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# QUALITATIVE STUDIES IN ACCOUNTING: THE ABDUCTIVE RESEARCH STRATEGY.

Methodological  
article

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## Keywords

Abductive research strategy  
Abductive reasoning  
Research methods  
Qualitative research  
Accounting research

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## JEL Classification

A14, B41, D23, D83, M41

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## Abstract

*This paper addresses to accounting researchers and proposes the use of abductive research strategy to improve the quality of accounting research outcomes. We argue that abductive reasoning has developed as a typical research method in all fields of interpretive studies but is still unrecognized by accounting researchers and practitioners. Therefore, this study aims to raise awareness on the benefits obtained through the implementation of abduction as a research strategy. Starting from Peirce (1903) and Blaikie (1993), we explore two types of abduction designs and discuss the advantages of building accounting research on grounded concepts. While this is a conceptual paper that only describes the bridge abduction reasoning can build between studying the reality and new theory emergence, we do not tackle any ethnographical case studies, social survey, or other exploratory field analyses.*

## Introduction

The dominance of quantitative methods in mainstream accounting research has been debated for a long time (Tomkins and Groves, 1983; Baker and Bettner, 1997; Reiter and Williams, 2002). A few decades ago, doubts were expressed on the limit of these methods and it was emphasized that “[t]he academic accounting fraternity seems to be looked into a myopic view of what research is” (Tomkins and Groves, 1983, p. 361). Many called for a change in research methods and use of alternative paradigms upon which reality can be discovered through numbers (Baker and Bettner, 1997).

The knowledge production is a social activity where freedom of research should be assured (Lee and Williams, 1999). Multiple different research styles should be available and the researcher should be able to choose the one that provides new and innovative knowledge (Tomkins and Groves, 1983). However, as Schutz (1976) emphasized, people have to understand that the scientist construct studies with a specific purpose in mind. This is the only way to go beyond the actual knowledge of a social phenomenon. The different styles provide additional element that answer to intriguing questions and they help elevate ‘the human imagination above everything’ (Tomkins and Groves, 1983, p. 373).

In the same vein with the above mentioned studies, this paper addresses the need for interpretive research in accounting and tackles one research method in particular, namely the abductive reasoning. Over the time, accounting researchers adopted many concepts elaborated by sociologist, like Antony Giddens or Pierre Bourdieu (see Spencer, 1910; DiMaggio and Powel, 1983; Hopwood, 1988; Robson, 1992), and philosophers, like Michele Foucault (see Armstrong, 1994; McKinlay and Pezet, 2010). Thus, a new research strategy used for an interpretive approach should be embraced as an additional style that can enrich the outcomes of accounting research.

Based on a systematic review of literature on accounting research, interpretive paradigm, and abduction reasoning, this paper describes the possible advantages of using abduction in accounting studies. Developed as a conceptual study, the present paper explores new avenues for theory building and proposes a way to reduce the gap between practitioners and academics as well as a way to strengthen the theory development.

First of all, abductive reasoning provides a way to connect with accounting practitioners by providing them solutions to difficult problems they face (Gold et al., 2011). In addition, the abductive research strategy helps to discover and construct theories that are grounded in the everyday life (Ong, 2012). Thus, this research method could be

extremely useful for both accounting practitioners and academics.

To sum up, this paper introduces the concept of abduction to accounting studies and explains how interpretation of actors’ social life can generate new accounting theories or reinforce the existent ones. The study fits among other methodological articles and does not pursue to apply any type of knowledge. Therefore, ethnographical case studies, social surveys, interviews or any kind of other exploratory field analyses will not be found in the following pages.

The remaining of the article is organized as follows: we start by summarizing the classification of accounting research (section 2), discuss the lack of interpretive research in accounting (section 3), explain the abductive research strategy (section 4), and conclude with the summary and some limitations (section 5).

