

Survival of New Institutional Sociology Theory: The Case of Environmental Management Accounting in the Egyptian Context

Mohamed Yassin, College of Business Administration, University of Bahrain, Bahrain & Faculty of Commerce, Tanta University, Egypt

Salah A. Ali, College of Business Administration, University of Bahrain, Bahrain & Faculty of Commerce, Assiut University, Egypt

ABSTRACT

This study explores the extent to which institutional pressures influence the adoption of environmental management accounting (EMA) within the Egyptian manufacturing companies through an institutional perspective that relies on the new institutional sociology theory. The study has conducted interviews with staff members in 18 Egyptian manufacturing companies (organizational level), and with other different actors (organizational-field level), influencing the adoption of EMA in Egyptian companies. The study finds that there is some influence of institutional pressures on EMA's adoption in Egyptian manufacturing companies. The study finds that coercive pressure has more influence on companies to adopt EMA than normative and mimetic pressures. The poor influence of Egyptian accounting professional associations and environmental institutions has weakened the impact of normative pressures. More investigation is needed regarding the political and socio-economic factors surrounding the adoption of EMA in Egyptian context through the multi-levels institutional perspective.

KEYWORDS

Egyptian Manufacturing Companies, Environmental Management Accounting, Information Systems, Institutional Pressures, New Institutional Sociology Theory

1. INTRODUCTION

The last few decades have witnessed significant manufacturing development, accompanied by a significant increase in environmental pollution, global warming and climate change. Hence, stakeholders such as investors, shareholders and employees are increasingly demanding information on companies' activities and their impact on the environment (Arroyo, 2012; Burritt, 2004). These circumstances have raised serious doubt about the ability of traditional management accounting systems to meet the demand for environmental information to enable companies to make better informed decisions (Bennett & James, 2000). In Several studies, the findings suggested that traditional management accounting systems failed to meet the different and increasing demands of stakeholders

DOI: 10.4018/IJCRMM.2020010104

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regarding the company's activities and their impact on both society and the environment (Arroyo, 2012; Bennett & James, 2000; Burritt, 2004; El-Baradie, 2008). In this regard, Christ et al. (2016) suggested the extension of Management Accounting by applying environmental management accounting (EMA) as a tool to support managerial decision-making and to enhance the managerial information system. Literature offers several studies (Arroyo, 2012; Gray et al., 1995; Larrinaga-González et al., 2001; Laughlin, 1991; Llewellyn, 1994; Scapens, 2006; Youssef, 2013) that use institutional theory to explore the role of social and cultural pressures imposed on organizations that influence organizational practices and structures (Scott, 1992). Managerial decisions are strongly influenced by three institutional pressures, (coercive, mimetic and normative isomorphism), that share a common set of values, norms and rules to produce similar practices and structures across organizations that share a common organizational field (DiMaggio & Powell, 1983).

This study explores the role of institutional pressures on the adoption of EMA within Egyptian manufacturing companies, which could enhance the understanding of the need to shift from traditional management accounting to EMA, which can lead to more holistic organizational changes.

The current study has several contributions. First, it contributes to the management accounting literature by providing vital information on the institutional pressures that motivate organizations to adopt EMA. Second, it can enhance the understanding of the comprehensive process of organizational change within the context of developing countries. Finally, the results of the study could be applied to a wide range of Arab and Middle Eastern countries of similar characteristics.

This study is organised as follows: The next section, Section 2, presents the institutional theory's frameworks. Section 3 discusses the existing literature review. Section 4 presents a description of the research methodology and data collection methods used in the study. Section 5 highlights the analysis and discussion of this study. Finally, conclusions are drawn in the final section, Section 6.

2. THE THEORETICAL FRAMEWORK & THE NEW INSTITUTIONAL SOCIOLOGY THEORY (NIS)

Many studies (Bouma & van der Veen, 2002; Hassan, 2005; Modell, 2009; Seal, 2006) show that the institutional theory is becoming one of the dominant theoretical perspectives in accounting research. In the same vein, many researchers (i.e. Qian and Burritt, 2008; Rikhardsson et al. 2005) recommended the use of institutional theory as a tool to understand the adoption of EMA. Scapens (2006) argued that the institutional theory helps in understanding change in management accounting and gain insights into organizational change. It has three main frameworks with different intellectual roots and origins but share a common concern for institutional change. These three frameworks are the New Institutional Economic (NIE), Old Institutional Economic (OIE) and New Institutional Sociology (NIS) (Burns and Scapens, 2000; Powell & DiMaggio, 1991). The current study adopted the NIS framework, which represents a distinctive approach to study political, social and economic phenomena.

NIS theorists argue that organizations must appear legitimate to their stakeholder and to the broader society to secure the resources that they need for continued survival. They suggest that for organizations to gain legitimacy they must act according to what is expected of them (Hannan and Freeman, 1977; Scapens, 2006). Hrasky and Jones (2016) have provided evidence on accounting information that is used selectively and creatively to legitimatise decision-making supporting a cost-benefit calculus. This NIS theorists' approach draws attention to the way in which organizations tend to conform to the expectations of their broader society and environment (Powell & DiMaggio, 1991; Scapens, 2006). The adaption with the broader society and environment is called "homogenization" which is captured by isomorphism. Institutional isomorphism is implemented through three mechanisms; coercive isomorphism, mimetic isomorphism and normative isomorphism (DiMaggio & Powell, 1983). Coercive isomorphism stems from formal and informal pressures exerted on organizations by others upon which they are dependent for support or resources. Mimetic isomorphism is a response to uncertainty. Under uncertain environments, such as when organizational technologies

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