

Dissemination of Management Accounting in a Developing Country: The Case of Sri Lanka

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Abstract

This paper surveys how Management Accounting (MA) has disseminated in Sri Lanka since it became a British colony. Although the country can currently boast a high level of dissemination of MA, its evolution remains largely unexplored, which this paper aims to explore. It traces the historical evolution of MA as a constitutive element of institutional knowledge in Sri Lanka. The theoretical framing of this exercise is drawn from Burawoy's labour process theory-based analysis of how regimes of control in ex-colonial developing countries are manifested by state, production and global politics. Akin to Burawoy's work, the analysis here is historical and dialectical as it attempts to explain the evolutionary dynamics of MA in relation to wider political and institutional regimes. Data for the analysis, therefore, is drawn from a wider set of rich secondary sources of information together with several in-depth interviews.

The paper asserts that (a) Dissemination of MA has gone through four distinct phases of evolution, viz., (i) Early initiatives by colonial masters; (ii) Dual role of financial accountants; (iii) Local ICWA members hard at work and (iv) Taking wing with globalization, and (b) Such historical phases are framed by the evolutionary dynamics of the wider political regimes of colonial despotism, state capitalism and market capitalism where each regime sets the stage for the next via the contradictions and conflicts that ignite socio-political changes nationally and globally. Accordingly, the findings suggest that dissemination of MA is driven by, and arises in consequence of, the

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historical and structural needs of the evolving society. The paper provides further evidence from a developing country that dissemination of MA is contextually bound, evolves historically and is socially constructed.

Keywords: Labor process theory, cost accounting, management accounting practices, colonial despotism, state capitalism, market capitalism.

Introduction

Management Accounting (MA) has become a critical normative element of the social knowledge in Sri Lanka that is passed on to its younger generation. Introductory elements of MA have now been even included in the school curriculum at the General Certificate of Education (Ordinary and Advanced Levels) and have also made a widespread appearance across university curricula including certain non-management degree programmes. Thereby, one would assert that a knowledge of MA has gained a somewhat similar social status in the normative content of knowledge such as Mathematics or Religious Studies that is considered necessary to be learnt by the people of a nation state.

Though dissemination of MA has been effectively accomplished in Sri Lanka as evident in the large numbers of varied programs that are being carried out by local and foreign academic, professional and consulting bodies, its evolution remains largely unexplored. Except for a few sporadic references made in verbal and print media a systematic investigation into the origins and the growth of management accounting in the country has hardly been attempted. It is a lacuna to be filled as the knowledge that will emerge is likely to shed light on the practice of Management Accounting in organizations which, in turn, will have implications for developing organizational and macro level strategies with a view to managing our organizations and people more productively.

This paper surveys how Management Accounting (MA) knowledge has been disseminated in Sri Lanka since it became a British colony. More specifically, it traces the historical evolution of MA as a constitutive element of institutional knowledge in Sri Lanka. In this enquiry the term 'Management Accounting' embraces knowledge pertaining to techniques, methods and practices deployed in organizational planning, control and decision making while dissemination encompasses the critical events and processes through which such knowledge was spread in Sri Lanka over the years. The enquiry commences with the beginning of the 19th century when the Industrial Revolution of the west was in full swing

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while Sri Lanka had just become a British colony, and covers the salient events of the next two centuries.

The theoretical framing of this exploration is drawn from Burawoy's (1985) labor process theory-based analysis of how regimes of control in ex-colonial developing countries are manifested in state, production and global politics. Akin to Burawoy's analysis, the analysis here is historical and dialectical in the sense that it attempts to explain the evolutionary dynamics of MA in relation to the evolutionary dynamics of wider political and institutional régimes. Data for the analysis, therefore, is drawn from a wider set of rich secondary sources of information together with a set of in-depth interviews with pioneering members of the accounting profession.

Based on a review of past events and relying both on direct and inferential evidence the paper asserts that (a) Dissemination of MA has gone through four distinct phases of evolution, viz., (i) Early initiatives by colonial masters; (ii) Dual role of financial accountants; (iii) Local ICWA members hard at work and (iv) Taking wing with globalization, and (b) such historical phases are framed by the evolutionary dynamics of the wider political regimes of colonial despotism, state capitalism and market capitalism.

The paper is organized as follows: At the outset, the theoretical framework is presented. This is followed by exploring the origins and growth of modern Management Accounting and its dissemination from an Anglo-American and Far-Eastern perspective which will lay the comparative foundation upon which the Sri Lankan experience can be understood. In the next section, the narration of the dissemination of MA in Sri Lanka is carried out with reference to (i) the events that unfolded in the international scene and (ii) the wider structural and political apparatuses that provided the impetus for such historical events. The paper concludes with a summary and conclusions.

Theoretical Framework

The paper adopts a neo-Marxist approach and is informed by Burawoy's (1985) labor process theory-based analysis, in particular how regimes of control in less developed ex-colonial countries, viz., hegemonic, market despotism and bureaucratic despotism are manifested by state, production and global politics. Burawoy did not explicitly study accounting though others have subsequently done so from a labor processes perspective (Hopper, Storey & Willmot, 1987; Armstrong, 1991; Hopper & Armstrong, 1991), which claims, *inter alia*, that

accounting techniques manufacture worker consent by reproducing sectional interests and a mystificatory ideology of efficiency. Nevertheless, there is an important theoretical and methodological implication of Burawoy's approach to the current study: relating the phenomenon being studied to changes in the macro political and institutional environment. As such, Burawoy demonstrates how factory regimes at the point of production change from one form to another due to interventionist strategies that the state adopts and the fusion of factory apparatuses and state apparatuses. In relation to this paper, such a macro-micro connection is assumed between the MA knowledge diffusion (the micro phenomenon) and the wider political and institutional apparatuses within which such micro practices and regimes are located. In other words, the historical path that MA knowledge diffusion took within Sri Lanka is explained from the point of view of the institutional evolution of the wider political and economic setup. Accordingly, as the focus of Burawoy had been the factory regimes and the role of the state in manufacturing consent of labour through the impact of internal state, internal labor markets and gaming behavior the point of reference of the current study is the appearances of MA knowledge within epistemic and economic institutions in Sri Lanka and how such appearances are facilitated and framed by the corresponding evolutions in the national and international institutional environment.

So, the theoretical point is that forms and modes of MA knowledge dissemination are dependent upon the institutional forms of political economic apparatuses that the nation state adopts at a particular historical juncture. For example, as will be discussed later in the forthcoming sections, dissemination of MA knowledge took a particular institutional form during the colonial period where managing has always been a 'despotic' exercise of 'controlling' not only labour but also resident agents of sterling capital through 'force' more than 'consent.' In this respect, attention will be given to trace how MA is disseminated differently through the phases of colonial despotism, state capitalism and market capitalism (see Uddin & Hopper, 2001; Hopper, Tsamenyi, Uddin, & Wickramasinghe., 2008). According to Burawoy (1979), (as cited by Uddin & Hopper, 2001), colonial despotism occurs where foreign capital has complete control over labour with little state intervention. Control tends to be coercive and colonial governments exercised little control over companies, giving rise to states where companies governed their employees and possessions. Accounting was unnecessary for controlling employees but financial reports were important for controlling overall performance, securing remittances to company headquarters overseas and satisfying external reporting requirements of the parent company.

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Colonial despotism was often replaced with a hegemonic regime (state capitalism) modeled on practices in richer Western economies. Legal-rational bureaucratic controls regulated by the state were introduced to control labour through persuasion and consent promoted through internal state and internal labor market (Burawoy, 1979). Through a combination of ideology, external advice from development experts and pragmatic necessity, post-independent governments often embarked upon programmes of nationalization and central state planning. The public sector enterprises were made legally accountable to responsible Ministers within a democratic parliament and MA began to play an increasingly important role within this set-up.

As argued by Burawoy, the decline of state capitalism followed owing to the convergence of production and state politics, the ensuing conflicts, fiscal crises and pressure from agents of international capital for market reforms. The neo-liberalist agenda had begun to encircle the world including developing countries and manifested in programmes of economic liberalization based on export processing zones, and preferring cheap, economically weak, unprotected labor to foreign capital. Extensive competition ensued amongst enterprises, their labour forces, communities and governments. MA experienced a new lease with the advent of market capitalism that gave rise to a wide range of techniques, methods and practices often linked with gaming behaviour (Burawoy, 1979).

