

# Management Accounting With the Dissociations Between Rules and Routines: A Case Study

Zhe Shang

(Faculty of Humanities and Social Sciences, Hirosaki University, Japan)

**Abstract:** This study aims to explore how management accounting is practiced with the dissociation between rules and routines. Based on the existing research, a dissociation between rules and routines may cause management issues. Simultaneously, several researchers argued that in the short term, management accounting may practice with the dissociation between rules and routines. However, it remains unclear whether management accounting could be practiced without regard for the dissociation between rules and routines as a problem for a long time. Through a case study, this study confirmed the importance of the founder's thoughts (management philosophy), the knowledgeable actions of employees, and the limited importance of rules, even if dissociation exists. This study suggests that management accounting can be practiced with a dissociation between rules and routines, even if the dissociation has been in place for a long time. On that occasion, the top management should clarify the founder's thoughts using a method such as a value or mission statement and form well-done ostensive routines. Simultaneously, the top management should make employees form performative routines based on management philosophy and ostensive routines. Rules can be dissociated from performative routines, but they must be based on management philosophy.

**Key words:** rules, ostensive routines, performative routines, dissociation, case study, Japanese small-and-medium enterprise

**JEL codes:** M49

## 1. Introduction

The business environment surrounding enterprises is constantly changing. As a result, management accounting in businesses will either change or not change. Understanding the process of change or lack thereof is beneficial for deepening the understanding of the structure of management and how to practice management accounting (Yoshida, 2003; Burns, 2000; Burns & Vaivio, 2001; Quattrone & Hopper, 2001). Numerous studies in the existing literature have primarily clarified the process of change with an emphasis on management accounting change (Burns & Scapens, 2000; Busco et al., 2006; Granlund, 2001; How & Chandana, 2012; Quinn, 2014; Soin et al., 2002; Tarek, 2008). Based on the existing research, when enterprises are confronted with a change, rules and routines are modified and frequently become inconsistent. For example, when a new management accounting system is implemented, even if the guidelines as rules are created, there will be resistance from the field and no

routine changes, and the rules and routines will become dissociated (Tsamenyi et al., 2006). Existing research indicates that such dissociation is undesirable, would lead to problems and higher management costs, and must be addressed (Burns & Scapens, 2000; How & Chandana, 2012; Kasurinen, 2002; Scapens & Jazayeri, 2003; Quinn & Hiebl, 2018; Ritta & Lavarda, 2022).

However, it has been suggested that, when confronted with changes, one of the most important aspects of management accounting would be to differentiate between rules and routines (Collier, 2001; Dambrin et al., 2007; Lukka, 2007; Quinn, 2011, 2014). For example, Lukka (2007) questioned the desirability of dissociation, and Quinn (2014) found enterprises whose routines did not change along with rules, as well as enterprises whose management was based on routines in the absence of rules for a considerable amount of time. According to the findings of such studies, a dissociation between rules and routines does not impede effective management accounting and may even contribute to its success. When there is a dissociation, the challenges that are caused by the dissociation could be mitigated by several issues like shared value and the knowledgeable action of employees.

Having said that, the specific mechanism of management accounting that involves a dissociation between rules and routines is still not entirely clear. According to Feldman and Pentland (2003), the routines can be broken down into two categories: performative routines and ostensive routines. Therefore, the dissociation between rules and routines can be analyzed in greater depth, for example by determining which routines the rules are dissociated from. For example, the case that was investigated by Quinn (2014) showed the possibility that management accounting could be carried out even in the absence of rules, given that there is an ostensive routine that guides the performative routine. Based on existing research, one could recognize the importance of conducting a more in-depth investigation into the dissociation between rules and routines.

The primary objective of this paper is to investigate the management accounting under which there is a dissociation between rules and routines.

It is expected that, by clarifying the mechanism of management accounting with a dissociation between rules and routines, this study will make contributions to the management accounting by answering the following questions: When is the dissociation unsolvable in a period, What measures should be taken in management accounting along with a dissociation between the rules and routines in order to adapt to the constantly shifting business environment that surrounds enterprises? In addition, it is expected that this study will supplement existing research and shed light on the reason why management can be accomplished even when rules and routines are dissociated.

The remainder of this paper is structured as follows. Section 2 provides a summary of the previous research on management accounting change. Section 3 describes the research method. Section 4 introduces a case, in which the rules became dissociated from the performative routines. Section 5 discusses the observation results. Finally, Section 6 presents conclusions, limitations, and contributions.

