

Bridging the Gap between Management Accounting Theory and Practice: A Conceptual Perspective.

Etacherure Abraham*

Department of Business Administration, Faculty of Management Sciences, University of Delta, Agbor, Delta State, Institution Postal Address: P.M.B. 2090, Agbor, Delta State, Nigeria

*Corresponding Author: etacherurea@gmail.com, abraham.etacherure@unidel.edu.ng.

Mobile Phone Number: 08156775449

Eghireme Okeroghene Franklin

Bursary Department, Baptist Theological Seminary, Eku, Delta State, Institution Postal Address: P. O. Box 98, Eku, Delta State.

Email Address: franklineghireme@gmail.com, 07037452361

ABSTRACT

Though management accounting (MA) theory has played a pivotal role in the effective and efficient management of organisations since its inception, there are still identifiable pitfalls in the practical applications of this propounded theory. The wide differences between academic theories and real-world business practices have led to setbacks in achieving management accounting's potential for strategic decision-making. This paper examines the gap between management accounting theory and practice. The paper specifically examines the concept of management accounting, management accounting theory, the concept of the gap, management accounting practices, investigates the causes of the wide differences, and proposes ways to bridge the disconnect between management accounting theory and practice. The study is anchored in contingency theory and institutional theory and highlights a major comparison between management theory and practice. The findings reveal that the divergence stems from rigid academic models with a less practical approach, resistance to change in practice, inadequate professional training and contextual differences across industries. Recommendations are made for collaborative engagement between academia and practitioners, curriculum reforms and continuous professional development. The study concludes that bridging the gap between management accounting theory and practice entails a multidimensional approach that integrates practical relevance with academic perceptions. It need a collaboration of academic researchers, practitioners in the field of management accounting, captive of industries, education curriculum designers to bridge the persistence gap

Keywords: Accounting; Management Accounting; Management Accounting theory, Management Accounting Practice; Contingency Theory.

1. INTRODUCTION.

Malmi and Granlund (2009) argued that management accounting research often focuses on abstract models that lack operational clarity, making it difficult for practitioners to implement them effectively. This divergence in focus contributes to the underutilization of theoretical techniques. It is against this background that the study seeks to identify some of the causes that has led to this persist gap over the years and suggesting practical ways of collaboration of both academia and practitioners in order to close this gap. According to Lee (1989), academic researchers and accounting practitioners are self-interest-oriented groups: practitioners are short-term, problem-solving-oriented, while academics have career and promotion concerns. According to Baker (2011), professional certification and significant practical experience were the basic requirements for the job while neglecting new technological advancement in the field of management accounting, the study therefore contribute to existing knowledge by recommendations based on the findings of this study.

1.1 Objectives of the Study.

The objectives of this study are:

- i. To explain the concept of management accounting theory and practice.
- ii. To identify the causes of gap between management accounting theory and practice
- iii. To discuss the benefits of bridging the gap between management accounting theory and practice.
- iv. To recommend possible solutions to the division between the theory and management accounting practice.

1.2 Gaps in Management Accounting Theory and Practice.

In management and accounting, a gap refers to the mismatch between expected outcomes (theory, standards, or best practices) and what actually occurred in practice (Baldvinsdottir et al., 2010). For example, while theory may emphasize management accountants as strategic partners, practice often restricts them to operational roles in an organisation. Although management accounting theories have evolved to address contemporary business challenges, emphasising strategic relevance, value creation, and decision support, their implementation in practice often lags (Ravitch & Riggan, 2017). Many firms continue to rely on outdated cost accounting systems, overlook strategic costing techniques, and fail to integrate contemporary tools such as the Balanced Scorecard or Activity-Based Costing (ABC) effectively (Nuhu et al., 2017).

2. LITERATURE REVIEW

2.1 Concept of Accounting

Individuals set up businesses, groups of persons, and the government, often referred to as stakeholders in those organisations. However, the basic business entity concept explains that

organisations are different from their owners in the eyes of the law. This separation creates room for stewardship accounting, which requires management or employees to render stewardship reports to business stakeholders. This accounting information is vital for proper decision-making in an organisation.