As Foucault (1979) observes, dissemination of knowledge has always been an institutionalized process; via for example, institutional apparatuses of curricula, assessments, certifications, teaching, research, publications, standardizations, legalizations, enforcements and institutional adoptions. This should hold true with respect to dissemination of MA in Sri Lanka as well. However, such institutional apparatuses are not historically static but highly dynamic based upon the 'political regime' that the nation state takes at each historical juncture.

Origins and growth of modern MA - An international perspective

Kaplan & Atkinson (1996), taking a transaction cost approach¹, trace the origins of modern Management Accounting to the emergence of managed hierarchical enterprises in the early nineteenth century² which were formed to conduct an entire multi-stage production process (e.g., carding, spinning, weaving and bleaching in textile mills) within the organizations with the focus on deriving economies of scale from capital intensive processes. They argue that though organizations could hitherto manage with their financial accounting systems based solely on market transactions, the need to measure the internal efficiency

of separate production processes created a demand for additional information to be provided by Management Accounting systems (MAS).

In contrast, Hopper & Armstrong (1991) are of the view that accounting controls, i.e., MA, were not a consequence of technological or economic imperatives, but rather were rooted in labour struggles as firms attempted to control labour processes in various forms of capitalistic development. A well documented case of a cost accounting pioneer is the eighteenth century British entrepreneur Josiah Wedgwood, who having noted a large discrepancy between his head clerk's general financial reports and what he thought they should be, invented his own cost accounting system. Wedgwood found it valuable for observing and disciplining the workforce and continued to use it for product policy decisions during both recessions and booms (Hopwood, 1987).

Complex metal-machining and related industries emerged in the mid-nineteenth century which, according to Kaplan & Atkinson (1996), gave rise to the need for a diverse range of internal efficiency measures posing new challenges for MA as metal-forming and metal-cutting workshops produced a wide variety of finished products that consumed resources at widely different rates. This need was addressed by the pioneers of the scientific management movement who studied work processes closely in order to redesign material and workflow and decompose complex processes into a sequence of simpler and more controllable processes. The goal was to simplify the work, make the workers more efficient, and be able to monitor the workers' efforts. Thus, standards for material and labour usage were developed to control work and to pay workers on a 'scientifically determined' piecework basis. These were extended to develop measures of a labour cost per hour and a material cost per unit so that labour and material cost standards could be developed for production processes and different products which were subsequently compared with the costs actually incurred.

Kaplan & Atkinson (1996) argue that the largest influence for developing MAS in North America came from the emergence and growth of railroads in the mid-nineteenth century with complex operations having to be conducted and coordinated over vast geographical distances. They vividly describe how many of the innovative MA ideas developed by railroad managers were subsequently adopted and extended by the managers and owners of companies in other industries such as the steel industry. Further, Hoskin & Macve (1988) note that the managers employed in both railroads and armories were largely engineering and military graduates from the US Military Academy at West Point, who

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reproduced methods of accountability and control studied during their student days in their work places.

Another facet of MA emerged in the late nineteenth century where large scale merchandisers, e.g., Sears-Roebuck, Marshall Field and Woolworth, were bent on taking advantage of the economies of scale from mass distribution of consumer products (Kaplan & Atkinson, 2006). These companies were different from manufacturing enterprises that dominated hitherto, developed new MA ratios such as gross margin and the stock-turn ratio³ with a view to measuring profitability and speed with which purchased merchandise got converted into sales.

Turning to developments in the United Kingdom, Loft (1986) in her genealogical study states that "during the First World War cost accounting 'came into light,' almost as one could say as an unintended consequence of the way in which the Government attempted to prevent profiteering and to price their contracts with the manufacturers in the absence of a free market." Thus, manufacturers had costing forcibly brought to their attention through Government measures, and as a result, the institution of cost accounting systems seems to have proceeded rapidly. Loft (1986) further claims that these events resulted in cost accounting and cost clerks gaining a higher level of recognition and a growth in their numbers and the emergence of a need for a professionalizing project of MA. It is important to note that these events had an impact on the emphasis given to cost accounting by the Institute of Chartered Accountants of England and Wales (established in 1880) which proceeded to recognize the importance of MA by including additional and more elaborate questions in examinations conducted by the Institute.

The year 1916 witnessed the setting up of the American Association of University Instructors in Accounting (forerunner of the American Accounting Association, 1936), a voluntary organization of persons who had come together to promote the well being and excellence in accounting education, research and practice. This took place three years prior to the setting up of the Institute of Cost and Works Accountants (ICWA) in the United Kingdom (currently, the Chartered Institute of Management Accountants), which, according to Loft (1986), acted as a focal point for the growth of discussion about the nature of cost accounting (the term 'Management Accounting' had not been coined as yet) and the technique and the role which cost accountants should play in society. In addition, the Institute was formed to advance the interests of and claim professional status for cost accountants themselves. The Institute held its first Cost Conference in 1922 with a view to laying a foundation for scientific costing, a significant landmark in the early dissemination efforts of cost accounting. Initially, membership of the

Institute was granted based on experience, but from 1928, the introduction of a scheme of examinations and coaching leading to it can be considered a landmark in the study of MA.

Further innovations took place in the early decades of the twentieth century to support the growth of multi-activity, diversified corporations which had now come into vogue. For example, the development of ROI (return on investment) and its decomposition into further efficiency ratios *and* the introduction of several important operating and budgeting initiatives were carried out around this period by the senior managers of DuPont Company, United States Steel and General Motors with a view to allocating and coordinating resources more effectively and efficiently. Kaplan and Atkinson (1996) claim that organizations of their size were unlikely to have survived without extensive MAS to provide information on their decentralized operations.

Kaplan and Atkinson (1996) while claiming that the one-hundred-year period (1825-1925 AD) saw the emergence and growth of both giant, successful industrial enterprises and an impressive array of MA practices (MAPs) lament that the next sixty-year period was not as productive in the development of MAPs. They attribute this lethargy, in the main, to the rise of elaborate financial accounting systems that were enforced through statutes and regulations that came into force with the emergence of capital markets, regulatory bodies and financial institutions in a scenario of expanding organizations both in size and numbers. These developments were mainly owing to the demands by the owners/entrepreneurs of these large organizations who were now compelled to obtain the services of hired managers and the creditors who supplied large amounts of funds. Understandably, they were keen to learn of the level of utilization of their investments, and hence called for periodic and aggregate reports of financial performance of these organizations. Kaplan & Atkinson (1996) record that while certain countries (e.g., Germany, Austria and Switzerland) chose to maintain two sets of accounts in relation to financial and cost accounting companies, North America and the United Kingdom, in particular, were content with the output from financial accounting systems for managing internal operations as well. They attribute this to the high cost of generating additional information and the widely held perception of the adequacy of the financial accounting systems when dealing with a few homogenous product lines which was the norm during this period.

With the wave of neo-liberalism⁴ sweeping through the globe during the 1980s, major new challenges emerged for MA in new manufacturing settings that were unfolding in organizations. With the onset of globalization and the growth of

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competition that followed, companies were compelled to rediscover the critical role that manufacturing played in creating competitive advantage for their organizations. As a result, fresh initiatives commenced in the sphere of manufacturing including enhancing commitment to quality in the manufacturing processes, greater attention to product design, reduction of inventory levels and manufacturing lead times *and* the introduction of computer controlled manufacturing operations (Kaplan & Atkinson, 1996). Further, all of the manufacturing innovations stressed the need to constantly improve operating processes beyond the levels achieved in previous years. These novel manufacturing practices stood in stark contrast to the stable manufacturing environment of mass production of a few standardized products that had been the basis for management and cost accounting during the first three quarters of the twentieth century. Understandably, examining and evaluating these new initiatives called for a new set of MAPs focusing on reduction of waste in business resources and creation of value through effective resource use in quick succession (IFAC, 1998).

