

STRATEGIC MANAGEMENT ACCOUNTING

LECTURE 10_1

MANAGEMENT ACCOUNTING: CONSTRUCTING

“A MANAGEABLE PERSON”

CLASS SCHEDULE

12:30 - 12:45

BRAIN STORMING

12:45 - 13:15

WHAT IS «CONTROL»?

13:15 - 14:30

MA & GOVERNABLE
PERSON

BRAINSTORMING

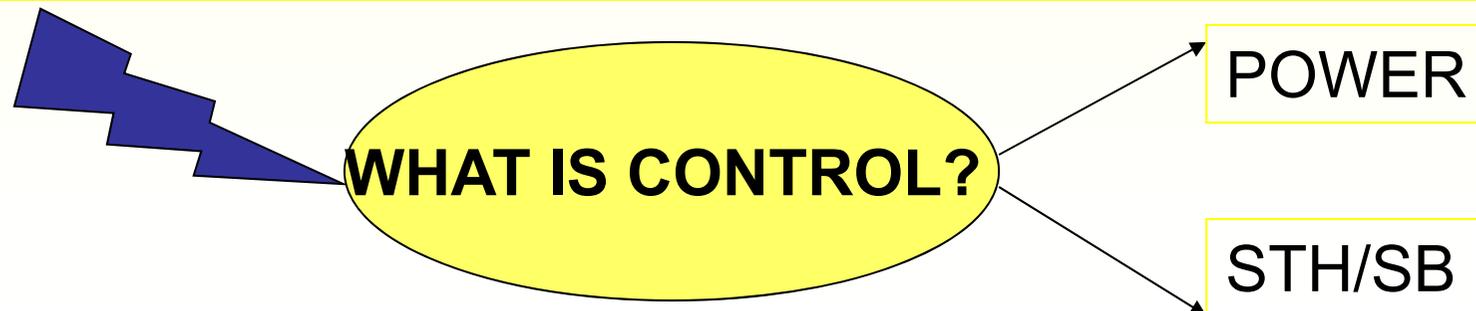
1. WHAT DOES "CONTROL" MEAN?
2. HOW AND TO WHAT EXTENT IS (MAN) ACCOUNTING INVOLVED WITH CONTROLLING ?
3. WHAT CONTROL ARE WE SPEAKING ABOUT?

INTRODUCTION: WHAT IS «CONTROL»? (1)

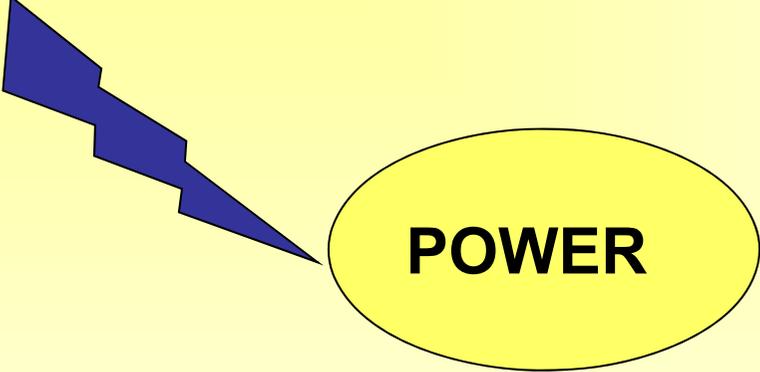
Mac Millan English Dictionary:

«1. The **power** to make **decisions** about something & decide what should happen»: *HAVE CONTROL OVER STH.*

«2. The **power** to **make something** such a vehicle, a machine or animal do **what you want**»: *EXERT CONTROL ON STH*



INTRODUCTION: WHAT IS «CONTROL»? (2)

