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Cost Accounting in Anglophone Subsidiaries

Empirical Evidence from Germany

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1 Introduction

1.1 Motivation and research questions

“Comparative management research consistently reports that organizations within one national setting can exhibit similarities not shared by enterprises in other countries.”¹

Despite tendencies towards international convergence,² there are remarkable national particularities of management accounting practices.³ This holds especially true for **cost accounting**,⁴ the source of modern management accounting.⁵ Since the establishment of cost accounting during the industrialisation in the 19th century,⁶ its development is especially attributable to German-speaking and Anglophone researchers and practitioners.⁷ Hence, it is not surprising that German and Anglophone⁸ cost accounting is characterised by unmistakable particularities. Whereas German cost accounting is particularly sophisticated and refined, Anglophone cost accounting traditions tend to be considerably less detailed.⁹

“Companies may implement home-country practices in subsidiaries located in countries where the home-country practice will be ineffective.”¹⁰

Such cross-national differences in cost accounting imply a tension for **multinational companies**¹¹ (subsequently MNCs or multinationals). To ensure the efficiency of their cost accounting systems, multinationals need to choose between a company-wide alignment of cost accounting systems with their home country traditions (ethnocentric design) or worldwide best practices (geocentric design) and the approval of diverging cost ac-

¹ Bhimani (2005), p. 250.

² Cf. Granlund/Lukka (1998), p. 170; Macintosh (1998), p. 498; Shields (1998), p. 506; Chow et al. (1999), p. 455; Jones/Luther (2006), p. 8.

³ For reviews of comparative management accounting research, cf. Eendenich et al. (2011), p. 365ff., and Moeschler (2012), p. 52ff.

⁴ For associated reviews, cf. Brierley et al. (2001), p. 218ff.; Blake et al. (2003), p. 181f.; Krumwiede/Suessmair (2007a), p. 2ff.; Kajüter (2011), p. 89ff.; Moeschler (2012), p. 64ff. and 343f.

⁵ Cf. Vellmann (1990), p. 549; Küpper (1990), p. 11; Weber/Schäffer (2011), p. 3.

⁶ Dorn (1961), p. 23ff., and Pfaff (1993), p. 24f., trace cost accounting back to the late 18th century. Yet, the rise of the field is generally attributed to industrialisation (cf. Dorn (1961), p. 23ff.; Garner (1976), chapter 1; Kaplan (1984), p. 391; Littleton (1988), p. 321; Pfaff (1993), p. 24ff.; Zirkler (2002), p. 34; Bhimani/Bromwich (2010), p. 2f.; Weber/Schäffer (2011), p. 3).

⁷ Cf. Boons et al. (1992), p. 97; Bungenstock (1995), p. 354f.; Sheridan (1995), p. 288; Bjørnenak (1997), p. 367; Hopper et al. (1999), p. 73; Amat et al. (2000), p. 8f.; Währisch (2003), p. 71; Ewert/Wagenhofer (2006), p. 1050; Kilger et al. (2012), p. 60.

⁸ This terminology refers to the USA and five Commonwealth countries which are commonly covered in international research and have German affiliates (Great Britain, Australia, New Zealand, Canada and South Africa). For a similar aggregation of Anglophone firms cf. e.g. Hoffman et al. (2009), p. 116f.

⁹ Cf. section 2.2 for a comprehensive review.

¹⁰ Portz/Lere (2010), p. 45.