Many writers (e.g., Kharbanda & Stallworthy, 1991; Whitehall, 1991; and Fukuda, 1998) attribute this heightened level of activity to developments in Japan, the rising economic super power which was committed to producing goods of superior quality at the lowest cost. By the end of the 20th century, Japanese manufacturing companies had emerged as corporate giants mainly owing to their unique management practices accompanied by creative MAS. Evidence abound that the Japanese modified and adapted Western practices of management to suit the cultural orientation of their country thus giving rise to a body of practices commonly known as Japanese management practices which, in turn, had implications for their MAS.

Though some of the Japanese Management Accounting practices have been adapted successfully by several manufacturing companies in the West it has been noted that they are more relevant and can be transferred with ease to other countries in the Asian region because of the similarity of their socio-cultural attributes (Lee, 1987; Wijewardene & Wimalasiri, 1996). Hiromoto (1988) observes that Japanese MAS are built on six supportive pillars, viz., a top-bottom commitment to process and product innovation; integration into corporate strategy; emphasis on non-financial aspects of factory performance; focus on long-term manufacturing strategy, commitment to market-driven management *and* de-emphasis on standard costing systems.

Hopwood (1987), among others, provides evidence of this organization-level awakening reflective of the era as he documents how an industrial component manufacturing firm of the west that marketed its products around the globe prospered and expanded until it faced intense competition from Japanese firms that cut prices drastically, particularly at the low end of the market. This triggered a complete re-appraisal of the firm's product lines, strategy, internal efficiency and productivity which transformed accounting into an influential language, its role suddenly becoming vital for the proactive re-making of the entire organizational arena.

However, during this period of rediscovery significant contributions to MA arose from the academics, professional accounting bodies, practitioners and business consultants of the West as well as those who were actively engaged in devising ways and means of meeting competition from the Orient, in particular. Thus, the latter part of the 20th century saw the emergence of a host of new Management Accounting techniques aimed at enhancing the competitiveness of business enterprises (e.g., Strategic Management Accounting - Simmons, 1981; Competitive and Value Chain Analysis - Porter, 1980; Activity Based Costing - Kaplan & Bruns, 1987; Balanced Scorecard - Cooper and Kaplan, 1992, and Benchmarking - Boxwell, 1994).

By the dawn of the 21st century 38 core MAPs had been developed (Abdel-Kader and Luther, 2008) which would have been more if other supplementary practices had been included. Understandably, in these times of great competition dissemination of the use of these MAPs are carried out with high intensity through numerous publications, workshops, seminars and research both internationally and locally. Further, the study of MAPs has been included extensively through management and accounting-based degree programmes in the university curricula. Various publicity campaigns for them imply that MA which is advocated as a panacea for organizational ills and a means to gaining competitive advantage has lately turned out to be a lucrative business.

The change of focus of ICWA from 'Cost and Works Accounting' to 'Management Accounting,' took place in the 1950s, in the aftermath of a visit by a team of accounting specialists to the US. Their observations on the use of cost accounting in a broader managerial context in the US had wide ramifications in its use in the United Kingdom, too. Subsequently, ICWA proceeded to define MA as "The presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operations of an undertaking."

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In 1971, the Institute's name was changed to the Institute of Cost and Management Accountants (ICMA) and subsequently in 1986, having obtained the Royal Charter, to the Chartered Institute of Management Accountants (CIMA). The latter move came as a result of their desire to be ranked equally with other competing professional bodies⁵ in the United Kingdom, mainly producing public practitioners, specializing in taxation, auditing, business law, etc.

Over its existence of nearly a hundred years CIMA has been committed to developing and maintaining a qualification, inclusive of training, to meet the changing information requirements of organizations. Cooray (2010), based on her observations of a historical analysis, describes how CIMA took the necessary steps to extend its membership outside the United Kingdom as part of its business strategy. Having gathered momentum particularly in recent years, it has now established itself in most of the countries of the Commonwealth including Sri Lanka. The extent of dissemination of MA by CIMA alone is evident in the membership and student numbers amounting to 2,400 and 12,000 respectively in Sri Lanka alone.

Whilst CIMA happens to be the pioneer and leader in MA other professional bodies, some of them set up prior to ICWA, (e.g., ICAEW, 1880; and ACCA, 1904) too had been engaged in disseminating MA with their syllabi containing topics and themes of MA and duly examined through their assessment schemes. In the recent past other professional accounting bodies have emerged which award the Certificate in Management Accountancy⁶ and also many regional/ international bodies⁷ whose membership consists of local professional accounting bodies. The latter, in addition to disseminating MA is actively engaged in networking and moving towards standardizing and unifying Management Accounting qualifications and practice. Thus, it can be concluded that from its humble beginnings over two hundred years ago in industrial settings in the West MA has now become a formidable force operating in local and regional and international arenas alike.

Dissemination of MA in Sri Lanka

Days of ancient kings - Pre-colonial regime

"King Dutugemunu's (161-137 BC) spirit lived on and manifested itself continually in the religious, architectural and irrigational activity of successive kings to the very beginning of the 19th century," when the unbroken lineage of governance by kings spanning over 22 centuries from the days of King Vijaya (483 BC) fell into the hands of the British (1815 AD) who governed Ceylon (as the country was known then) for the next 133 years (Kumaraswamy, 1979).

Once the foundations of a new civilization were laid in the pre-Christian era, the growing need for an agricultural base to support the people became an urgent task of the rulers of the country. Accordingly, gigantic, complex and interconnected irrigation schemes were completed by them, which according to Lanerolle (1985), can only be compared to the recent construction works of the 20th century, due to the perfection of hydraulic engineering skills prevalent during ancient times. Alongside these, during the golden eras of the Anuradhapura and Polonnaruwa dynasties (377 BC - 1186 AD) great monasteries, stupas, palaces and other public works demanding high levels of technology and civil engineering skills flourished. Historical records reveal that trade between Sri Lanka and Indian ports had also taken place since pre-historic times to be followed by Greek, Roman and Arab merchants calling on Sri Lanka for exchange of goods for precious gems and spices.

Thus, the country had enjoyed a high level of civilization in the early years of its history and was engaged in large-scale agricultural, irrigation, construction and commercial activities. Invariably, this would have been accompanied by a quest for managerial acumen by way of making optimal use of labor, material and other resources. This would have entailed the execution of managerial functions, viz., planning, decision making and controlling for which the use of varied forms and types of information would have been a prerequisite. Thus, it is likely that the use of information in the management of resources which falls within the purview of Management Accounting would have been a necessity during ancient times as well. However, since MA, by and large, is a social construct which evolves in a given socio-political and cultural environment (Wickramasinghe & Alawattage, 2007), the model of MA and the *modus operandi* that prevailed then would have been different to what is prevalent today.

Historical evidence, for example, the rock inscriptions of Mihintale, Anuradhapura, of King Mahinda IV informs us of stewardship accounting being in practice as far back as the 10th century AD: "Whatever is spent daily on the maintenance of the premises from revenue collections and on the renovations of works shall be entered in the register. From the particulars contained therein, a statement of accounts shall be placed in a casket under lock and key. Every month the sheets of accounts so deposited shall be made public and a fresh statement of accounts prepared from them. From the twelve statements of accounts made during the year, data shall be read out in the midst of the community of monks and be finally disposed of" (cited in *Saga of an Enduring Journey*, 2009).

When the intricacy and level of sophistication of the accounting process described herein is considered one could assert that there may have been, in

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addition, a well thought-out planning and control process accompanied by a system of collecting and using information. Continuing the argument one would expect similar, or even more complicated, systems to have been in place in relation to higher order agricultural, irrigation and construction projects.

This seems a plausible argument in the light of Kaplan & Atkinson's (1996) view of the development and use of MA information during the building and operating of railroads in nineteenth century America, which one could imagine to have been of a lesser scale in terms of scope, diversity and complexity. However, this remains largely an unexplored area that is worthy of looking into, for which local archaeological sites and chronicles can be made use of.

Four phases of dissemination of MA

In the early 19th century AD, as modern MA was taking shape in the west the King of Ceylon was embattled against the British, the occupants of the maritime provinces of the country subsequent to their ousting the Dutch (1656 - 1796 AD), who in turn had wrested power from the Portuguese (1505 -1656 AD). Ceylon finally became a full-fledged colony of Britain in 1815 AD and remained so until it was granted Independence in the year 1948 AD. Thereafter, the country passed through capitalistic regimes followed by socialistic orientations until it finally opened up its economy in 1977, following the neo-capitalistic policies that had just been introduced in the West.