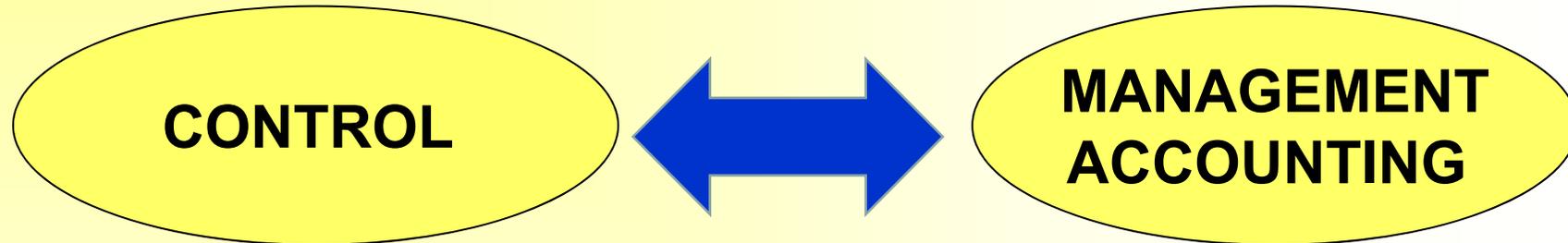


POWER

«Power describes a property of relationships such that the beliefs or behaviours of an actor are affected by another actor or system. Power is a «relational phenomenon» (Lawrence, 2008)

Control concerned with the ways through which some individuals or societal entities *organize, shape & influence forms of thought and actions of others (through POWER)*

INTRODUCTION: WHAT IS «CONTROL»? (3)



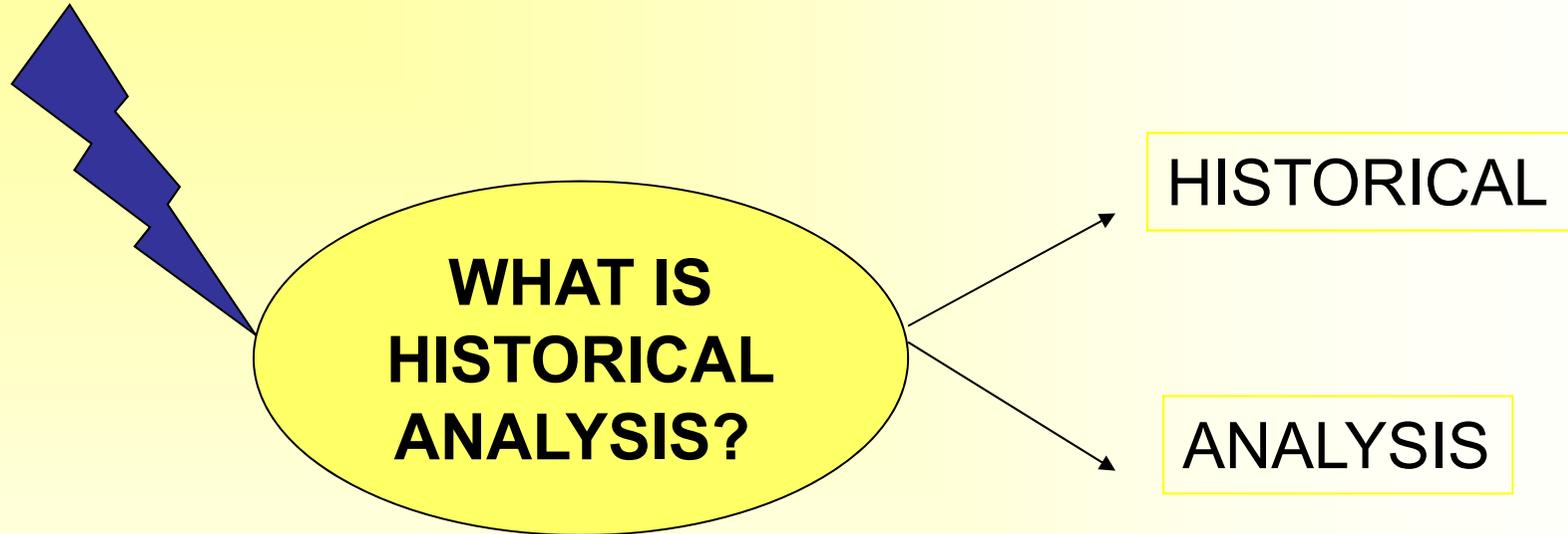
Costs were the obsession of Carnegie.. The men felt and often remarked that the eyes of company were always on them through the books» (Chandler, 1977; pp. 267-268)

1. HOW IS ACCOUNTING INVOLVED in CONTROLLING?
2. DOES ACCOUNTING REPRESENT A MODE OF EXERCISE OF POWER?

MANAGEMENT ACCOUNTING & CONTROL

- Focus is on Management Accounting and Control.
- The analysis draws on the works of Miller & O'Leary (1987), Miller & Napier (1993), Miller (1994).
- Miller & O'Leary propose a Foucault-inspired historical analysis of how & why STD costing & BDG emerged in the early 20th C.
- Concern with «understanding» nature and role of MA.
- How and to what extent MA is implicated in «making individuals governable and thus manageable»?

