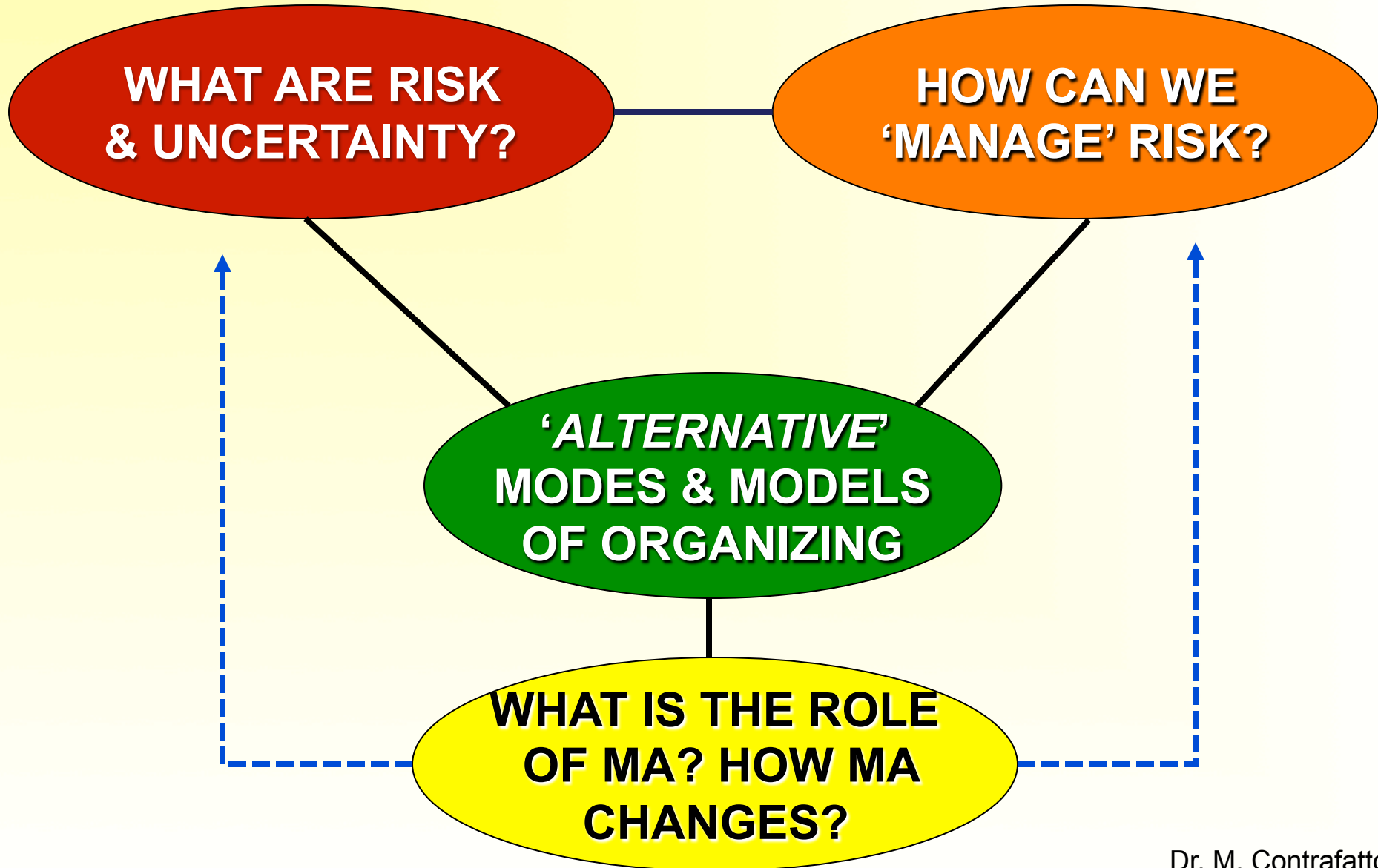


MANAGEMENT ACCOUNTING: THEORY & PRACTICE

LECTURE WEEK 8

MANAGEMENT ACCOUNTING CHANGE: RISK MANAGEMENT & HYBRIDISATION

INTRODUCTORY REFLECTIONS



FOCUS OF CLASS

ISSUES

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graph LR; ISSUES((ISSUES)) --> A[CONCEPTUALISING RISK & UNCERTAINTY]; ISSUES --> B[''ALTERNATIVE' MODES OF RM']; ISSUES --> C[HYBRIDISATION]; ISSUES --> D[THE ROLE OF MANAGEMENT ACCOUNTING (CHANGE)]; A --> A1[WHAT?]; A --> A2[TYPES]; A --> A3[WHY?]; B --> B1[WHAT?]; B --> B2[HOW?];
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CONCEPTUALISING
RISK & UNCERTAINTY

