Case Study Research in Accounting

David J. Cooper and Wayne Morgan

SYNOPSIS: We describe case study research and explain its value for developing theory and informing practice. While recognizing the complementary nature of many research methods, we stress the benefits of case studies for understanding situations of uncertainty, instability, uniqueness, and value conflict. We introduce the concept of phronesis—the analysis of what actions are practical and rational in a specific context—and indicate the value of case studies for developing, and reflecting on, professional knowledge. Examples of case study research in managerial accounting, auditing, and financial accounting illustrate the strengths of case studies for theory development and their potential for generating new knowledge. We conclude by disputing common misconceptions about case study research and suggesting how barriers to case study research may be overcome, which we believe is an important step in making accounting research more relevant.

INTRODUCTION

Accounting research is periodically challenged about its practical relevance and its progressive scientific achievements (Reiter and Williams 2002; Hopwood 2007). Case studies can help researchers respond to these challenges and contribute to relevant knowledge. We use examples from financial and managerial accounting and auditing to show the value of case studies in making accounting research matter, both for the development of theory and for improving practice. In so doing, we identify four types of case study and show how each type can enhance accounting research and practice. We conclude by reflecting on some of the reasons that case study research may in fact be discouraged, and suggest some avenues to address this situation.

Most accountants are familiar with case studies in relation to teaching. They provide vivid examples that can be used for many purposes, not least to generate an appreciation of the way a general principle can be applied in specific, and often complex, settings. In this paper we concentrate on case studies for research purposes, showing how the benefits that are widely recognized for teaching purposes can also enhance accounting research. A crucial difference between teaching and research-oriented case studies is the central role of theory in the latter. Moreover, we show how research-oriented case studies are valuable for practitioners.

David J. Cooper is a Professor and Wayne Morgan is a Ph.D. student, both at the University of Alberta.

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Corresponding Author: David J. Cooper
Email: david.cooper@ualberta.ca
Case studies are a research approach, a systematic and organized way to produce information about a topic, as well as the product of this approach, for example, a paper (Stake 2000). For the approach we are recommending, various terms can be used, including *field studies, interpretive studies, qualitative research, small n (small sample) studies, action research, and constructive research*. Unfortunately, none of these terms is entirely satisfactory for reasons that will become clear in the paper. For us, case study research is an in-depth and contextually informed examination of specific organizations or events that explicitly address theory.

The case study approach does not prescribe what theories should inform the study or which methods should be used for gathering and analyzing data. Based on the problem and research questions being addressed, a variety of methods may be used, including analysis of archival materials, observation, interviews, and quantitative techniques. Case studies focus on bounded and particular organizations, events, or phenomena, and scrutinize the activities and experiences of those involved, as well as the context in which these activities and experiences occur (Stake 2000). The case study research approach is useful where the researcher is investigating:

- complex and dynamic phenomena where many variables (including variables that are not quantifiable) are involved;
- actual practices, including the details of significant activities that may be ordinary, unusual, or infrequent (e.g., changes in accounting regulation); and
- phenomena in which the context is crucial because the context affects the phenomena being studied (and where the phenomena may also interact with and influence its context).

Yin (1989) notes that case studies are suited to answer “how” and “why” questions. Furthermore, well-done case study research answers how and why so compellingly and vividly that readers understand and remember the findings the study reveals. Practitioners find “how” questions to be particularly important—for example, case studies are valuable in describing the details of how new accounting and auditing innovations are actually done. Providing details helps convert private knowledge (for example, the detailed procedures and calculations that are otherwise hidden in the reports or minds of innovators) into publicly available knowledge. Unlike the “action research” some espouse (Kaplan 1998), a theory-oriented case study requires explicitness in the theory underlying the case analysis, and in the contribution to theory development or testing.

Case studies also address “why” questions, illustrating why something was done or came to be, or when and why something works. Schön (1983, 50) argues that case studies are valuable to the “entire process of reflection-in-action, which is central to the ‘art’ by which practitioners sometimes deal well with situations of uncertainty, instability, uniqueness and value conflict.” Such case research considers the values, interests, and operations of power involved—who gained, who lost, and why. While researchers may disagree about what should be done, a good case will stimulate reflection and learning about the actions of all involved, including the researcher. Action or constructivist researchers often use cases to describe examples of an accounting intervention, but they too often neglect the theoretical lessons to be learned (Jönsson and Lukka 2007).
Although any research approach can focus on how or why, non-case approaches typically emphasize different questions. Statistical analyses using large data sets\(^1\) have a comparative advantage in answering “how much” questions, such as the average size of CEO compensation or the average difference in compensation for companies with, for example, high versus low ROA. Experiments may be particularly helpful in answering “what” questions such as what type of response individuals might have to a proposed accounting measure or disclosure. Case studies, archival research, and experiments are complementary research approaches.

To illustrate the complementary nature of different approaches, consider that as part of an accounting firm’s efforts to improve its audits, it may:

- statistically analyze data on the properties of specific accounts;
- conduct pilot studies (experiments) before deploying new audit procedures; and
- study the best-practice cases of audits, considering how the client, audit staff, regulators, and partners might vary in their assessments of what is best.

The quality of the accounting firm’s overall analysis and decisions is improved by using all approaches to acquiring and assessing knowledge. Whether used on their own or in conjunction with other research approaches, case studies can contribute insights to practitioners and researchers.

### DEVELOPING KNOWLEDGE VIA CASES

Case study research comes in many forms, but we examine those that have significant potential to make research relevant to informed practice. This restriction requires that we explain further our criteria for assessing the importance and relevance of accounting research and how it relates to professional expertise.

While the ideal of generalized, replicable, empirically based knowledge may be achievable in the natural sciences, and may help answer many questions in accounting, several commentators have pointed out accounting research’s limited success in producing useful knowledge. That is, accounting research has had little success in terms of its capacity for being (1) generalized to related fields (Bricker et al. [2003] find little impact of accounting research on finance or economics), or (2) relevant to practitioners (Reiter and Williams [2002] describe practitioner questioning of accounting research’s relevance, assumptions used, and inability to examine rich and complex phenomena). Demski et al. (1991) provide a further critique of the state of much of accounting research in terms of its lack of intellectual and practical contribution. By adding case methods to our approaches to knowledge generation, testing, and use, we believe accounting research can become more successful. Case study research is extremely useful in raising questions, highlighting issues, developing and testing theory, and providing guidance in solving problems.