¹¹ This term is not restricted to the identical terminology by Bartlett/Ghoshal (1989), p. 49ff., in this study but embraces Bartlett/Ghoshal's international, multinational, global and transnational firms. Similar to Macharzina (1981), p. 44f., or Berens et al. (2000), p. 16, the terminology thus describes companies with cross-border operations more generally.

counting systems for each legal entity (polycentric) or certain regions (regiocentric)¹². As such, national particularities in cost accounting introduce alternative options for the design of cost accounting systems in MNCs.¹³ These options, however, also imply a tremendous potential for conflicts. On the one hand, cost accounting systems in subsidiaries tend to be disregarded for local decision-making if it is too heavily influenced by a parent company.¹⁴ On the other hand, foreign subsidiaries may lobby for their national cost accounting traditions or strive for a certain level of local adaptiveness.¹⁵ Therefore, foreign subsidiaries of MNCs¹⁶ provide a unique research opportunity to analyse the consequences of cross-national differences in cost accounting.¹⁷

During such an analysis, the above insights reveal that it is not only relevant to look at the prevalence of a parent's cost accounting traditions in the design of a subsidiary's cost accounting system but it is also necessary to consider the actual use of cost information for decision-making. Both affect the performance of cost accounting systems in subsidiaries.¹⁸

This far, the **current state of knowledge** on the effect of cross-national differences in cost accounting for subsidiaries in multinationals is scarce. To this point, there is no research which describes and explains the design of cost accounting systems and the use of cost information in subsidiaries and simultaneously looks at these systems' performance. This holds particularly true for affiliates of Anglophone companies in Germany (hereafter Anglophone subsidiaries). Given the cross-national differences of Anglophone and German cost accounting traditions and the recently evolving interest of Anglophone researchers and practitioners in German cost accounting,¹⁹ the negligence of this research perspective

¹² For this differentiation of a multinational according to the "the orientation toward 'foreign people, ideas and resources' in headquarters and subsidiaries" (*Perlmutter* (1969), p. 11), cf. *Perlmutter* (1969), p. 9ff.; *Heenan/Perlmutter* (1979), p. 17ff.

¹³ Cf. *Amat et al.* (2000), p. 20; *Van der Stede* (2003), p. 279f.; *Kellermanns/Islam* (2004), p. 43ff.; *Endenich et al.* (2011), p. 365.

¹⁴ Cf. section 3.3.2.2.

¹⁵ Cf. *Meyer* (1988), p. 53ff.; *Bhimani* (2003), p. 523ff.

¹⁶ *Roth/Kostova* (2003), p. 894ff., motivates researchers to use multinationals as a research site to look at the standardisation of management practices. Similarly, *Shields* (1998), p. 512, reveals the importance of MNCs for the international convergence of management accounting practices.

¹⁷ Cf. *Wullenkord* (1995), p. 56–58. Also, a subsidiary perspective can best reflect the level on which cost information of MNCs is accumulated (cf. *Währisch* (1998), p. 55, 61; *Pfaff* (2003), p. 32; *Wolfsgruber* (2011), p. 251) and reflects that inadequately designed systems tend to be delinked from decision-making in (foreign) subsidiaries.

¹⁸ Cf. *Kellermanns/Islam* (2004), p. 46, or similarly *McMann/Jr. Nanni* (1995), p. 333; *Jones et al.* (1998), p. 212; *Cruz et al.* (2009), p. 113; *Portz/Lere* (2010), p. 45.

¹⁹ Cf. *Keys/van der Merwe* (1999), p. 2ff.; *Keys/van der Merwe* (2002), p. 41ff.; *van der Merwe/Keys* (2002), p. 31; *Sharman* (2003b), p. 42ff.; *Sharman* (2003a), p. 30ff.; *Lynn/Todd* (2003), p. 20ff.; *van der Merwe* (2004), p. 1ff.; *Clinton/Webber* (2004), p. 21ff.; *Webber/Clinton* (2004), p. 1ff.; *White* (2004), p. 6f.; *Grasso* (2005), p. 12ff.; *Sharman/Vikas* (2004), p. 28ff.; *Smith* (2005), p. 36ff.; *Friedl et al.* (2005), p. 56ff.; *Zayer* (2005), p. 322ff.; *Mackie* (2006), p. 33ff.; *MacArthur* (2006), p. 10ff.; *Vikas* (2006), p. 27ff.; *Krumwiede et al.* (2007), p. 1ff.; *Krumwiede/Suessmair* (2007b), p. 5ff.; *Krumwiede/Suessmair* (2007a), p. 1ff.; *White et al.* (2008), p. 5ff.; *Portz/Lere* (2010), p. 45ff.; *White et al.* (2011), p. 38; *White* (2009), p. 63ff.

