

# **STRATEGIC MANAGEMENT ACCOUNTING**

## **LECTURE 11\_1**

# **MANAGEMENT ACCOUNTING: CONSTRUCTING “A MANAGEABLE PERSON”**

# CLASS SCHEDULE

10:30 - 10:45

BRAIN STORMING

10:45 - 11:15

WHAT IS «CONTROL»?

11:15 - 12:30

MA & GOVERNABLE  
PERSON

# BRAINSTORMING

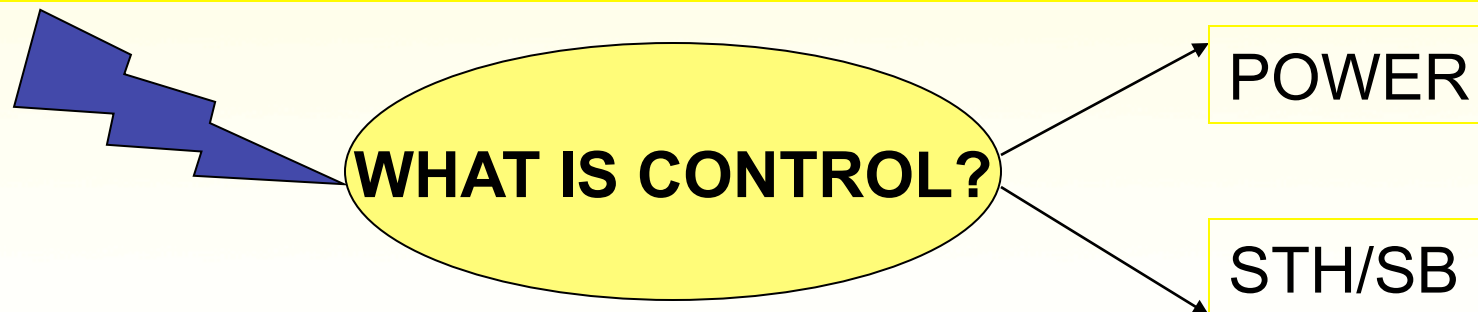
1. WHAT DOES "CONTROL" MEAN?
2. HOW AND TO WHAT EXTENT IS (MAN) ACCOUNTING INVOLVED WITH CONTROLLING ?
3. WHAT CONTROL ARE WE SPEAKING ABOUT?

# 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)

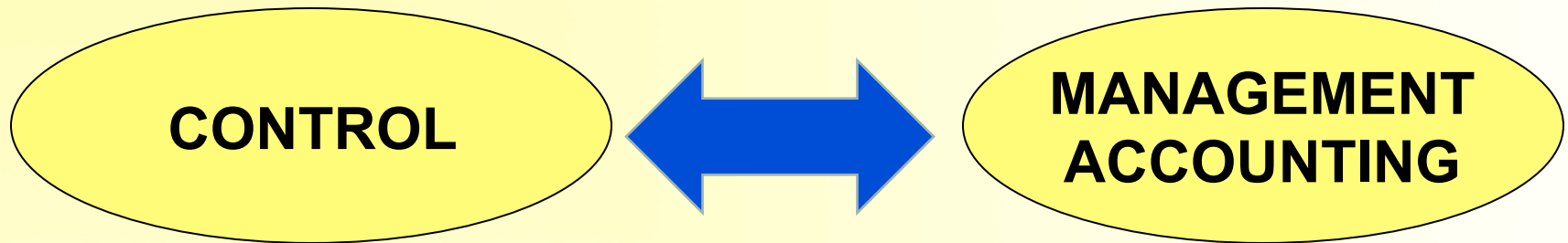


**POWER**

«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)



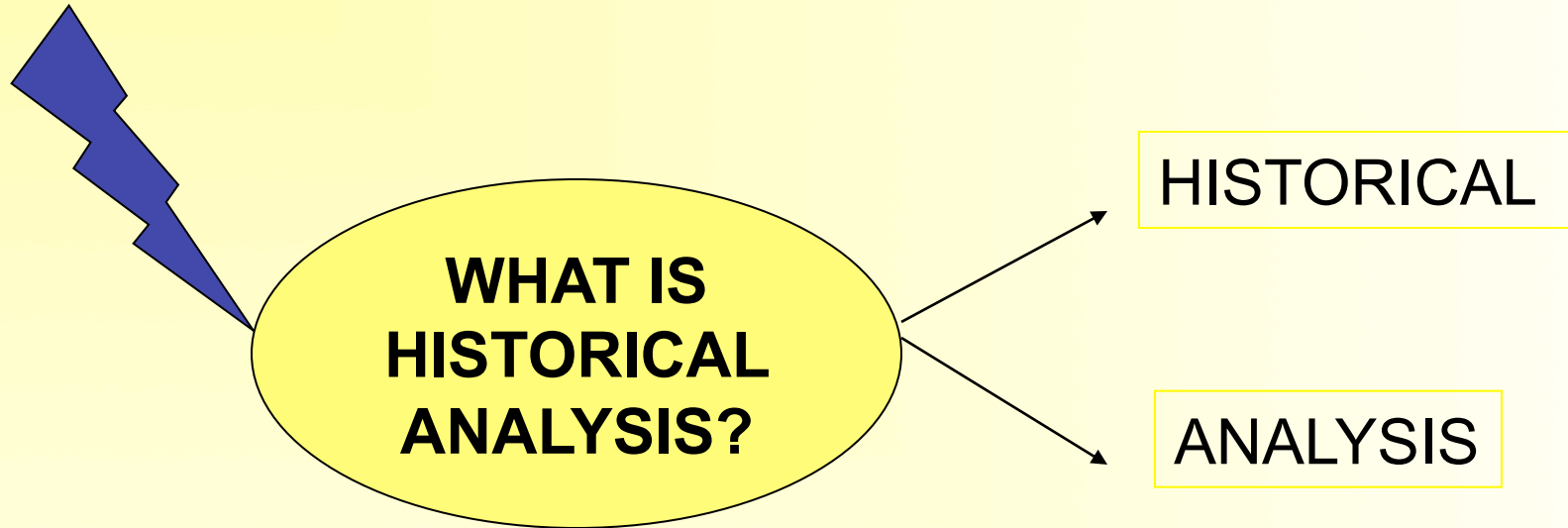
*Costs were the obsession of Carnegie.. The men felt and often remarked that the eyes of company were always on them through the books» (Chandler, 1977; pp. 267-268)*

- 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)

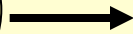


**Analysis of '*how & why*'  
accounting emerged & developed  
as it did.**



# INTRODUCTION: HISTORY OF ACCOUNTING (2)

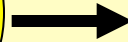
**WHAT IS IT?**



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.**

# INTRODUCTION: HISTORY OF MAN. ACCOUNTING (7)



## TRADITIONAL

- 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)



## ALTERNATIVE

- 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 visible, calculable and measureable (in)efficiency of person: NORMS & STDs of behaviour.

# THE EMERGENCE OF MA

## A FOUCAULTIAN APPROACH – UNDERSTANDING

- Hwv, 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.

# THE EMERGENCE OF MA

## A FOUCAULTIAN APPROACH – SO WHAT?

- MA (STD costing & BDG) contributed to a general project of socio-political management which concerned with efficiency of individuals and their contribution to collective efficiency.
- STD costing & BDG part of a wider process whereby the life of the person is seen, known and assessed through the lens of STDs and NORMs of behaviour.
- MA was a powerful mechanism through constructing the idea of «governable person».

**Accounting as a mode of exercising power over individuals**

# **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.**