STRATEGIC ACCOUNTING: REVISITING THE AGENDA

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ABSTRACT

Rapid changes in the external environment of organisations have been accompanied by calls for accountants to change the nature of information they provide, the skills they possess and the role they play in the organisation. The proposed changes, which are encapsulated under the phrase accounting for strategic positioning or strategic management accounting are two pronged. On one hand accountants are required to reposition themselves in the organisation hierarchy where they will be involved in the formulation, implementation and choice of strategies. Accountants are also being urged to adopt a range of techniques whose emphasis is futuristic and external to the firm especially emphasizing the importance of monitoring customers and competitors. A review of the literature has revealed that while considerable effort has been put into the development of rational techniques for proposed use less has gone into whether, how and with what effect the proposed techniques have been implemented in organisations and society. The literature has adopted an uncritical approach to the proposals for a strategic accounting, providing little insight into how the discourse of strategy has come to occupy such a position of centrality in organisations and society with other functions seeking to be branded “strategic”.

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1.0 INTRODUCTION

Changes in the nature and magnitude of competition, new information and manufacturing technologies (Bromwich and Bhimani, 1989, 94; Johnson and Kaplan, 1987; Kaplan, 1984), both of which are expected to intensify and become even more complex (Drucker, 1997; Morgan, 1989), have radically changed the environment of organisations. These developments have been accompanied by a sustained questioning of prevailing management practices' ability to enable organisations keep pace with the changes so as to do as well or better than the competition (Hayes and Abernathy, 1980). Accounting practice has been accused of lagging the dynamics of business needs and the information requirements of the new sophisticated manufacturing environment (Johnson, 1994; 92, Johnson and Kaplan, 1987; 84; Lee, 1987).

These criticisms have been accompanied by demands for accountants to take advantage of changes in information technology and the business environment to elevate their position within the management hierarchy where issues of strategy formulation and choice are discussed and decided (Simmonds, 1981). A new type of accountant with a different mindset (Bromwich, 1990), variously described as a business consultant, or a strategic accountant is being urged to ensure that business operations are aligned with the strategy of the organisation (Tricker, 1989; Simmonds, 1981). Accountants are being urged to ensure the successful implementation and operation of newer management strategies such as JIT and TQM (Sillince and Sykes, 1995; Turney and Anderson, 1989) which are expected to confer a competitive advantage on organisations.

Inevitably, questions have been raised about how well accountants are equipped to successfully undertake this challenge with suggestions that accountants need to acquire a new set of skills and techniques. Consequently, considerable effort informed by neoclassical optimization assumptions has gone into developing techniques that are deemed to make a strategic accounting possible. Some of these techniques include the Balanced Score Card (Kaplan and Norton, 1996), Strategic Cost Management (Shank and Govindarajan, 1993), Strategic Management Accounting (Bromwich, 1990; Simmonds, 1981), Activity Based Costing (Cooper and Kaplan, 1988) to name but a few. In addition, new accounting measures to support new management strategies such as TQM and JIT are being innovated. These techniques are by and large aimed at moving accounting away from its internal, historical focus to an external, futuristic one, with emphasis on competitors, customers and the external environment. The changes in role and techniques are encapsulated under the terms accounting for strategic positioning, strategic management accounting or strategic cost management, to name but the most prominent epithets. In this paper the term strategic accounting is used to encapsulate all the discussions relating to this proposed accounting.

Some research efforts have been undertaken into the extent to which these techniques have been implemented in organisations (Guilding, Cravens and Tayles, 2000) and with what effect on performance (Mia, 2000; Gordon and Silvester, 1999). Fewer studies informed by critical interpretivist perspectives have sought understanding of the process through which accounting systems come to change, by focussing on the accountants and the managers of case organisations (Hoque and Alam, 1999; Bhimani and Pigot, 1992). Some of these efforts have cast aspersions on the proposed techniques, seeing little that can be achieved by them (Ezzamel, 1994). Organisational learning theorists have argued for a change in the mindset of the accountant towards a learning orientation if a strategic accounting is to be achieved (Coad, 1999; 1996).