Cases can be selected to understand discontinuity and disequilibrium, whereas studies employing large samples tend to assume temporal stability and emphasize equilibrium. This is a crucial advantage of case studies. Starbuck (1993) suggests that to understand meaningful differences, rather than general properties all organizations share, one should look at systems in flux and

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\(^1\) Many academics refer to this stream of research as archival, because it uses data generated by actual decisions made by people in their activities. In that sense, it relies on past data that has (or could have been) archived for later study, and researchers typically pay little attention to how the archive was produced. In contrast, the researcher gathers data for behavioral experiments by asking subjects to perform tasks in a controlled, rather than natural, setting; such data are produced as a result of the researcher’s acting first. Case analysis uses both of these approaches to gather data along with interviews and observations, but in case analysis, the data are collected from a limited number of organizations, events, or subjects rather than the larger samples used in archival and behavioral work. Case studies involve rich and detailed data about these organizations, events, or subjects.
seek diverse perspectives. Case studies are frequently selected to learn from jolts that disrupt routines; expose differences among apparently similar actors, systems, and organizations; and activate processes that seek to restore equilibrium. These processes are more likely than a study of equilibria to reveal hidden boundary conditions and system constraints. Many valuable cases in management accounting examine organizations making substantive changes to their culture, management systems, or accounting practices (Berry et al. 1985; Dent 1991; Miller and O’Leary 1993). Stock market crashes may also be considered jolts, and Rosen’s (1990) ethnographic analysis of the 1987 stock market crash takes advantage of the opportunity this jolt provided to research the social, economic, and political networks involved in trying to restore equilibrium and market confidence.

The sensitivity to context of case research allows and encourages researchers to consider questions that may not be considered in other research approaches. Researchers may select cases where the use of accounting information is contested, perhaps involving decisions on plant closures or moving jobs offshore to a low wage or less regulated economy. Funnell (1998) provides a dramatic and provocative case that examines accounting’s role in dehumanizing victims through their quantification. Further cases may then be selected to identify similar situations where accounting may have dehumanized those who are affected by a decision. Provocative cases can raise important general concerns, and deliberation about them can help accountants and policy makers more adequately judge the limits of viewing accounting as a neutral technology. Of course, provocative research must be well executed, so readers can be confident that the evidence was carefully examined. As Yin (1989) notes, the case must show sufficient evidence, consider alternative perspectives, and be complete.2

A critical issue in accounting research, as well as in practice, is the best way to generate relevant information in relation to some problem or theory.3 Much research in accounting focuses on determining the average behavior of variables in large samples with the purpose of producing reliable and valid generalizations to a wider population. Such research is appropriate for problems such as capital markets’ reactions to new accounting rules or the average response of workers to changed performance standards. As Starbuck (1993) observes, the knowledge generated by such methods is useful for some problems, but not others. Statements may be true for a population but false for every member of that population (e.g., the average family has 2.1 children). Furthermore, to improve learning we may also be interested in extreme results. The resonance of popular management books, such as Collins (2001), suggests managers want to learn from the best companies, to understand what they did to solve major problems rather than what the average company did. Case studies can produce and communicate information on what the best did, and how they did it.

The rich detail provided and examined by case studies increases the likelihood of generating novel theory and creative insights. Large-scale empirical studies rely on summary statistics that tend to see outliers and variance as a problem; case studies, in contrast, often specifically focus on outliers and anomalies. Bailey (1992) suggests the accumulation of anomalies leads to the identification of new scientific paradigms. An important stimulus for theory development is the investigation of anomalies. Rabin (1992, 225) notes: “small-N qualitative research is most often at the fore-front of theoretical development.” The “juxtaposition[s] of contradictory or paradoxical evidence” (Eisenhardt 1989, 546) forces researchers to reframe their own perceptions as they attempt

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2 Yin (1989, 147–148) suggests that a complete case is one in which “the boundaries of the case [the distinction between phenomenon and context] are given explicit attention”; the documentation demonstrates the researcher “expended exhaustive effort in collecting the relevant evidence”; and artifactual conditions are absent, rather than the researcher ran out of time.

3 This issue also includes the re-conceptualization of a problem or theory.
to reconcile anomalies. Being confronted with contradictory and complex data and immersed in evidence that is difficult to summarize tends to unfreeze thinking more than “theory built from incremental studies or arm-chair, axiomatic deduction” (Eisenhardt 1989, 547).

**Phronesis: Context-Specific Wisdom**

We have discussed how case studies may have comparative advantages for generating knowledge and can complement other, more traditional approaches to accounting research. However, the situational and specific focus of case studies has another advantage: insight into a type of knowledge called *phronesis*, which Aristotle considered “practical wisdom”:

> Phronesis goes beyond both analytical, scientific knowledge (episteme) and technical knowledge or know-how (techne) and involves judgments and decisions made in the manner of a virtuoso social and political actor. (Flyvbjerg 2001, 2)

The term may be unfamiliar, but practitioners are likely to recognize what it describes: the knowledge or wisdom (often tacit) in applying scientific or technical knowledge in a particular context, with specific purposes in mind. Flyvbjerg (2001) suggests that social scientists should play to our strengths, and use not only the methods of the natural sciences, but also embrace the study of values and the application of formal and tacit knowledge in complex, specific, and frequently conflictual, circumstances. While the success of experimental and archival research demonstrates the benefits of following the methods and approach of natural sciences, accounting research should also recognize that organizational, economic, and social activities are affected by the values, interests, and power of the people involved.4

For example, values always enter into a researcher’s choice of research topic and evaluation of the importance of a study. Values are also crucial to practitioners, who recognize that recommendations to clients depend on the purpose both of the practitioners and the interests of the client. Scientific and technical knowledge may be formalized—as found, for example, in GAAP, audit manuals, and budget templates—but phronetic expertise requires applying this knowledge with judgment in relation to the context (specifics of the case). Phronesis does not simply take the context as given, but examines the context in sufficient detail to appreciate the values, interests, and power that affect the situation.