- **WHAT?**
- **TYPES**
- **WHY?**

'ALTERNATIVE'
MODES OF RM

- **WHAT?**
- **HOW?**

HYBRIDISATION

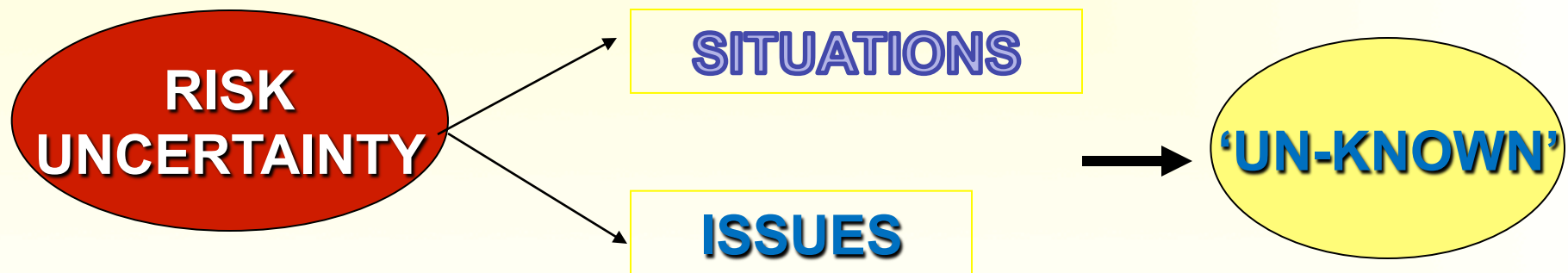
THE ROLE OF
MANAGEMENT
ACCOUNTING (CHANGE)

CONCEPTUALISING RISK & UNCERTAINTY: WHAT IS IT? (1)

Mac Millan English Dictionary

«**RISK**: The possibility that something unpleasant or dangerous might happen»: *POSSIBLE FUTURE*

«**UNCERTAINTY**: The fact (situation where) something is not known or has not been decided”: *UNKNOWN SITUATION*



RISK MANAGEMENT?

CONCEPTUALISING RISK & UNCERTAINTY: RISK MANAGEMENT

MacMillan English Dictionary: **RM** is the method (ways/modes) of controlling (future) losses or damage to a organisation & business. As such it involves “risk assessment & analysis” of actions to undertake: *BUSINESS MANAG.*



SO WHAT?

- It is a notion of ***proper/ideal*** management of organisations & business's future prospect & survival
- It has become a synonym of «**good management**».

CONCEPTUALISING RISK MANAGEMENT (1)

M& O'L (2008): «RM can be seen as the practice of a particular type of 'rationality', a moral technology, a way of making the future (situations/issues/concerns) manageable»



SO WHAT?

- A rationality-based idea of rendering calculable & manageable the future with regard to several aspects: *faith in the managibility of risk*
- It means to construct a *set of tools/tech.* of intervention in the name of risk.

CONCEPTUALISING RISK MANAGEMENT (2)

M& O'L (2008): «RM is an important boundary-spanning activity that is becoming a model of 'good organizing'»



TO SUM UP

- There is not one notion/type of risk: strategic, operational, enviro., business.
- Risks emerge out of changes in the institutional context of business.
- RM as a model and set of practices of 'good organizing'
- Different modes/tools/technologies

CONCEPTUALISING RISK MANAGEMENT: PRACTICES FOR RISK MANAGEMENT

RM involves a set of practices, models, tools and technologies for rendering future situations *predictable*, *controllable* and then manageable.



**WHERE DO
THESE
COME FROM?**

- Along with the ‘traditional’ RM practices there are «alternative» models/practices that reside beyond the formalized RM ones.
- These are ***hybridised forms*** of RM’s practices


RISK MANAGEMENT: HYBRIDS FOR RISK MANAGEMENT (1)

HYBRIDISED PRACTICES OF RISK MANAGEMENT



**WHAT ARE
HYBRIDS?**

A preliminary definition: “a *mixture* of different things or styles” (MacMillan Dictionary)

- 
- Hybrids are new phenomena produced as a result of the “mixture” & “linking” btw two/more elements/things
 - Natural & Sociological world is populated by hybrids


RISK MANAGEMENT: HYBRIDS FOR RISK MANAGEMENT (2)

Hybrids can be defined as «**new phenomena**» generated from «**rubbing**» btw two or more elements



SO WHAT?