## **2. Literature Review**

### **2.1 Rules and the Routines**

The existing research on management accounting changes, which focuses on the ever-changing process of management accounting, extensively discusses the rules and routines (Burns & Scapens, 2000; Lukka, 2007; Quinn, 2011). Rules are typically formal procedures and guidelines that are documented in documents that are

artifacts (Burns & Scapens, 2000; Quinn, 2011). Routines are the actual use of procedures and guidelines, and they are patterns of the collective behavior of employees (Burns & Scapens, 2000). According to existing research, dissociations between rules and routines cause management issues. For example, resistance, a lack of understanding of the rules, a lack of top management support, and so on can all lead to dissociations between rules and routines (Burns & Scapens, 2000; Busco et al., 2006; Granlund, 2001; Nor-Aziah & Scapens, 2007; Tarek, 2008). As a result, even well-developed rules may fail, resulting in unnecessary costs for enterprises. Furthermore, even if the dissociation does not cause problems immediately, it may interfere with management accounting in the long run (Lukka, 2007).

In light of the research that has been conducted until this point, there is one important qualification to make regarding the relationship between rules and routines. There are two facets to routines (Feldman & Pentland, 2003). One aspect is the abstract, ostensive routines that employees follow to orient themselves in the direction that is taken for granted and to guide them to specific routines (Feldman & Pentland, 2003; Quinn, 2011). This facet influences people's conceptions of what constitutes a desirable routine. In this regard, a common recognition as a group is formed not only by the rules but also by the norms that are accepted without question as well as a variety of other factors. The other aspect is the performative routines, which are the actual actions that are performed frequently by employees (Feldman & Pentland, 2003; Quinn, 2011).

The dual business of routines makes it possible for businesses to be managed even in the absence of rules (Quinn, 2011). Additionally, the two-sided aspect suggests that when we observe dissociations between rules and routines, we see patterns, such as whether the rules are inconsistent with ostensive routines or with performative routines. It is not inconceivable that this pattern will have a variety of effects on management accounting. For example, if a rule is not consistent with ostensive routines but is consistent with performative routines, the rule may still work, guide operation business processes and performative routines. Meanwhile, if a rule is consistent with ostensive routines but is not consistent with performative routines, then it is possible that the rule will not function as intended and it is just a document recognized by employees. The rule may be no meaning. However, none of the existing research observes the two aspects of routine that are related to rules.

## **2.2 The Dissociation between Rules and the Routines in the Management Accounting**

Although no research has been conducted to examine the two aspects of routine concerning rules, some studies on rules and routines have argued that the dissociation between rules and routines does not matter (Siti-Nabiha & Scapens, 2005; Lukka, 2007; Quinn, 2014). Depending on the researcher's position, such research is described using terms such as loose coupling and decoupling. These studies, which include loose coupling and decoupling, refer to the same phenomenon in which rules and routines are inconsistent. As a result, this study will include both. Siti-Nabiha and Scapens (2005) examined the case of implementing value-based management (VBM) as an accounting rule. Prior to the introduction of VBM, the rules and routines of the case enterprise were permeated with a production-oriented management philosophy that emphasized product safety and reliability. The parent company (an international oil and gas enterprise) then mandated the introduction of a financially focused VBM for long-term strategic evaluation. However, for the enterprise, VBM was inconsistent with the company's existing management philosophy, and there was operational resistance. As a result of the existing routine and management philosophy, the impact of VBM on the operation was minimal. Following that, new routines were created based on the management philosophy as routines were repeated, and the KPIs of VBM were revised. Routines were partially made VBM-compliant, and efforts were made to address the dissociation between rules

and routines.

Lukka (2007) presented a case study of a global manufacturing company that specializes in industrial equipment. In this particular case, the head office identified the discrepancy that had existed for a considerable amount of time between the accounting information system's rules and the operation's routines as a problem; it made efforts to rectify the situation. In this case, a rule for accounting reporting within the group was drafted into a manual, and that manual was then applied to the whole group. However, each country's unit operated according to its own routines and did not comply with the rules. The same item can be interpreted in different ways by various units, and the rules that are currently in place are insufficient. Moreover, the employees working in the head office were aware of this, and as a result, they had a difficult time preparing accounting reports that adhered to the rules. However, the rules did not change. This was attributed to the already established routines and flexible knowledgeable actions of the head office. The staff at headquarters, guided by the belief that they should report in an appropriate manner, painstakingly searched for ways to create reports for each unit and built routines that were inconsistent with the rules. This was accomplished on the basis of the philosophy that headquarters staff should report appropriately. As a result, the case's management accounting worked effectively, despite the fact that the staff experienced some difficulties.

Siti-Nabiha and Scapens (2005) and Lukka (2007) acknowledge the existence of temporary dissociations between rules and routines. However, they do not deny the necessity of taking action to address these dissociations. Lukka (2007), for instance, took the position that looking at it from a more long-term perspective, it could lead to management accounting problems that need to be addressed. Also, the employees suffered a lot to deal with the dissociations in the both case, such as the existing of resistance (Siti-Nabiha & Scapens, 2005), the painful efforts by the employees (Lukka, 2007).