The importance of values, power, and interests can be demonstrated through Schön’s (1983) seminal, empirical study of the kinds of knowledge that competent practitioners engage in. He shows how senior practitioners help their juniors in learning about and doing their work and argues that “they exhibit a kind of knowing-in-practice, most of which is tacit” (Schön’s 1983, viii). His case studies of how professional experts construct and test models of knowing also indicate that practitioners “reflect on their intuitive knowing in the midst of action” (Schön’s 1983, viii–ix) tend to regard each case as unique, and construct an understanding of situations as uncertain and involving conflict. Thus, for reflexive practitioners, practical wisdom or phronesis requires the active management of large amounts of information, an ability to develop long lines of invention and inference, and a capacity to maintain several ways of looking at things at the same

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4 The concepts of values, interests, and power have been debated in the social sciences for a long time. For this paper, we simply stress that power includes the ability to influence agendas and views of what is natural and obvious (ideology) as well as the more obvious bargaining and conflict. All these aspects of power can be seen in the research on accounting standard setting (Cooper and Robson 2006), as well as in studies of management accounting (Cooper and Hopper 2007). Similarly, values and interests are both an input to decision making, and also the product of decisions and interaction (Burchell et al. 1980; Robson 1993).
time. Schön (1983, 140) stresses “reflection-in-action” as central to professional knowledge and practice (and, we argue, phronesis), stressing how expert professionals confront surprises in their effort to make recommendations and changes in an uncertain world:

Reflection-in-action in a unique case may be generalized to other cases, not by giving rise to general principles, but by contributing to the practitioner’s repertoire of exemplary themes from which, in the subsequent cases of his practice, he may compose new variations.

So, returning to the issue of how cases help develop relevant accounting knowledge, case studies of practice in all areas of accounting will help practitioners reflect on their experiences and build up an inventory of examples from which new variations can be identified and experimented with. Case research can also help articulate and explore the conflicts about values, interests, and the operation of power. The substantial frameworks that enable rational debate about values and ethics (Bourdieu 1997; Habermas 1984, 1987; MacIntyre 1984) emphasize the importance of in-depth, grounded understandings of situations and actors, an understanding that can be achieved through case research. Case research focuses on context specific, in-depth knowledge, and this emphasis makes case research particularly useful in examining the application of values and power in complex and messy situations.

We are not arguing that context-specific knowledge and experience is sufficient for a virtuoso practitioner; phronesis also relies on scientific and technical knowledge. Instead, a careful and through investigation of how reflective practitioners behave in certain circumstances can produce knowledge about how their sensitivity to the context, and an appreciation of the limits of following rules, affect their decisions. For example, is a particular auditor likely to be recognized as a virtuoso because of his or her ability to adapt the technologies to the nature of the organization being audited and the specificity of the circumstances? Being a virtuoso or reflective practitioner also requires being able to identify, analyze, and judge what may be desirable, to whom, and why. Research based on a few carefully selected observations has an advantage for understanding and communicating such detailed aspects of business activities compared with studies using large samples and the relative few variables that can be observed for the whole sample. “[C]ase studies produce the type of context-dependent knowledge that research on learning shows to be necessary to allow people to develop from rule-based beginners to virtuoso experts” (Flyvbjerg 2004, 421).

Phronesis: Interface with Theory

Phronesis involves the intellectual, contextual, and political knowledge in the employment of scientific and technical knowledge. It can be oriented simply to identifying and exploring issues of expertise and values, but it can also allow the researcher to engage in debate with practitioners, other researchers, and the interested public to ask: What effects are desirable and which are undesirable, and for whom? While one response is to treat the researcher as the arbiter or expert to resolve the net benefits, we agree with Flyvbjerg that “the goal of phronetic … research is to produce input to the ongoing dialogue … rather than to generate ultimate, unequivocally verified knowledge … one ought to trust more in the public sphere than in science”. This implies a quite different model for the evaluation of research, since the quality of a phronetic case study would be judged by its contribution to a discussion about theory and a search for understanding and intel-

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5 While these frameworks do not provide a set of rules for judging values, they offer a set of contextual conditions through which values can be rationally debated.

6 We use the term scientific here in the sense of knowledge that is valid and reliable (representationally faithful). It may be used for understanding and improvement, as well as for prediction.
ligent action. Research is thus similar to a conversation; useful contributions will be judged by participants who can assess the persuasiveness and validity of communications, a point we return to in the conclusion.

Furthermore, case studies, while contributing to practice, can also be valuable for theoretical work in identifying new problems to be investigated and testing theories of reasoning, decision making, and justification in complex and value-laden contexts. Phronetic research has the potential to produce a different type of knowledge about how scientific and technical knowledge can be used. It may draw on and seek to develop theories from any discipline; it may use quantitative or qualitative evidence and analysis; it may use scientific or technical knowledge to solve any issue; but it will always ask who benefits and who is disadvantaged by addressing an issue or solving what some may regard as a problem. Phronetic research may be directed at developing or testing theory, as well as informing practical action. Case-based research has the advantage of allowing the researcher to interact with the social and economic world, a feature that is more difficult for researchers using archival materials.

Flyvbjerg (2001) argues that phronesis is not so much about universal theory or method, but rather it is concerned with context-specific theories that can guide what is practical to do in a specific situation. These theories may be informed by broader frameworks such as agency theory, contingency theory, or political economy. Stake (2000) refers to theory as the “best possible explanation of phenomena.” We use the label “theory,” but stress that the “phenomena,” which are the focus of phronesis, will be particular, specific, and situational. Furthermore, the “explanation” arrived at in the case study will be interpretative and include consideration of values—who wins, who loses, and by what mechanisms—and analysis of what is desirable. While not all case research needs to address theory, or explicitly address values and generate phronetic knowledge, case studies that reliably contribute to practice are likely to do so.