## Classification of Accounting Research

Discussions were formed on the absence of qualitative studies in accounting research (Tomkins and Groves, 1983; Broadbent, 1992; Wilkinson and Durden, 2014). ‘Mainstream accounting is grounded in a common set of philosophical assumptions about knowledge, the empirical world, and the relationship between theory and practice. This particular world-view, with its emphasis on hypothethico-deductivism and technical control, possesses certain strengths but has restricted the range of studied problems and the use of research methods (Chua, 1986, p. 601). Some authors went further and discussed about the elite of quantitative scientist and how they managed to ‘legitimize themselves and the accounting knowledge they produce’ (Lee and Williams, 1999, p. 868).

In a paper published in 2006, Bonner et al. depict the top 5 accounting journals: Accounting, Organizations and Society (AOS), Contemporary Accounting Research (CAR), Journal of Accounting and Economics (JAE), Journal of Accounting Research (JAR), and The Accounting Review (TAR). After performing an in-depth analysis of articles published by these journals, they create six research areas, namely auditing, financial, management, systems, tax and others. However, the authors’ goal is not to see how many of the 2,660 analyzed articles represent qualitative and quantitative studies. They do mention however that AOS is the top management research journal.

Given the fact that management accounting is the area of study mostly concerned with accounting qualitative studies, this result can be translated in AOS being the top journal for qualitative studies in accounting. A particular statement on the initial aim of AOS supports this fact: ‘[d]ifferent institutional forms can undoubtedly play some role in changing models of inquiry and

the resultant patterns of knowledge and understanding. Indeed, it was just such a view in mind that I sought to establish a new journal that would be exclusively concerned with the organizational, behavioral, and social analyses of accounting' (Hopwood, 1988, p. xxvi).

If triangulated with the outcomes of another study published by Baker and Bettner in 1997, the observations emphasized by Bonner et al. (2006) conduct to the conclusion that AOS is the only top journal publishing interpretive and critical studies on a large scale. Even if Baker and Bettner (1997) analyzed only 268 articles published in 1995, they provide evidence of 18 such studies published during this specific year, among which 16 were published in AOS, 1 in JAE and another one in a non5 top journal, namely Journal of Business, Finance and Accounting. This shows that qualitative accounting research is not yet fully accepted.

### **Interpretive research in accounting**

Rooted in hermeneutics (Llewellyn, 1993), the interpretive approach assumes that actors compare, contrast and redefine reality to rationalize how their environment is constructed (Elharidy et al., 2008). Interpretive researchers adopt a relativist perspective, where they indirectly measure and explain the state of facts and events, as they appear to be. Thus, the interpretive researchers focuses on how reality is built through actors comprehension (Perret and Séville, 2003).

Although some would argue interpretive research measure 'pure subjectivity' (Chua, 1986, Johnson et al., 2006, Lukka and Modell, 2010), recent studies showed that seeking to understand reality in an objective manner represents an idealistic view (Perret and Séville, 2003). The social reality is neither *objective* nor *subjective* (Johnson et al., 2006), but rather built on multiple facets, or '*differentiated realities*' how Llewellyn (2007) calls them. Thus, the subjective and objective views are complementary (Kakkuri-Knuuttila et al., 2010, Vaivio and Sirén, 2010).

'Reality' is a relative concepts (Berger and Luckmann, 1966) that is defined through the social environments where actors play an active role in determining what is real. Therefore, the researcher must have the ability to identify with actors' feelings and thoughts and establish how they rationalize and build their environment. He has to be connected with actors and grasp what is important for them in order to show how reality is socially constructed.

Although subjectivism is difficult to isolate (Baumard and Ibert, 2003), this perspective is necessary in order to understand the social, political and institutional contexts within which actors situate themselves. The respondents

perceptions are a starting point in attaching meaning to data and they should not be ignored (Brewer, 2003). The interpretive approach treats subjects as rational objects that can at any time transform the system in which they coexist (Lorino et al., 2011). Thus, as Berger and Luckmann highlight, social reality is defined through objective facts that are shaped by subjective actions (Berger and Luckmann, 1966).

Actors play a major role in constructing social objective worlds (Perret and Séville, 2003). They accept the institutionalize pressures (Berger and Luckmann, 1966) and carry them out as *self-fulfilling prophecies* (Watzlawick, 1988). As a result, actors give birth to actions that lead to expected outcomes. However, "[t]he predictability of actors' behavior does not relate on outside forces, but on actors' willingness to imprison themselves in an endless game they have created" (Watzlawick, 1998, p. 109).