In contrast to the research that was discussed previously, Quinn (2014) showed that there may not be any issues even if dissociations between rules and routines persist. Quinn (2014) found a case in which explicit routines guide performative routines even in the absence of rules. Additionally, Quinn (2014) discovered a case in which routines have maintained stable for approximately one hundred years despite the fact that rules have changed. In the first scenario, the routine for tracking the products that have been sold to customers has been consistent for over a century in order to provide appropriate after-sales service in cases issues with the product's quality arise. Meanwhile, the rules regarding the process of manufacturing the product are consistently subject to change. In the latter scenario, the quarterly report accountant had an explicit routine for providing detailed cost information and interpretations, which formed a performative routine for cost recording and interpretation, despite the absence of any rules.

Even though the above research did not present a definitive conclusion, it is believed that the fact that no problem occurred even when the rules and routines were inconsistent demonstrates the importance of management philosophy and the need for flexible action on the ground. This belief is based on the fact that no problem occurred even when the rules and routines were inconsistent.

Based on the preceding discussion, the research question is as follows: Why do dissociations between rules and routines not cause problems, and what does it have to do with ostensive routines and performative routines?

### **3. Methodology**

Assuming that there is much information about rules and routines that cannot be quantified, this study

decided to conduct qualitative research. Parker (2012) stated that, “The qualitative tradition emerges as contributing to the understanding and critiquing of management and accounting processes, as well as having the ability to address the concerns of practitioners and policymakers. Close researcher engagement with the field, a concern with process, embracing situational complexity, as well as critical and reflective understandings of organizational phenomena remain as hallmarks of the tradition” (p. 54). Scapens (1990) also argued that “An alternative is to attempt to expand our understanding of the empirical observations by developing theories which explain individual observations in their actual context. Such an alternative is provided by holistic research...Case studies have been used by holistic researchers” (p. 271). In addition, this study focuses on management that operates with the dissociation of rules and routines, which is underrepresented in existing research.

This study conducted semi-structured interviews with Kameyama Electric Co., Ltd. (Hereinafter KE) in order to collect information regarding the rules and routines in great detail. To supplement the currently accepted theories, one might find it useful to conduct a qualitative case study. It is expected that such study will modify previously established theories and offer recommendations for applications in the real world based on discoveries made in the context of the entire company.

Interviews with the KE were conducted in May 2019 (president and founder, about 2 hours), September 2019 (president and founder, about 3 hours), January 2020 (sales manager, technology manager, general affairs manager, about 5 hours), December 2020 (founder, general affairs manager, about 4 hours), December 2021 (founder, general affairs manager, 1 technical manager, 1 employee, about 5 hours), and February 2023 (founder, general affairs manager, 1 board member, about 5 hours). The interview was conducted six times (total duration: about 24 hours).

Following the interview, this study drafted a summary of what was discussed and subsequently asked the interviewees for the accuracy.

Due to the fact that the firm is a small and medium-sized enterprise, the president is directly involved in on-site operations. Moreover, awareness and action at the operational level can be captured through interviews. Additionally, this study gathered a variety of internal documents with the help and support of the president.

According to preliminary data, the enterprise manages its operations without regard for dissociations in its rules and routines. The president's great support also enables this study to gather information about the case's rules and routines. As a result, this study determined that the case was suitable for achieving the research goal. Simultaneously, while drafting the paper, this study obtained permission to disclose it and requested confirmation of the paper's content from KE to ensure its objectivity.

## **4. Case Study**

### **4.1 Introduction of the Case**

KE is a small and medium-sized enterprise based in Nagasaki, Japan, whose primary business is the design and sale of factory automation software. The total number of employees, including part-time and contract workers, is about 80 (as of April 1, 2023), with sales of approximately 800 million in 2022. The organizational structure consists of an engineering department, a sales department, a planning and management department, and a general affairs department. The KE's sales department acquires orders from customers as the business model, and the engineering department designs and develops software to sell to customers. However, in terms of customer acquisition, the sales and engineering departments collaborate to visit customers and make efforts to acquire

orders. The indirect departments are the planning and management department and the general affairs department. In particular, the planning and management department is in charge of part procurement management, quality management, and information system management, whereas the general affairs department is in charge of accounting, taxation, and banking operations, among other things.

In April of 2020, the company's founder, named Kitaguchi, stepped down from his role as CEO and assumed the role of chairman of the board instead. The thoughts of KE's founder are reflected very clearly in the company's management philosophy. Inspired by the career and way of life of Ryoma Sakamoto (a famous samurai in Japan), the founder's management philosophy aims to contribute to society through the happiness of employees and their families (Kitaguchi, 2021). Specifically, as argued by the founder in the interview, the mission of the KE is to realize the happiness of employees and their families through the business of designing and selling software by realizing profits, quality, the best technology, reasonable prices, and trustworthiness, and to contribute to various stakeholders. To achieve the goal, the founder places an emphasis on high aspirations and respect for humanity, as the following citation.

