

THE UNPREDICTABLE CHANGE IN MANAGEMENT ACCOUNTING FROM THE CONTINGENCY PERSPECTIVE, INTERNAL AUDIT, AND STEWARDSHIP THEORY: A CASE STUDY IN LIBYAN COMPANYY

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ABSTRACT: *The aim and objective of this paper is to present the process of unpredictable change in management accounting in Libyan company. In order to provide an explanation this process, the researchers used the contingency and institutional theories. The researchers concentrated all the efforts on the subsequent directions: the presentation of the scientific context and encouragement of this research and the case study. The researchers presented the state of the method in the process of unpredictable change in the management accounting from national and global point of view. The research also described the development of management accounting in Libyan in the context of economic and political changes. This represents a starting point for a new economic environment and for new management accounting. Consequently, the researchers developed a case study which presented this development. The derivation of our research was that the changes in the management accounting system of the Libyan company analyzed appear in the same time with the institutionalization of some moderate view (e.g. degree of competition, competencies and training in management accounting). The management accounting system (MAS) was modeled by the contingencies specific to this company (e.g. industry, strategy).*

KEYWORDS: Management Accountant System, Contingency Theory, Internal Audit, Stewardship Theor, Environmental Uncertainty

INTRODUCTION

Nowadays, researchers from the accounting perspective are given more concerned to Contingency Perspective and Institutional Theory; this was due the relevant of saving management of an organization in every aspect of their operations (Abushaiba, & Zainuddin, 2012; Ahmad, et al 2009). Contingency perspective and institutional theory has become a very essential function within various organizations in the world. Although the contribution to management accounting evolution and understanding has been impressive, there are some contradictions that still remain (Al-Twaijry, et al 2003). Observed in management accounting is not random, it is environmentally driven. It is constantly observed that the main contradiction found so far is that from time to time the academic development of theories does not evolution. major breakthroughs in the field came from two different sources: companies' practices and the incorporation of concepts, models and theories of other disciplines both in central economies as well as in developing countries. Worth to notice is the time lag between innovations and adoption of those practices in companies (Albrecht, et al 2004; Arena, et al 2007)

With globalization and technological development, trade between nations has taken a new cognitive aspect. The exchange of accounting techniques and practices occupies a prominent place in this exchange culture. The adoption of a management accounting technique is explained by a set of contingency factors (Arena, et al 2007). These factors have affected the

model and functioning of organizations. Faced with a multiple choice of techniques with distinct ideologies, companies must design a management accounting system that meets the new requirements.

In this context, several studies have been carried out to study the factors that have influenced the choice of management accounting practices, as well as their divergent reality in different countries (Arena & Azzon, 2009). The company's accounting system is a significant part of the organizational structure. The specific highlights of a proper framework will rely upon the conditions looked by the organization. The writing demonstrates that the vital possibility factors influencing hierarchical structure are the natural vulnerability, the creation innovation, and the size and the consumer power (Ayman, et al, 1995; Badara, 2015, Badara, et al 2013) Thus, based on the contingency theory, we will try to demonstrate the factors that explain why companies adopt different sophistication levels of management accounting practices. In other words, are the levels of sophistication of management accounting practices significantly influencing by the characteristics of companies. To answer this question, we have conducted an exploratory study of a sample of Libyan companies. Our research is divided into two parts: The first one presents a review of the literature of the theoretical foundation of management accounting and the concepts of contingency theory as a management accounting approach.

Management Accounting Research Using Contingency Theory

Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations (Badara, 2014, & Chenhall 2003). Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system.

Contingency theories were created from the sociological functionalist speculations of association structure, for example, the basic ways to deal with authoritative examinations. These examinations proposed that authoritative structure was dependent upon relevant factors, for example, innovation, measurements of assignment condition and hierarchical size (Cribb, 2006 & Davis, et al 2010). In some other writing, possibility hypothesis was still viewed as a predominant worldview in administration bookkeeping research. This paper reviewed the contingent literature in relation to management accounting and management accounting systems following a chronological order. The purpose of this study is to make some suggestions.