is very surprising. Consequently, the study at hand poses the following **research questions**:

RQ (1a)	Are there differences with respect to the design of cost accounting systems in Anglophone and domestic subsidiaries in Germany?
RQ (1b)	How do Anglophone and domestic subsidiaries in Germany use their cost information for managerial decision-making?
RQ (2a)	What determines the design of cost accounting systems in Anglophone and domestic subsidiaries in Germany?
RQ (2b)	What determines the use of cost information for managerial decision-making in Anglophone and domestic subsidiaries in Germany?
RQ (3a)	How can Anglophone and domestic subsidiaries in Germany improve the design of their cost accounting systems?
RQ (3b)	How can Anglophone and domestic subsidiaries in Germany improve the use of cost information in managerial decision-making?

These six questions comprise three **research objectives** which are followed by this study. First, descriptions of the design of cost accounting systems and the use of cost information in subsidiaries of Anglophone MNCs and domestic companies in Germany are provided. Second, this study aims to provide explanations for the design of cost accounting systems and the use of cost information in subsidiaries of Anglophone MNCs and domestic companies in Germany. Thereafter, the study attempts to derive practical recommendations on how to improve the cost accounting systems in subsidiaries of Anglophone MNCs and domestic companies in Germany.

By pursuing these research objectives through an empirical research strategy, this study **contributes** considerably to international management accounting literature and provides fruitful insights for practitioners. From an **academic perspective**, the study takes on the debate of accounting system's cross-national 'travel' and potential local resistance to or avoidance of diffused accounting systems.²⁰ It, as such, bridges the demand for more international management studies on MNCs²¹ and management accounting research. Thereby, the inclusion of the actual use of cost information does not only reflect continuous calls for more accounting research on the use of information²² but also enables to reveal whether local resistance to corporate cost accounting initiatives is more present for the design of management accounting instruments or their application for decision-making. Above all, the study can assess whether the knowledge on cross-national differences in management accounting is of actual relevance for the analysis of MNCs. The study, hence, contributes to the call for more comparative management accounting informed research.²³ For **practitioners**, the study is especially relevant for two reasons. First, the inclusion of the performance of cost accounting can lead to revelation of pathways how to improve cost accounting systems in subsidiaries. Second, the comparative character of the study provides practitioners with the ability to learn about cost accounting prac-

²⁰ Cf. Baxter/Chua (2003), p. 109; Merchant et al. (2011), p. 640.

²¹ Cf. Roth/Kostova (2003), p. 894ff.

²² Cf. Küpper (1993), p. 614; Brierley et al. (2001), p. 239; Chung et al. (2002), p. 124; Brown et al. (2004), p. 354.

²³ Cf. Hopwood (1999), p. 378; Brierley et al. (2001), p. 240.

tices in companies of different national origin. If e.g. there were some German cost accounting traditions in Anglophone subsidiaries in Germany, the study may uncover whether Anglophone companies can learn from their German subsidiaries in terms of cost accounting systems²⁴ to improve their domestic cost accounting system.²⁵

1.2 Structure of the study

Figure 1-1 illustrates the structure of this study. Fundamental to any research project is a clear statement of its philosophical and theoretical assumptions.²⁶ Consequently, section 1.3 points out how this study is positioned with respect to ontological and epistemological issues. Theoretical positions are postponed to chapter 4. Thereby, the insights of previous researchers on the issue of cost accounting systems in foreign subsidiaries can be taken into account.