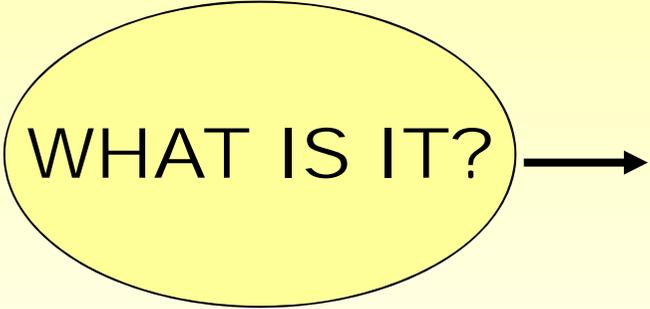
INTRODUCTION: HISTORY OF ACCOUNTING (1)



**Analysis of '*how & why*'
accounting emerged & developed
as it did.**

INTRODUCTION: HISTORY OF ACCOUNTING (2)

WHAT IS IT?



It is something more than a simple description of past events and facts. It is a complex **process** of “**construction** and **reconstruction** of **past situations**” (e.g. accounting) through the use of appropriate **historical sources**.

INTRODUCTION: HISTORY OF ACCOUNTING (3)

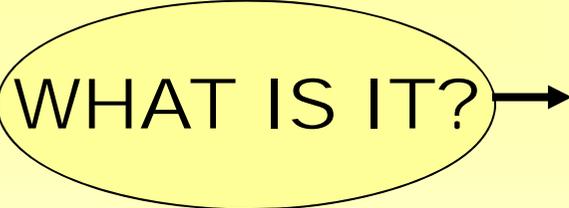
SO WHAT?

The historical analysis provides any researcher with a moral and intellectual framework through which to understand, make sense and explain the «origins and prospects» of any socio-economic phenomenon.

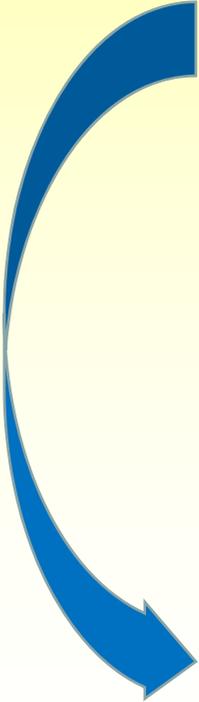
It provides an «explanatory & interpretative» framework

INTRODUCTION: HISTORY OF ACCOUNTING (4)

WHAT IS IT?



Historical Analysis of MA is more than a description of MA practices that emerged in the past. It is a complex **process** of “**re-construction** of **how & why** MA developed, through the analysis of historical **sources**.”



**There is NOT «ONE» history of WHY & HOW
MA developed.**

INTRODUCTION: HISTORY OF MAN. ACCOUNTING (5)

«There is not a single, simple, history of MA which can honestly claim to be the History. All histories are inevitably partial and depend on the assumptions of theories of the author»(Loft, 1995)

A) TRADITIONALISTS (Garner, 1954);

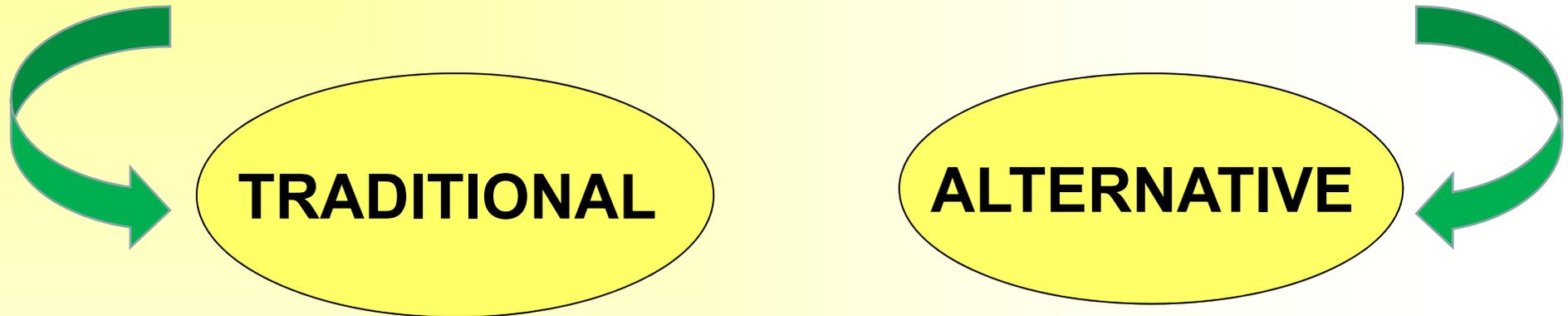
B) NEO-CLASSICISM (Fleischman et al.);

