at no cost and without any uncertainty. The profit was considered the reward accruing to the owners and the implicit assumption was that the profit maximization is the objective of the owner or the people who shared the owner's goals. One other assumption was that the action of the individual decision maker can be isolated and the group decision is an aggregation of the actions of the individuals of that group. Hence these assumptions gave the domain high degree of analytical sophistication and allowed models with mathematical rigor. The methodological approach of mainstream management accounting research was deductive reasoning as applied in neoclassical economics which accepted assumptions as self-evident truths and tries to build theories from the existing established theories.

Later on when the researchers started questioning the assumptions of mainstream research, the need for alternative approaches was felt and led to the adoption of theories from other domains. The assumption of certainty and no cost information was questioned initially and the application of statistical decision theory helped researchers in accommodating the element of uncertainty of

the decision outcomes. The availability of information reduces uncertainty and relaxing the assumption of free information was facilitated by the information economics (Demski & Feltham, 1976). This led to incorporation of information production cost in the models and hence witnessed the replacement of basic theme of management accounting from conditional truth to the 'costly truth approach'. The awareness regarding the difference in the cost and benefit of using simple versus complex models led to the conclusion that practitioners should not be criticized for not adopting complex models that involved more cost. This also led to the focus of research getting shifted from being normative to explaining the rationale behind the usage of models i.e. being positive.

The recognition that information is a costly good led to the researchers seeing firms as a series of contracts, freely negotiated between rational economic actors and whereby important information is shared (Jensen, 1983). The chances of information asymmetries was acknowledged but it was assumed that information asymmetry does not affect the market mechanism. Agency theory tries to explain the behavior of these rational economic agents as well as prescribe their behavior making it both normative and positive. Jensen (1983:334) distinguished between the 'principal-agent' model building and 'positive theory of agency, the former being normative and the latter positive. To a greater extent, the agency theory has been used in explaining the accounting practices which makes it predominantly positive in the accounting research context. It is assumed that decision maker is utility maximizer and his actions are embedded in the context of competitive markets. These assumptions which are basics to neoclassical research in economics is not subject to empirical testing and is considered to be the basic nature of individuals which is taken for granted. The issue in using neoclassical theory of economics in management accounting is that economists had developed the theory for

predicting the general patterns of behavior of individuals and it was not intended to explain the behavior of individuals except in a world which conforms to the assumptions of neoclassical economic theory. Hence the positive theories informed by neoclassical economics may be useful in predicting the general trends but will not be helpful in explaining individual behavior.

This wave of efforts to find alternative answers to unresolved issues involving complexities of human behavior started in 1960s and led to the development of behavioral accounting research in the management accounting domain. One of the triggering factor for exploring the alternative approaches was the behavioral effect of budgeting. Agyris (1952) initially studied how budgets effect people and found that budgets pressurize people and leads to conflicts and hostility in organizations. The direction of the impact was reversed in the works of Schiff and Lewin (1970) and Hofstede (1968) who studied the impact of people on budgets and found that people are not passive objects which are effected by budgets and management systems but they influence and are actively involved in the budgetary process. The researchers initially looked at the behavioral sciences and psychology to understand how information is processed by different managers while they make their decisions. They found out variables like the tightness of the budget, level of participation and the leadership styles effected the budgetary process. The broad objective of behavioral accounting research was to control the dysfunctional behavior of individuals so that control mechanisms can be devised to ensure the achievement of organizational goals. The methodology used in behavioral accounting research was empiricism. The researchers believed that the actions of individuals in an organization can be studied through observation, measurement and categorization and can be generalized. Even though behavioural accounting research opened up the accounting research domain by including behavioral science and

psychology, it did not lead to a significant shift in the methodology adopted in mainstream management accounting research.

Otley(1984) studied the interrelationship between organization theory and management accounting and one of the directions for future research recommended by him was the use of interpretative and qualitative research. He proposed that interpretative research is better equipped to explain the behavior of individuals and its relationship with the environmental factors. Qualitative and interpretative research, unlike positive research, can explain the process through which management accounting system evolves in a particular organization. The application of social theory in management accounting brought a marked difference in the approach of management accounting research and led to the development of alternate philosophy in management accounting research. The recognition of the fact that management accounting practices like other social practices are not natural phenomena but are socially constructed implicit and explicit rules made researchers realize that they should not be looking for universal generalizations. The alternate philosophy focused on locating the current management accounting practices in their historical, economic, social and organizational contexts. The critical research in management accounting tried to go beyond interpreting accounting practices. They tried to explain why accounting practices are closely tied to the search for economic efficiency and why control is perceived as a technical activity than a social process. Macintosh and Scapen (1990) used Gidden(1984) structuration theory as framework for researching the social and political dimensions of management accounting.