The growth of modern MA was largely associated with the socio-technical and cultural changes that took place in the West during the 19th and 20th centuries and since Ceylon continued to be a British colony during this period it would be interesting to examine how certain local developments in the sphere of MA could be traced to contemporary events in Britain. However, an obstacle in the way of this effort is the dearth of information about the history of long established British and local firms which have governed the trading, banking and planting interests of the country (Paulusz, 1949). Further, as cited by Jayawardena (2003) and Ernst and Young (2007) there is hardly any reference to accounting as a profession or the role of accountants in business organizations during the colonial period. For example, as cited in Ernest & Young (2007), though Villiers's *Mercantile Lore* (1940) provides a comprehensive overview of mercantile firms of Colombo it lacks information in this respect. This gap could be filled to some extent by seeking the views and experiences of pioneering members of the accounting profession⁸, which has been attempted in this enquiry. In contrast, the period subsequent to the 1960s is abundant with relevant information.

Thus, based on a review of past events and relying both on direct and inferential evidence it is asserted that the dissemination of Management Accounting can be discussed under four distinct phases, viz., (i) Early initiatives by colonial masters; (ii) Dual role of financial accountants; (iii) Local ICWA members hard at work and (iv) Taking wing with globalization. The remainder of this paper is devoted to describing the salient events within the broad framework of colonial despotism, state capitalism and market despotism in an attempt to justify the position taken herein.

Regime of colonial despotism

Early initiatives by colonial masters (1815 - 1895 AD): In the early years of colonialism under the British, dissemination of MA (the term had not been coined by then) was largely driven by the needs of the colonial masters in the Colonial Office in London and the British investors who had a stake in enterprises in Ceylon, particularly in the plantation sector. It is evident that they used MA as a control measure with a view to overseeing the progress of their investments in Ceylon. Though during these early times the beneficiaries of MA in Ceylon were limited and therefore the rate of dissemination was slow there is evidence that it had picked up towards the end of the 19th century.

Before the opening of plantations in the 1830s, trade was the main source of generating wealth with British merchants dominating the export-import trade followed by Indian merchants, who imported rice, grain, textiles and 'piece goods' from India and exported varieties of local produce to India and other Asian countries while the Ceylonese were active in internal trade within the island, between ports, and with South India. Thus, in the pre-plantation period small amounts of capital accumulation took place in the areas of trade by land and sea, in contractual services to the government, in the cultivation of spices and in the farming of rents, some of which ceased to be significant with the advent of the coffee plantations. There is hardly any reference to industrial activity during these early days of British colonialism, when the spread of MA was evident in industrial settings in the West (Jayawardena, 2003).

The goals of colonial policy in Ceylon were defined by the British rulers as early as 1832 when the findings of the Colebrook Commission were accepted in principle consisting of equality before the law, representative government, an independent judiciary, a uniform system of government and free enterprise (Hulugalle, 2002). They replaced the outmoded mercantilist practices and institutions that had existed hitherto and provided the necessary infrastructure

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for economic expansion through a plantation economy with foreign investment and entrepreneurship occupying pride of place.

The year 1839 saw the setting up of the Ceylon Chamber of Commerce⁹ which while playing a catalytic role in the business sector served the needs and safeguarded the interests of the trading community to solve their trading problems that focused predominantly on the export of coffee and other agricultural products. It established a much needed link between plantation enterprises and produce brokering companies which provided a forum for the plantation companies to discuss and compare their production and cost figures *and* selling prices. Thus, one would guess this institution to have played a facilitator role in the emerging of elementary aspects of Cost Accounting among its clientele in the early coffee plantation days.

As cited by Abeysinghe, (2010) the introduction of a state budget for the first time in Sri Lanka took place in 1840 when the Colonial Office in London condescended to allow the Legislative Council in Ceylon to formulate and control a part of the country's budget involving the development of communication and irrigation activities, to begin with (Weerawardana, 1951). Abeysinghe (2010) also states that as part of the budgetary control process the Colonial Government used administrative reports to inform its economic accountability to the British Imperial Government. At the end of each financial year, detailed performance reports were prepared by Heads of state sector organizations (e.g., Railways, Postal, Survey and Irrigation Departments) on a specified format and when these individual contributions were put together, they formed the Administrative Report from the colony. It contained revenue and cost information pertaining to operations organized in a logical order and also contained basic efficiency ratios. In addition, they reported the progress of operations, administrative issues dealt with during the reporting period such as labour problems or natural disasters and financial contribution (surplus) to the government. However, it was not the tradition to prepare a Balance Sheet pertaining to the organization. In essence, they served as performance and variance analysis reports covering both the financial and non-financial aspects of the organizations for the financial year under review. There is a strong likelihood that contents of these reports may have been the subject of discussion between the Heads and management of these organizations and thereby MA would have taken root in the state sector organizations in Ceylon.

The preparation of the budget and the budgetary control process outlined above would have had a considerable impact on the management of the business

enterprises of the day. Owners and management of sterling companies headquartered in Britain with business interests in the areas of plantations and trading would have requested for similar information from their counterparts in Ceylon. Further, it is likely that British expatriates as well as the Ceylonese managing business enterprises would have used them to various extents.

As suggested by Jayawardena, (2003), the rapid expansion of the coffee plantations around this time led to the commencement of several proto-industries by local investors. For instance, the demand for buildings, furniture, coffee chests, barrels and casks gave rise to carpentry whilst the increase in the demand for estate buildings, government offices and private houses led to the development of timber and saw-mill industries which expanded further due to the timber needs of the railways which commenced in 1860s. However, most of these businesses were family-owned and by the 1870s there were several saw mills running with steam machinery owned by the Ceylonese. The coffee industry also gave rise to coffee grinding and curing mills, which were however owned largely by Europeans. Among other industrial enterprises owned by local enterprises were oil and fibre mills *and* tanneries.

A bourgeoisie had emerged in Ceylon by this time which comprised mainly investors engaged in a few sectors such as the liquor trade, plantations and graphite. In olden Ceylon the learned professions commanded respect which resulted in children of the families of the bourgeoisie being sent overseas for higher education, particularly to Britain. In addition, visits to Britain by key local entrepreneurs and Ceylonese investors¹⁰ also took place, though few and far between. And, since this was a period when the scientific management movement was at its peak in Britain some of the ideas would have found their way into local industrial settings through their exposure in Britain.

With the collapse of the coffee industry owing to a fungus ('coffee blight') in the 1880s, a switch to tea cultivation took place with the acreage under tea rising phenomenally. However, tea remained mainly a British preserve, with the ownership of most of the plantations vested in sterling companies established in Britain. In fact, plantations were opened up with foreign capital on cheap crown land, which were managed by British superintendents, producing an export crop using immigrant South Indian labour, almost exclusively for sale and consumption in foreign markets. Since most of the sterling companies were listed on the London Stock Exchange¹¹ and came within the purview of the British Companies Act of 1844, the monthly and annual reports that had to be prepared as statutory requirements served as precursors to the elaborate MAS that were

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developed later and continue to be used in the plantation sector to date. These reports contained financial statements as well as an array of performance and productivity indicators on agricultural practices. In addition to satisfying the inquisitiveness of the owners who were residing thousands of miles away from the scenes of action, they served as effective planning and control systems for the benefit of managers of the plantations. Agency Houses which were set up here acted as the link between the sterling companies and the plantations that were owned and managed by British expatriates. It is likely that the local entrepreneurs who ventured largely into rubber and coconut and to a lesser extent tea by this time would have been influenced by these developments. This marks a significant step in the annals of dissemination of MA in Ceylon.

During the second half of the 20th century a growth in the formation of companies by British and Scottish expatriates could be observed [e.g., Walker Sons (1854) - engineering; A Baur & Co. (1854) - trading and inputs for agriculture; Aitken Spence (1868) - trading and commission agents; John Keells (1870) - produce brokering; Brown & Co. (1872) - engineering; Colombo Commercial Co. (1876) - engineering; Hayleys (1878) - imports and exports; Walker & Greig (1880) - engineering] and it is likely that these entrepreneurs would have been influenced by the contemporary events that were unfolding in the West by way of developing innovative MA techniques. It is likely that they would have been in contact with their motherland where they were born, bred and educated and thus, imported MA techniques and used them in their business endeavours.