According to Alawattage et al.(2021), accounting is not only a technical practice but also a social one that is embedded in organisational and institutional contexts. It supports strategic decision-making, risk management, and sustainability reporting, most importantly in the present-day volatile economic environment. Accounting refers to as discipline concerned with the recording, analysis, and forecasting of income and wealth of businesses and other entities (Agbiogwu, 2008). American Accounting Association (AAA) defined it as the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information.

2.2 Concept of Management Accounting

According to CIMA (2020)"management accounting is the process of preparing management reports and accounts that provide accurate and timely financial and statistical information required by managers to make day-to- day and short-term decisions."Hilton and Platt (2019) opined that management accounting is the process of identifying,measuring, analysing, interpreting, and communicating information in pursuit of organisationalgoals. These include financial and non-financial information about the past, present, and future of an organisation.

One of the focuses of management accounting is to develop more appropriate techniques amongst the available alternatives in the organisation, to help management make informed decisions that will put the organisation on the right path. Management accounting, in summary, is prepared to assess the organisation's performance and how it reached that state, while evaluating the various techniques available.Basically, management accounting provides information that helps managers control or monitor activities within the organisation to decide what to produce, when to produce it, where to sell it,and who is to be in charge of the resource.

2.3 Management Accounting Theory

According to Hopper and Bui (2022), management accounting theory emphasised the role of performance measurement, strategic cost management, and real-time data analytics in improving organisational efficiency and adaptability. Management accounting theory refers to the underlying principles, guidelines, models, and different accounting systems put in place to aid management in strategic planning, decision-making, and monitoring & control.

According to the contingency theory, management theory should be designed to meet specific situations in an organisation (Otley, 1980). This view is that management accounting theory is best understood through contingency theory, which states that the effectiveness of the management accounting system depends on organisational and environmental factors. Drury(2018) opined that management accounting theory underpins the techniques and tools used

by management accountants, providing a bias toward cost analysis, budgeting, and performance measurement to support effective decision-making. Hansen et al. (2009) argued that management accounting theory provides the principles and rationale for developing systems that measure, analyse and report both financial and non-financial information that are useful to managers.

Management accounting serves as a critical function within organisations by supplying relevant financial and non-financial information for strategic planning and operational control. While academic literature on management accounting has expanded substantially, a persistent gap exists between theoretical developments and what is practised in the business world. This misalignment not only reduces the effectiveness of management accounting but also calls into question the relevance of academic research in managerial decision-making. This gap is seen to have been created as a result of placing greater emphasis on academic theories without adequate consideration of the practical approach in the real world of business (Bromwich & Scapens, 2016). The gap has also led to a significant reduction in the use of some management techniques in our industries and companies today. Modern businesses now rely more on technology to carry out their operations and business activities, to ensure they compete favourably in the business world and also deliver in line with global best practices (Burns & Scapens, 2000).

2.4 Management Accounting Practice

According to Ibrahim (2015), management accounting practice is a structured approach to cost management, planning, and decision-making that enables organisations to improve efficiency and sustain competitive advantage. Management accounting practices are essential tools that bridge accounting information with strategic and operational management, ensuring efficiency and competitiveness (Hopper & Bui, 2022). Atkinson et al. (2012) described management accounting practices as the processes and techniques that provide financial and non-financial information to aid managers in decision-making. Management theories encompass the use of multidimensional performance measures, combining both financial and non-financial indicators, for example, customer satisfaction, innovation, and employee learning. Many organisations still lay emphasis on financial performance metrics such as profit margins, return on investment, and cost efficiency, often neglecting non-financial indicators (Kaplan & Anderson, 2007; Otley, 2016).

2.5 Bridging the Gap between Management Accounting Theory and Practice

Bridging the gap between management accounting theory and practice in management accounting refers to the translation of theoretical concept, models and technique developed through academic research into practical usable tools in the real- business world. According to Marko et al. (2021), bridging the gap involves the process of ensuring that academically sound models and technique are practically develop to implementable form in the real-business world. Odia and Olamide (2023), argued that bridging the gap entails not only adapting theories to local contexts but also to strengthening capacity infrastructure and policy support.

Bridging the gap entails closing the disconnect that persisted between management accounting theories and practice over the year. According to Adeyemiet al.(2023),bridging the gap means converting theoretical models into practical and usable form in our companies and industries for both academia and practitioner to be on same page in the field of management accounting. Again, since organizational practices are informed by current research, bridging the gap seek collaboration in translating academic and theoretical current models into usable form for practitioners.