Figure 4 provides an overview of the development of various paradigms in management accounting.

4. Traditions of research in financial accounting

Financial accounting research has gone through many phases over the years.. Financial accounting is considered to be the process by which economic activities of an organization are summarized, measured and communicated to the entities outside the organization. The development of this process was greatly influenced by the government bodies and professional agencies conditioned on the socio-economic-political environment prevailing during various periods of its evolution.

The development of accounting domain has been different in UK and USA where the research flourished in the early years. Industrialization which led to the increase in the scale of activities of firms made it imperative to have a structured way of maintaining the log of innumerable transactions carried out by the firms on a day today basis. This practice of maintaining records scientifically called financial accounting started in United Kingdom where industrialization took birth and when USA caught up with UK in terms of industrial development, financial accounting became popular in USA. It got the status of a formal body of knowledge and was recognized as a discipline in the academia subsequently. As the research domain progressed, researchers like Paton and Littleton from USA contributed to its development substantially by determining the objective way of calculating the income from business activities which was one of the major concern of the accountants at that time.

Earlier, the primary objective of maintaining accounts was to help the proprietor to find the results of his activities and hence financial accounting had proprietorial stewardship orientation. It was assumed that the owner of the business do not have any incentive for manipulating the records. The need for consensus on practices to assist the practitioners in developing the best

accounting practices and to disseminate the information regarding these practices led to the establishment of Professional bodies. The Professional association of accountants was formed in England in 1870. The American Institute of Accountants (AIA) which later became the American Institute of Certified was the first of its kind in USA.

The earliest Accounting Theories were the result of rationalization of the prevailing accounting practices and were normative in nature. Such research which was carried out for distilling theoretical principles from existing practices were called a priori research. There was another group of researchers in UK, especially from the London School of Economics who were interested in measuring the 'true income' and they were using the theories of economics for the same. Economists like Canning (1929) and Edward (1939) were using theories of microeconomics to criticize the accounting practices and were in the pursuit of measuring the true income. The former approach was called the empirical inductive approach and the later was called the deductive approach (Wittington, 1986). There was a profound increase in the accounting research which used the deductive approach during the 1960s and Nelson (1973) characterized this period as the Golden age of financial accounting research. Gaffikin (1988) claimed the methodological basis of the works of this period to be hypothetico- deductivism as the a priori assumptions used were a mix of empirical observations and theories. These two approaches were more or less normative in nature where by the researchers were trying to prescribe the best way of practicing financial accounting.

Positive accounting theory was another branch which diverged from the normative approach. This approach was strongly grounded in empirical data and gave the researchers the prospects of avoiding value judgments. Unlike normative approach, positive theory was concerned with explanations and predictions. Neoclassical economics and agency theory had significant role in

the development of positive accounting theory. These theories are taken for granted and they are used as instrumental theoretical frameworks which are not subject to empirical tests.

A change in this orientation of accounting practices was observed post First World War in USA when the alleged abuse of corporate funds was found to be the cause for the stock market crash during the 1920s and the ensuing Great Depression of 1930. When the power of the corporates to inflict large economic and social damage was realized, it led to the intervention of the Government in the formulation of accounting and auditing practices. Securities Laws were passed in USA to institutionalize the corporate audit and Security and Exchange Commission was formed in 1934 to determine the accounting and auditing practices. The Professional bodies who perceived this as a threat to their authority to develop accounting practices, collaborated with the New York Stock Exchange and defined the five principles of accounting. Meanwhile the research activities also progressed in the accounting domain in Universities of USA. Similarly the objective of maintaining accounts and the number of interested parties changed in UK after the Second World War. The powerful labor movement in the 1970s and the issues with industrial democracy necessitated the disclosure of information to employees, trade unions and other social interest groups. The pressure from various interest groups to eliminate lobbying practices resulted in a stream of literature dealing with the political nature of the standard setting process. The change of focus from maximizing proprietor to the other stakeholders also had an impact on the choice of the different income determination models propounded by the a priori researchers. For the a priori researchers, the usefulness of the information was not the primary concern but was just an additional point to justify their model.

The Decision usefulness approach towards accounting research tried to address this concern by positing that the starting point for financial accounting research should be in meeting the

objectives of the financial statements. This approach focused on identifying the users of financial statements, specification of their decision making process and analysis of their information needs. One of the important user identified was prospective investors and hence the research tried to formulate models that can predict the performance of the company. Much of this research was using hypothetico- deductivism and neoclassical economic models. But the researchers also started designing empirical studies with predictive capabilities. The empirical studies comprised of Behavioral Accounting Research (BAR) which explored the production and use of financial information and Market Based Accounting Research (MBAR) which focused on the impact of investors' decision on market security prices. BAR uses four distinct methods of undertaking research; surveys, field studies, laboratory experiments and field experiments. The Decision Usefulness approach succeeded in shifting the focus of research from the income determination models to those which provides utility to other stakeholders.