A survey of the literature however reveals an unquestioning acceptance of the notion of a strategic accounting with little attempt to examine how strategy has come to occupy such a central place in organisations with accountants being urged to brand themselves as strategic. This is extended to the belief "…that there is an(y) invariant relationship between a rhetoric and discourse of accounting and a programme in the organisation conducted in the name of it" (Hopwood, 1987, pp. 211-212). There has been an overemphasis on prescriptions of a strategic accounting and little on whether and how these techniques are being adopted by accountants in organisations and society. Little insight is provided into why accountants in some firms adopt some of these techniques while others do not, and the potential problems and difficulties faced in the implementation process. These proposals seem to be based on the assumption that managerial calculation would lead to the solution of organisational problems regarding customers, competition and the long term. Lapsley and Pettigrew (1994) however warn that the belief that "…the mere adoption of new management accounting practices will, of itself, suffice in sustaining successful…organisations, is misconceived" (p. 82).

The aim of this paper is to investigate the extent to which, and the process through which the discourse of a strategic accounting has come to occupy a place in organisations and society in response to challenges for accountants to become "strategic". The paper seeks to enjoin in ongoing efforts to gain a better understanding of the process through which the discourse of strategy has come to pervade the everyday operations of modern organisations. The study is motivated by the realisation that changing accounting systems is an expensive and potentially disruptive endeavor. It is therefore important that the possible consequences of any envisaged change be understood and anticipated. The paper is also motivated by ongoing research on the "possibilities" of accounting (Hopwood, 1987) in changing organisations.

The rest of the paper is organized as follows. In the second section, we examine the meaning of strategic accounting and the various ways in which such an accounting is deemed possible. Next, we analyze the various perspectives that have been employed in looking at the proposals for a strategic accounting. We conclude with a discussion of the avenues for revising the agenda of research into strategic accounting.

2.0 STRATEGIC ACCOUNTING: CONCEPTUAL UNDERPINNINGS

A survey of the literature suggests that although there is no unified conception of what a strategic accounting is (Bhimani and Keshtvarz, 1999; Guilding, Cravens and Tayles, 2000), two themes are discernible. First, it involves a repositioning in the organisational hierarchy where accountants would provide information to top management for the formulation and implementation of strategy. Second, strategic accounting seems to distinguish itself from conventional accounting by changing its focus away from historical, financial and internal information to non-financial, futuristic and both internal and external information (Brouthers and Roozen, 1999). Strategic accountants are expected to focus on information that would help improve firms' competitive advantage (Bromwich (1990). Each of these themes is examined in turn.

2.1 Strategic Accounting as Repositioning

This theme is associated with the birth of the business advocate, business consultant or service provider and the demise of the bookkeeper, bean counter or cop (Keating and Ansari, 1997). Peter Drucker commenting on the demise of the traditional accountant argues that:

> I am not saying that you do not need a cop on the beat, you do…But your great challenge is to get across to your associates your ability to identify the opportunities …to identify the wealth producing characteristics" (Quoted in Horngren, Foster and Datar, 1997: 18).

The strategic accountants are being urged to change their perspective from a pure financial focus to larger business issues which entails a detailed understanding of the business and its environment (Keating and Ansari, 1997; Jablonsky, Patrick and Heian, 1993). Accountants would also be expected to work closely with other functional areas to achieve business objectives (Mersereau, 1999; Roslender, Hart and Ghosh, 1998) and view lower and middle level management as their major clients whose information needs they need to cater to. The role also involves devising and implementing strategies and helping other organisational members to understand the strategic implications of their decisions (Ansari, Klammer and Lawrence, 1997). Strategic accounting goes beyond mere provision of "relevant" information to actual participation in the decision making process itself for example in choosing among strategic alternatives (Bhimani and Kershtvarz, 1999). It is hoped that this repositioning would lead to a dramatic improvement in the standing of accounting (Lianabel, 1991; Keating and Ansari, 1997; Simmonds, 1981; Corrigan, 1996) relative to other functions within the organisation such as marketing or business planning (Roslender, Hart and Ghosh, 1998).