**EXAMPLES OF CASE STUDY RESEARCH**

We illustrate how case studies can enhance research in managerial accounting, auditing, and financial accounting. While none of these examples are perfect, they all can be interpreted to show the value of case study research in accounting. Our selections illustrate four types of cases oriented to maximizing the information content of the study: extreme or deviant cases, maximum variation cases, critical cases, and paradigmatic cases. Table 1 summarizes these types and illustrates the different purposes case studies have in developing theory and advancing knowledge. Of course, these types overlap and case study research may incorporate features of several of these types. The appropriateness of the type of case study will depend on the purpose and problem under investigation.

The extreme case can be powerful in communicating an idea, or examining the boundary conditions of a theory. It works on the principle that much of value can be learned by looking at outliers or even deviant cases. Maximum variation cases provide valuable insight into a specific problem or theory by selecting cases that are different with respect to some dimension, such as the type of accounting system. The significance of the dimension for processes or outcomes of interest can then be determined. Critical cases have a strategic importance in relation to a general problem

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7 The consideration of values in research need not be limited to case study research; any type of research may identify winners and losers, and what is desirable. However, we suggest the richness of case studies, and the “thickness” of their descriptions, allows more in-depth discussion and analysis of these complex and dynamic issues than other research approaches. In particular, the case researcher can analyze items that are not easily measured, or items whose cost of measurement is so high as to be prohibitive across a large sample.

8 Other types of case studies, such as illustrative or exploratory cases, may also be valuable although they may not have the same benefits for theory development. We do not focus on these types of cases here.
or theory, for example suggesting that if a theory is falsified for this case, then it is falsified for all cases. The crucial issue then becomes the choice of what a critical case might be, a choice driven by theory. In this way, case research may have the goal of testing, revising, or building new theory. Finally, Table 1 refers to paradigmatic or exemplar cases, which can provide vivid and important information about a situation, and often seek to demonstrate the value of new theories. McCloskey (1994) points out that vivid cases, often disparagingly referred to as anecdotes, are crucial in economics as they provide persuasive exemplars, rich in contextual information and resonance. While all case study research has a storytelling element, exemplar cases often strongly display this feature. This storytelling element can be extremely powerful because it helps to describe phenomena so well that others have little difficulty seeing the same phenomena in their own experience and research. These descriptions can act as “exemplars of a new paradigm … clear examples of new relationships, new orientations, or new phenomena that current theory and theoretical perspectives have not captured” (Dyer and Wilkins 1991, 617). It can be difficult to write compelling and understandable stories, often involving considerable complexity and ambiguity. We should always also look out for seductive but poorly substantiated cases. But powerful storytelling can stimulate further research and, not unimportantly, improve the enjoyment in reading and writing accounting research (Van Maanen 1979; Czarniawska 2004; Alvesson 2003). McCloskey (1994) points out that all research writing involves rhetoric: charts, graphs, statistics, and even the conventional structure of a journal article are designed to tell a persuasive story. Accounting practitioners may be as engaged and persuaded by compelling narratives (prose and poetry) as by summary statistics and correlation tables.

**Case Study Research in Management Accounting**

Case study research in managerial accounting is more popular than in other areas of accounting, and excellent reviews of these studies exist, often including insightful comments on research methodology (e.g., Keating 1995; Ahrens and Dent 1998; Baxter and Chua 1998, 2003; Merchant and Van der Stede 2006; Ahrens et al. forthcoming). Kaplan (1986, 1998) has played an important role in popularizing case research in management accounting. However, we would emphasize the

### TABLE 1

<table>
<thead>
<tr>
<th>Types of Cases</th>
<th>Description</th>
<th>Accounting Examples</th>
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<tbody>
<tr>
<td>Extreme/deviant</td>
<td>Case chosen to learn from unusual (but often important) events or situations.</td>
<td>Funnell (1998); Lys and Vincent (1995).</td>
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<tr>
<td>Maximum variation</td>
<td>Cases chosen to learn about one phenomenon while enabling variation of other, potentially moderating, variables.</td>
<td>Merchant and Manzoni (1989); Simons (1990).</td>
</tr>
<tr>
<td>Critical</td>
<td>Case selected to enable logical deductions about the falsification of a theory.</td>
<td>Preston (1989); Merino and Neimark (1982).</td>
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<tr>
<td>Paradigmatic</td>
<td>Case selected to establish a new perspective or theoretical understanding.</td>
<td>Pentland (1993); Townley et al. (2003)</td>
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*a Table modified from Flyvbjerg (2001, 79, Table 6.1)*
importance of greater empirical depth in case studies, relying less on senior management’s understandings and expectations, and placing more emphasis on how management accounting systems are used.

In general, phronetic case studies emphasize contextualization of the phenomena under study, recognition of the importance of incorporating and understanding different values and interests, and the operation of power. Townley et al. (2003) conducted a longitudinal case study of the adoption of performance measures. This case develops theory, most notably around issues of power, self-knowledge, and the colonization of business values into governmental and cultural organizations. Its use of a new theory leads us to classify it as an exemplar or paradigmatic case. It is informed by theories of how members of an organization may rationalize organizational changes (Habermas 1984, 1987) and a desire to understand what managers considered to be ethical communication. The study is based on 143 interviews conducted over a six-year period, as well as examination of archival documents and observation of meetings. Townley et al.’s (2003) case begins with the attempt by government departments in a Canadian province to introduce a strategic performance measurement system. It documents how, unlike most theoretical views of system implementation, managers had initial enthusiasm for the reforms, because the changes stimulated opportunities for deliberation and discussion. Facilitated by a performance measurement system that encouraged experimentation and was weakly formalized, managers enthusiastically developed their own performance measures and embraced the opportunity to debate the values of the organization, its strategies, and which actions were appropriate. However, as central government agencies formalized and standardized the system in the name of improving accountability, the system became less useful for deliberation. The concern to look good on the measures eventually led to cynicism and manipulation of the measures and the reported results. Further opportunities for dialog and deliberation around issues of values were not fulfilled, as many managers felt their views became marginalized, and dialog about interests became illegitimate (Townley et al. 2003, 1064, 1067).