Many researchers were concerned about the setting of accounting standards that cater to the requirement of the private interest of managers and shareholders ignoring the common interest of the society. They wanted the accounting standard to look at the broader canvas of social welfare considering the power of the corporates to inflict damage to the society. This concern has led to the study of social nature of accounting and involves examination of the role of financial reporting in its economic, social and political contexts. The alternative interpretive worldview provides set of beliefs about the society for these researchers who believe that social order is negotiated through social interaction. This approach towards setting of accounting standards tries to argue using qualitative, naturalistic research methods as they believe the role of accounting research to be a vehicle for understanding how the various groups inside the organization communicate with the society and effect and get effected by it. A more radical approach, critical

approach where in researchers believe conflicts to be an inherent component of the society views the research in financial accounting to have the potential to bring change in the society at large.

Conclusion

Research in any knowledge domain involves two significant questions – “What to research” and “How to research” (Remenyi et.al, 1998). Review of philosophies and the paradigms in which they are embedded is an important aspect that guides in finding the solution for these questions. In this paper we have attempted to provide an overview of different accounting paradigms through the lens of Research Philosophies. We explain the different components of philosophy of research and try to see which ontologies and epistemologies are followed in the three different paradigms of accounting. The traditions of research in management and financial accounting was analyzed to see how these paradigms evolved in these two broad areas of accounting research.

The effect of paradigm is not limited to cognitive but it also plays an important role in building the identity of a researcher. The feeling of belonging to a group makes him more confident and helps him in networking with other researchers. Hence it is highly essential to have an awareness of the different paradigms and its associated philosophies. Only the awareness of alternate paradigms will keep the paradigm debates alive which is healthy for an academic domain the long run as the tendency to overlook the deficiencies of a dominant paradigm will be reduced. They also bring forth the implicit, hidden or even silenced but fundamental values in research (Lukka 2010). The future of accounting research which lie in a paradigm which lay midway in between the subjective objective philosophies opens up avenues for new creative combinations of methodologies as part of triangulation or mixed method strategies. This requires the researchers to be knowledgeable about the assumptions and values that we intend to mobilize in

our own research and this paper will provide a foundation for such researchers who intend to take up such creative endeavors in their research.

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Appendix

Figure 1: ontological assumptions on the objective-subjective continuum given by Morgan and Smircich (1980).