Therefore, Phase One of the dissemination of MA in Ceylon can be seen as one initiated by the colonial masters, who wished to closely monitor the progress of their subjects and investments through coercion. Subsequently this was continued by British expatriates who set up and managed business enterprises in the island. However, it is noted that the involvement of the Ceylonese in this exercise has been marginal.

Dual role of financial accountants (1895 - 1960 AD): The second phase of dissemination of MA was characterized by a growth in the number, size and diversity of business enterprises, which also marked a rise in the entry of local entrepreneurs. This was followed by an increase in the demand for auditors and financial accountants who looked after the function of cost accounting as well. However, towards the end of this phase an increasing number of duly trained cost accountants began to assume responsibilities in industrial settings.

By 1895 commerce was well established in Ceylon as (summarized by Sir Joseph West Ridgeway, the Governor of Ceylon:) "To put it shortly, one of the

primary duties of the Governor is the promotion of Commerce. Commerce is the union between all parts of the Empire; Commerce is the *raison d'être*," (as cited in Hulugalle, 2002). Thus, the dawn of the 20th century witnessed a country with a firm export-oriented agricultural product base, and an industry base that emerged and supported it with the ownership of enterprises scattered among British residents, British expatriates in Ceylon and local entrepreneurs. Further, around this time, in alignment with the rapid expansion of business enterprises in Britain, Ceylon too experienced a growth of business enterprises, accompanied by the formation of rupee companies and the formation of the Colombo Share Brokers' Association (1896). In addition, developments in the finance sector were also visible with increasing demands for accountability and transparency.

Accordingly, though the Joint Stock Companies Ordinance of 1861 provided for the mandatory requirement of appointing auditors annually and rules associated with share trading were taking ground, accountants continued to be in short supply (Jayawardena, 2002). Ernst and Young (2007) argue that the pioneer auditors in Ceylon may have played a prominent role during this period as the audit function would have been considered part and parcel of the core business and not a separate service activity provided by an external organization. It further asserts that in these early days the auditors had not only helped organizations to conduct external audits but had also been engaged in assessing their internal operations through internal audits and assisted in developing good systems and practices. They also helped them to develop their MA information. It is important to note that audit firms in Ceylon during this period¹² were headed mostly by members of the Institute of Chartered Accountants of England and Wales whose expertise was in the areas of financial accounting, taxation and law with a limited training in cost accounting. Therefore, their contribution in the area of cost accounting would have been severely limited.

The travails of the Great Depression of the 1930s were followed by recovery and boom conditions which were to be disturbed again by the onset of the World War II. Ernst & Young (2007) record that by 1949, despite the existence of war conditions immediately before, the number of Ceylonese companies had risen to 1,300 and that the previous ten years had been a period of great activity in relation to the formation of new companies. By now, a class of local industrialists had emerged who had set up business enterprises in the areas of ice and aerated water manufactories, confectionery, furniture, safety matches, oil milling, rice milling, water pumps and rubber based products.¹³ The growth of companies indicates that the public had become more and more conscious of the prudence of making investments in limited liability companies, which also called for high

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standards to minimize exploitation and financial losses. Understandably, this would have infused a certain degree of competition in the business environment, a need for better planning, controls and decision making as well as the necessity to comply with statutory and other regulations. This opened up more and more positions for accounting professionals who still continued to be in short supply. It is noted that this gap was partially filled by an inflow of British expatriates and a trickle of the offspring of second/third generation of bourgeoisie who were members of the Institute of Chartered Accountants of England and Wales and the Chartered Institute of Certified Accountants, two qualifications which had a considerable following in Britain. To add to this, a few members of the ICWA too appeared who were employed by engineering-based organizations.

A significant contributor to the dissemination of MA had been the Ceylon Technical College, which started classes for Commerce students and progressed over the years to become the centre for Management and Business studies. Evening courses in Accounting at professional level were commenced in 1943 followed by a more advanced course in 1946. Aspects of Cost Accounting were covered in these courses though the main thrust was Financial Accounting. Those who completed these courses were largely absorbed into the companies owned by local entrepreneurs to carry out accounting-related work.

In the meanwhile, the Companies Ordinance of 1938 required accounts of companies to be audited by persons registered by the Registrar of Companies. In order to meet this requirement the Companies Auditors Regulations of 1941 provided for the setting up of the Accountancy Board of Ceylon with powers to register articled clerks, draw up tutorial courses for such articled clerks, conduct examinations and register successful examinees as Registered Accountants who had the option to either work as Accountants in companies or register as Auditors with authority to audit accounts of companies. Thus, a new stream of accountants was born with an orientation towards audit-related work but who were also compelled to attend to cost-related work under the circumstances that prevailed at that time.

In essence, the regime of colonial despotism constituted two distinct phases of dissemination of MA, viz., early initiatives by colonial masters (1815- 1895 AD) and dual role of financial accountants (1895 - 1948 AD). As the colonial masters commenced their rule subjugation and dominance over its subjects through replacement of indigenous practices were dominant in their minds. Demand for MA knowledge during this regime was driven by the needs of colonial rulers who wished to monitor how the departmental mechanism which managed

the colony performed. Further, the investors in sterling companies and the British expatriates who set up businesses here wished to maximize returns largely through control of labor via coercion. The main forms of MA knowledge that were used were expenditure controls, budgeting, budgetary controls and variance analysis while the major institutional apparatuses included directives from the Colonial Office, guidelines from sterling companies activated through agency houses and later audit and other statutory bodies.

In the aftermath of the Second World War and towards the middle of the 20th century intense national struggles had commenced in many nations, particularly in this part of the world, which called for independence from their colonial masters. Ceylon was no exception as national leaders of the country worked relentlessly towards this end.

Regime of state capitalism

Post colonial era (pre-open economy period)

Sri Lanka achieved Independence from Britain in 1948, but the classic dual economy with its export-oriented plantation sector and the large peasant subsistence sector continued until about the mid-fifties as policy makers at that time were largely of the view that industrial prospects for the country were limited (Karunatilelke, 1987). However, an inclination towards industries was emerging as evident by the setting up of a ministerial portfolio of Industries in the first Cabinet after Independence.

A distinct shift in the direction of economic policy towards industrialization took place towards 1956 when it was seen as a means of restarting the economy so as to end economic dependence. In keeping with the then prevalent ideological thinking the development strategy chosen by the government was one of forced import-substitution with import controls, direct government involvement in production activities, and other direct controls on trade and finance in operation. A large number of public corporations were established and a drive towards the nationalization of large private companies (e.g., bus transport services, insurance and foreign-owned companies) were also in place, a trend which continued into the sixties and the seventies (Kelegama, 1993). These corporations were largely into manufacturing, which would have boosted the need to employ Cost Accountants who were still a rare breed in Ceylon. Further, they were required to submit detailed financial and management reports to Parliament to which they were accountable.

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Towards the end of the 1950s it was thought that the Accountancy Board of Ceylon did not contribute adequately to the development of the accountancy profession. Accordingly, the Institute of Chartered Accountants of Ceylon (1959) was set up which provided for the enrolment as Chartered Accountants of persons already registered as Accountants and Auditors of the Accountancy Board of Ceylon as well as those who were members of approved accounting bodies such as the Institute of Chartered Accountants of England and Wales *and* the Chartered Institute of Certified Accountants (UK). It is important to note that the syllabi of the Institute's examinations were in line with the syllabi of its counterpart in Britain and covered certain aspects of cost accounting *and* Management Accounting, a novel addition initiated by the ICWA. Thus, the Chartered Accountants were now in a better position to contribute towards the management of information for planning and control purposes at their places of work.

The second phase of dissemination of MA was dominated by auditors and financial accountants. Despite the growth of companies which needed people with expertise in cost accounting, financial accounting remained the main stay owing to the introduction of statutory and other regulatory requirements. Therefore, auditors and financial accountants were compelled to engage in cost accounting and MA work to the extent of their expertise and availability of time. It is evident that the dissemination of MA during this period was intermingled with Financial Accounting.

