Institutional Drivers of Conformity
Evidence for Management Accounting from Brazil and Germany

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Abstract

With this paper, we join the widespread discussion of international convergence in management accounting, which has been endorsed by limited empirical data in the past. Building on the explanatory power of institutional theory, we have analyzed cross-sectional field study data from a unique set of matched manufacturing companies in Brazil and Germany. While corporations from both countries tend to adopt Anglo-American practices, we also found a strong influence of German management accounting concepts in Brazil. Besides the imitation of international best practices and powerful organizations, we also elaborate on pressures from International Financial Reporting Standards (IFRS) conversion and the pursuit of legitimacy by adherence to social norms.

Key Words: Comparative Management Accounting, Isomorphism, Germany, Brazil,
INTRODUCTION

An international convergence of structures, processes and practices has been suggested by a small but increasing stream of literature in the field of comparative management accounting (CMA) (Granlund & Lukka, 1998a; Shields, 1998; Van der Stede, 2003). In this context, research elaborates on the dominance of convergence (e.g., globalization, information technologies, transnational trade agreements) over divergence drivers (e.g., national and corporate culture, national legislation and institutions) and their influence on management accounting (MA) practices (Granlund & Lukka, 1998a). Still, empirical evidence and sound, theory-based explanations for the convergence of management accounting in international business remain scarce.

In contrast, most CMA studies build on contingency theory (e.g., Joshi, 2001; Jones, Currie & Dugdale, 1993; Luther & Longden, 2001). However, this approach does not provide adequate tools to examine convergence, because its main focus is on differences as a consequence of adapting to specific contexts. Therefore, we combine a framework from new institutional theory with theoretical and empirical insights from accounting research to analyze the adaptive pressures of institutional norms and standards on management accounting structures. In particular, we rely on institutional isomorphism to examine convergence processes, and we provide empirical evidence on MA from Brazil and Germany. Institutional isomorphism describes the harmonization of organizational structures through coercive, mimetic and normative processes (DiMaggio & Powell, 1983; Zucker, 1987; Galaskiewicz & Wasserman, 1989) and has been widely used in management studies (e.g., Deephouse, 1996; Guler, Guillen & MacPherson, 2002; Kostova & Roth, 2002; Mizruchi & Fein, 1999).

In the MA field, empirical evidence for international convergence exists only for selected European countries, the U.S. and Japan (Carr, 2005; Granlund & Lukka, 1998a). In this respect, we contribute to the existing literature in two ways: First, we apply the framework of institutional isomorphism to the MA field (Dillard, Rigsby & Goodman, 2004). Second, we address the need to include emerging economies in studies on international business and CMA. Our focus on Brazil and Germany allows us to compare directly the impact of international convergence pressures on industrialized and emerging economies and also accounts for historically strong business relationships between the two countries.
In Brazil, for example, more than 1,200 German subsidiaries with nearly 250,000 employees raise the question of mutual mimetic influences.

Building on these considerations, our study addresses two central research themes: We analyze international convergence in MA, and we explain our findings using an interdisciplinary approach based on insights from comparative accounting studies and institutional theory. Furthermore, we explore which practices and standards serve as international reference models for adaptation and how these models are conveyed. Our analysis relies on data from a cross-sectional field study (Lillis & Mundy, 2005). Our matched-sample approach with regard to size, industry and legal form helps us to control for biases of those factors in our data and to identify convergence patterns across industries using peer comparisons.

The remainder of this paper is structured as follows. In the next section, we provide a literature review of relevant CMA research, followed by a description of our theory framework and research methodology. Thereafter, we present the results of our field study, which are discussed in the final section.