In summary, the nature of knowledge acquired through this research depends on the nature of reality the researcher aspires to grasp (Perret and Séville, 2003). The relativist hypotheses, the subjective perspectives of actors, and the overall objective view of the field are all elements that can define the epistemological positioning of research topic in accounting.

### **The abductive research strategy**

Originally elaborated for natural sciences (Ong, 2012), the abductive research strategy is now used as a tool to construct theory in a broad range of academic fields (Blaikie, 2000, Blaikie, 2004). According to Gold et al. (2011), the abduction reasoning moves from observing actors to depicting the abstract concepts that define the social phenomenon. Therefore, it provides a bridge between the field and the theory.

The abductive strategy is often concerned with interpreting and experiencing the social world from 'inside' (Ong, 2012). It depicts taken-for-granted beliefs and common practices and describes the meanings behind them (Blaikie, 2000). "The abductive strategy entails ontological assumptions that see social reality as socially constructed by social actors, where there is no single reality but multiple changing social realities" (Ong, 2012, p. 424).

The literature emphasizes two researchers that worked intensively on abduction development. The first one, Peirce, spend much of his working time in proving the insufficiency of induction and deduction as methods for theoretical development and refinement. He concluded that abduction should be added to the previous two methods in order to provide a more accurate image of the world actors live in (Gold et al., 2011). The second researcher, Blaikie, has put a lot of effort in developing the abductive research strategy as a way

to construct theory grounded in everyday life (Ong, 2012).

On one side, Peirce (1903) defines abductive inference as a response to surprising field observations that require additional explanations. 'The first starting of a hypothesis and the entertaining of it, whether as a simple interrogation or with any degree of confidence, is an inferential step which I propose to call abduction [ . . . ] This will include a preference for any one hypothesis over others which would equally explain the facts, so long as this preference is not based upon any previous knowledge bearing upon the truth of the hypotheses, nor on any testing of any of the hypotheses, after having admitted them on probation' (Peirce, 1955, pp. 150-151). Thus, Peirce requires the researcher to enter the field without any previous preconceptions and define a 'hypothesis on probation' based on his observations (Ong, 2012). This hypothesis represents a probable truth that has to be proven through the research process (Gold et al., 2011).

On the other hand, Blaikie (2000) goes further and defines abduction as a strategy that depicts the construction of social reality through actors' perceptions. He encourages the type of research that depicts the inside view of the field and the development of observations on how individuals build their knowledge and how they reproduce it in their advantage. Blaikie's view on the logic behind the abductive research strategy is well summarized by Ong in a paper from 2012 (see Table 1).

Table 1 here

During the last decades, the interest in qualitative methods has increased constantly. The long existence of AOS and the high competitiveness in publishing there proves that a new trend of qualitative studies is being built. Thus, it is of paramount importance to discuss about types of methods that can be used in interpretive studies and specifically the types of abductive research strategies that can be developed in accounting research.

In a paper from 2012, Ong defines two type of abduction reasoning: analogical and existential. The former is concerned with expanding the current knowledge, while the latter is associated with actors' instinct when put face to face with a new encountered event.

The *existential abduction* provides explanation on how actors rationalize when faced with unfamiliar tasks. As Eco (1984) claims, they try to 'invent' a solution based on past events and knowledge already acquired. Actors arrive to a hypothesis through a logical process and reach a conclusion that can imply a false or true assumption. Therefore, they use a 'constructive modus operandi of the process of knowing' (Fischer, 2001, p.363).

The *analogic abduction* refers to the transformation of probable hypothesis into solutions through the gathering of evidence. Building on Bruner's (1986) concept of 'narrative modes', this type of reasoning can help make sense of actors' lives, depict the meanings behind certain behaviors and define the social reality. According to Ong (2012), abduction becomes more evident for practitioners if it involves the story telling of a certain event and attention is paid to the way these stories spread and are advance toward a more probable truth.