ICWA enthusiasts hard at work (1960 -1980 AD): The third phase, in contrast to the second, was one of intense activity initiated and executed by a group of ICWA members resident in Ceylon. During this period the ICWA qualification was transformed from one of low to high level of recognition and acceptance. This was accompanied by a high rate of diffusion of Management Accounting among ICWA students and members of organizations.

Post colonial era (pre-open economy period) (contd.)

The early 1960s witnessed a slow growth in the number of ICWA members comprising British expatriates and Ceylonese who were largely employed in engineering-based firms headed by British expatriates. Considerable advancements in the area of Cost and Management Accounting had taken place in Britain with news of its importance spreading across companies in Ceylon. Further, companies were slowly beginning to realize the useful role that Cost and Management Accountants could play in organizations. By this time the conduct of ICWA examinations locally had commenced under the supervision of the Department of Examinations.

Furkhan (2011) reports that while all these developments were taking place in Ceylon the contention prevailed that Chartered Accountants were of a higher category than Cost Accountants, ".....All important challenges of the Accountancy profession in Ceylon would in future have to be handled by the members of the Institute of Chartered Accountants of Ceylon leaving lower levels of Accountancy functions to be handled by people such as book-keepers, cost accountants and others," a former President of the Institute of Chartered Accountants of Ceylon had remarked at a luncheon meeting in the year 1965.

In October, 1965, in order to gain higher levels of recognition and acceptance for the ICWA qualification in Ceylon a group of twenty-one enthusiastic ICWA members residing in Ceylon at that time formed the Association of Cost and Works Accountants of Ceylon. This was ably led by two members of ICWA, one a British expatriate and the other a Ceylonese, ¹⁴qualified and trained in Britain and employed at Walker Sons & Co. Ltd., Deputy General Manager and Chief Accountant respectively.

The item that the Association gave highest priority to was organizing classes for the examinations. In addition, it maintained a modest library for the benefit of students at a time books were costly. The library consisted of publications that were important for examination purposes. The Association also found training placements for students for which membership ICWA played an active role. Whilst lobbying and negotiating with local authorities and the companies the Association also took necessary steps to build a close rapport with the ICMA Headquarters in London.

During an official visit of the President and Secretary of ICMA (1970) a meeting was held with students and members of ICWA and the Institute of Chartered Accountants of Ceylon. This had a positive impact on greater recognition of the ICWA as well as developing mutual understanding between the two professional accounting bodies on the different but complementary paths that the two institutes were taking. The visitors also declared open facility centres for the benefit of students. Over time the student numbers registering for ICWA rose exponentially and the Association was compelled to seek the involvement of other educational establishments to conduct classes (cited by Cooray, 2010 based on CIMA archival records). Thus, ICWA had taken root in Ceylon and the dissemination of MA was continuing at a rapid pace with the involvement of the Association, students and members.

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The culmination of the hard work and dedication of the Association of Cost and Works Accountants of Ceylon was its recognition as a branch, which with the change in names of the Institute (having obtained the Royal Charter) as well as the country (having become a Republic) in 1972, came to be known as the Institute of Cost and Management Accountants (ICMA) - Sri Lanka Branch. The local ICMA members and students at this important juncture numbered 40 and approximately 1,500, respectively. With the receiving of branch status a new chapter opened in the dissemination of MA in Sri Lanka.

Having obtained branch status it was now required to act in line with the overall strategy of the ICMA London. The focus of the branch now was to ensure growth in member and student numbers which was strategized by the Branch Office and operationalized through different committees manned by ICMA members who worked on an honorary basis. The Branch Office was entitled to receive funds on an annual basis from the ICMA London in order to manage the Branch Secretariat and run the various committee-based projects. The project objectives could be summarized as (a) increase student enrolments; (b) impart subject and skills to students; (c) develop partnership with industry *and* (d) ensure continuous development of members. It is clear that all these activities would have ultimately led to the dissemination of MA in the country. It is important to note that these developments were conducive to the events that were to follow in the wake of neo-liberalist ideas that were adopted with fervour in Sri Lanka by the right-wing government that came to power in the year 1977.

Thus, the third phase of the dissemination of MA was marked by the initiatives of ICWA enthusiasts, which resulted in Sri Lanka being granted branch status by ICMA London. During this period the ICMA qualification gained wide recognition and acceptance together with a phenomenal increase in student numbers. This paved the way for a higher level of dissemination of MA.

In essence, the regime of State capitalism constituted the continuation of the dual role of financial accountants (1948 - 1960 AD) and a new phase ICWA enthusiasts hard at work (1960 - 1980 AD). Similar to other states which gained independence around that time Ceylon was also inspired by the prevailing ideologies on models of development through central planning with the aim of self-sufficiency. Accordingly, the demand for a knowledge of MA was driven by the national agenda of an expanding state sector with the focus on nationalization of services and setting up of corporations to commence local industries. State induced effectiveness and efficiency was the driving theme and during this regime basic costing and pricing techniques were added to the

existing stock of knowledge. Major institutional apparatuses of dissemination included audit and accounting service providers and London-based and Sri Lankan professional institutions while manufacturing consent was ensured largely through the internal state and internal labour market.

Regime of market capitalism

Taking wing with globalization (1980 - to date): The fourth phase of the dissemination of MA dawned in Sri Lanka with the advent of neo-liberalist thinking accompanied by vast strides in the development of transportation, information processing and communication technologies. The organizations adopted the widely held perception that modern MA would facilitate the process of beating competition, the way to organizational success. Accordingly, multiple channels were opened which promoted the dissemination of MA in Sri Lanka.

Post colonial era (open economy period)

With the opening of the economy in the year 1977 Sri Lanka joined the neo-liberalist free enterprise movement that was emerging in the west. The initial years were a period of revelation during which Sri Lanka experienced significant changes in the socio-economic backdrop such as lifting of import restrictions, setting up of a foreign investor promotion zone, promoting the involvement of the private sector in economic activities and gradual relaxation of the hold of the government in trade and commerce.

Kelegama (1993) observes that the initiatives in 1977 amounted only to partial liberalization owing to the continuation of a significant role by the state in the economy. By the mid-1980s, some public enterprises found it extremely difficult to compete with imported goods in the liberalized environment; their performance was far below expectations with a continuous decline in efficiency and productivity in their operations. This made the Minister of Finance comment, "Unfortunately some public corporations are becoming an intolerable burden on the budget and the people of the country. Unless we do something immediately to improve their efficiency the implications for the future are likely to be serious," (Budget Speech, 1985).

The period that followed witnessed a gradual but concerted effort to move into deeper and far-fetched aspects of free enterprise economic policy which culminated in a large scale privatization programme encompassing industrial, plantation and service sector organizations. It was widely publicized that

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privatization would entail a range of benefits including transforming loss making enterprises into efficient and profitable ones and importation of advanced technology and new management concepts, techniques and practices into the country (Kelegama, 1993).

The dawn of the new millennium witnessed unprecedented advancements in manufacturing, communication and information processing technologies and a fusion of cultures resulting in an increasingly borderless world of which its due share Sri Lanka experienced as well. This resulted in extensive competition in many industry and service sectors and a quest for higher levels of quality and productivity. In this context, the dissemination of MA offered a useful strategy to compete effectively through *Reduction of waste in business resources and value creation through effective use of resources*, which were emerging themes of the time. Akin to measures taken by many other countries the past thirty-year period witnessed the adoption of a number of steps which resulted in the dissemination of MA.

For instance, the CIMA Sri Lanka branch having been elevated to the status of a Division in 1988 and moving into their new and spacious premises around the same time stepped up the dissemination process through organizing improved library facilities, conduct of lecture sessions on special topics, facilitating training for students *and* other student and member-related services. But, more importantly the Division got involved in holding workshops, seminars, public talks and national level conferences on current MA themes, practices and techniques as a means of imparting new knowledge to members, students, and representatives of organizations. These presentations covered innovative MA practices that originated both in the West and the Orient. As the CIMA Sri Lanka Division reports, academics, practitioners and consultants of world repute have been invited to conduct these events. But, at a still different level certain moves taken by the Division would have enhanced the 'awareness density' about CIMA and MA practices. These include holding competitions for school children, awareness programmes conducted in schools, changing the entry level qualification to Ordinary Level (from Advanced Level) and also making linkages with the university system.