**COMPARATIVE MANAGEMENT ACCOUNTING RESEARCH**

While a limited number of CMA studies have focused on MA in emerging economies (e.g., Joshi, 2001; Luther & Longden, 2001; Sulaiman, Ahmad & Alwi, 2004), no explicitly comparative empirical evidence from Brazil has so far found its way into international accounting journals (Hopper, Tsamenyi, Uddin & Wickramasinghe, 2009). Still, studies on India, China and South Africa reflect an increasing interest in the MA practices of emerging economies (e.g., Joshi, 2001; Waweru, Hoque & Uliana, 2004) and underline the growing economic importance of these countries. In this section, we provide an overview of existing CMA studies on emerging economies and also outline CMA literature with a focus on Germany.

Most comparative studies on MA in emerging economies find a quite limited use of modern MA techniques, such as activity-based management or target costing (Joshi, 2001; Sulaiman et al., 2004). This reflects the low availability of well-trained management accountants, cultural differences and a
lack of support for MA by top management in these countries. However, South Africa, for example, has begun to develop modern structures and processes (Waweru et al., 2004). Empirical evidence suggests that particular techniques, such as scenario analyses and a constant monitoring of the cost of capital are more commonly used in emerging markets than in industrialized countries as a means to address political and economic uncertainties (Luther & Longden, 2001). Collins, Holzmann and Mendoza (1997) examine the notion of uncertainty for MA practices in Latin America, focusing on the impact of societal crisis and corporate strategy on corporate budgeting. They find a positive correlation between innovative market strategies and an increased use of budgets in times of crisis. Other research identifies international corporations, intense competition and market liberalization as important drivers of modern MA practices in emerging economies (Anderson & Lanen, 1999; Firth, 1996).

German MA has been analyzed in both comparative academic and practitioner-oriented studies (e.g., Ahrens, 1997b; Ahrens & Chapman, 1999; Ahrens & Chapman, 2000; Jones & Luther, 2005; Krumwiede, 2005; MacArthur, 2006; Sharman & Vikas, 2004). In particular, the high interest of practitioners in German MA reflects Germany’s international economic relevance and the sophistication of German MA techniques (Küpper & Mattessich, 2005; Wagenhofer, 2006). In this context, German cost accounting and its Grenzplankostenrechnung (marginal planned cost accounting, also known as GPK) have been analyzed in several studies. This approach has even been suggested for use in foreign companies to improve existing cost accounting systems (e.g., Friedl, Kuepper & Pedell, 2005; MacArthur 2006; Sharman & Vikas, 2004). Although their MA practices seem to be highly sophisticated compared to those of other countries, German management accountants are less involved in the overall decision-making process of their companies than their British counterparts (Ahrens, 1997b). Their rather passive role includes showing financial consequences instead of actively influencing business decisions. Likewise, German researchers continue to work intensely to establish their field as a distinct discipline within the academic community. Therefore, empirical work is still limited and has only recently found its way into German research activities (Becker & Messner, 2005; Wagenhofer, 2006).

Our comparative analysis of the highly sophisticated but abstract German MA against Brazilian MA in its highly dynamic environment examines two essentially distinct approaches and is intended to
provide insights into international convergence drivers, the direction of convergence, relevant reference models and underlying rationales.

THEORY FRAMEWORK

We rely on new institutional theory to approach the field of accounting from a sociological perspective and apply our framework to a cross-country comparative study of organization structures. In this context, we examine the pressures of convergence drivers on management accounting practices in Brazil and Germany and analyze companies’ reactions compared to the predictions of institutional isomorphism. Based on our framework, we expect organizations to try to ensure their survival by achieving social legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Thus, they adopt the accepted structures and procedures of organizations that are perceived as established role models (Dillard et al., 2004; DiMaggio & Powell, 1983; Kostova & Roth, 2002; Kostova & Zaheer, 1999). This process leads to increased interaction and helps to identify best practices (Guler et al., 2002; Mizruchi & Fein, 1999) but can also induce non-efficient adaptation behaviors when the quest for social legitimacy outweighs economic reasoning (Barreto & Baden-Fuller, 2006; Galaskiewicz & Wasserman, 1989; Rodrigues & Craig, 2007). Although the explanatory power of institutional isomorphism has been widely demonstrated in the context of organizational design (e.g., Carpenter & Feroz, 2001; Dacin, Goodstein & Scott 2002; Lu, 2002), CMA researchers have rarely tested its propositions (e.g., Granlund & Lukka, 1998a; Van der Stede, 2003). In this regard, we extend research on international convergence in MA by analyzing the influence of institutional norms on organizational characteristics (Dacin, 1997).