The idea of phronesis is central to Townley et al. (2003). The research team started with clear theoretical interests. Throughout the study many managers, at different levels in the organization, were interested in discussing the results with the researchers and advising them where their initial observations and theorizations were insightful, incomplete, or wrong. The researchers were invited on several occasions to present and debate their findings. The managers themselves found the unexpected finding about the dynamics of enthusiasm and cynicism to be insightful. A performance measurement system seen to have the potential of enhancing reasoned justification and the development of learning and expertise, simultaneously worked toward one of dominance and manipulation, and became ineffective (Townley et al. 2003, 1064).

Preston (1989) studies the creation of an accounting system in an explicitly anarchistic organization. The research attempts to apply the theory of symbolic interaction to understand the formalization of management control systems. Preston (1989) presents a critical case in which the researcher selects the case to allow a theory to be falsified; in this example, the conditions under which formal accounting develops. Preston (1989) examines pressures for a firm in the cultural sector, committed to working without contracts and formal records, to develop a formal (and standard) accounting system. He also examines the impact of the accounting system—how it undermined the intended logic of the organization and affected the degree of cooperation among organizational members. By selecting an organization that eschewed any form of contract, he was able to identify other institutional pressures (the requirements of the tax authorities) for proper accounting records. Preston (1989) also demonstrates that a record-keeping (accounting) system dramatically affects the way those involved in the organization deal with one another. The case does not involve phronesis except in recognizing the power of tax authorities.
Applying the arguments of Eisenhardt (1989), Lindsay (2004) suggests that a multiple-case approach would yield considerable benefits for management accounting research, in both testing and developing theory. Multiple cases also provide insight to aspiring management accounting experts in better understanding the conditions under which specific recommendations might be effective. Good examples are Simons (1990), who uses several in-depth cases in the same industry to investigate how control system design varies depending on firm strategy, and Merchant and Manzoni (1989), who investigate achievability of budget targets across 12 corporations that differ along various dimensions, such as industry, growth, and technology. Merchant and Manzoni (1989) represent a “maximum variation” case study, in which a series of carefully chosen cases that are opposites on some dimension are used to provide insight into a specific problem or theory. The significance of the dimension for processes or outcomes of interest can then be assessed. Merchant and Manzoni (1989) are able to provide insight into the setting of budgets that did not follow textbook prescriptions in terms of the achievability of the targets. The cases are able to identify multiple reasons for setting easy targets, and the case studies allow the researchers to explore the complex meanings attached to target setting and achievement. The cases indicate that target setting is only one component of a package of controls. The case studies facilitate an exploration of target setting and its wider organizational context in ways that would be infeasible in larger sample studies. In terms of maximum variation case research, the study would have been improved if each of the cases were more detailed and if the choice of the dimensions over which the cases varied were more explicit. Yet, Merchant and Manzoni’s (1989) case led to further theoretical and empirical research on the achievability and controllability principles of management control (e.g., Hartmann 2000) and thus initiated further studies that allow for some generalization of results (an issue we return to later).

Case Study Research in Auditing

There is an increasing tradition of case studies of audit work and the operation of audit firms (e.g., Dirsmith and Covaleski 1985; Covaleski et al. 1998). In this section we discuss research cases that focus more on the way an audit is produced. Pentland’s (1993) case study of auditors helped to stimulate a series of case studies on auditing (Power 2003). In this way Pentland’s (1993) case can be seen as an example of a paradigmatic case, offering a new way of seeing a familiar activity. He studied the activities of two audit teams in an effort to better understand how auditors become comfortable with the numbers in financial statements and the representations provided by management. Pentland’s (1993) interest was the social processes that produce comfort, a concept that, while perhaps familiar to practitioners, is difficult to study without directly observing auditors and understanding how they become comfortable. Case studies are particularly suited for research questions that seek to understand complex human behavior. As Pentland (1993) notes, auditors are situated in the context of intensive, ongoing interactions with other members of the engagement team, their firm, the client’s organization, and their profession; they work in cluttered, crowded conference rooms, not laboratories. Pentland (1993) studied audits of between 1,000 and 2000 hours and selected cases with significant variation, providing a maximum variation case. The same firm had done one audit for ten years; in the other the firm had audited the client for only one year. Further, Pentland (1993) analyzed routine auditor activities, such as attendance at an inventory count, as well as more complex auditor activities, such as valuation of a portfolio of securities. Using multiple methods to collect data, including observation, interviews, and verbal protocols of working paper reviews, he

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9 Maximum variation cases can improve the generalizability of a theory in the sense of indicating that it applies across a wide range of cases, each operating under different conditions.
collected over 200 pages of notes, from which he was able to relay the personal experiences and emotions of the auditors, placing them within theoretical analyses of identity and self-presentation.

Pentland’s (1993) case study complements and extends research on auditor judgment. He describes how the comfort produced in the audit process allows auditors to reach a conclusion. A predominant conception of auditor judgment as simply following a set of rules implies that one could become a good audit partner by learning the rules. To the contrary, becoming a virtuoso requires more. By observing the practices of the engagement team, such as review notes, sign-offs, and partner behavior, Pentland (1993) could understand how comfort is produced during the audit process, allowing him to advance theoretical perspectives on auditor judgment. Pentland (1993) argues the comfort created in the micro-interactions of audit team members leads to comfort in the audit opinion, comfort in securities documents (via “comfort letters,” for example), and comfort by capital market participants and society in the financial statements.

Pentland (1993) has a number of limitations as phronetic case research. The period of observation and data collection is short, so the data are not as extensive as might be desired. Contextualization of the objects of investigation is limited. The choice for the variation between cases is not based on strong theoretical grounds, nor is it well justified. The researcher does not explicitly acknowledge his or her role in the study.10 For example, who are the winners and losers in the process of producing comfort? Yet, the study is innovative and has stimulated a developing and cumulative body of research that elaborates theories of audit expertise, comfort, and auditor behavior (e.g., Radcliffe 1999; Sharma 2004; Gendron et al. 2007; Justesen and Skaerbaek 2005).