Alternative Approaches In Contingency Theory

As indicated previously, contingency theory studies postulate that organizational outcomes are the consequences of a fit or match between two or more factors. The concept of fit has been defined by Van de Ven and Drazin (Donaldson, 2001; Donaldson & Davis 1991) in three approaches selection, interaction and systems approaches. First, in the selection approach, the interpretation of fit was that, if an organization wants to survive or be effective, it must adapt to the characterizations of its organizational context. In this view, organizational design is caused by organizational context. Most of the early contingency research studies adopted this approach to examine links between organizational context and design but did not analyze organizational performance (Drazin, & Ven , 1985; Endaya & Henefah, 2013). Using this approach, both task and technology were defined in two dimensions. Different specialists, for

example, researched innovation as an unforeseen factor. These analysts found that there was a solid connection between different attributes of innovation. On other hand, these investigations did not give confirm on whether diverse kinds of structures in various undertakings or mechanical conditions were compelling. Third, another approach in the possibility hypothesis writing as to fit is the frameworks approach (Ninlaphay & Ngamtampong, 20013; Postoriza & Arenó, 2008). As indicated by the frameworks approach, one can comprehend authoritative plan just by all the while researching the possibilities, auxiliary options and execution criteria existing in an association. There is likewise another perspective of fit in the frameworks approach. It is called equifinality which advocates that there is certifiably not a most ideal path in the choice, cooperation and example ways to deal with fit. Various and similarly viable options may exist. The researcher recommended that possibility studies ought to be outlined. Consequently, the similar assessment of different types of fit is conceivable and the outline of authoritative sub-divisions ought to be thought about.

The Contingency Approach To Internal Audit Effectiveness

Contingency theory lately has turn into predominant theory that received larger researcher's focus in the field of accounting and auditing . Despite the fact that, application of theory can output to various impact, the effectiveness and efficiency of a theory may equally be consist upon the contemplate. Moreover, the relevant of any given factor should be contingent upon other factors (Fieder & Mahar, 1979). This is because it does depend on one's interpretation of the theory and such theory possessed the capability in producing precise hypothesis and proportionate functions On other hand, such theory can also be usable in the context of public sectors settings .

Contingency theory is usually applicable in the situation of effectiveness implementation. different researches have used contingency theory in attainment of performance at organizational level or example, used contingency theory to define the effectiveness of accounting acquaintance system. Finally found that the effectiveness of such system is depend upon three contingent variables that is, organizational formalization, inter- subordination of information among dynamic areas in the organization and inter dependence of information involvement with other organizations. Similarly, effectiveness of design accounting systems count on upon its capability to adapt many changes from both in external and interior factors . appeared that perceived effectiveness is contingent upon the moderation of function on both control framework and decision-making structure (Fry & Slocum, 1984, Gimzauskiene & Kloviene, 2011). Additionally, the conclusion finding revealed that effectiveness of organization is contingent upon their effective pay range. In the same vein, contingency theory proposed that, the effectiveness of an organization is contingent upon the various elements of sub-systems in which performance measurement is among such sub-system Therefore, going by the above studies, they have displayed the effect of contingency theory in relation to effectiveness achievement.

In this regard, since the focused of this study is on the achievement of effectiveness in the area of internal audit. Then the study used contingency theory in predicting that internal audit effectiveness is contingent upon various suitable variables. Moreover, research has shown some variables in emergency theory research. For example, conducted a case study on the perspective of emergency theory on risk management in local government in the UK. The research revealed an emergency risk management impact on these variables that include: strategy, technology, external environment and organizational size. In addition, revealed a positive positive impact of the relationship between risk management in the institution and the

performance of companies on these variables. Competition in industry, company complexity, environmental uncertainty, company size and board control. Similarly, in the effectiveness of the internal control system, used an emergency theory to detect the effectiveness of the internal control system by taking into account the following probabilistic variables; company size, perceived environmental uncertainty, organizational structure and strategy with intermediation variables in the internal control structure comprising the fifth component Of the internal control system in determining the effectiveness of internal control.

Stewardship Theory

To complement the above theory, the theory of supervision of Donaldson and Davis found importance in interpreting the internal audit of the research framework. This is because the theory is primarily concerned with identifying situations in which the interests of the principal manager and manager are aligned. In fact,(Gordon, et al, 2009; Haldma & Laats, 2002; Alleyne, 2011) indicated that the review exists as a result of the concept of supervision and supervision accounting. The adoption of a supervisory approach within government sectors will introduce a number of changes within the sector, since leadership theory functions as accountability mechanisms to ensure good oversight, good audit and reporting to assist in substantive achievement, which recommended that the audit improve reporting on appropriate oversight. Therefore, the use of this type of theory in the context of government agencies will lead to their respective goal because the theory of supervision of interest may lead to the success of the organization. Supervisors have developed a governance model that encourages employees' ability to contribute to the achievement of strategic objectives. The supervision theory is concerned with the responsibility of organizational leaders to ensure better achievement of the activities of this organization.