DiMaggio and Powell (1983) identify three isomorphic mechanisms as main convergence drivers in economic and organizational contexts: coercive, mimetic and normative isomorphism. We aim to verify the relevance of these processes by investigating the influence of IFRS (coercive isomorphism), international benchmarking processes and IT-standardization (mimetic isomorphism) and university education (normative isomorphism) on MA practices in Brazil and Germany.
Coercive isomorphism is caused predominantly by governmental institutions or powerful international organizations through legislation and regulation. In accounting, IFRS represent the most obvious and important external pressure toward convergence (Rodrigues & Craig, 2007). Thus, convergence within the field of financial accounting has been subject to several studies (e.g., Gray, Linthicum & Street, 2009; Tarca, 2005). In addition, some papers have underlined the influence of IFRS on MA practices and on the interaction between MA and financial accounting (Jones & Luther, 2005; Wagenhofer, 2006).

Mimetic isomorphism explains the imitation of processes or structures employed by successful and acknowledged organizations to counteract uncertainty. Mimetic isomorphism often appears in the form of imitation of best practices (DiMaggio & Powell, 1983; Guler et al., 2002; Haveman, 1993; Mizruchi & Fein, 1999). We provide evidence for mimetic processes by illustrating the influence of standardized business software (SAP® and ORACLE®) on MA. Furthermore, we elaborate on benchmarking, which has been receiving increased attention in this field (Elnathan & Lin, 1996).

Normative isomorphism results from tendencies of business professionalization (Galaskiewicz, 1985). While specialists organize professional bodies and networks, university education is becoming more formalized and taught by more qualified staff. In addition, certifications and accreditations increasingly contribute to a common cognitive base. Seeking legitimacy, firms tend to employ accredited or certified professionals (e.g., Certified Management Accountant, Certified Public Accountant) who received their university education at renowned universities and share similar values and opinions (DiMaggio & Powell, 1983; Greenwood, Suddaby & Hinings, 2002; Williamson & Cable, 2003). As a key aspect of normative isomorphism, we investigate the influence of university education on the development of MA practices (Palmer, Jennings & Zhou, 1993; Rodrigues & Craig, 2007). We suggest that the three processes of institutional isomorphism provide meaningful explanations for cross-national harmonization of MA practices in the search for social legitimacy.
METHODOLOGY

This paper is based on a cross-sectional field study approach (Lillis & Mundy, 2005). In line with other field studies (e.g., Ahrens & Chapman, 2004; Atkinson & Shaffir, 1998; Roslender & Fincham, 2004) and relevant research on MA in emerging economies (e.g., Anderson & Lanen, 1999; Lin & Yu, 2002; Waweru et al., 2004), we collected our data in 20 semi-structured personal interviews of approximately 1.5 hours. We interviewed management accountants with an average work experience of 12 years in ten Brazilian (B1-B10) and ten German (G1-G10) corporations. As Latin American companies often show significant levels of mistrust and suspicion toward empirical research (Collins et al., 1997), a field study approach seemed the most appropriate method for data collection. We focused on manufacturing companies (e.g., Chow, Kato & Merchant, 1996; Daniel & Reitsperger, 1992; Jones et al., 1993; Merchant, Chow & Wu, 1995) in the following industries: Automotive, Aviation, Chemicals, Electronics, Energy, Food, Mining and Minerals, Pulp and Paper, Steel and Textiles.