Case Study Research in Financial Accounting

In contrast to management accounting and auditing, the contents of accounting journals and the statements of some editors (Zimmerman 2001) imply that financial accounting researchers do not appreciate the value of case-based research. In reality, we find a number of case studies in financial accounting (e.g., Flegm 1989; Black 1993; DioGuardi 1995; Beresford 1997; Xiang 1998; Soffer 2000; Lipe 2002). In this section we draw attention to case-based financial accounting research to demonstrate some of the advantages of expanding case study research in financial accounting.

Perhaps the most well-known type of case study in financial accounting relates to how accounting rules affect the behavior of investors and managers. For example, Lys and Vincent (1995) can be regarded as an example of an “extreme case” as it portrays an unusual circumstance, intended to develop new theoretical insights, extensions, or modifiers. Lys and Vincent (1995) examine why AT&T pursued its acquisition of NCR, despite a decline in value of AT&T’s shares, and in particular why AT&T paid extra to achieve pooling of interests accounting. In examining “how” questions, the case study also investigates the steps AT&T took to achieve both its acquisition and the pooling of interests accounting treatment it desired. The Lys and Vincent (1995) study illustrates several features of the case study approach. They use diverse data sources, including annual reports, stock prices, newspapers, and key informants. They gather data via interviews, reviewing documents, and quantitative techniques. The study also uses different theories in interpreting data, such as efficient markets theory from financial economics, escalation of commitments theory from psychology, and “the endowment effect” from organizational behavior. Lys and Vincent (1995, 376) state that the patterns in AT&T’s acquisition are “consistent with, but stronger than, those of large-sample studies,” and that AT&T’s preoccupation with EPS (and using

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10 This comment reflects a more general concern that researchers’ failure to articulate their research motivation limits their ability to have a dialog about the object of study and why it is important. A commitment to phronesis would suggest that researchers have a public responsibility to engage in debate about the purposes and implications of their research.
pooling of interests accounting) could contradict a significant body of research” (377). We suggest that Lys and Vincent’s (1995) findings, which may contradict pre-existing theories, show the strengths of extreme cases to contribute to theoretical development. Further, Lys and Vincent’s (1995) case contains elements of phronesis—in particular, they examine how value was destroyed (who won and who lost about $3 billion), and by what mechanisms. The case also contains, although indirectly, an analysis of how case participants used their power to influence the ultimate outcome—in this case, AT&T’s discussions with the SEC.

Neimark also studied the reporting practices of one large corporation, but did not limit herself to the financial information in annual reports. She has a clear interest in issues of power and wider, social effects of representations in accounting reports. In Neimark (1992) and Tinker and Neimark (1987), she focuses on the messages produced by the nonfinancial component of General Motor’s annual reports, arguing that they are an important element in enacting and reinforcing social attitudes. She examines different historical conditions (contexts) between 1917 and 1987 in which GM’s annual reports were produced, and uses content analysis of the texts of the annual reports. Her study can be regarded as a paradigmatic case, in that she applies a theory of ideology to examine how the nature of annual reports varies under different historical conditions. Her research questions relate to understanding different forms of exploitation of workers, women, and the physical environment by senior management and the ways annual reports operate as a form of ideology. She examines how the annual reports reflected as well as reinforced shifting social attitudes such as the value of state expenditures and regulation, the role of women, the identification of desirable labor-management relations, and the benefits of science, technology, and consumption. Neimark’s study is clearly concerned with an analysis of the values inherent in GM’s annual reports, and her concern with social welfare affects her choice of the issues she examines. Characteristic of phronetic case research, the study considers issues of the relative power of GM and its unions. Her focus on the ideological role of annual reports leads her to suggest that corporate accountability would be enhanced if the economic link between audit firms and corporations were broken and if the nonfinancial element of annual reports were the responsibility of a unit independent of corporate management.11

Several financial accounting cases examine issues in accounting regulation, ranging from negotiations over specific standards (e.g., Robson 1993) to explorations of innovative theories of decision processes by specific standard-setting bodies (e.g., Mezias and Scarselletta 1994). These cases are mainly concerned with theoretical development and elaboration. Merino and Neimark (1982) can be regarded as a critical case, with a goal of testing whether accounting regulations are focused on information for investor decision making. Their historical case study of the 1933–1934 Securities Acts suggests that the regulatory changes had little to do with the provision of better quality information to enhance investor decision making or protection (as assumed by studies such as Chow [1983]), but were based on the perceived need to repair the legitimacy of the stock market. They thus compare theories that are based on the informational role of accounting in capital markets with institutional theories that stress the legitimizing and political roles of accounting (e.g., Burchell et al. 1980). Merino and Neimark (1982) collect archival data, and while they focus on a specific case, they also incorporate contextual elements, including political philosophy, to understand the role of accounting regulation in reconciling corporate dominance with discourses

11 How might a reader or journal editor assess the appropriateness of Neimark’s (1992) recommendations of what ought to be done? We believe that a good case study will present sufficient depth of analysis and evidence as to demonstrate the appropriateness of its recommendations. The phronetic consideration of “what ought to be done” in most circumstances determines who will likely win and who will lose, given some course of prudent action. The rich detail the case study provides should allow readers to derive their own assessments of the appropriateness of who is the winner, given the course of action proposed, and if the reader disagrees, further public dialog may result.

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about the importance of democracy. This study leads Tinker et al. (1982) to suggest that accounting researchers should examine extreme cases to appreciate the causes of regulatory change because accounting and corporate scandals engage public opinion and the attention of legislators. Extreme case studies of how regulation is affected by scandal can help regulators learn when and how they might respond to such events. They provide insights either different from, or not as readily accessible as, those large n studies that consider, for example, the average firm and whether it manages its earnings or has deficient governance structures) and the implications for regulatory change.