Chapter 1 Introduction	Motivation and research questions Scientific and philosophical basis
Chapter 2 Fundamentals	Fundamentals on cost accounting in German and Anglophone companies
Chapter 3 Literature review	The complexity of cost accounting systems in subsidiaries The use of cost information in subsidiaries
Chapter 4 Hypothesis development	Theoretical foundation and basic research hypotheses Hypotheses development
Chapter 5 Research design	The survey instrument The sample The statistical methods
Chapter 6 Empirical results	Empirical description of cost accounting in subsidiaries Empirical explanation of cost accounting in subsidiaries Recommendations for improvements of cost accounting in subsidiaries
Chapter 7 Conclusion and outlook	Main findings and implications Limitations Perspectives on future research

Figure 1-1: Outline of the study

²⁴ Krumwiede/Suessmair (2007b), p. 55, identify the lack of knowledge on German cost accounting as a key drawback for its application in non-German companies. In line, Portz/Lere (2010), p. 51, suggest that the applicability of GPK varies for different nations.

²⁵ Clinton/White (2012), p. 53, reveal a wish for detailed cost information in Anglophone companies.

²⁶ Cf. Hopper/Powell (1985), p. 429.

In order to pursue the research questions and accomplish the research objectives, section 2 introduces the fundamentals on cost accounting in Anglophone and German companies. Subsequently, section 3 presents the current state of research on the design of cost accounting systems (3.2) and the use of cost information (3.3) in subsidiaries. Building on the scientific and philosophical positioning as well as the literature review, section 4.1 identifies business theories for the analysis of subsidiaries' cost accounting systems and will translate these into basic hypotheses. These basic hypotheses are refined in section 4.2 by establishing this study's hypotheses.

This study answers its research questions on the grounds of a large sample of Anglophone subsidiaries and a domestic German control group. The samples as well as the survey instruments are introduced throughout sections 5.1 and 5.3. After an introduction of the statistical methods in section 5.4, section 6 will present this study's empirical results. Thereby, research questions (1a) and (1b) are targeted in sections 6.1.1 and 6.1.2, respectively. The explanatory analysis for research questions (2a) and (2b) is included in sections 6.2.1 and 6.2.2. Recommendations on how to alleviate the performance of cost accounting systems in subsidiaries (research questions (3a) and (3b)) are discussed in section 6.3. In the closing chapter 7, the main findings are summarised and critically evaluated.

1.3 Scientific and philosophical positioning

Science strives for a contribution to knowledge development which enables humans to complete their life-task.²⁷ This striving can be subdivided into general **scientific objectives**.²⁸ The *descriptive objective* involves defining a real phenomenon to be regarded and describing this construct with respect to its empirical validity. The *theoretical objective* is based on the fundamental goal of describing phenomena but exceeds it by explaining the described observations (Explanandum) on the grounds of certain antecedents (Explanans). Making use of the connections between an explanandum and its explanans for practical decisions and shaping practical activities is known as the *pragmatic objective*. Alternatively, science can strive for a *normative objective*. This objective comprises the discourse of norms that should underlie peoples' behaviour. While the former three objectives are reflected in the research questions introduced in section 1.1, this study does not pursue a normative objective.

Pursuing the introduced research objectives requires choosing an adequate **research strategy**. Business research can pursue three different research strategies.²⁹ The *normative conceptual strategy* involves deriving recommendations for actions based upon plausibility and speculation. It lacks systematic empirical considerations which are key to the *empirical strategy*. This strategy, despite being able to provide real-descriptive evidence, strives for a systematic collection of experience in order to assess certain expectations about practical phenomena (empirical-cognitive assertions). On the contrary, the *formal-analytical strategy* involves modelling certain phenomena for theoretical and rational problem solving. As

²⁷ Cf. Wild (1966), p. 22.

²⁸ For this and the following, cf. Kosiol (1964), p. 745; Wild (1966), p. 22ff.; Grochla (1976), p. 633; Schweitzer (1978), p. 3ff.; Chmielewicz (1994), p. 17f.