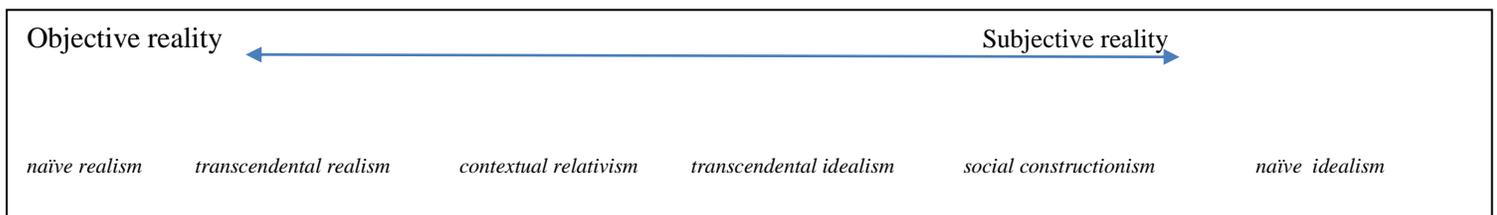


Figure 2: Philosophy of Accounting Research

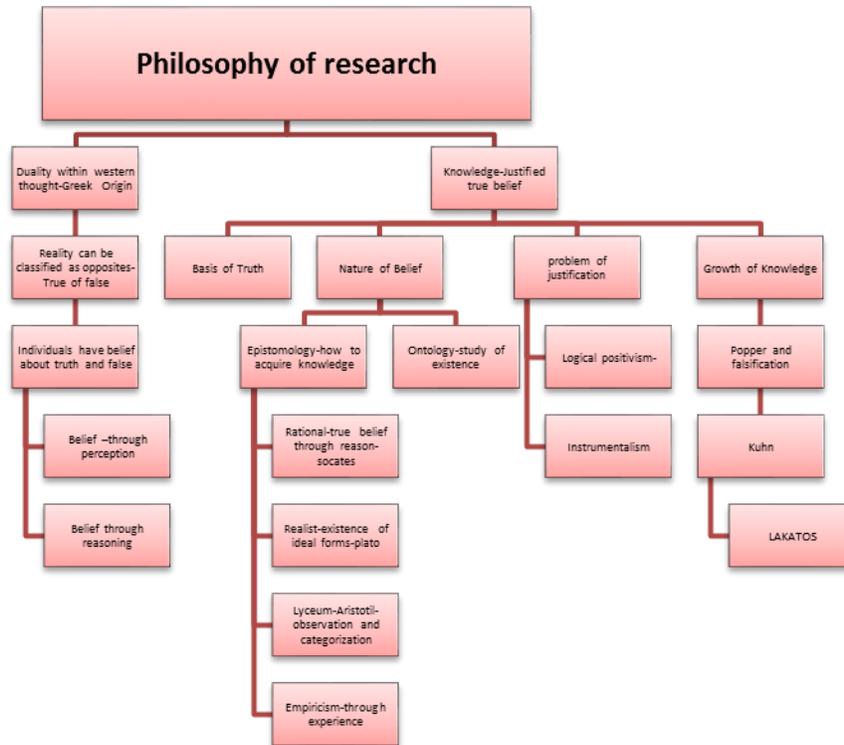


Figure 3: Classification of accounting research

Classification of Accounting Research

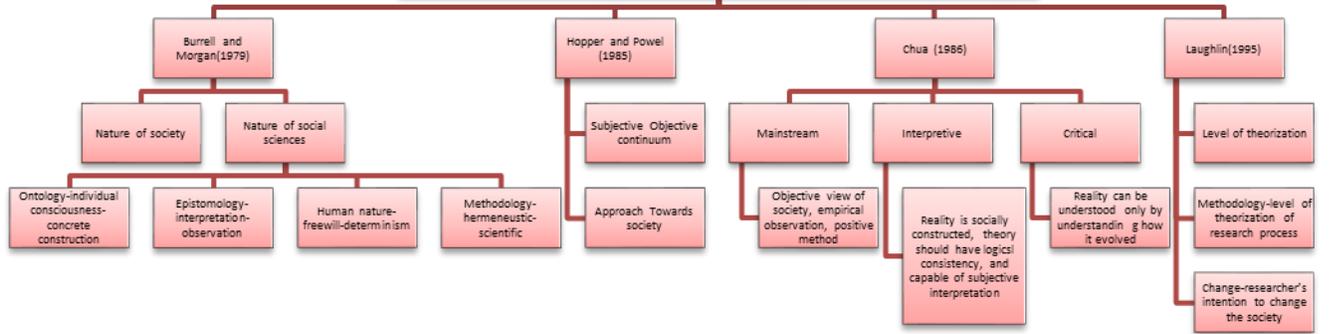