COMMON CONCERNS AND MISCONCEPTIONS ABOUT CASE RESEARCH

Case studies are complementary to other research approaches; we do not claim case studies are the preferred method for research (no research method is superior to all others, for all types of research questions). However, a number of concerns and misconceptions exist about case studies and limit their acceptance. A common concern is that case study research can be directed only at “finding out things,” generating ideas prior to employing “scientific” research, developing material for teaching, or generating hypotheses that can then be tested by statistical methods. Zimmerman (2001) complains that Kaplan’s (1986) call for more field studies does not call for researchers to go into the field and test the hypotheses of theories, but, rather, encourages researchers to wander the hallways of corporations and manufacturing plants, searching for facts unguided by tentative hypotheses (Zimmerman 2001, 422). Good case research begins with a careful research design that includes identifying the following: the study’s questions (how and why), unit of analysis (which cases will be examined), and criteria for interpreting the findings (Yin 1989). Furthermore, case researchers must carefully coordinate their activities with the organization or individual under study, negotiating appointments, arrangements, and access. As Yin (1989) notes, the research question should drive the choice of what case to study, who to see, what to observe, and what to discuss as well as decisions about time periods, locations, and data sources—not resources the researcher has available. As teams often execute case studies, good case design results in a careful assignment of tasks, allowing the case to be viewed from the different perspectives of multiple observers, providing opportunities to challenge and strengthen the results (Oakes et al. 1998). Thus, a good case study’s design and data collection are less haphazard than some may believe.

A related misconception is that case research is not sufficiently informed by theory. Barrett et al.’s (2005) study of the coordination of the audit of a global multinational illustrates that theory is central to the design and execution of case study research. They use reflexive interviewing, an approach that involves theoretically informed choices about who should be interviewed, what should be discussed, and what issues should be pursued further during and after the interview (Alvesson 2003). Like other approaches that require theoretically driven design choices, the case researcher plays an active part of the research process in the sense of both being involved in the recognition (and oftentimes production) of the data and their impact on the research site and participants. Barrett et al. (2005) had to decide, for example, who should be interviewed in the client firm—general managers, internal auditors, corporate finance staff, the firm’s audit committee, the board of directors, or regulators of the firm—and what should be the focus of discussions. A standardized questionnaire was inappropriate as each interview was expected to raise questions about what coordination of the audit meant, the relationship between global prescriptions and local actions, and so on. Digging deeper, the researchers had to decide which auditor personnel they should interview: Should it be just those actually conducting this year’s audit? If so, then should everyone be interviewed, including support staff? As the work unfolded, the researchers recognized the importance of the history of the audit for current coordination practices and, as a result of their enhanced empirical and theoretical understandings, additional choices had to be made.
about interviewing previous auditor personnel within the firm and auditor personnel in offices that had been, but were no longer, responsible for the audit. The list can go on and on, and would clearly include assessments of the validity of what the researchers were told and the boundaries of the analysis. Theoretical questions and the purposes of the research project determined priorities and focus.12

While case research should be theoretically informed, a related (but opposite) concern is that case selection and data collection can be driven by a desire to support the researcher’s favored theory (pejoratively often referred to as biases). This issue is common to all research methods, since data are recognized as data through the lens of a theory (Hanson 1965). For example, focusing only on economic (cultural) aspects tends to ignore cultural (economic) aspects of phenomena. Nevertheless, case researchers tend to select cases theoretically, and such selection has both risks and benefits. The selection may be based on concerns about prior theory (for example, Merino and Neimark 1982), to develop and elaborate theory (Townley et al. 2003), or to study issues that have not been studied from a particular perspective (Pentland 1993). This means that case research can make substantial contributions to theory development. Reliance on theory can, however, mean the case researcher can be insensitive to empirical surprises; it is therefore not surprising that researchers are advised to constantly and deeply reflect on their assumptions and positions in the academic field (Bourdieu and Wacquant 1992). Furthermore, Eisenhardt (1989) points out that the iterative processes involved in case study research, in which the researcher develops thinking, collects data, revises thinking, reexamines theory, returns to the data, develops thinking further, and perhaps has to revisit sources (such as going back to participants or historical archives), limits the likelihood of empirical insensitivity or theoretical inflexibility. Furthermore, case studies typically use multiple methods of collecting data, and bring the perspectives of multiple researchers to bear, which further reduces the potential for bias.

Replicability of case research represents another misconception. Whether the findings of case studies may be replicated depends on the degree to which the object of study may change over time. Replication is important in principle, even if accounting journals seldom publish replications.13 Some argue that case research has difficulty with replication since other researchers cannot gain access to specific organization(s) at the same time as the original study, and even if they could, the precise forms and techniques used to gather data may depend on researcher judgment (see above), thus causing another source of variation between the original and the replication. But there is little reason why multiple researchers cannot investigate common theoretical issues across multiple organizations and some cases studies have been used by other researchers to develop new theoretical insights (Macintosh and Scapens 1990). Indeed, the literature on the philosophy of science uses the term “replication” to include both extension and a narrower view of replication that requires, for example, the use of the same companies during the same time period, and the same variables as a previous study (Collins 1992). Both large sample and case studies may encounter difficulties replicating results in extending a study to other time periods or companies. Changes over time provide opportunities to specify conditions under which generalizations can be made. While historical events cannot be replicated, multiple researchers can

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12 Barrett et al. (2005) do not fully meet the requirements of phronesis. This reflects the politics of research—the compromises that are often required to obtain research access and cooperation. It also reflects different views within the research team about what was possible for this study, as well as concerns about experimenter effects.

13 However, even in the natural sciences, replication is never quite as straightforward as is sometimes hoped. Collins (1992) examined replication in some famous scientific experiments, and found that most replications involve different instruments and methods, and are not, and often could not, be simple duplications. Even in large sample studies in accounting research, Bamber et al. (2000) found that related studies in capital market research are rarely replicated, and indeed that qualified statements of results are overgeneralized in subsequent studies. Attempts at replication in management accounting tend to be elaborations rather than replications (Hartmann 2000).
study explanations for similar events in both case and capital market studies. More generally, replication of results may be difficult to achieve in social sciences because the social and economic world changes as it learns and adapts to new knowledge—what Giddens (1991) refers to as chronic reflexivity. Markets, individuals, and organizations respond to new knowledge about their operation, and this learning means that successful policy instruments, trading strategies, or practices rarely endure.