Companies were identified and contacted in cooperation with leading local academic institutions. First, we contacted Brazilian companies. In a second step, we matched German corporations to the Brazilian sample based on size, industry and legal form to control for these intervening factors. Thus, we composed a sample of companies that are listed at the major international stock exchanges, have an average of approximately 20,000 employees and are controlled by a majority of Brazilian or German capital.

To obtain complete and reliable data, the interviews were tape recorded and transcribed (Abernethy, Lillis, Brownell & Carter, 2001; Silverman, 1993). We used content analysis to reduce the data and classified it into categories (Harwood & Garry, 2003; Jauch, Osborn & Martin, 1980; Krippendorff, 2004; Scandura & Williams, 2000). The validity of our findings was improved by requesting insight into internal reports and documents, which we used for data triangulation (Silverman, 1993; Yin, 2003).
RESULTS

Scope of and Developments in Management Accounting

We compare the approaches to MA in Brazil and Germany in a static analysis to delineate similarities in key concepts and functions. Substantial commonalities are related to complex analyses based on financial accounting and critical assessments of performance.

In both countries, MA complements business activities and provides information for managerial decision-making and control purposes. As “a mirror that reflects the company and all important events” (Interviewee B5), MA supports corporate planning, highlights potential needs for action and helps to improve transparency. Financial accounting data is broken down to specific reference objects, such as business segments, product groups or even particular products: “The operating profit disclosed in the financial statement also serves as an internal performance measure. But of course we use it with additional gradations, additional details” (Interviewee G7). Thus, management accountants have the intention of identifying irregular profits that are caused by external factors and have to be carefully distinguished from management achievements. In both countries, MA takes up the role of a critical counterpart: “We are always trying to provide constructive criticism for the different business units to show them opportunities how they could potentially improve their performance” (Interviewee B1).

Generally, MA is perceived as a comprehensive support function for managerial actions and offers its services proactively. While some Brazilian interviewees identified potential improvements with respect to proactive MA services, all of our German companies have already accomplished this critical stage: “We often see opportunities, call attention to potential developments and seek dialogue with the respective units to force change” (Interviewee G5). We find that German MA is more future-oriented and backed by a more advanced infrastructure than its Brazilian counterpart.

Furthermore, we identify developments in MA to account for the dynamics of isomorphism. We asked if and how MA has changed during the last few years, and we suggest, based on the responses, that a strong institutionalization has occurred in the Brazilian sites visited during this study. In Brazil, while managerial decision-making was primarily based on pure financial accounting information in the past, strategic and operational planning was often scattered throughout the company: “The activities that we
have centralized in MA today, they were done before as well. They were just occurring in many diverse entities and were poorly coordinated” (Interviewee B2). Our interviewees confirmed that these institutional changes have been accompanied by functional upgrades in decision support, information exchange and MA tools. In the German corporations we studied, MA had been established both institutionally and functionally a few decades ago and has since been gradually adapting to the state of the art in tools, processes and infrastructure.

Our observations of both static and dynamic aspects of MA in Brazilian and German corporations indicate a transnational convergence. To establish a link between these developments and the three isomorphic pressures, we asked our interviewees for general drivers of change and adaptation. First, several interviewees saw growth and international expansion as processes that require a strong involvement of MA. When large corporations emerge from acquisitions with complex structures and highly autonomous business units, MA helps to measure performance and ensure coordination: “When the company attains a certain size and you begin to split it up into different business units, you realize that you need a reliable MA model, which then becomes extremely important for decision-making” (Interviewee B7). Furthermore, the structures of corporate ownership have recently been changing significantly in Brazil, with an increasing number of formerly family-owned companies now being transformed into public corporations. Because of the corresponding replacement of entrepreneurs by professional managers and the separation of ownership and control, our interviewees perceived financial accounting statements as important monitoring tools. However, our Brazilian interviewees repeatedly stressed that financial accounting information must be complemented by MA data to become meaningful: “MA is pretty much involved in having transparent and detailed information about results and how they came about. Generally, financial accounting does not provide this transparency. But in MA we calculate results for different business units and have important information about contribution margins or value added” (Interviewee B7).