²⁹ For this and the following, cf. Grochla (1976), p. 634.

real-descriptive and empirical-cognitive assertions about subsidiaries' cost accounting systems are targeted in this research, an empirical research strategy is most appropriate.

The persuasion of research strategies is highly influenced by researchers' considerations about the existence of a research object (ontology) and their methodological assumptions on how to obtain knowledge about real life phenomena, i.e. the truth (epistemology).³⁰ In this regard, business research in general as well as management and cost accounting research in particular is influenced by *Popper/Albert's* critical rationalism and the methodological constructivism as introduced by *Lorenzen* and the *Erlangen School*.³¹ Both are discussed in this section with respect to their ontological and epistemological assumptions to align this study purposefully with a philosophical position.

Critical rationalism is, due to its roots in realism, mainly based on the ontological assumption of reality (or the research object) being existent independently of the researcher's perception. A research object is assumed to be predetermined with respect to its structure, elements and interrelations.³² Hence, existent logics, which determine the development of phenomena in an objective reality, are assumed to be predetermined.³³ From an epistemological point of view, critical rationalism is based upon both neo-positivism (an advancement of empiricism) and rationalism.³⁴ The former stressed the essence of experience for knowledge creation and highlights induction (i.e. generalisation of the observed), which is assumed to be verifying, as the primary possibility of cognition.³⁵ Rationalism, on the other hand, is based on the assumption that irrevocable knowledge can be obtained logically through consciousness and reasoning, thus emphasising that intuition and deduction are essential for knowledge creation.³⁶ Since induction is argued to be unable to serve as a mean for generalisation,³⁷ in critical rationalism, knowledge can be obtained through deduction only.³⁸ Thus, rationalistic elements are embraced.³⁹ Due to the fallibility of the consciousness, however, such knowledge is not regarded to be irrevocable but hypothetic instead.⁴⁰ As such, knowledge merits critical validation (i.e. ultimately empirical testing). Thus, neo-positivistic elements are included as well.⁴¹ In contrast to neo-positivism, however, testing cannot serve for verification in critical rationalism. Non-dogmatically, a successful empirical test underlines the current non-rejection of knowledge which the tested (non-falsifiable) hypothesis was based upon.⁴² The possibility

³⁰ Cf. *Burrell/Morgan* (1979) and *Quattrone* (2000), p. 132f.

³¹ Cf. *Fülbier* (2005), p. 23, and section 3 for the mere amount of cost accounting studies based upon contingency theory, which is, according to *Elsik* (2004), p. 803, and *Scherer* (2006), p. 32, heavily reliant upon the former line of thought.

³² Cf. *Scherer* (2006), p. 25.

³³ Cf. *Cappallo* (2006), p. 25; *Scherer* (2006), p. 44ff.

³⁴ Cf. *Scherer* (2006), p. 26.

³⁵ Cf. *Kornmeier* (2007), p. 38; *Scherer* (2006), p. 24f.

³⁶ Cf. *Albert* (1980), p. 21ff.

³⁷ Cf. *Chmielewicz* (1994), p. 89.

³⁸ Cf. *Popper* (1973), p. 3ff.

³⁹ Cf. *Fülbier* (2005), p. 22.

⁴⁰ For this and the following, cf. *Popper* (1973), p. 47ff.

⁴¹ Cf. *Fülbier* (2005), p. 22.

⁴² Cf. *Popper* (1973), p. 8.

to assess knowledge's ultimate correctness is denied (i.e. fallibilism).⁴³ Hence, despite principally assuming an objective reality, critical rationalists acknowledge that such constructs are only as 'true' as they cannot be falsified through the latest deductively derived thoughts.⁴⁴