Therefore, if the organization did well, its staff will also do well thereby investing their energy in their respective organizations success (Hernandez, 2012). The same applicable to local government context, if the local government councils does well therefore, their internal auditors will also did well toward the objective achievement of the local government. The theory of supervision was seen as another alternative to the theory of the agency, due to the fact that the theory is more comprehensive and more realistic in presenting the management procedures and motives of the agency's theory. This is because the theory of the agency depends on economic models, while the theory of supervision is based on psychological literature also social Supervision is seen as the appropriate structure for the formation of important employee behaviors (Heo & Han, 2003). The supervision theory has also confirmed that the results of supervision can be conditioned by specific organizational structures. Also supervises the purpose of explaining the relationships among different cultures in family businesses, since researchers have widely disclosed that supervision helps to achieve greater achievement of family business processes. Therefore, the theory can also serve as a theory complementary to the above theory In the context of internal audit effectiveness research, the corporate governance strategy is based on a more effective supervision principle when important staff, such as internal auditors, develop strong relationships with their organization. Which have equal assistance offices and planning to direct their resources easily towards maximizing corporate performance (International Federation Accountants,2001; Abedkader, et al 2008). Similarly, senior management within the local government can equally ensure the effectiveness of internal audit through its own oversight approach to ensure proper performance For those precedents and cues Of effective audit within the councils.

The theory of supervision also confirmed that each person within certain relationships chooses how to act, as a client or agent. Therefore, assumptions about human nature in the framework of supervisory theory can easily be described as too simplistic because they take into account objective alignment and thus further structure relationships within the institution. In order for this theory to be effective in the government sector, the sector needs to provide a sophisticated performance measurement system to ensure that the target is achieved. The supervision theory agreed that individuals within an organization consider themselves part of the management and, therefore, according to the supervisory theory, managers can combine their efforts to achieve organizational goals. This is because the nature of governance supervises compliance with specific policies within organizations (Jayaram, et al, 2011). The supervision theory accepts that managers are Supervisors who are responsible for aligning their behavior with the objectives of their superiors. In this regard, management in different entities is responsible for providing all the necessities that may affect the effectiveness of internal audit.

Employees can become supervisors by developing a self-regulatory tool to ensure that customer demand is met by providing a high-quality service. Because supervision ensures the compatibility of interests, employees have additional efforts of self realization in order to benefit from customers (Jokipii, 2010). This indicates that internal auditors can also be supervisors in helping to achieve the organizational goal through the impact of various relevant variables. The supervision department was also interested in the staff reward system, which may improve their long-term effectiveness in achieving the goal.

The Research Methodology

A Methodology was conducted by a questionnaire among a sample of Tunisian companies belonging to different sectors of activity. The main objective of this research is to study the impact of commercial factors on management accounting practices. To do this, we will present the method of data collection, sample, variable measurements, questionnaire as a means of collecting data and statistical tools used to test different hypotheses.

Presentation Of The Sample

Industrial companies were a vital basis for several research in terms of management accounting. In our case, the sample includes different sectors of activity. This option is justified by integrating the activity sector as an explanatory factor for the selection of management accounting practices.

Method Of Data Collection

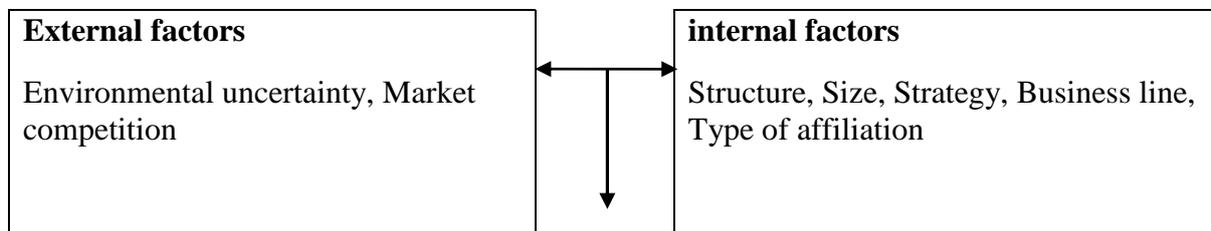
In order to collect the necessary data, we will adopt a questionnaire focusing on a sample of Tunisian companies that are characterized by diversification in terms of internal and external factors. The purpose of this questionnaire is to determine that management accounting practices are directly related to these factors. The questionnaire was distributed by direct contact and e-mail. 160 questionnaires were distributed and only 74 copies were completed and kept at 34%.

Table (1). Questionnaire distributed and collected

Elements	Distributed Copies	Collection Copies	Rate of participation
Questionnaires via contact direct	100	74	74%
Questionnaires via mail	60	0	0%
Total	160	74	34.09%

The Statistical Tools Used

Statistical tools and methods are necessary for analysis.