Based on the company's mission, I thought about what the KE's management philosophy should be.

First of all, I believe that we (all the employees of the KE) should continue to have high aspirations that will not waver even in difficult times so as not to live up to the name of Kameyama.

I believe that no matter how the times, the environment, and the economy change, if we continue to have high aspirations, we will not be confused and will surely find a way to success.

Next is respect for humanity. As the saying goes, "A company is its people", the development of people leads to the development of a company.

We believe that if we raise our discipline and work attitude to the highest level, respect each other and build a free and vigorous company, our company will develop on its own. (From the interview to the founder of the KE)

In order to put KE's management philosophy into practice, the company's founder established a number of ground rules. For example, a management plan that records the thoughts of the founder and communicates them to employees, guidelines for the management of budgets, documents for the Balanced Scorecard (BSC), and guidelines for the management of quality and evaluation of performance that are linked to the compensation plan. During the course of the interview, the founder of the company stated that in comparison with his rivals, he put significantly more effort into establishing the rules. Moreover, he was adamant that all employees should share the same ideas regarding the fundamental principles that underlie the management philosophy in their work. Even if the company's goals and policies are difficult to achieve or even impossible to achieve, the CEO is expected to take the initiative, work diligently, and solicit the cooperation of employees. In addition, educational activities such as annual tests and morning chants have been carried out on a consistent basis to ensure that the thoughts and regulations established by the founder are comprehended and accepted by the employees.

Routines at the operational level emphasize a commitment to the high aspirations and respect for humanity sought by the founders. Also, it is highly realized. Managers, for example, collaborate with other departments while keeping the KE's interests in mind, not just their department's interests. The employees accept even unattainable annual sales targets set by the founder and, in general, do not lower those targets. Furthermore, as determined by the BSC, which competitors have not implemented, employees from the sales department and the engineering department collaborate to accompany the target of customer visits, even if costs increase, to improve

customer satisfaction. This requires collaboration between the two departments as well as consideration for the work of other departments. Furthermore, when evaluating employee performance, understanding the management philosophy and the effort of daily employees' actions are emphasized rather than the achievement of unattainable goals.

#### **4.2 The Dissociation between Rules and Routines**

Although routines and actions were managed by the management philosophy and rules, there are dissociations between the rules and routines because of the founder's insistence that the KE start from the founder's thoughts, who creates a management philosophy and then establishes rules. Moreover, the dissociation is still present, it has not been fixed, and it has not been recognized as an issue that needs to be addressed.

According to the management philosophy of KE, which was established by the company's founder, in order to realize the happiness of its employees and their families, it is necessary to improve sales and ensure appropriate profits. In order to accomplish this goal, each department within the KE is required to act according to the rules that govern their respective roles. In this case, the management plan outlines the responsibilities of each department, and the integrated manual, which serves as a guideline for quality management, provides a more in-depth explanation of those responsibilities. For instance, the following description of the function of the planning and management department can be found in the integrated manual:

- 1) Purchase management (ordering, receiving), inspection work
- 2) Coordination and management of subcontractors
- 3) Response to REACH, RoHS, etc. for ordered items
- 4) Calibration management of measuring instruments ·Inventory control
- 5) Confirmation of the progress of the product realization process
- 6) Reviews in each process of the product
- 7) Inspection in each process of products
- 8) Management of infrastructure (under the jurisdiction of the administration department)
- 9) Promotion of information security management system
- 10) Maintenance, preservation and planning of in-house information systems (from the integrated manual)

The department of planning and management is in charge of overseeing purchasing management (ordering, receiving), inspection work, and quality check work. This is based on the management plan and the integrated manual that was presented earlier. When it comes to the purchase of product parts, the department that is planning to make the purchase is required to create an order request form, obtain approval from the general manager, and then hand it off to the procurement section of the department that oversees planning and management. In this manner, the information pertaining to customers and suppliers is managed by the planning and management department, which also assumes responsibility for the procurement of parts and establishes the rules. In addition, the BSC for the planning and management department sets indicators for the reduction rate of the purchase amount (the KE has created a company-wide BSC and departmental BSCs), and the responsibility for achievement is also linked to the planning and management department.

However, this study learned from the interviews that what was determined by the rules was not formed as a routine, and that employees were taking different actions than the rules expected them to. According to the manager of the department that is in charge of planning and management, the engineering department is in charge of managing the information on some of the suppliers of the parts, as well as the work of performing quality

checks.