In addition to these general drivers, specific pressures and their impact on MA can be directly linked to the respective isomorphic processes.
Coercive Isomorphism

We find that MA is strongly influenced by the conversion of local accounting standards to IFRS, as it is mainly based on financial accounting data. While the international accounting standards were about to become obligatory in Brazil at the time of the interviews, the German companies were familiar with the consequences of IFRS for MA, as they have prepared their consolidated financial statements accordingly since 2005.

In Brazil, the preparation of financial statements in line with IFRS was perceived as an opportunity to improve the global comparability of corporations, particularly because the corresponding information is also used for internal management purposes: “There will be changes in MA and management as a consequence of applying new financial accounting rules, and I think this is very healthy because it will help making companies better comparable to each other” (Interviewee B4). Accordingly, corporations are converging in terms of the information distributed to their managers and owners. Furthermore, future decisions on cost structure, products and capital allocation will follow the same criteria. This effect is reinforced by the tendency to minimize adjustments for internal reporting purposes: “The president of the company reports the financial accounting figures externally and will be in trouble if they are not the ones managerial decision-making is based on” (Interviewee B2). The application of IFRS not only changes the informational base of accounting data but also affects MA tools and analyses: “It will affect our extraction of the data and the data as such, as it is captured. Moreover, this adoption is an opportunity to check if the analyses and techniques maintained still make sense from a business analysis perspective” (Interviewee B9).

The German corporations investigated in our study adopted a similar position, as they argued for compliance of the information used for external and internal reporting purposes. The prevailing view is that: “Financial accounting and MA data have to be the same. Otherwise it won’t work because you start to discuss why the figures are not exactly the same” (Interviewee G9). However, our interviewees considered this perception a significant change in German accounting systems, which used to consist of two independent databases. Accordingly, MA processed imputed costs in the past, resulting in differences between the profits reported internally and those based on expenses and revenues disclosed in financial statements.
The companies in our sample had begun to prepare their reports in line with the United States Generally Accepted Accounting Principles (US-GAAP) or IFRS in the mid-1990s. Because these standards were perceived as more appropriate for managerial decision support and control purposes than German GAAP, companies also began to change their structures toward the Anglo-American general ledger system. Accordingly, they established IFRS conformity for management information.

In view of the pressures imposed on financial accounting and MA by IFRS in both countries, we suggest that the implementation of international accounting standards contributes substantially to a transnational convergence of MA structures and information.

Mimetic Isomorphism

We find evidence for mimetic isomorphism induced by standardized business software and international benchmarking as Brazilian and German corporations adopt best-practice MA tools.

While Brazilian companies saw benchmarking as a “chance” (Interviewee B1) and a “necessity” (B10) to become more competitive in the global markets, a German interviewee (G1) described MA in multinational companies as “unavoidably international” and underlined benchmarking as “an important driver of convergence”. In Brazil, establishing “an increased international exchange” (Interviewee B3) provides opportunities to import successful MA tools from diverse sources. Thus, companies commonly implement modern techniques from the Anglophone world, such as EVA®, which are often introduced by international business consultants.

Likewise, in German corporations, benchmarking and signaling effects encourage conformity of MA structures and tools: “In Germany, MA in large companies is quite similar nowadays, and the concepts of consultancies are an important driver for this development. We are keen on adapting their established practices because it helps to signal our partners that we are up to date and competitive” (Interviewee G2). Based on the data from our interviews, we suggest that imitation of international MA practices is an important convergence driver for both Brazilian and German companies.