C) JOHNSON & KAPLAN's VIEW

D) LABOUR PROCESS PERSPECTIVE;

E) FOUCAULTIAN APPROACH: Miller & O'Leary. M. Contrafatto

INTRODUCTION: HISTORY OF MAN. ACCOUNTING (7)



- Uncover the «what & how»
- Metaphors of evolution & progression
- A-critical/functional explanation
- ACC a neutral device with a FUNCTION: support demands for change (Kaplan, 1984)

- Invert perspective: ACC is no longer a neutral device
- ACC is sth reflecting & serving certain economic/political interests
- ACC part of political dynamics

INTRODUCTION: HISTORY OF MAN. ACCOUNTING (7)

- M & O'L propose a different approach/agenda for understanding «accounting's past»: **the «history of the present»**
- This approach CASTs LIGHT on the UNDERSTANDING (knowledge & comprehension) of ACCOUNTING *COMPLEX NATURE & ROLE*
- Part of a wider research agenda for understanding accounting as a SOCIAL & INSTITUTIONAL practice.
- Analysis inspired by Foucault (1972, 1977)*

MA: A FOUCAULTIAN APPROACH* (1)

- F.'s focus is on the HISTORIES of human sciences (e.g. medicine). In particular, focus on 'disciplinary institutions'.
- F. made methodological contribution about historical processes along with attention to the issue of power.
- Three key concepts for understanding the emergence of accounting in the early 20th C (M& O'L):
 - i. Genealogical Qn: role of historical analysis
 - ii. Archeological Qn: the way of doing a hist. analysis
 - iii. The interdependence between knowledge & power.

MA: A FOUCAULTIAN APPROACH* (3)

- **Genealogical Qn: role of historical analysis**

- i. Make intelligible the way of (today) thinking & rationales by considering the conditions of their formation;
- ii. Unquestioned rationales/beliefs/meanings understood by referring to a complex of dispersed events;
- iii. Genealogy of accounting means to investigate the emergence of Accounting in relation to other events: historical/political contingencies, emergence of other disciplines.

MA: A FOUCAULTIAN APPROACH* (3)

- **Archeological Qn: how (& focus) of Historical Anal.?**
 - i. Focus on the most legitimated & unquestioned contemporary discourses (e.g. efficiency, growth, profit);
 - ii. Concerns with the historical/institutional conditions behind the emergence of such discourses as well as with their conceptual aspects (link btw discourse & object).
 - iii. Understanding of emergence/redefinition of Accounting via comprehension of the complex relations between technical requirements and philosophical discourses.

MA: A FOUCAULTIAN APPROACH* (4)

- **Interdependence between Knowledge & Power**
 - i. Development of societies in terms of POWER & shift in its mode of exercise (e.g. from sovereign to disciplinary).
 - ii. Disciplinary P. richer and deeper. It works via regulations, management/administration & disciplining tools.
 - iii. The calculated management of social life is a form of operation of disciplinary P. (e.g. public health, schools)
 - iv. Shift in Power connected to Knowledge: understanding of human societies (knowledge) in relation to elaboration of disciplinary techniques.

THE EMERGENCE OF MA

A FOUCAULTIAN APPROACH- INTRODUCTION (1)

- Miller & O'Leary (1987) address the issue of the emergence & change of MA from a wide perspective: concern with NATION & ENTERPRISES.
- NATION & ENTERPRISES seen as distinct levels of elaboration of several techniques of supervision/administration/discipline of individuals' life;
- Sociological/institutional context: in early 20th a redefinition of the tasks & objectives of government occurred.
- Attention to new forms of **Administration of Social Life**

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – INTRODUCTION (2)

- Novel ways of surveillance & administration of individuals' lives through standardisation & normalization: individuals' capacities (health, IQ) compared against STDs.
- Central to this redefinition was the emergence of social sciences such as SOCIOLOGY, PSYCHOLOGY.
- **What about accounting?** It was implicated in this shift that occurred in the institutional/sociological context.
- *Std costing* & budgeting's changes understood by situating in this web of complex socio-political events.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH - INTRODUCTION (3)