2. 6 Causes of the Gap

2.6.1 Complexity of Theoretical Models.

Many management accounting theories are sophisticated and require significant resources to implement. In practice, many organisations prefer simple management tools or techniques, such as budgeting, standard costing, and marginal costing, because they are easy to understand within the organisation. (Kaplan and Anderson, 2007).thus complexity of theoretical models discourages users and practitioners in the field.

2.6.2 Cost and Resource Constraints.

The process of implementing an advanced theoretical model often requires financial investment in new equipment, staff training, and technology.As a result of this demand, many organisations find it difficult to adopt the advanced theoretical model in their business operations, mostly small and medium-scale enterprises that lack the financial capacity to invest in the new facilities needed for their smooth operation. So they continue in their traditional methods of operations (Ibrahim, 2015). In this case, a gap is created because they continue using their traditional technique (Hopper et al., 2009).

2.6.3 Mismatch between Academic Research and Practical Needs.

Most academic research are focus on theoretical concept and debate some of these are abstract in nature in the eyes of the practitioners as it only contribute to the academic circle of scholars .however,practitioner are concern with the tools and technique that can solve the immediate problem facing the organisations for example a business solution that can increase performance, reduce cost and help to support reliable information for efficient effective decision making process. This mismatch has actually created a gap that warrants concern (Malmi&Granlund, 2009).

2.6.4 Technology Advancements Outpacing Theory.

The steady rise of big data, artificial intelligence, and real-time analytics has changed the narratives; however, academic theories have not fully caught up with these developments, thereby creating a wide gap in the technology-driven business environment and theoretical discussion (Quattrone, 2016).

2.6.5 Contextual and Cultural Differences

Most management accounting theories are developed in Western economies under stable institutional conditions. In developing countries, firms practically face numerous challenges, ranging from limited infrastructure and amenities to weak institutions and the operation of different cultural practices. These differences, of course, lead to poor application of theory to practice in some environments. (Hopper et. al., 2009).

2.6.6 Curriculum Design

Most education programs emphasised theoretical and technical rigors at the expense of the practical knowledge needed for the job. Some of the skills required in the real business world are practically neglected in many accounting courses today, thereby creating a gap in the system. (Tavares & Ferreira, 2023).

2.6.7 Communication Barriers.

There is a wide gap in communication between research academics and professional practitioners in the field. Academic literature is heavily laden with jargon and complex models that are difficult for managers and accountants in practice to interpret and understand. (Lukka & Modell, 2010)

2.6.8 Relevance of Research.

Research always prioritises publications over relevance, leading to studies that are strong methodologically but practically inapplicable. (Kaplan, 2011). Similarly, Tavares and Ferreira (2023) argued that academia must balance technical knowledge with skills development, such as communication, critical thinking, and adaptability. Shields and Young (2018) noted organisational resistance to adopting new techniques. This is a result of organisations culture, resource constraints, or a lack of managerial support; this resistance has created stagnation in the practice despite evolving academic advancements.

3. METHODOLOGY.

This paper employed the conceptual approach using secondary data sources. This method involves a review of thirty (30) existing literature, including articles, journals, and textbooks, to explain the concepts of accounting, management accounting theory and practice, the gap, the meaning of bridging of the gap, causes of the gap between management accounting theory and practice, and the associated benefits of bridging the gap between management accounting theory and practice. The choice of this method is instrumental to the fact that, it provides a vigorous device for developing existing knowledge, identifying research gaps and establishing a theoretical and empirical improvement.

4. RESULTS AND DISCUSSION.

The study investigated the underlying factors responsible for bridging the gap between management accounting theory and practices and the findings provide an insight to the factors responsible for this disconnect. Major findings of the study showed that though, management accounting theories are robust, their practical application in real world situation is limited due to the persistence gap between management accounting theories and the work done by the practitioner in the field. The study further revealed that many companies and industries continue to rely on the traditional management techniques rather than adopting new techniques such as activity based accounting, strategic performance measurement and balanced score card. In view of this, the study profane possible ways to eliminate these challenges associated with the existing gap. in order to effectively and efficiently bridge this gap, captain of industries should continuously train their employees to equip them with relevant knowledge and techniques in the field of management accounting.