Methodological constructivism roots ontologically on the relaxed assumption of practise (or the research object) being predetermined by certain structures, thus it stressed that practise cannot persist without theory.⁴⁵ Thereby, the associated *Erlangen School* criticised realism as incorporated into critical rationalism because it differentiates the research object and subject⁴⁶ by assuming a rather objective reality. According to the *Erlangen School*, reality shall rather be understood to be something that is defined as well as agreed upon in a consensual process.⁴⁷ Epistemologically, methodological constructivism is primarily concerned with knowledge (especially theory) creation.⁴⁸ Due to its roots within rationalistic traditions, it stresses deduction and non-empirical argumentation as the main source of (rather more dogmatic) knowledge, though recognising consciousness' fallibility and as such the inability to find a final evaluation about knowledge.⁴⁹

Methodological constructivism shall not be mistaken for radical constructivism. By being the counterpart of realism,⁵⁰ radical constructivism reflects an ontological position (i.e. relativism) which discharges any objective reality.⁵¹ It is stressed that radical constructivism cannot provide information apart from "projections of human imagination".⁵² Therefore, radical constructivism is criticised for being ultimately unable to serve for any (objective) knowledge provision because reality is purely constructed by a research subject.⁵³ Puzzlingly, though radical constructivism is seen as the ontological counterpart of realism, which are both generally kept separate from epistemological positions,⁵⁴ radical constructivism is sometimes argued to reflect a positivistic, i.e. empirical epistemological point of view.⁵⁵ An analysis of the origin of these apparent contradicting arguments is out of the scope of this study. It appears linked to the underlying given-up distinction between the research object and the research subject's knowledge about the research object, however.

This study cannot be based thoroughly on either of these two positions. On the one hand, the empirical research strategy is somewhat in contrast to methodological constructivism. On the other hand, cost accounting is not assumed to be naturally given (i.e. of objective

⁴³ Cf. *Albert* (1996), p. 5.

⁴⁴ Cf. *Scherer* (2006), p. 27.

⁴⁵ Cf. *Elmar* (1979), p. 205f.; *Cappallo* (2006), p. 25; *Scherer* (2006), p. 44.

⁴⁶ Cf. *Cappallo* (2006), p. 23.

⁴⁷ Cf. *Raff el/Abel* (1979), p. 6f.; *Steinmann/Wolfram* (1979), p. 195f.; *Scherer* (1995), p. 305f.

⁴⁸ Cf. *Scherer* (2006), p. 44.

⁴⁹ Cf. *Albert* (1996), p. 5; *F lbier* (2005), p. 23.

⁵⁰ Cf. *Kornmeier* (2007), p. 32f.; *Cappallo* (2006), p. 23.

⁵¹ Cf. *Latmann* (1993), p. 217.

⁵² *Morgan/Smircich* (1980), p. 492.

⁵³ Cf. *Kornmeier* (2007), p. 35.

⁵⁴ Cf. *Kornmeier* (2007), p. 31.

⁵⁵ Cf. *Zitterbarth* (1991), p. 10.

reality) as it would have to fit *Popper/Albert's* position strictly. Hence, the idea of social constructivism is incorporated at this point.

Similarly to the ontological position in radical constructivism, *Berger/Luckmann (2004)*⁵⁶ assume reality to be something socially constructed.⁵⁷ These authors gave rise to a line of thought known as **social constructivism**.⁵⁸ They assume that “*knowledge [in terms of ontology as well as epistemology⁵⁹] (...) is inter-subjective - constructed of statements which are socially accepted as facts*”.⁶⁰ As such, it is particularly similar to the ontological position in methodological constructivism as well. But, other than in methodological constructivism, it is regularly assumed that such a socially constructed reality is of (apparent) objective existence.⁶¹ Thus, social constructivism appears to compromise rationalistic and radical constructivistic ontological positions.⁶² Due to its intersubjective existence, reality as defined by the ontological point of view of social constructivism appears combinable with epistemological positions included in critical rationalism, i.e. deducting theoretical constructs which (empirically) hold true as long as they cannot be falsified.⁶³

In this study, cost accounting's conceptual design and its application for decision-making is understood to reflect social constructs. These are assumed to be formed e.g. by organisation's employees, who derive their information, e.g. from academic textbooks; which in turn contain constructed (normative) recommendations how to design a cost accounting system. Therefore, the philosophical position of social constructivism is applied in this study. Thereby an explicit attempt is made to avoid an assumption of cost accounting reflecting some sort of natural law alike objective reality, as it appeared necessary if this

⁵⁶ The first version of their book was published in 1966.