As for quality management, there is a shortage of human resources who understand the business process. Actually, not only business processes but also quality assurance must be done, but there are not enough human resources. (The planning and management department should) make sure ISO processes for quality are followed. When products are produced, the quality management manager (the planning and management department) checks them, and his job is to check whether they can be sold outside. Right now, the technical manager (the engineering department) is doing things like confirming and submitting quality reports. Therefore, what is written here (the rules; the management plan and the integrated manual) is just an ideal place, and it is slightly inconsistent... However, that is not a problem (From the interview to the manager of the planning and management department)

As was just mentioned by the manager, there is a lack of consistency between the rules and the routines. In addition, he is aware of the dissociation. The issue of a lack of available human resources is the root of this problem. Furthermore, the following is the remark made regarding the reason why such dissociation has been tolerated about the purchasing.

Procurement work means arranging things for each project order and arranging parts. Of course, as a contract work, there are also orders for all vendors. Also, in terms of securing human resources for procurement, there is a wide variety of operations, and there is a shortage of people to coordinate them. If anything, I'm only doing orders for parts now. (From the interview to the manager of the planning and management department)

Originally, the planning and management department should be responsible for procurement. To reduce costs, there is work to secure by placing orders, negotiating with suppliers, and lowering prices for parts orders submitted by the engineering department. In the past, bulk orders were common, and we were able to do that because they were generally large projects, but now there are fewer large projects. Therefore, due to the shortage of human resources and the decrease in the number of such projects, we are placing orders in response to requests from the engineering department.

There are two types of suppliers. Where we have an agency contract, the amount is generally decided through an annual contract rather than negotiation, so it is a company-to-company matter, not a matter of the management department. As for the rest, about the parts, The KE is only taking a few now, so I am not doing it, considering the cost of negotiations. However, I just think it should be done. For that reason, for parts that can reduce the amount even a little, I ask for quotations from two vendors and purchase the cheaper one. (From the interview to the manager of the planning and management department)

When the order is of a large amount and the order requests more work than the parts purchasing, the engineering department will make a competitive estimate. If anything, the planning and management department deals with parts and materials. (From the interview to the manager of the planning and management department)

In spite of the fact that the planning and management department is in charge of determining the prices at which parts are purchased (as described earlier), competitive quotations are not carried out in accordance with the rules while taking costs into consideration. Aside from that, with regard to outsourcing of work, contrary to the rules, the engineering department is supposed to be in charge. The decrease in orders for large quantities, combined with a lack of available human resources, is the cause of such dissociation. Nevertheless, the manager is aware of what is desirable and acknowledges that the rules are not wrong.

The dissociation is not seen as a problem by those involved. This is due to the fact that all of the managers take the thoughts of the founder into consideration and work together with the other departments.



Due to the lack of personnel, we are not doing purchasing work at 100%, but we are doing it together with the planning and management department and the general affairs department. (From the interview to the manager of the planning and management department)

Because it is difficult to carry out the work of the management department as determined by the rules, and it is also difficult to achieve the target such as reduction of purchase amount determined by the BSC, managers are implementing the business process in cooperation with other departments. At the same time, the manager of the planning and management department is fully aware of what the management department ought to accomplish in light of the ideas expressed by the company's founder.