There was an emerging trend in the 1980s to learn from the Orient, Japan in particular, which was on its way to becoming an economic super power. Young Sri Lankan professionals from the areas of industrial engineering, business management, accounting and finance were increasingly being exposed to new management concepts and techniques through fellowships and other short-term

training programmes offered by friendly countries such as Japan, Singapore and Malaysia. Some of them who received training brought back ideas and practices which they attempted to adopt in their work places. For example, a young industrial engineer cum management accountant¹⁵ from the Ceylon Tyre Corporation, after being exposed to quality circles and *kaizen* during a training programme at Nippon Electrical Company (NEC), introduced these Management Accounting practices to the Sri Lankan corporate sector which were well received. Subsequently a group of enthusiasts proceeded to form the Quality Circles Association of Sri Lanka (QCASL) which was followed by the Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP) whose objective was to popularize Japanese management and MA practices in the country. In addition, Japanese publications that dealt with success stories of using MA practices appeared on the bookshelves in Colombo and other main cities, which too served as a means of disseminating MA among the managerial community.

Another important strand of activity was the series of consultancy and training activities revolving round Japanese MA practices which emerged under the auspices of public sector organizations [e.g., National Institute of Business Management (NIBM) and Sri Lanka Standards Institute (SLSI)] and voluntary organizations [e.g., Japan and Sri Lanka Technical, Education and Cultural Association (JASTECA) and Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)]. The workshops and seminars that were conducted were well attended and covered quality- and productivity-related MA practices such as Just in Time Systems, Total Quality Management, Target Costing, Quality Circles and *Kaizen* as well as associated manufacturing practices, for example, 5S, Total Productive Systems and Lean Manufacturing Systems. Further, in order to enhance MA in organizations competitions were conducted with awards presented to the winners. In the meantime, some companies and individuals hastened to obtain the services of free-lance consultants, a fast growing breed, in relation to these practices as well as MAPs of western origin such as Activity Based Costing, Balanced Scorecard and Value Chain Analysis.

An important milestone in the dissemination of MA was marked by the setting up of the Society of Certified Management Accountants of Sri Lanka (SCMASL) in the year 1999. Being the brainchild of a Fellow Member of ICASL and CIMA¹⁶, it was formed with the technical support of Certified Management Accountants (Canada) and financial support of the Canadian International Development Agency (CIDA). Ten years later it was reconstituted as the Institute of Certified Management Accountants of Sri Lanka (ICMA Sri Lanka) by Act of Parliament No. 23 of 2009. The objective of the ICMA Sri Lanka study programme is to

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produce management accountants endowed with capabilities, competencies and a globalized outlook required to meet the challenges in the organizations in the global and local arena. It offers a comparable alternative to the CIMA qualification at an affordable price with the focus mainly on candidates from outstations. In addition to the study programme, it also disseminates current MA of the West and the Orient through workshops, seminars, public talks and national level conferences. The member and student numbers of ICMA stand at 2,000 and 15,000 respectively (ICMA Sri Lanka Annual Report, 2011).

Although the Government had been voicing the importance of quality and quality management since the early eighties there was no national level programme in this direction until 2006 when under the Ministry of Industries a National Productivity Decade was declared. A National Productivity Secretariat was set up with a view to promoting quality, productivity and safety among schoolchildren and employees of the state sector through activities such as radio-talks, TV programmes, publication of booklets, conduct of an annual quality week and competitions based on Japanese management practices.

Another important source for disseminating MA has been other professional study bodies, both foreign and local, which proceeded to include increasing amounts of MA-based subjects in their respective programmes. This is a clear indication of the emerging inter-disciplinary outlook among professions which recognizes the need for those specializing in other functional disciplines to possess a fair knowledge of MA as well. Naturally, with the numbers enrolling for these professional programmes increasing substantially, more get exposed to current MA. Please refer Table 1.

Table 1: MA based subjects offered in Professional Programmes

Professional Institute	MA based subjects
Association of Certified Management Accountants (ACCA)	Management Accounting; Performance Management; Advanced Performance Management
Institute of Chartered Accountants of Sri Lanka (ICASL)	Fundamentals of Management Accounting and Business Finance; Strategic Management Accounting
Association of Accounting Technicians of Sri Lanka (AAT)	Basic Accounting-Cost Accounting; Management Accounting and Business Finance
Institute of Bankers of Sri Lanka (IBSL)	Accounts Analysis & Planning
Chartered Institute of Marketing (CIM) (UK)	Managing Marketing

Source: Brochures of Professional Institutes

Another significant avenue of dissemination of MA is the Sri Lankan state university system which has grown significantly in recent times in terms of both the number of programmes offered and the student intake per programme. At present, there are thirteen Faculties of Management Studies with most of them offering more than one degree programme. The University of Sri Jayewardenepura, for example, offers twelve degree programmes covering functional areas such as Business Administration, Finance, Accounting, Marketing and Entrepreneurship. It is important to note that each degree programme has at least one course unit on Management Accounting which encompasses MA practices that originated both in the West and the Orient. And, with an annual intake of around six thousand students into these faculties of study it provides a principal means of disseminating MA in the country. However, these numbers do not include private higher educational institutions which too offer similar degree programmes and conduct courses in MA.

In addition, there are degree programmes which specialize in Accounting where more than one MA course is taught. At present, there are seven such degree programmes offered by the universities in the state sector of which details of three are given in Table 2. The number of Accounting graduates passing out from these three programmes alone amount to about five hundred per annum (Brochures of Universities, 2011).

Table 2: MA-based subjects in Accounting Degree Programmes

University	Degree	MA based subjects
University of Colombo	B.B.A. Accounting (Special)	Strategic Management Accounting Contemporary Issues in Accounting Advanced Management Accounting
University of Sri Jayewardenepura	B.Sc. Accounting (Special)	Cost and Management Accounting; Advanced Management Accounting; Strategic Management Accounting; Contemporary Issues in Management Accounting.*
University of Kelaniya	B.B.Mgt. (Accountancy) Special	Cost Accounting; Fundamentals of Management Accounting; Advanced Cost Accountancy; Strategic Cost Management.*

Source: Brochures of Degree Programmes * Elective courses

Further, MA is taught extensively in postgraduate level programmes of study (e.g., Master of Business Administration) which are in vogue at present. These programmes are offered by state as well as private sector universities, which

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also disseminate MA. However, it is important to note that all these programmes adopt a technical-managerial approach in relation to the use of MA. Though a few sporadic initiatives have been made by a few members of the Sri Lankan academia¹⁷ on the need to look at MA from interpretive and critical perspectives¹⁸ these have not appeared in the current curricula in substantial quantities as yet.

Another recent development of dissemination of MA during the last two decades had been the introduction of Management Accounting into secondary level education in Sri Lanka. At present MA is considered an important component in the Commerce stream of the GCE Ordinary and Advanced Level examinations. Further, with each syllabus revision more MA topics have been added which is indicative of the importance that educationists of Sri Lanka give to the knowledge base that is passed on through the subject to the young men and women of Sri Lanka. Since large numbers take this subject at their secondary level examinations it is another clear avenue for an extensive dissemination of a knowledge of MA

The regime of market capitalism coincided with the phase of taking wing with globalization (1980 - to date). Alternative prescriptions for prosperity of nations through neo-liberal thinking prompted Sri Lanka to embrace this emerging discourse of economic order. During this regime demand for a knowledge of MA has been driven by the needs of an expanding market economy with the focus on privatization of services and industry-based enterprises. Further, the advent of global companies and local entrepreneurial pursuits has created a need for organizational effectiveness and efficiency in an intensified competitive environment. Innovative techniques from the West and the Orient have been added to the stock of the knowledge of MA that was currently available. The major institutional apparatuses for dissemination constituted West-based and Sri Lankan professional institutions, universities, schools and consulting organizations. Further, gaming behaviour was central in securing manufacturing consent in organizations.