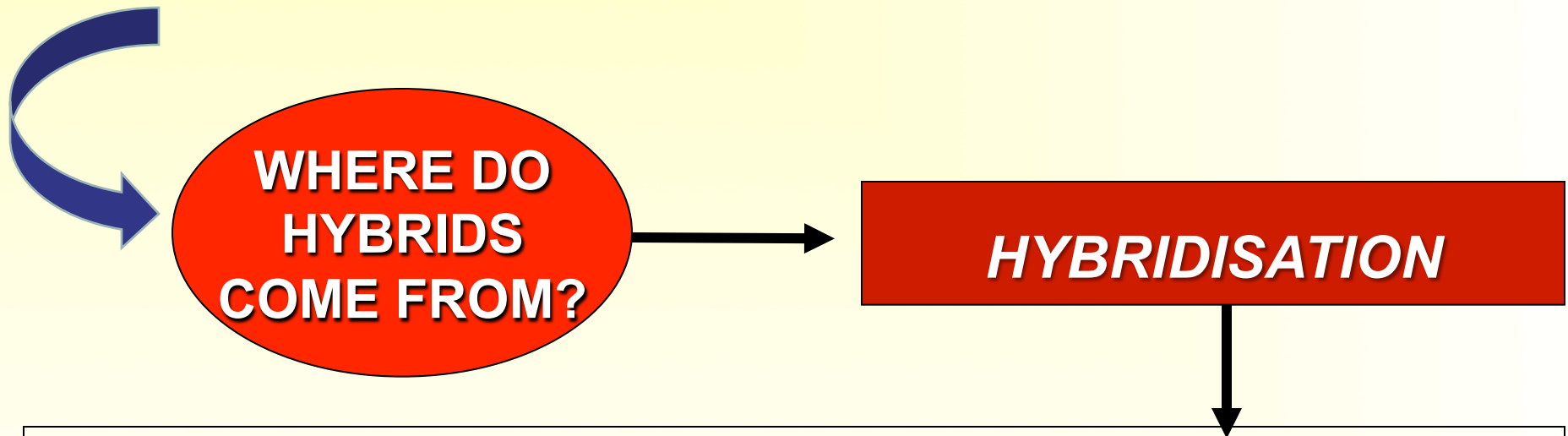
Hybrids can be seen as “a-normal” & “**impure**” elements/objects



Hybrids take different forms and regard disparate objects: processes, practices, expertise, technologies, systems, etc

RISK MANAGEMENT: HYBRIDS FOR RISK MANAGEMENT (3)

Hybrids exist beyond the traditional focus on 'hybrid organizational forms and structures'. They emerge & have developed in many different fields, e.g. New Public Manag.



Hybridisation is a **process** out of which these 'new', 'a-normal', 'impure' (i.e. hybrids) objects emerge

RISK MANAGEMENT: HYBRIDISATION (1)

M&O'L «H. occurs whenever two/more different & discrete elements normally found in separate fields or domains '**mix up**', '**are bridged**' and '**combine**' to create something **NEW**

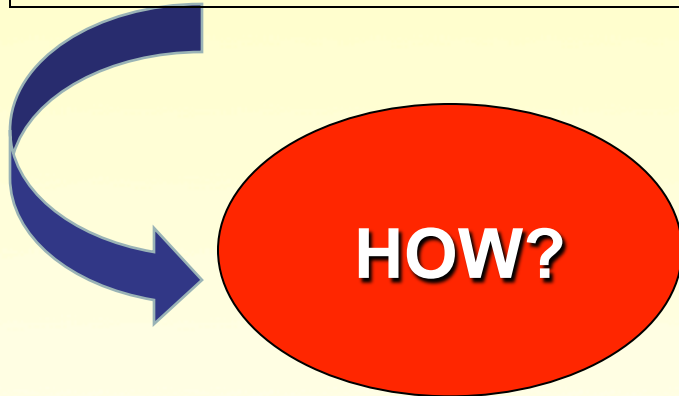


KEY ASPECTS

- H. is a process: assumes different forms & via diverse dynamics
- H.'s object: distinct, discrete & different elements
- H. involves: MIX UP, BRIDGING & COMBINATION

RISK MANAGEMENT: HYBRIDISATION (2)

- H. is a continuous, cumulative & potentially endless process
- H. may revert back or stabilize: as a result hybrids can be stabilized and eventually institutionalized.