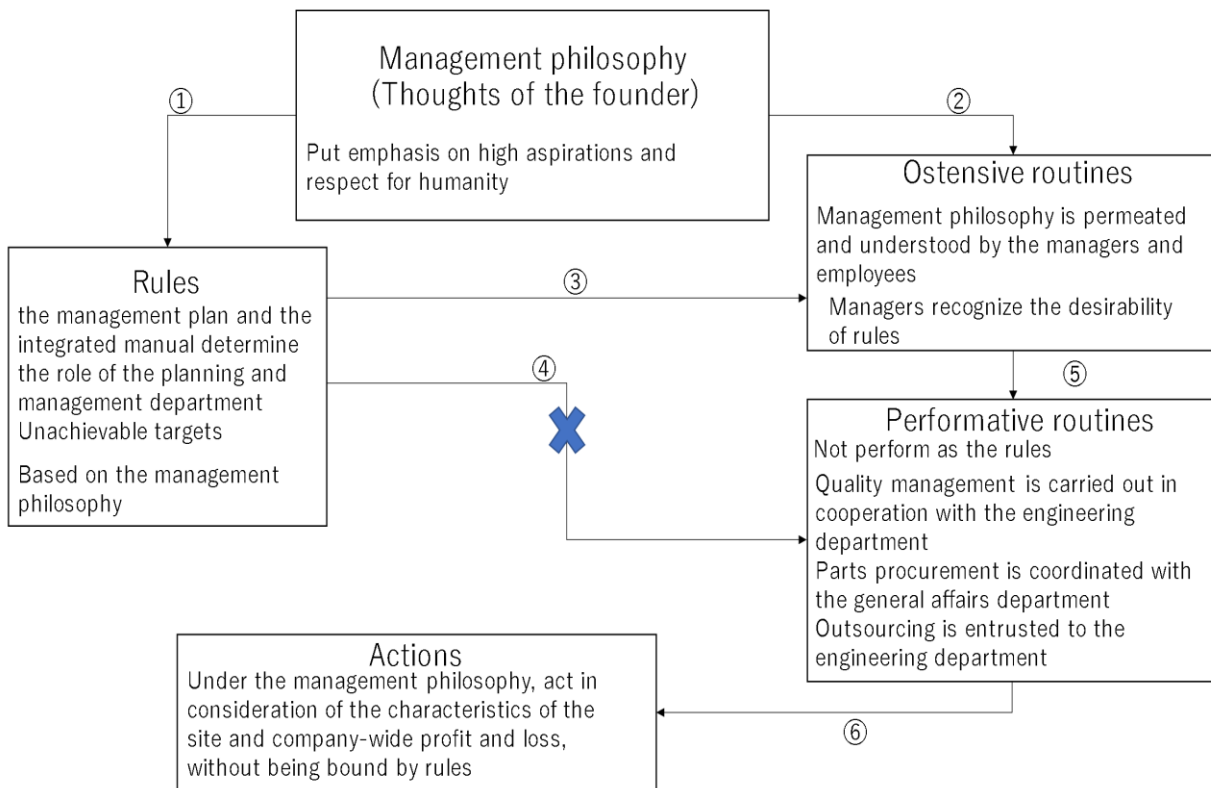
In the KE, the sales department and the engineering department secure sales and earn profits. Of the profit, the sales department and the engineering department have to cover the expenses of the general affairs department and the planning and management department, but now the ratio of the expenses of the two indirect departments to the total sales is slightly higher, so we are adjusting that area now. The KE has set a challenging sales target of 1 billion yen per year or more, so we have to do this much to reach that target. (From the interview to the manager of the planning and management department)

We are the department that secures sales and generates profits. Securing profits for my department does not necessarily lead to securing profits for the entire enterprise, so it is important to think high aspirations and generate profits for the entire enterprise. Also, it needs to coordinate with other departments. Currently, the cost of my department has increased, and we are promoting cooperation with the sales department and cooperation with the planning and management department. But I believe it contributes to the overall profit of the company. (From the interview to the manager of the engineering department)

According to the earlier remarks, the manager of the planning and management department has lofty goals and places more importance on the interests of KE as a whole than on those of his department. As a result, in accordance with the management philosophy, he completed the tasks that were assigned to him without becoming preoccupied with the rules. The same notion can also be confirmed through an interview with the manager of the engineering department's department.

## **5. Discussion**

In contrast to previous research (e.g., Siti-Nabiha & Scapens, 2005; Lukka, 2007), the dissociation between rules and routines is not regarded as a problem in the KE; it is tolerated and does not cause any management problems; the employees don't suffered in the case. Figure 1 depicts a summary of the case. First, the founder established rules that were consistent with his thoughts (management philosophy), which emphasized high aspirations and respect for humanity (refer to the 1). To rule sets unattainable goals and does not revise them downward to demonstrate high aspirations. Cooperation with other departments is realized to demonstrate respect for humanity, and employees communicate equally. Although unattainable goals were set, understanding of the management philosophy and daily actions are emphasized in performance evaluations linked to bonuses rather than goal achievement. This also demonstrates respect for humanity by encouraging employees not to overwork themselves.



**Figure 1 Summary of the Case.**

Managers are highly committed to the management philosophy (refer to the 2). This is maintained by training, educating, and testing employees. At the same time, managers acknowledge that such rules are desirable, and even in their remarks, they said that desirable business processes should follow the rules (refer to the 3). In other words, managers acknowledge that such rules are desirable. Numbers 2 and 3 established an ostensive routine for the employees as well as a universal recognition of the rules and the management philosophy. In addition, the lack of large-scale orders and the shortage of human resources brought about changes in the work style caused the planning and management department to be incapable of carrying out its work in accordance with the rules. Nevertheless, the case did not result in a change to the rules, which enabled the dissociation between the routine and the rules. Despite the fact that the manager believed that rules should be implemented, he developed knowledgeable actions, collaborated with other departments, or delegated work to other departments. Knowledgeable actions of this kind are prohibited by the rules because they prevent the planning and management department from performing the function that is specified by the rules. Such knowledgeable actions are consistent with management principles and strategies because they lead to the realization of company-wide profit, the realization of happiness for all employees, and the provision of better services to customers. For example, in terms of cost-benefit analysis, entrusting the quality management of the planning and management department to the engineering department prevents unnecessary inspections by amateurs, which in turn results in lower costs and improved customer service.