Mimetic processes are further driven by standardized business software. While Brazilian companies were completing the transformation of their IT into integrated structures at the time of the interviews,
ERP-systems have become widespread in both countries. However, the technical complexity of the software and its underlying approach to MA was characterized as “completely different” (Interviewee B6) from Brazilian concepts. The main reason for using standardized ERP-systems is their perception as “best practice that is incorporated in this type of software” (Interviewee B8). Additional benefits relate to data security, streamlining, better access to relevant information and process automatization. The majority of companies from our Brazilian sample have introduced the German SAP® software, which in turn has lead to a comprehensive import of German MA concepts, as they frame the theoretical background for many of the system’s functions.

In addition, the significant number of German subsidiaries, especially in the São Paulo business cluster, and their close interaction with leading Brazilian corporations act as catalysts for structural changes in Brazilian MA. In particular, these business relations shape managers’ ideas of MA concepts as they switch positions between corporations: “After that, I spent 3 years in the area of “Controlling” in a German owned company. In both companies, I have had managerial positions in ”Controlling”. These experiences have influenced my understanding of MA” (Interviewee B 9).

Because MA in foreign subsidiaries relies on the respective structures of corporate headquarters, German MA is becoming a reference model for mimetic isomorphism in Brazil. This effect was described by interviewee B6, who stated that the corporation has “external benchmarks. Among these, German competitors have been important. We developed our ideas of MA information and forecasts based on approaches some of these companies have been applying.”

Normative Isomorphism

Normative isomorphism in Brazil and Germany occurs in the form of an increasing professionalization of management and an alignment of academia toward international standards. Several interviewees mentioned that international degrees or exchanges had a significant influence on their career paths. In Brazil, business-tailored MBA programs are generally gaining importance in postgraduate and executive education compared to traditional academic degrees. In particular, this trend holds true for the field of MA, which was quite underdeveloped in Brazil until the late 1990s. The current
paradigmatic change was expressed in the words: “So, in fact, when companies are becoming more and more dependent on a more professionalized management, MA is gaining importance” (Interviewee B8).

Thus, English language skills and knowledge of international state-of-the-art management and accounting practices have become essential requirements for business education. This change has led to a substantial import of business-related knowledge and teaching methods from the Anglophone world, while academic qualifications are much more emphasized: “In the past, we distributed jobs without considering whether the employee was qualified for the job he did. Today, the market has already started to filter, and if you do not have a certain academic education, you are out of the job market in accounting these days in Brazil” (Interviewee B3).

In Germany, education in MA adheres to an approach with origins in production theory and highly developed cost accounting models. Although accounting programs have adopted an international structure in the Bologna harmonization process, the contents and teaching methods still differ from the Anglophone world, which often serves as an international reference framework. However, business schools increasingly seek accreditation from international bodies such as AACSB (The Association to Advance Collegiate Schools of Business) or EQUIS (European Quality Improvement System). In line with the trend in Brazil, exchanges with foreign universities - predominantly from the Anglophone world - are common practice in German business programs. Furthermore, normative isomorphism in Germany occurs in feedback loops between academia and industry. Over the last 15 years, a number of universities and business schools have set up so-called competence centers, in which academics and professional experts work together on benchmarking and evaluation projects: “I think we should implement a planning and steering system that allows the board to make decisions consistently on near real-time performance management data. This is part of the approach of business school X, as I mentioned” (Interviewee G3). While these processes induce convergence in MA structures and processes, they also shape the managers’ perceptions of legitimate models, qualifications and skills. In this regard, our interviewees confirmed a trend to hire junior staff increasingly from universities they know from such cooperative projects.
DISCUSSION

The objective of this paper was to explore convergence and isomorphic processes in MA in a comparative international setting. We relied on the theory framework of institutional isomorphism to cluster and interpret drivers of change and pressures to conform. We chose the example of Brazilian and German corporations and found evidence for all three forms of institutional isomorphism (DiMaggio & Powell, 1983) in MA. In both countries, companies are confronted with pressures from conversion to IFRS, international benchmarking exercises and convergence of academia, which all have a direct impact on corporate practice and MA.