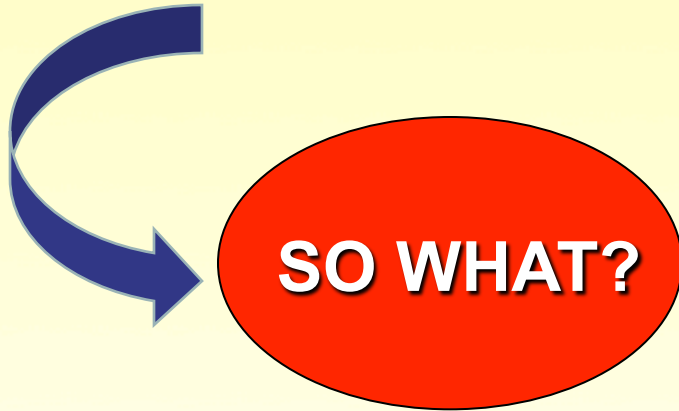


MEDIATION & MEDIATING MECHANISMS

It is through the process of mediation & mediating instruments/ device that separate elements come to *mix up, be bridged* and *combine* together.

RISK MANAGEMENT: MEDIATION & MEDIATING INSTRUMENTS

Mediation instruments are inter-mediaries, i.e. something which 'mediates' between different actors, objects, etc

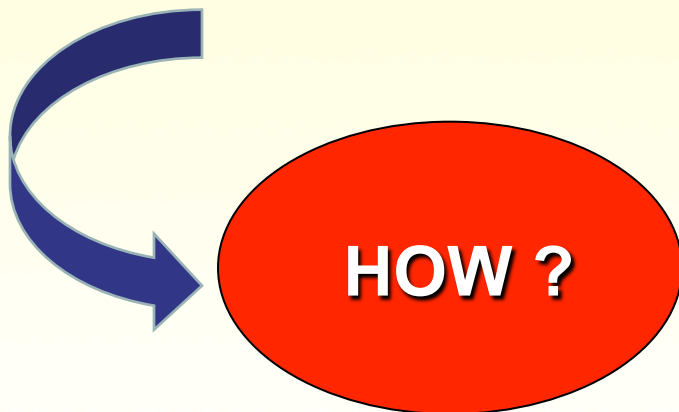


M& O'L (2007): «these can be conceptualized as anything passing between actors/objects, that defines the relationship between them. M.I. provide the material content to the links uniting the actors

**DOCUMENTS, TECHNICAL ARTEFACTS, DEVICES,
HUMAN BEINGS, ACCOUNTING PRACTICES**

RISK MANAGEMENT: HYBRIDISATION & ROLE OF ACCOUNTING (1)

M. Accounting is involved in these mechanisms of hybridisation. In particular, hybrids formed out of the relations between accounting practices/expertises and other disciplines are central in this analysis (e.g. in the context of 'modern economy technology', or 'New Public Management')



1. M. ACC is itself an hybrid;
2. M. ACC makes visible & calculable hybrids;
3. M. ACC hybridises itself.


RISK MANAGEMENT: HYBRIDISATION & ROLE OF ACCOUNTING (2)

1. ACCOUNTING IS AN HYBRID ITSELF



**WHAT DOES
IT MEAN?**

Looking at origins of ACC & MAN
ACC we see how these two 'novel'
disciplines emerged out of the 'mix
up' of other disciplines

- 
- MAN ACC (e.g. STD costing, BEA) formed & reformed at intersections btw expertise and practices of separate disciplines such as Economics & Engineering;
 - See also Sustainability Accounting.

RISK MANAGEMENT: HYBRIDISATION & ROLE OF ACCOUNTING (3)

2. ACCOUNTING MAKES VISIBLE HYBRIDS



HOW?

ACC involved in DUAL processes of hybridization. First is the ability of ACC of making hybrids visible/calculable and then manageable



It is through this process of making RM-related hybrids visible & calculable that ACC renders risk & uncertainty *manageable* (e.g. «technology roadmapping»)

RISK MANAGEMENT: HYBRIDISATION & ROLE OF ACCOUNTING (4)

3. ACCOUNTING HYBRIDISES ITSELF



HOW?

ENCOUNTERING WITH OTHER
DISCIPLINES & EXPERTISES

ACC itself is subjected to hybridisation as result of the encounters, mixing up and combination with other disciplines:

1. ACC & Medicine in the Health reforms;
2. ACC & Natural Sciences in the Sustainable Scotland

RISK MANAGEMENT & ACCOUNTING

Further reading list

- **Miller & O'Leary (2007), 'Mediating Instruments and making markets: Capital budgeting, science and the economy', Accounting, Organizations and Society, 32, pp. 710-734.**
- **Thomson, I., Grubnic, S., & Georgakopolous, G. (2014) Exploring Accounting and Sustainability Hybridisation. Accounting, Organisation and Society.**