The ostensive routines serve as the foundation upon which the performative routines are built (refer to the 5). It is important to note that, in contrast to the rules, the management philosophy is directly reflected in the performative routines (refer to the 4). Lastly, the enactment of the performative routines into personal actions is

accomplished (refer to the 6). However, the rules are not translated into personal actions.

According to previous research conducted by Lukka (2007), operationally knowledgeable actions caused employees to experience difficulty in overcoming the challenge of dissociation that exists between rules and routines. However, in this case, no such pain is involved. The management philosophy should be ingrained into every aspect of the company, which is an important point. In this particular situation, educational activities are actively carried out, and the management philosophy is emphasized in performance evaluation; consequently, the management philosophy has permeated the employees. The employees are accustomed to behaving in a manner that is consistent with the management philosophy. When an individual has high aspirations, it is common to set goals that are unattainable without first revising them downward. As a result, the employee may have set the rule as a desirable goal, even if it was impossible to achieve the rule, thus causing the rule not to be revised. In this sense, the dissociation between the rules and routines and the fact that the rules are not modified reflects and reinforces high aspirations. Furthermore, existing research has shown that when dissociation takes place, following the rules becomes merely a formality, and not a single employee does so. Despite the fact that the same thing takes place in this scenario, the rules have a richer meaning. The fact that the rules are kept separate from the routines helps to ensure that the management philosophy is consistently applied. Hence, it is possible to argue that the rules that are dissociated from the routine are not meaningless.

In the process of putting in place operationally knowledgeable actions for unachievable goals, the characteristics of the work performed by the department of planning and management were incorporated. Because there was a shortage of human resources, the engineering department was given responsibility for some of the operations. Not only was there a focus on the overall profit of the company, which was based on high aspirations, but there was also respect for people. This was the driving force behind their success. This is a direct result of the engineering department being given the respect it deserves for its expertise, which enables it to perform quality inspections. In terms of the procurement of parts, the KE has decided to reduce the number of competitive quotations, has delegated the task of outsourcing work to the engineering department, and will only place orders for parts. This decision was made in light of the decrease in the number of large-scale orders. It is expected that the department of general affairs will work together with the department of parts purchasing, except for the work of submitting orders to supplies. Cooperation with the engineering department and the general affairs department is related to the permeation of the management philosophy, high aspirations, and respect for humanity when such knowledgeable actions are carried out. This is because to maximize overall company profits, employees must have a mentality that encourages taking on challenges even if they are impossible to complete and respecting the capabilities of other departments.

## **6. Conclusions Remarks**

Through the use of a case study, this study examined how effective management accounting can be carried out in situations in which established rules and routines are dissociated. Accordingly, this study was able to demonstrate the importance of knowledgeable actions at the operational level, the permeation of management philosophy, and the realization that rules also have a degree of importance. In particular, the permeation of the management philosophy results in the formation of a common recognition in ostensive routines. This recognition directs performative routines and serves as the foundation for knowledgeable actions at the operational level. The management philosophy, which was pervasive throughout the organization, served as the basis for operationally

knowledgeable actions and helped support the actualization of strategies. The strategy implemented in a more flexible manner as a result of knowledgeable actions taken at the operational level. These findings complement previous studies (Siti-Nabiha & Scapens, 2005; Lukka, 2007; Quinn, 2014). Existing research highlighted the importance of permeation of management philosophy and knowledgeable actions being taken in the field; however, they did not analyze the relationship between the two through a single case. Furthermore, in contrast to the findings of previous research, which conclude that rules are meaningless when rules and routines are dissociated, or that routines can be run without rules, this study discovered the possibility that rules support the permeation of the management philosophy. The problem of the rules being treated as mere formalities was circumvented, thanks to the permeation of the management philosophy.

The contribution made by this research is threefold. First, it complements previously conducted research by demonstrating the significance of integrating management philosophies into day-to-day operations while also demonstrating the necessity of taking important actions. Second, this study modified the conclusions of previous research and found that in situations where there is a simultaneous realization of the permeation of the management philosophy and knowledgeable actions, even if the rules and routines are dissociated from one another, the rules still played a role in supporting the permeation of the management philosophy. Third, this research showed a pattern of management accounting even if the rules and performative routines are not associated with one another. This was accomplished by separating rules into ostensive routines and performative routines.

This study has several limitations. First, despite the fact that this study found a scenario in which the rules and the performative routines are dissociated, additional investigation into scenarios in which the rules and the ostensive routines are separated is still needed. Second, because this was a case study, the factors we were able to observe may have been influenced by the characteristics of the location where the research was conducted.

## Acknowledgements

Thanks to Kameyama Electric Co., Ltd. for the cooperation in the interview. Thanks to the referees for their valuable comments. This article was supported by the Melco Foundation (Kokusai 2023002).