⁵⁷ Cf. *Cappallo (2006)*, p. 23.

⁵⁸ For this and the following, cf. *Jones (1995)*, p. 257f.; *Quattrone (2000)*, p. 150.

⁵⁹ In constructivistic positions, the duality of the research object (i.e. reality) and the research subject (i.e. researcher and his knowledge) is abdicated (cf. *Cappallo (2006)*, p. 23). According to *Tinker (1982)*, p. 169 esp. footnote 5, and *Neimark/Tinker (1986)*, p. 374, knowledge in this context thus concerns the creation of the world itself as well as a picture of it. This enables to argue that it involves ontology as well as epistemology. Note that, e.g. *Johnson (1995)*, p. 492, links social constructs to epistemology rather than ontology.

⁶⁰ *Jones (1995)*, p. 258.

⁶¹ Cf. *Lukka (1990)*, p. 245; *Jones (1995)*, p. 258. Similarly *Scott (1987)*, p. 495f.; *Neu (1992)*, p. 229; *Quattrone (2000)*, p. 147; *Nielsen (2001)*, p. 505.

⁶² Cf. *Morgan/Smircich (1980)*, p. 494; *Johnson (1995)*, p. 485ff. The former regard social constructivism in its “most extreme version (...) – *ethnomethodology* - ” (cf. *Jones (1995)*, p. 257). The social constructivism pursued in this study is situated ontologically more towards these authors' objectivist approach on their objectivist - subjectivist continuum of social science.

⁶³ Since this line appears to embrace different ideas about how to balance the two compromised ontological positions (Cf. *Morgan/Smircich (1980)*, p. 493ff.; *Jones (1995)*, p. 257; *Kornmeier (2007)*, p. 39), it is essential to stress that a moderate understanding of social constructivism is applied here. This ensures the intended empirical analysis to become an effigy of socially constructed cost accounting system rather than the researchers' subjective impression only.

study were unreflectedly aligned within a strict interpretation of *Popper's* critical rationalism.⁶⁴

Lukka highlights the particular usefulness of this philosophical position as opposed to critical rationalism and methodological constructivism in the context of cost accounting system research among affiliates of MNCs by stating that

*“the adoption of social constructivism seems to offer a potentially fruitful ontological basis for increasing the understanding of (...) the fundamental nature of accounting concepts in their various uses.”*⁶⁵

Though *Lukka* explicitly aligns social constructivism with ontology only, the chosen social constructivistic position appears combinable with the epistemological position as reflected by *Popper/Albert's* critical rationalism due to the assumption of social constructs being of apparent objective existence rather than relativistic with respect to a researcher's cognitive ability. Despite being constructivistically informed, the chosen philosophical basis is, in contrast to methodological constructivism, thus capable to pursue the chosen empirical research strategy.

As such, this project compromises the ontological and epistemological positions reflected in the philosophies of science which dominate international business research. This compromise is made in order to avoid the totality regarding the “objectivism and the relativist quagmire of subjectivism”⁶⁶ rather reflected in either one of these positions.⁶⁷

⁶⁴ Interpreting objective reality in critical rationalism less strictly as some god-like natural laws, makes social constructs well includable into the ontological position of *Popper's* position. From such an interpretation, the taken philosophical position corresponds to critical rationalism.

⁶⁵ *Lukka* (1990), p. 246.

⁶⁶ *Johnson* (1995), p. 491.

⁶⁷ As such, this research is in line with *Johnson* (1995), p. 490ff., who argues such compromises to be a pragmatistic middle position between *Burrell/Morgan* (1979)'s strict subjectivistic and objectivistic philosophical positions.