- Concern with what M&O'L (1987) call the «discursive» programmes (e.g. calculation of individual efficiency) for the administration and management of activities within firms & society as a whole.
- «Discursive» programme v/s «technological» aspects of accounting: «technological» concerns the actual accounting practices as they operate.
- These two levels of analysis distinct but interdependent.
- Focus on STD costing & BUDGETING

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – UNDERSTANDING

- As seen before (Kaplan) STD costing & BDG theories & practices developed as novel events between 1900-1930.
- Existing histories about STD & BDG focus on:
 - i. Detailed explanation of the techniques/ideas in relation to those who developed them (Sowell, 1973; Kaplan)
 - ii. The emergence & development of these accounting techniques through the lens of progress in terms of precision with calculation, etc.
- M& O'L provide an alternative view to explain the origins of these two techniques.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – UNDERSTANDING

- According to M & O'L, STD & BDG were part of constructing a set of practices and mechanisms through which to manage social phenomena. PART OF A PROJECT OF SOCIO-POLITICAL MANAGEMENT.
- The concern of this project is THE INDIVIDUAL person and their effective & efficient operation/functioning.
- STD & BDG provided a novel theory and practices which help to make calculable, visible and measureable (in)efficiency of person: NORMS & STDs of behaviour.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – UNDERSTANDING

- However, the relevance & significance of STD & BDG was beyond accounting and organizational management itself.
- Their evolution located within emergence of a range of discourse and practices concerned with the EFFICIENCY and NORMAL/EXPECTED behaviour of individuals.
- The key concepts of this discourse and practices were STDs & NORMs.
- As such STD & BDG essential component of CONTROL.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – UNDERSTANDING

- The discourse of EFFICIENCY: pivotal to this approach to socio-political management of society and individual.
- EFFICIENCY powerful label used by many actors (government, industry, organizations) to address social concerns at different level: nation* & organization
- E. linked to concept of RATIONALLY ADMINISTERED SOCIAL ORDER: concern with individual was a concern with society because individual is part of social machine.
- Social management activities to improve individual functioning and thereby to enhance Nation's wealth

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – UNDERSTANDING

- EFFICIENCY & RATIONALITY central discourse in firms.
- STD costing & BDG play an important role in «operationalizing» these discourses into the firms.
- STD & links with Scientific Management Approach /Principles.
- According to M& O’L, STD costing and SMA created interlinks of concepts whose aim were to express in terms of money the concept of efficiency that had been identified at the level of individual.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – UNDERSTANDING

- Efficiencies deemed only if shown to be so in terms of cost-saving.
- The bridges and alliances of cost accounting with the SMA scholars (eg. engineers) was important in the construction of norms & stds of efficiency.
- STD costing and BDG provided a technical and conceptual framework and device through which making individual worker «measurable», «observable» and «accountable» in terms of actions undertaken and resources used.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – SO WHAT?

- To understand why and how STD costing & BDG emerged and the role they played we need to consider the wider complex of socio-political events of the 20th C.
- Clustering around the concept of «efficiency» and «rationality» several subjects (politicians, academic, etc) propose projects for enhancing the functioning of individuals & thereby the nation.
- The firm was an example of site where such projects were implemented.

THE EMERGENCE OF MA A FOUCAULTIAN APPROACH – SO WHAT?

- In the firm a natural alliance between SM principles and STD costing & BDG.
- STD costing & BDG provided the way and rationale for measurement of efficiency grounded on the idea of costs and profits.
- STD costing & BDG were influenced by SMA principles but at the same time helped SMA principles to be «applied» and «made accessible» to various experts.

MANAGEMENT ACCOUNTING AN INTRODUCTION: Further suggested readings

- **A. Ashton, T. Hopper, R. Scapens, “*Issues in Management Accounting*”, Second Edition, Prentice Hall, 1995, Chapter 1;**
- **Miller, P. (1994). Accounting as social and institutional practice: an introduction. In A.G. Hopwood, & P. Miller (Eds.), *Accounting as social and institutional practice*. Cambridge: Cambridge University Press.**
- **Miller, P., & Napier, C. (1993). Genealogies of calculation. *Accounting, Organizations and Society*, 18(7/8), 631-674.**