The study also strongly agree with other studies and recommend that revised curriculum in educational institutions should be introduced to accommodate both theoretical and practical knowledge for an undergraduate robust training that will solve the problem of not having the technical competence. findings reveal that bridging this gap will make management accounting research more relevant and applicable to real-world scenarios. This may have a significant impact on the organisations and stakeholders (Tavares and Ferreira 2023). The study also help in closing the persistent theory-practice gap by advocating for total collaboration between academia and practitioners to synergised and publish articles and other materials that will educate younger people in the field. The combination of theoretical knowledge with practical experience may lead to efficient and effective solutions to complex problems (Kaplan & Anderson, 2007).

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion.

This study examined the unceasing disconnect between management accounting theory and practice by highlighting the various factors that contribute to this gap. Based on the extant literature and theoretical reviews. The study recognized that while management accounting theories provides a healthy conceptual framework for decision-making, their adoption and application in an organisation still poses a major challenge as a result of factors such as technological infrastructure limitation, resistance to changes, communication breakdown, educational mismatches, cost and resource constraints e.t.c. the study further demonstrate that bridging the gap between management accounting theory and practice entails a multifaceted approach that integrates practical relevance with academic perceptions. This include fostering stronger unity between academia and industry, designing educational curricula to reflect current industry practices for young graduates of the field of management accounting with the practical insights and knowledge required for him to fit into real world situation, continuous professional development in other for practitioners to equip themselves with the recent theoretical models for

real world applications. In conclusion, the study contributes to the body of knowledge by explaining the factors responsible for the gap between management accounting and practice and also proposing actionable pathways for the connection of the existing gap.

5.2 Recommendations.

To bridge the gaps between management accounting theory and practice, the following has been recommended:

5.2.1 Revised Curriculum

Based on the findings, the study recommends that those saddled with academic curriculum design should incorporate both practical training aspect with the conceptual framework in the management accounting field so that young graduates can develop both theoretical and practical skill in the field of management accounting to avoid the issue of knowledge gap when they are faced with real world situation. This could be done by introducing enterprise resource planning (ERP), industry projects in collaboration with accounting professionals. This is to ensure graduates of accounting are well abreast of both the theories and the practical skills needed in the real business world.

5.2.2 Collaborative Research

The study also recommends that academic researchers in educational institutions that are in the field of management accounting should partner with practitioners to co-author research papers and engage in action research to bridge the communication gap. Furthermore, this approach allows researchers to refine the theoretical skill and ensure its applicability in an organization (Baldvinsdottir et al., 2010)

5.2.3 Continuous Professional Development

The study also recommends that Practitioners, companies and professional bodies should make staff training and development mandatory for acquisition of new theoretical model needed in their various place of work. Seal (2010) emphasised that professional bodies such as CIMA should mandate continuous training for management accountants; this training should address the practical application of theoretical concepts and strategic techniques.

5.2.4 Knowledge Translation

Disseminate findings in accessible formats. Academic researchers communicate their findings through professional bodies such as ICAN, CIMA, ACCA, and ANAN, as well as workshops, webinars, and executive summaries, to collaborate with practitioners.