Our study contributes to the existing literature in two ways: First, we provide evidence for the development of MA structures through direct comparison of an industrialized and an emerging economy using a matched sample field study. Thereby, we extend the existing research in CMA, which has traditionally focused on an examination of differences instead of commonalities in industrialized countries (e.g., Ahrens, 1997a; Chow, Shields & Wu, 1999; Guilding, Cravens & Tayles, 2000; Ueno & Sekaran, 1992). In particular, our data supports and extends Granlund and Lukka (1998a), who examine convergence of MA practices based on empirical data from Finnish corporations.

Second, we extend the literature on coercive (Guler et al., 2002; Rodrigues & Craig, 2007), mimetic (Deephouse, 1996; Haveman, 1993) and normative isomorphism (Siegel & Rigsby, 1998) by applying these concepts to MA and providing unique data from Brazilian and German manufacturers. We substantiate the explanatory power of isomorphism by identifying a double loop of mimetic forces that induce convergence: Both Brazilian and German companies tend to implement Anglo-American MA concepts. In addition, modern MA techniques that have been gradually adopted in Germany for the last two decades feed into Brazilian companies via the implementation of German ERP-systems. In these convergence processes, powerful software firms and influential international consultancies act as business service providers and promote the institutionalization of practices that are, over time, perceived as sources of legitimacy (Zucker, 1987).
Furthermore, we find that German subsidiaries that tend to bring their corporate level MA systems to Brazil (Van der Stede, 2003) induce mimetic behavior through, e.g., exchanges of executives. In this context, we support Galaskiewicz and Wasserman (1989) and argue that managers, as they join a corporation, tend to introduce practices that have proven successful in their former organizations.

We suggest that despite the low initial stage from which Brazilian MA began in the 1990’s (Lopes de Sà, 1996), efforts to imitate established MA practices were particularly strong in the Brazilian companies investigated because populations of large corporations served as strong role models for one another (Haveman, 1993).

We find support for coercive processes in MA caused by international accounting standards (Rodrigues & Craig, 2007) as part of larger global tendencies to adhere to international norms. Overall, IFRS represent a much stronger convergence force than other slowly diffusing drivers of coercive isomorphism (Guler et al., 2002) and immediately affect all organizations for which they become obligatory. We suggest that the adoption of IFRS has two implications for MA in large companies within a multinational business environment: It signals to stakeholders and investors conformity with state-of-the-art financial accounting knowledge and enables comparisons with international peers. Thus, companies may acquire better access to capital, customers and qualified employees. In addition, it provides opportunities and incentives for easier transfers of modern MA tools in the general processes of accounting conversion. However, we find that companies converting their accounting to IFRS also face significant structural challenges, such as customizing the German dual-ledger accounting system accordingly (Jones & Luther, 2005).

Eventually, we identify influences of normative isomorphism on MA in both countries. Our findings indicate that - as in other emerging economies (Kwok & Reeb, 2000) - inadequate education and training of the local workforce have affected the Brazilian business environment substantially in the past. However, Brazilian corporations are currently forcing a professionalization of their workforces in terms of both quality (such as academic rigor, scope of MA knowledge) and fit (business-tailored MBA programs, international exposure) to meet current international standards. In Germany, an intensive exchange between academics and professionals takes place within benchmarking and evaluation projects. Such cooperation contributes to the formation of elite networks that determine
what managers perceive as legitimate structures, processes, qualifications and skills in MA (DiMaggio & Powell, 1983; Davis & Greve, 1997). In this context, we find that academic education, including exchanges with foreign universities, has gained significant importance and reinforces the adoption of modern MA structures and processes in the corporations from our sample. However, in contrast to the Anglophone countries (Greenwood et al., 2002), for the case of MA we find that professional bodies such as the Brazilian National Association of Finance, Management and Accounting Professionals or the German International Controller Association play only a minor role in convergence processes. This limited role reflects a lack of entry requirements into the accounting profession, obligatory examinations or advanced training courses (Siegel & Rigsby, 1998) in both countries investigated.