Figure 3: Tradition of research in management accounting

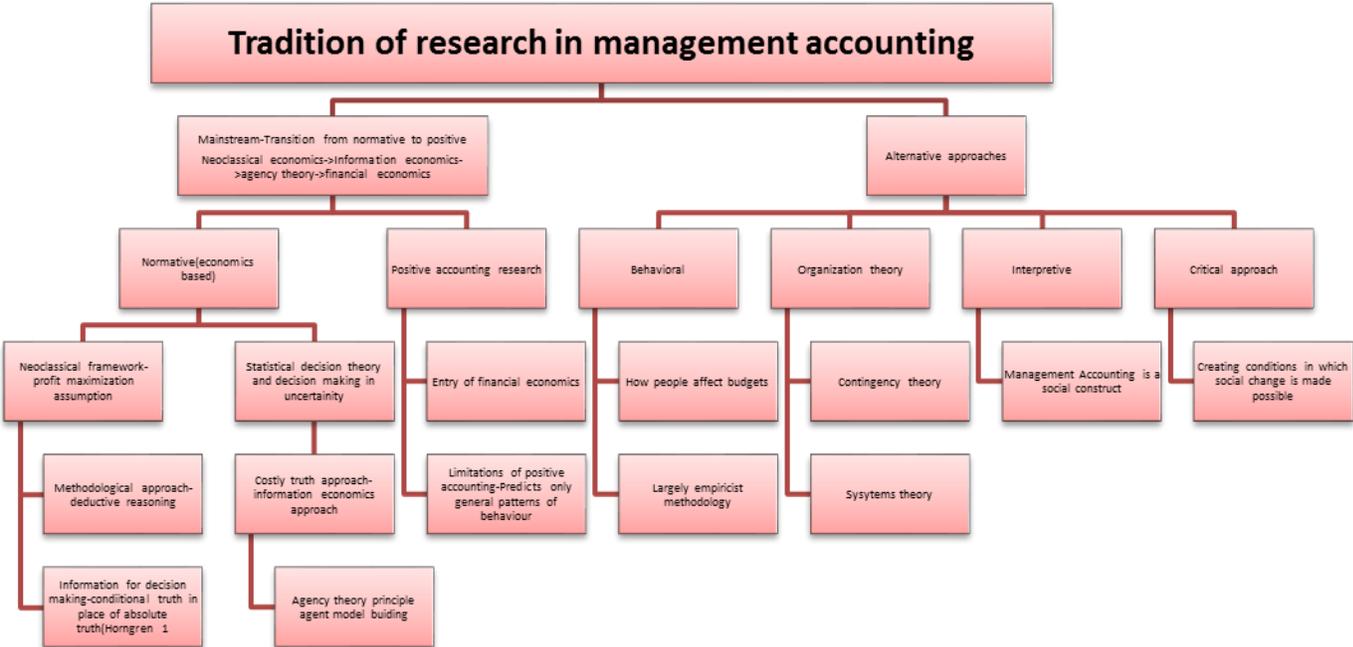
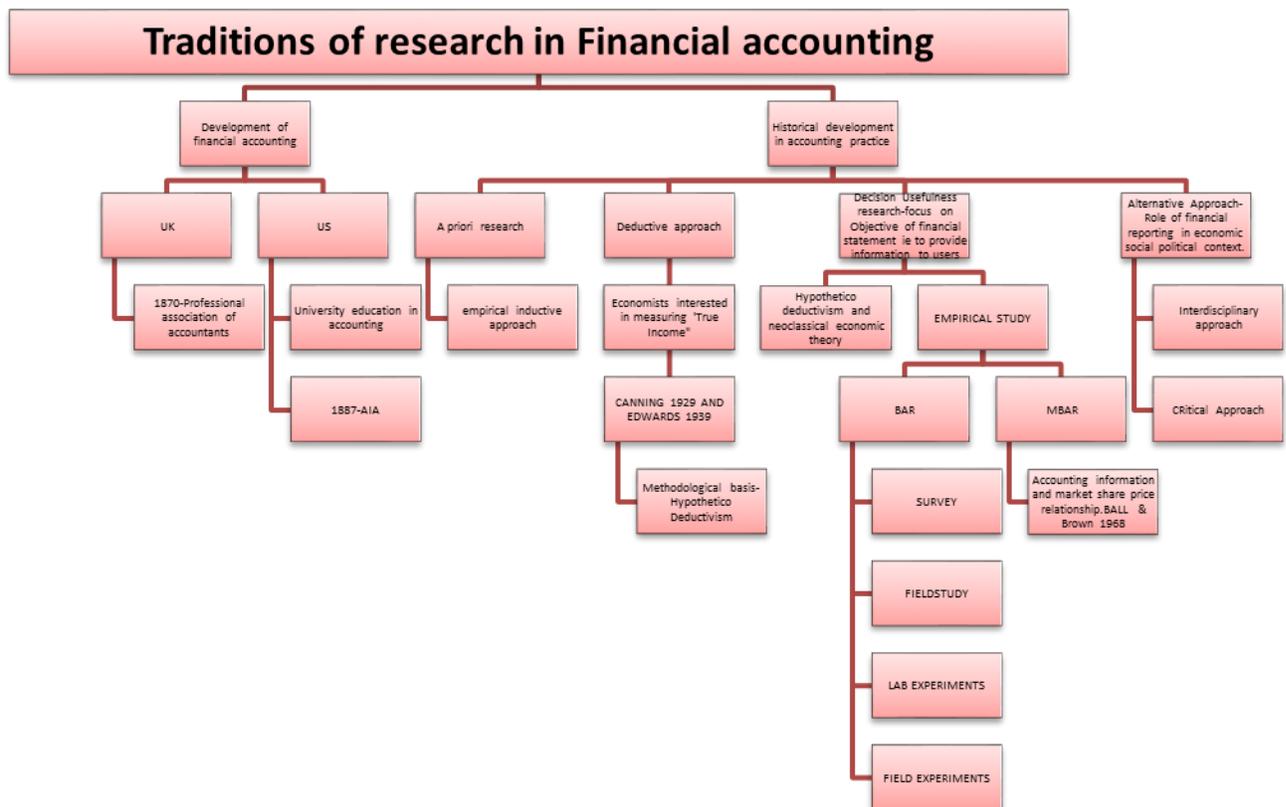


Figure 4: Traditions of research in financial accounting



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