First level: Costing and Financial Control
 Second level: Providing of information for planning and control
 Third level: Reducing waste in business resources
 Fourth level: Creating value through the efficient use of resources

Figure (1) Contingency factors.

Analysis And Interpretation Of Results

Classification Of Companies

Validation of our hypothesis goes through two stages. In order to determine the impact of business factors on management accounting practices, it is first necessary to classify companies into four groups according to the IFAC model for the practice of management accounting. Companies are classified into different groups. We followed the same approach

adopted based on the classification of management accounting practices according to the IFAC model to four levels of development: Level 1: Cost Control and Financial Control (DCCF) Level 2: Level 3: Reduce Resource Wastes in the Business Process (RGR). Level 4: Creating value through the effective use of resources. Based on this classification and review of literature closely related to the history of the development of management accounting, the researchers have raised the hedge at every stage of this accounting. Consequently, they have devoted each of the 38 managerial accounting practices in their development phase. In order to classify our companies, we asked respondents to indicate the repeated use of each of the 34 administrative accounting practices. In this sense, use marks were used for the practices associated with each IFAC step (Table 1) to classify individual companies into groups. For each company, the average score was calculated for all IFAC management accounting practices (CCF, IPC, RWR, and CV). These four grades were used to rank each of the 74 companies in the group (1, 2, 3 and 4), using cluster analysis (Cluster Analysis).

Empirical Validation Of Assumptions

Our assumptions are the results of a trinomial business contingency factors theory and management accounting practices. Consequently, the characteristics of firms are classifying into three categories (internal factors, external factors and transformation processes). After classifying companies according to the level of sophistication of their management accounting practices into three classes, we proceed to test the validation of our assumptions.

External Factors

The external characteristics take their appointment in relation to their external relations with the company (Nicolau, 2000). They correspond to a set of external factors that produce facts that can influence how the organization is managing. As a result, these external characteristics are qualified as contingent factors. In our study, we took environmental uncertainty and market competition.

Environmental Uncertainty

Environmental uncertainty has been the subject of several previous studies in the area of management accounting (Kepes, et al 2009; Kim, et al 1993). Our hypothesis is whether the degree of environmental uncertainty influences the level of sophistication of management accounting practices. We test this hypothesis using the Kruskal-Wallis test on equality of population. Thus, we perform a peer comparison (level 1 and level 2, level 1 and level 3, level 2 and level 3). While, the opposite is true for level 1 and level 3 with equal probability (0.0044) and level 2 and level 3 for equal probability 0.0241. H1 is accepted and confirms the studies.

Market Competition

The integration of this variable as an emergency in the management accounting system has the same weight as environmental uncertainty. It was taken from several angles around the accounting system (Kriger, & Seng, 2005 & Krishnamoorthy, 2002; Krishnamoorthy, 2008; Mihret, & Yismaw, 2007). In our study, this variable was incorporated as an emergency factor that explains the level of development of management accounting. The Kruskal-Wallis test shows that there is no significant difference between the three groups of companies in terms of market competition intensity, comparing the three groups on the basis of the Kruskal-Wallis test of population equality. There is no significant difference between each group of peers, This

means that the level of development of management accounting practices is not explained by the intensity of the competitor In the market, so H2 is rejected.

The Internal Factors

The internal characteristics correspond to all the internal qualifications that characterize each company or group of companies (Morton,& Hu, 2008; Nasrallah,& Qawasmeh, 2009). In our study, these internal factors are qualified as contingent factors, which are the competitive strategy, the structure, the size, the sector of activity and type of enterprises.

The Competitive Strategy

Internal characteristics are consistent with all the internal qualifications that characterize each company or group of companies. In our study, these internal factors are qualified as emergency factors, namely competitive strategy, structure, size, sector of activity and type of institutions. difference between the three levels, with a probability equal to 0.24 of less than 5%. To validate our hypothesis we go on to apply Kruskal-Wallis equality of population rank test, which allows comparing groups of companies two to two is confirmed.