REFERENCES

- Adeyemi, S. B., Akinleye, G.T., & Fajuyagbe, S. B. (2023). Digital transformation and management accounting practices in developing economies. *Journal of Accounting in Emerging Economies*, 13(2), 345-362. <https://doi.org/10.1108/JAEE-2022-0156>.
- Agbiogwu, A. (2008). Bridging the gap between accounting theory and practice: The role of accounting education, Department of Accountancy, Alvan Ikoku Federal College of Education, Owerri.
- Agbiogwu, A. (2010). "Accounting skills necessary for successful entrepreneurship" *International Journal of Vocational Studies CCSP*, 1(1).
- Alawattage, C., Grahan, C., Wickramasinghe, D., & Uddin, S. (2021). Accounting and social theory. an introduction. routledge.
- Atkinson, A. A., Kaplan, R. S., Matsumura, E. M., & Young, S. M. (2012). Management accounting: information for decision-making and control (7th ed.) Pearson.
- Baker, C.R. (2011). A genealogical history of positivist and critical accounting research, *Accounting History*, 16 (2), 207-221
- Baldvinsdottir, G., Mitchell, F., & Norreklit, H. (2010). Issues in the relationship between theory and practice in management accounting .management accounting research, ,21(2), 79-82. <https://doi.org/10.1016/j.mar.2010.02.006>.
- Bromwich, M., & Scapens, R. W. (2016). Management accounting research: 25 years on management accounting research ,31, 1-9s
- Burns, J., & Scapens, R. W. (2000). Conceptualising management accounting change: An institutional framework. *Management Accounting Research*, 11(1), 3–25.
- Drury, C. (2018). Management and cost accounting (10th ed.). Cengage learning.
- Flinders, D.J. (1993). From theory and concepts to educational connoisseurship. In D. J. Flinders and G.E Mills (Eds.) *Theory and concepts in qualitative research: perspectives from field* (pp.117-140) Chicago: University of Chicago press
- Gaffikin, M. (2007). Accounting research and theory: the age of Neoempiricism. *Australasian Accounting Business and Finance Journal*, 1(1), 1-19
- Hansen, D. R., Mowen, M.M., & Guan, L. (2009). Cost management: accounting and control (6th ed.). South – Western cengage Learning.
- Hilton, R. W., & Platt, D. E. (2019). Cost management: a strategic emphasis (9th ed.). MacGraw-Hill Education.
- Hopper, T., & Bui, B. (2022). Has management accounting research been critical? *Accounting, Auditing & Accountability Journal*, 35(9), 2023-2051.
- Hopper, T., Tsamenyi, M., Uddin, S., & Wickramasinghe, D. (2009). Management accounting in less developed countries: what is known and needs knowing.
- Ibrahim, M. (2015). Management accounting practices and performance of small and medium enterprises in Nigeria . *International Journal of Business and Social Research*, 5(3), 42- 55.
- Kaplan, R. S. & Anderson, R. (2007). Time-driven activity-based costing: A sampler and more powerful path to higher profits. Harvard business press .
- Kaplan, R. S. (2011). Accounting scholarship that advances professional knowledge and practice. *The Accounting Review*, 86(2), 367–383.
- Layder, D. (1995). *New strategies in social research : An introduction and Guide*. Cambridge Polity Press.
- Lee, T. (1989). *Education, practice and research in accounting: gaps, closed loops, bridges*

- and magic accounting, *Accounting and Business Research*, 19(75), 237-253.
- Lukka, K., & Modell, S. (2010). Validation in interpretive management accounting research. *Accounting, Organisations and Society*, 35(4), 462–477.
- Malmi, T., & Granlund, M. (2009). In search of management accounting theory. *European Accounting Review*, 18(3), 597–620.
- Nikhil, C.S., & Mahfuzul, H., Mahmuda, A. (2018). Understanding gaps in management accounting practices: exploratory evidence in an emerging economy. special international edition.
- Nuhu, M., Baird, K., & Bala Appuhami, R. (2017). The association between the use of management accounting practices with organisational change and organisational performance. *Advances in Management Accounting*, 28, 67–98.
- Odia, J. O., & Olamide, O. (2021). Management accounting practices and organizational performance in Nigeria. *Asian Journal of Economics, Business and Accounting*, 21(6), 45-56. <https://doi.org/10.9734/ajeba/2021/v21i630392>.
- Quattrone, P. (2016). Management accounting goes digital: Will the move make it more relevant? *Management Accounting Research*, 31, 118- 122. <http://doi.org/10.1016/j.mar.2016.01.003>.
- Ratvitch, S. M., & Riggan, M. (2017). Reason & rigor: how conceptual frameworks guide research (2nd ed.). Sage publications.
- Seal, W. (2010). Managerial discourse and the link between theory and practice: From ROI to value –based management. *Management Accounting Research*, 21(2), 95 /- 109. <https://doi.org/10.1016/j.mar.2010.01.002>
- Shields, M. D., & Young, S. M. (2018). A behavioral perspective on management accounting. *Journal of Management Accounting Research*, 30(2), 129–146.
- Tavares, P., & Ferreira, A. (2023). Rethinking management accounting education: A skills-based approach. *Accounting Education*, 32(1), 75–92.