Peirce and Blaikie base the abductive research strategy on the common features of actors' everyday life. In similar manner with Giddens (1976), they emphasize that the researcher has to understand the skills use by actors in order to depict the concepts that can be theorized. They both claim that the abductive reasoning completes the understanding of the field. In addition to their conclusions, Baker and Bettner (1997) accentuate that interpretive perspectives open the door for new research that was not previously taken into consideration. For all of these researchers, abduction reasoning provides a new puzzle piece that helps complete the image of social reality. Figure 1 here

### Summary, conclusions and limits

Quantitative studies are extremely important in accounting. However, they have to be complemented with qualitative research to provide a more accurate picture of the world we live in. In this paper, we have shown that the abduction research strategy permits the reflection-in-action that paves the way for theory development. The literature provided above shows that abductive research could be use in several ways.

Two types of abduction that can be transferred to accounting research were presented. They can be used in different exploratory field studies as an additional research method that can support or contradict a current theory. Accounting practitioners and academics likewise might be interested in gaining further knowledge through interpretive research. The outcomes of such studies would yield answers to difficult questions, but it would also provide a great opportunity to research a field in changing and make use of social concepts to construct theories that are grounded in everyday activities.

The present paper was built on literature review aiming to provide a new methodological approach for accounting studies. Thus, it does not show any evidence on how such a research strategy improves the existent theoretical ground in accounting research. However, one of the authors is currently elaborating on an institutional study in accounting where abductive research plays a major role defining the epistemological positioning of the

study. We hope that the results of this additional paper combined with the conclusions drawn in the current study will provide sufficient prove on the advantages of abductive reasoning and will lead to the adoption of this research strategy in accounting research.

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Table 1.  
*The goals of abductive research strategy*

<b>Abductive</b>	
Aim	To describe and understand social life in terms of social actors' motives and accounts.
From	Discover everyday lay concepts, meanings and motives.  Produce a technical account from lay accounts/generate ideal types.
To	Develop a theory and test it iteratively/ develop an interpretation or construct and test a theory/social scientific accounts/ideal types.

Source: Ong, 2012

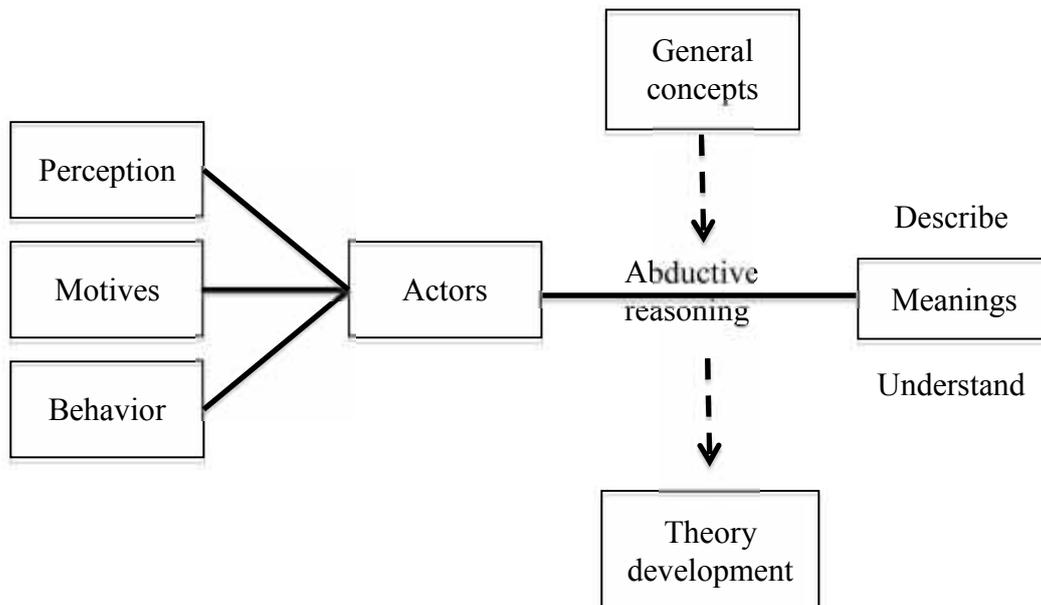


Figure 1. The logic of abductive research strategy

Source: Urdari, 2014