## References

- Burns J. (2000). "The dynamics of accounting change Inter-play between new practices, routines, institutions, power and politics. Accounting", *Auditing & Accountability Journal*, Vol. 13, No. 5, pp. 566-596.
- Burns J. and Vaivio J. (2001). "Management accounting change", *Management Accounting Research*, Vol. 12, No. 4, pp. 389-402.
- Burns J. and Scapens R. (2000). "Conceptualizing management accounting change: an institutional framework", *Management Accounting Research*, Vol. 11, No. 1, pp. 3-25.
- Busco C., Riccaboni A. and Scapens R. (2006). "Trust for accounting and accounting for trust", *Management Accounting Research*, Vol. 17, No. 1, pp. 11-41.
- Collier P. (2001). "The power of accounting: A field study of local financial management in a police force", *Management Accounting Research*, Vol. 12, No. 4, pp. 465-486.
- Dambrin C., Lambert C. and Sponem S. (2007). "Control and change — Analyzing the process of institutionalization", *Management Accounting Research*, Vol. 18, No. 2, pp.172-208.
- Feldman M. and Pentland B. (2003). "Reconceptualizing Organizational Routines as a Source of Flexibility and Change", *Administrative Science Quarterly*, Vol. 48, No. 1, pp. 94-118.
- Granlund M. (2001). "Towards explaining stability in and around management accounting systems", *Management Accounting Research*, Vol. 12, No. 2, pp. 141-166.

- How S. and Chandana A. (2012). "Accounting decoupled: A case study of accounting regime change in a Malaysian company", *Critical Perspectives on Accounting*, Vol. 23, No.6, pp. 403-419.
- Kasurinen T. (2002). "Exploring management accounting change: the case of balanced scorecard implementation", *Management Accounting Research*, Vol. 13, No. 3, pp. 323-343.
- Kitaguchi Y. (2021). "Utilization of BSC (Balanced Scorecard) at Kameyama Electric Co., Ltd. -Thinking from the perspective of introduction, operation, and issues", *The Journal of Management Accounting, Japan*, Vol. 29, No. 2, pp. 63-70. (in Japan)
- Lukka K. (2007). "Management accounting change and stability: Loosely coupled rules and routines in action", *Management Accounting Research*, Vol. 18, No. 1, pp. 76-101.
- Nor-Aziah A. and Scapens R. (2007). "Corporatization and accounting change: The role of accounting and accountants in a Malaysian public utility", *Management Accounting Research*, Vol. 18, No. 2, pp. 209-247.
- Parker L. D. (2012). "Qualitative management accounting research: Assessing deliverables and relevance", *Critical Perspectives on Accounting*, Vol. 23, No. 1, pp. 54-70.
- Quattrone P. and Hopper T. (2001). "What does organizational change mean? Speculations on a taken for granted category", *Management Accounting Research*, Vol. 12, No. 4, pp. 403-435.
- Quinn M. (2011). "Routines in management accounting research: further exploration", *Journal of Accounting & Organizational Change*, Vol. 7, No. 4, pp. 337-357.
- Quinn M. (2014). "Stability and change in management accounting over time — A century or so of evidence from Guinness", *Management Accounting Research*, Vol. 25, No. 1, pp. 76-92.
- Quinn M. and Hiebl M. (2018). "Management accounting routines: a framework on their foundations", *Qualitative Research in Accounting & Management*, Vol. 15, No. 4, pp. 535-562.
- Ritta C. and Lavarda C. (2022). "Changes in management accounting rules and routines in merger and acquisition operations", *Revista Contabilidade & Finanças*, Vol. 33, No. 90, pp. 1-15.
- Scapens R. (1990). "Researching management accounting practice: The role of case study methods", *The British Accounting Review*, Vol. 22, No. 3, pp. 259-281.
- Scapens R. and Jazayeri M. (2003). "ERP systems and management accounting change: opportunities or impacts? A research note", *European Accounting Review*, Vol. 12, No. 1, pp. 201-233.
- Siti-Nabiha A. and Scapens R. (2005). "Stability and change: An institutionalist study of management accounting change", *Accounting, Auditing & Accountability Journal*, Vol. 18, No. 1, pp. 44-73.
- Soin K., Seal W. and Cullen J. (2002). "ABC and organizational change: An institutional perspective", *Management Accounting Research*, Vol. 13, No. 2, pp. 249-271.
- Tarek C. (2008). "Applying a typology of management accounting change: A research note", *Management Accounting Research*, Vol. 19, No. 3, pp. 278-285.
- Tsamenyi M., Cullen J. and González J. (2006). "Changes in accounting and financial information system in a Spanish electricity company: A new institutional theory analysis", *Management Accounting Research*, Vol. 17, No. 4, pp. 409-432.
- Yoshida E. (2003). "Significance of management accounting change research", *The Journal of Business Studies*, Ryukoku University, Vol. 43, No. 2, pp. 100-112. (in Japan)