There are however two issues that are not very clear regarding this articulated role. First, the management accounting literature seems to suggest that if accountants are to assume these new roles they have to abandon the latter but Keating and Ansari (1997) argue that whether one is perceived as a cop or business advocate is a matter of the degree to which they perform either of these roles. Secondly, the drive for a higher ground for accountants seems to be based on the traditional hierarchical management style, with its top down orientation. Bromwich (1990) sees strategic accounting as an opportunity for taking accounting away from the shop floor. The calls for accountants' greater involvement in processes of organisational change have however suggested that if accountants were to play a greater role in the change process, then they have to come down from their ivory towers and go out to the shop floor to team up with operations and provide solutions where they are required (Chenhall and Langfield-Smith, 1998). This is consistent with notions of empowerment and bottom up management (Johnson, 1994; 1992), yet repositioning implies that accountants ascend to hierachical positions of influence or ivory towers.

2.2 Strategic Accounting as Change in Focus

Strategic accounting techniques may loosely be categorized into three classes on the basis of focus, namely, internal focus, external focus and future focus. Techniques with an internal focus emphasise the collection and reporting of internal information pertinent to the achievement of internal efficiencies as the source of competitive advantage (Ittner and Larcker, 1997). The techniques which have an internal focus include ABC and its variants of ABM and ABCM, and accounting associated with the development and implementation of new manufacturing strategies. Although ABC is similar to conventional accounting in that it relies on internal and historical information, it becomes strategic in the sense that the more accurate information it provides can be the basis of decisions which can lead to competitive advantage (Roslender, 1995).

Traditional techniques that have an internal focus can be utilised differently to perform a strategic role. Govindarajan and Shank (1989) argue that variance analysis can play a strategic role if the overall variance is broken down to the key underlying causal factors and then the variances related to the differing strategic contexts of different products. Tomkins (1991) suggests that accounting could help in the initial profiling of strategic business units (SBUs), identifying which strategies organisations are using and determining what impact these strategies have on profitability. Abernethy and Brownell (1999) argue that during strategic change budgeting can be used interactively to achieve generative learning. Accounting is also being asked to generate information from within the enterprise, on cost, quality and time relating to new management strategies such as TQM and JIT which will assist management to make decisions that provide competitive advantage (Ittner and Larcker, 1997; Ansari, Klammer and Lawrence, 1997). Performance measures on defects, inventory savings and worker involvement, most of which are non-financial measures are now being required as a source of sustainable competitive advantage (Roslender, 1995).

The advocates of an external focus see a sole emphasis on internal variables as limiting the firm's ability to compete effectively while an external focus is more pertinent to competitive advantage (Ward, Hewson and Srikanthan, 1992; Bromwich, 1990). Strategic accounting is to report on the firm's levels and trends in costs, prices, market share, cashflow and financial structure, value added and performance relative to competitors (Simonds, 1981). Bromwich (1990) sees strategic management accounting as identifying and measuring the attributes of products produced by the firm hence enabling the formulation of the enterprises' strategies regarding market fit and product diversification required for a differentiation strategy. Secondly, accountants could not only report on cost structure of the firm, but also on rivals to assist decisions in contestable markets for cost leadership or focussed cost leadership strategies. Finally, he argues that strategic accounting could measure and report on a firm's barriers to entry, the costs of these barriers and the strengths and competitive benefits or disadvantages they confer on an enterprise. Bromwich does not propose a change to the internal accounting systems but articulates adding an external focus if competitive advantage is to be obtained.