A further concern about case research relates to generalizability of the findings and explanations. However, to consider generalizability, one must address questions such as generalizability to what, and for what. Cook and Campbell (1979, 71–73, cited in Lindsay [2004]) identify two forms of generalization—statistical (to populations) and empirical (across populations)—and accounting researchers tend to focus unduly on the former. Empirical generalization addresses when the knowledge will apply, and when it will not. Consistent with empirical generalization, case studies can address questions about which types of firms are affected more than others by specific accounting rules or techniques, and why the results apply to some organizations but not others (for example, Lipe 2002). While large scale, archival studies help to identify the broad patterns, case studies help to identify the specifics and the context, which are important in expert use of the results. Case studies also provide the opportunity to generalize to theories in the sense of offering common explanations of events, or identifying multiple events that possess the same theoretical features. Lukka and Kasanen (1995) refer to this as analytic generalization. In our discussion of examples of case research in accounting, we have demonstrated that cumulative and generalizable findings can be produced over time. Furthermore, our discussion of extreme and paradigmatic cases also suggests that generalizability may not always be a relevant concern; in these cases, what is relevant is the creation of a new field of research and generalizability can be addressed by future research stimulated by the original case study.

CONCLUSION

Case studies are a valuable tool to understand complex phenomena. Case studies have multiple research benefits and can be used to test existing theory and to generate new theory. The vividness of cases can dramatize theoretical issues, improving communication of important insights to practitioners. Case studies, by examining specific examples in their context and by being attentive to values, interests, and the operation of power can be useful for learning to be virtuoso practitioners, contributing to phronetic knowledge. Our examples show that case studies, using various approaches in selecting the case to study and collecting the data, can provide valuable insights that open up new and promising areas for accounting research. The examples also demonstrate how case studies may be useful to practitioners, helping them understand the applicability of specific accounting innovations in complex contexts, re-assessing their conceptualizations of problems, and learning how to be more skilled in using rules. Yet we find relatively few case studies in accounting research. Why might this be?

Case studies are difficult and challenging to undertake, often requiring significant resources (time and financial). Yet many research methods in accounting have these attributes. One explanation for the lack of case studies might be that many novice accounting researchers develop their attitudes to science and case studies from texts such as Campbell and Stanley (1966, 6) which asserts “[s]uch studies have such a total absence of control as to be of almost no scientific value.” Our paper addresses many of the misconceptions that underlie such attitudes; some are misplaced; some difficulties are shared with other approaches, and others are valid concerns. Furthermore, these same novice researchers likely do not confront Campbell’s later views on the power of case studies: “naturalistic observation … is the only route to knowledge—noisy, fallible, and biased though it may be” (Campbell 1975, 179). Nor are these accounting researchers typically exposed...
to studies of actual scientific practice or modern philosophical discussions of knowledge, as opposed to old philosophical proposals that seem concerned to police the boundaries between science and nonscience through prescriptive rules. This training affects their preparation of manuscripts and their decisions as reviewers, resulting in a dearth of case studies in many accounting journals. Furthermore, many high-reputation journals have preferences for certain types of theory that have a weakly developed tradition in case research (e.g., financial economics) and for research methods that have the appearance of objectivity, replicability, and generalizability.\(^{14}\)

Scholars are often concerned about how to assess case research. We have already referred to factors that should be considered to distinguish good case research, and many disciplines (including history, anthropology, and sociology) have extensive experience in evaluating case research. Like all research approaches, values (such as, “Is this an interesting problem?” and “Does the research make a significant contribution?”) and taste (bearing on the style of writing and whether the presentation is engaging) will enter into an evaluation. Few unambiguous rules exist for evaluating case research, and concepts of rigor vary according to the method and theory used. Nevertheless, some clear guidelines can be specified, relating to the persuasiveness of the study (Yin 1989; McKinnon 1987). The manuscript must be based on adequate immersion in the case, in terms of the range of documents studied, interviews conducted, time spent in the organization, and range of sources used. The researcher needs to specify the conditions of access and the degree of his or her independence from the people being studied, to convince readers that the information is valid.\(^{15}\) The contribution to, and use of, theory must be articulated, and research design choices should maximize the chance of providing insights about the theory. In brief, the case should be complete (see footnote 2).

Phronetic case research poses additional challenges in evaluation, notably in relation to its concern with values, and issues about how these might be assessed. Previously, we compared research to a conversation; some scholars (Habermas 1984; Rawls 1993; Bohman 1996) discuss rules for good conversation and communication that may be helpful in evaluating phronetic cases. Many of these rules are similar to rules for any scientific conversation: sincerity by participants, commitment to debate and learning the truth, mutual respect, and rules determining who has the right to contribute. Values are not assessed directly, but debated publicly. Public debate implies an extended role for academic journals, involving a willingness to be open to dialog, debate, and commentary about research published therein.

Several actions might help realize the benefits of case study research for advancing theoretical development and contributing to scientific and practical developments. Research training that includes the study of modern philosophy and sociology of social science might help to avoid a naïve understanding of “scientific method.” Training of researchers should include instruction in case methods and philosophy (including ethics and values\(^{16}\)) recognizing the importance of theory development as well as testing. Practitioners and parties such as regulators, standard setters, and managers can provide access to organizations or data to facilitate research that can illuminate issues they face (Gendron 2000). Such actions may help to demonstrate the value of phronetic research. However, we recognize that research (and contributing to practice) is as much a political

\(^{14}\) The Accounting Review once had a section titled “Small Sample Studies.” While such a section may marginalize case studies (and present them as somehow inferior), at least that journal made such studies somewhat visible and legitimate.

\(^{15}\) Issues of independence are quite difficult to resolve for researchers. Flyvbjerg (2001) emphasized one feature of case studies—the role of the researcher as part of the research process, as a source of insight into the processes being examined. For example, case studies using action research recognize that the researcher may not be truly independent of the event or organization being studied. Maintaining autonomy and disclosing the nature of the relationship are important.

\(^{16}\) We include in concepts of ethics and values an emphasis on dialog and the public nature of research (inter alia). While such concepts are applicable to all research approaches, they seem particularly important to phronetic case research.
as a scientific process, and, in phronetic fashion, we recognize that our suggestions might undermine the power and privileges of existing research elites (Arrington and Schweiker 1992; Hopwood 2007). Any move to case studies and phronetic research in accounting will involve a political as much as a scientific shift (Latour 1999; Dillard forthcoming).

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