Summary

A summary of how MA knowledge disseminated in Sri Lanka in the context of historical and structural needs of an evolving society, as seen through Burowoy's (1985) framework (further illustrated by Uddin & Hopper, 2001; Hopper, et. al., 2008) appears in Table 3.

Table 3: Summary of dissemination of MA in Regimes of Control in Sri Lanka

Regime	Colonial despotism (1815 - 1948 AD)	State capitalism (1948 - 1977 AD)	Market capitalism (1978 - to date)
Phase/s of dissemination	(a) Early initiatives by colonial masters (1815- 1895 AD) (b) Dual role of financial accountants (1895 - 1948 AD)	(a) Dual role of financial accountants (1948 - 1960 AD) (b) ICWA enthusiasts hard at work (1960 -1980 AD)	Taking wing with globalization (1980-to date)
Inherent contradictions that gave rise to the regime	Subjugation and dominance of colonial masters replacing indigenous practices.	National struggles and the prevailing ideologies on development through central planning based pursuits for sufficiency.	Alternative prescriptions for prosperity sweeping through the globe and compliance with new a new economic order.
Demand for MA knowledge driven by	Needs of colonial rulers and investors	National agenda of an expanding state sector	Neo-liberal agenda and an expanding market economy
Purpose of MA	Effective management of the colony Management of plantations and industries largely through control of labor.	State induced effectiveness and efficiency	Market induced effectiveness and efficiency in an intensified competitive environment
Focus	State Departments Sterling (plantation) companies and industrial pursuits of British expatriates	Nationalized services and state corporation initiated industrial pursuits	Privatized services and industries Local operations of global companies Local entrepreneurial pursuits
Main forms of MA knowledge	Expenditure controls, budgeting, budgetary controls, variance analysis	In addition, basic costing and pricing techniques.	In addition, innovative techniques from the West and the Orient were added.
Major institutional apparatuses of dissemination	Directives from the Colonial Office Guidelines from sterling companies activated through agency houses Audit & other statutory bodies	Audit and accounting service providers London based and Sri Lankan professional institutions	West based and Sri Lankan professional institutions, universities, schools and consulting organizations
Manufacturing consent secured largely through:	Coercion	Internal state and internal labor market	Gaming behavior

Conclusions

There are distinct differences in the rates of dissemination of MA in terms of intensity and extensiveness over the different regimes marked by subjugation (colonial despotism), self management (state capitalism) and fusion with global trends (market capitalism). Each regime sets the stage for the next *via* contradictions and conflicts that ignite socio-political struggles nationally and globally. For instance, pre-colonial regimes may have had indigenous knowledge akin to MA (unknown and merits investigation) but subsequent developments stem from external (colonial) intervention to be replaced, in the post independent days, by development models advocating alternative ideologies. They have taken a different turn with the advent of neo-liberalist ideology-led market capitalism with MA disseminated extensively through multiple channels.

The findings suggest that the dissemination of MA is driven by, and arises in consequence of, the historical and structural needs of evolving society as articulated in structural parameters such as ownership interests, modes of production and means of controlling labour. The four phases identified within Burawoy's framework describe further the specific societal mechanisms through which the process has evolved in Sri Lanka. MA, which happened to be a medium of communication of a selected few by virtue of their official positions has changed its stance gradually and is presently an arena open to a larger segment of the Sri Lankan society including the younger generation. It seems as if MA has reached the proportions of a discourse advocating ingredients for effective citizenship. Thus, the paper provides further evidence from a developing country that dissemination of MA is contextually encircled, evolves historically and is socially constructed.

Though the paper provides evidence of high levels of dissemination of MA in Sri Lanka it does not necessarily follow that the transmitted knowledge is translated into practice in organizations with the same intensity. In fact, there is *prima facie* evidence to the contrary (e.g. Fonseka, Manawaduge & Senaratne 2005; Subasinghe & Fonseka, 2009) which is indicative of a mismatch between investments made, viz., expenditure, effort and time, in the dissemination of MA and the return on such investments assessed in terms of their adoption. This merits examination as it is of importance to find the extent to which MA is made use of in organizational micro-settings, and also how and why it happens that way. A series of case studies investigating how MA practices are implicated in organizations could provide useful insights in this direction. The findings of such efforts may have far reaching implications for future courses of action to be taken

at organizational and national levels in order to transform our organizations and make people more productive.

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Footnotes:

1. It takes the view that managerial co-ordination within organizations, rather than market transactions, is key to achieve economics, and in turn, efficiency. Thus, the role of Management Accounting is to reduce the cost of this managerial co-ordination. It can be considered an extension of neo-classical economics.
2. This was in the aftermath of the Industrial Revolution, which took place in the 1750- 1800 AD period.
3. Gross margin = sales revenue - purchases - operating costs and stock-turn ratio = the ratio of sales to inventory level.
4. A theory of political economic practices that proposes that human well being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade with the profit motive in focus (Harvey, 2009).
5. Institute of Chartered Accountants of England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), the Institute of Chartered Accountants of Ireland (ICAI), the Association of Chartered Certified Accountants (ACCA) and the Chartered Institute of Public Finance Accountants (CIPFA).
6. The main professional organizations offering different Certified Management Accountant (CMA) or related accreditations globally are: Institute of Management Accountants (IMA USA) - USA, China, International; Certified Management Accountants of Canada (CMA Canada) - Canada, Bermuda, Caribbean, International; Chartered Institute of Management Accountants (CIMA UK, Designation is ACMA or FCMA) - UK, Europe, International; Institute of Certified Management Accountants (ICMA Australia) - Australia, Asia-Pacific, International Institute of Cost Accountants of India (ICAI) - India; Institute of Cost and Management Accountants of Pakistan (ICMAP) - Pakistan.
7. International Federation of Accountants (IFAC); International Accounting Standards Board (IASB); Confederation of Asian and Pacific Accountants (CAPA); South Asian Federation of Accountants (SAFA).

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8. Interviewees: Prof. M T A Furkhan, FCMA, J. Di p. MA, FCIS, FCPA (Aust); Mr. J S Mather, BA (Ceylon), BA (London), FCAEW, FCMA; Sarath Sellahewa, FCMA.
9. London Chamber of Commerce and Industry: Set up in 1884.
10. For example, Messrs Charles Henry de Soysa, Tudugala Don Philip Wijewardene and R. J. V. de Silva Wijeratne.
11. London Stock Exchange commenced as Stock Exchange Coffeehouse in 1802 where meetings were used by stockbrokers for capital market transactions.
12. According to Ferguson's Directory (as cited in Ernst and Young, 2007): Ford Rhodes, Thornton & Co.; McDermott & Co.; and Duncum, Watkins & Ford.
13. For example, Don Carolis (1860); Hunupitiya Oil Mills (1870); Pure Ice and Aerated Water Manufactory (1900); Perera & Sons (1902); Maliban Biscuit Manufactories (1935); Richard Peiris (1932); Jinasena Ltd. (1940); Harischandra Mills (1945).
14. Frank Hayhurst: First President, Association of Cost and Works Accountants of Ceylon and Deputy General Manager of Walker Sons & Co. Ltd.; President, ICMA and Deshamanya Professor M. T. A. Furkhan, Vice President, Association of Cost and Works Accountants of Ceylon and Chief Accountant of Walker Sons & Co. Ltd.; Past President, ICMA Branch; Founder Chairman, Confifi Group.
15. Mr. S. G. Wijesingha, former industrial engineer, Ceylon Tyre Corporation and Founder President, Quality Circles Association of Sri Lanka.
16. Professor L. R. Watawala, former President, ICASL and FCMA (UK) and Founder President SCMASL and current President, ICMA Sri Lanka.
17. For example, Professor Danture Wickramasinghe of Glasgow University & Dr. Chandana Alawattage of Aberdeen University, formerly of University of Colombo & University of Sri Jayewardenepura respectively.
18. Technical-managerial: Management Accounting is seen as a set of calculative practices and a managerial function or a sub-system of the overall organizational information system. Interpretive: Concerned with the management accounting practice-i.e. the ways in which it is applied and the organizational consequences of such applications. Critical: Critical evaluation of management accounting practices in relation to the interplay between organizations and their wider social-economic contexts.

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