Instead of a set of decoupled routines (Meyer & Rowan, 1977), we find institutional isomorphism to be interwoven with strategic considerations and the de facto implementation of practices and tools. However, from an international business perspective, we support the view that even with transnational isomorphism, companies will remain influenced by their local institutional environments (Kostova & Roth, 2002). In this regard, research has shown a trade-off between conformity and performance (Barreto & Baden-Fuller, 2006) that calls for a careful examination of the long-term consequences of isomorphic behavior.

With respect to MA, our findings enable further comparisons with preceding comparative research that suggested a lack of management support for MA in emerging economies (Joshi, 2001). From the proactive role model, the sophisticated support infrastructure and the level of institutionalization, we conclude that MA is still more advanced both in structures and processes in the German corporations we analyzed. This corroborates Wagenhofer’s (2006) conclusions from an examination of German MA research. Moreover, our findings suggest that management accountants in German corporations are stepping out of their former passive role as mere information providers (Ahrens, 1997b) and becoming more actively involved in discussions on business development. Similarly, the Brazilian management accountants interviewed are abandoning the “bean counter” role that has been observed in other countries (e.g., Burns, Hopper & Yazdifar, 2004; Granlund & Lukka, 1998b; Granlund & Malmi, 2002) by challenging managerial decisions, offering comprehensive analyses and visualizing fields for future action.
We recognize several limitations of our study. Our research design and sample size are subject to the common restrictions of cross-sectional field studies, which seek to contribute meaningful empirical data to explore complex theoretical constructs and thus inherently attain lower levels of generalizability than survey methods (Lillis & Mundy, 2005). However, our qualitative research design is in line with other relevant studies on MA in emerging economies (Anderson & Lanen, 1999; Lin & Yu, 2002; Waweru et al., 2004). Given both the scarce empirical evidence on institutional isomorphism in this context and the particularities of conducting empirical studies in Latin America (Collins et al., 1997), this methodology seems to represent a legitimate approach (Hult et al., 2008). Furthermore, our sample size exceeds the sample sizes of other relevant field studies in CMA (e.g., Ahrens, 1997b; Chow et al., 1999; Merchant et al., 1995), which makes data analysis more challenging but also provides a stronger basis for observing isomorphism across industries. In this regard, the matched sample approach accounts for the intervening factors of industry, legal form and size. Because our data collection was limited to a single period of nine months, we were able to cover more of the static aspects of isomorphism (Deephouse, 1996).

Still, we try to account for the dynamics of convergence by asking our interviewees to describe developments based on their long-term professional experience, which was facilitated by our field study design. Collectively, our qualitative data does not allow us to establish precise measures for the intensity of the three isomorphic processes or their impact on the companies’ performance. In this regard, we are left with a higher perceived satisfaction with MA processes and tools expressed by our German interviewees.

Our study has a number of implications for future research. We provide various starting points for hypothesis formulation and testing, such as a closer examination of the meaning and influence of professional organizations, foreign subsidiaries and education in MA on international convergence. These isomorphic drivers and the strength of their impact should be precisely measured and validated in further large-scale surveys, in particular with respect to the possible negative impacts of isomorphism on performance (Barreto & Baden-Fuller, 2006). We provide empirical data on MA practices in Brazil, whereas the corresponding structures in other BRIC countries (Russia, India and China) are largely unexplored. Measuring the dynamics of isomorphism in terms of cross-country
convergence would benefit from costly and time-consuming longitudinal or panel studies. We assume that researchers have avoided these efforts and first examined differences because they were easier to address from a methodological point of view. Therefore, our paper is intended to stimulate future research with a focus on both CMA in emerging economies and interdisciplinary approaches to accounting based on sociological theory.
REFERENCES