The Organizational Structure

The structure of many authors considered that this emergency factor explains the integration of management accounting practices. It reflects in the literature review two types of conflicting structures associated with participation in the decision. They correspond to the central structure and the decentralized structure [38]. Found a positive relationship between decentralization and the level of development of management accounting practices. Erserim found that there is no positive relationship between centralization and accounting practices. In this sense, our four hypothesis states that the level of development of management accounting practices is positively correlated with the degree of decentralization of work. According to the Kruskal-Wallis test, there was a significant difference between the three groups with probability, 0.16. This test does not guarantee comparison between each group of peers. For this, we will first adopt classification test. Our results predict that there is no significant difference between level one and level two, so the integration of Tier one and Tier two practices is not explained by the business structure. On the other hand, for Tier one and Tier three, in addition to Tier two and Level three, there was a significant difference for each of the groups with the probability of 0.0083 and 0.0102. As a result, our H4 is confirmed.

The Size

Many previous studies have shown the crucial role of volume as a voluntary explanatory factor in the management accounting system. The result shows that the evolving accounting information system is simpler. The results are explained by the fact that large companies have the financial means to incorporate more sophisticated practices. In this sense, it is assumed that the level of development depends on the size of the company. By applying the Kruskal-Wallis test, there were no differences between the three levels of evolution. The mating comparison produces a result that predicts no significant difference between level 1 and level 2 level 1 and level 3, and finally between level 2 and level 3. Thus, in the Tunisian context, size fails to explain the level of development in management accounting. This can be justified by the fact that the Tunisian context is mainly composed of SMEs.

The Sector of Activity

Business sectors have an emergency role in many accounting research, particularly in small and medium-sized enterprises. Previous research has examined the relationship between industry and the reality of integrating a single number of management accounting practices such as accounting by activity. Thus, we have merged the business sector into a company as an emergency agent in a broader context. Our hypothesis predicts that the level of development of accounting management practices depends on the sector of activity. As a result, we found that there is no difference between each club of the group of companies.

Type of Companies

The Arab world represents an important emerging market for foreign investment. Domestic companies face a foreign one, which can affect their choice of management accounting practices. In this context, our premise is that companies controlled by other foreign companies adopt more sophisticated management accounting practices. The Kruskal-Wallis test shows that there is little difference between the three groups. Thus, hypothesis H7 is not confirmed. It is clear that the level of development of management accounting practices depends on a number of business factors. These factors vary between two categories. Indoor and Outdoor. According to our findings, in the Tunisian context, these factors are perceived environmental uncertainty, competitive strategy and organizational structure. The successive probability is 0.0116 and 0.0148. As a result, the strategic choice has an impact on the level of development of management accounting practices. Thus, H3 is confirmed. Thus in the Tunisian context, size fails to explain the level of development of managerial accounting. This can be justified by the fact that the Tunisian context is mainly composed of SMEs.

Interpretation of The Results

Our results show that 50% of Tunisian companies use management accounting practices that belong to the first level of development. For Level two, we scored 30.26%. As a result, most of the companies surveyed have a high degree of confidence in the practices described by the review of accounting literature as traditional. This conclusion confirms the results of previous studies on the countries of the Arab Cooperation Council and on Libya. Comparing our findings on the use of accounting practices with the results obtained from the Anglo-Saxon and continental context leads us to note the delay and delay between Arab and Anglo-Saxon countries. Indeed, loyalty to the use of traditional practices is observed in many studies in the Arab context. Note the discipline of administrative accounting in the three contexts: Anglo-Saxon, continental and Arabic, shows that the Arab world has no accounting identity, but dominated by continental countries. Indeed, the administrative accounting system in the Arab world is characterized by the absence of nationality and continuous tradition. This observation confirms through our research on the Libyan context. The following table summarizes all the results obtained.

CONCLUSION

This conceptual paper has depicted the important of internal audit research in connection with relevant theories that is The goal of this study was to investigate the Libyan company LC practices and empirically verify, whether significant contingency factors, that impact LC practices abroad, are present in the organizations based The Unpredictable Change in

Management Accounting from the Contingency Perspective, Internal Audit, and Stewardship Theory as well. It is very important for internal auditing research to consider these relevant theories in supporting research framework. More research should be conducted in internal audit in connecting to these theories. The analyzed contingency factors included interactive and diagnostic use of management controls, their dynamic tension, size and service character of the organization, its inclusion into broader holding structure or facets of competition.

Future research should look at the effect of internal audit in financial control in the public sector organizations. The paper distinguished four categories of Contingency Perspective, Internal Audit, and Stewardship Theory practices, each consisting of three up to seven individual LC practices. The detailed analysis of the individual LC practices revealed relatively low level in adoption of modern LC practices, such as Activity-based approaches Contingency Perspective, Internal Audit, and Stewardship Theory. Future research should consider the audit experience, audit qualification, audit professionals and other as a dimension to internal audit toward improving financial control in public sector setting. Other theories should be given consideration in internal audit research so that to have more theories to support internal audit research.

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