Unlike financial accounting, strategic accounting seeks to provide information that is future oriented. For example Bromwich (1990) conceives strategic accounting as providing cost and strategy information on the firm and its competitors "over a number of periods" (p. 28). The concern with the future is also a product of realising that current actions have future unanticipated implications (Norreklit, 2000). It is however in capital appraisal, which involves long term investments that the search for a long-term focus has come to manifest itself most prominently. Management accounting's use of finance theory in capital investment decision making has been criticised for its failure to inculcate strategy (Tomkins, 1991; Grundy, 1992; King, 1975) resulting in wrong and costly investment decisions (Boquist, Todd and Thakor, 1998). A number of capital budgeting approaches that inculcate strategy have therefore been proposed.

Shank (1996) proposed strategic cost management (SCM) as a way in which strategic issues can be brought to bear on capital investment decision making. The SCM framework involves, beside value chain analysis and cost driver analysis, an analysis of the firm's competitive advantage strategy and the choice of investments that are suited to this strategy. Bromwich and Bhimani (1991) have suggested that capital investments be appraised on a wider range of costs and benefits by attaching scores to those that cannot be expressed in financial terms. King (1975) and Boquist, Milburn and Thakor (1998) have suggested a sequential approach where each stage of the project is evaluated against corporate strategy. King also suggested that management should understand these stages if the ultimate decision is to be aligned with strategy. Boquist, Milburn and Thakor (1998) on the other hand recognize that it is people who execute strategy and therefore seek to develop a culture consistent with strategy through developing commitment, training and compensation. These approaches aim to ensure that the projects which are undertaken are those that are consistent with the organisation's long term objectives.

In summary, strategic accounting may be viewed from three perspectives based on focus. The internal perspective presents accounting as providing internal information for the formulation and implementation of strategies. Two areas of interest are activity costing and accounting for advanced manufacturing technologies. The second focus is external, seeing accounting as measuring and reporting information on customers and competitors as the source of competitive advantage. Finally, the future focus presents accounting as providing information geared to the long-term strategic direction of the company. Investments of a long-term nature such as capital investments have been the focus of techniques that seek to incorporate strategy into their decisions. This schema though is not as neat as presented for there are other perspectives such as strategic cost management that cut across the three foci.

3.0 PERSPECTIVES ON STRATEGIC ACCOUNTING

Those approaching strategic accounting from a conventional perspective have grasped the concept and sought to develop ways in which it could be realised in organisations and society. Some effort has gone into finding out the extent to which it has been implemented in firms and across countries and the factors either facilitating or hindering its achievement. Organisational learning theorists conceive strategic accounting as requiring double loop learning if it is to be achieved. Institutional theorists have attempted to study the implementation of specific strategies as the product of not only technical rational needs but institutional pressures as well. Finally, critical theorists have questioned the historical justification for accounting reform, the technical efficacy of the proposed techniques and have sought to demonstrate the constitutive effects of strategic accounting implementation. Each of these perspectives is examined in turn.

3.1 Conventional Perspectives

Conventional researchers have welcomed the proposals for a strategic accounting seeing it as an opportunity for the salvation of the status of accounting. The rationale of undertaking any accounting innovation is represented as the improvement in performance of the implementing organisation. Turney and Anderson (1989) presents accounting as needing to change to meet changing philosophies or “world views”. There is continuity with traditional accounting in the retention of faith in accounting and accounting numbers for addressing the malaise of organisations. Change to a strategic accounting is a rational, mechanical and orderly process whose outcome can be predicted *ab initio*. The change initiatives are managerial top-down led with other organisational actors playing a passive role. The initiative creates winners in those who are converted while the non-converts are encouraged to leave (see for example Turney and Anderson, 1989). There is little concern with how accounting roles come to change or new techniques supplant prevailing ones.

A key facet of strategic accounting examined from a conventional perspective is the upward repositioning of accountants within the management hierarchy. Barbera (1996) found that management accountants in Australia and many other countries perceive their role as “adding value by participating in organisational processes of strategy formulation, control and change” (p, 72) and that they expected to play even higher profile roles in future (see also Akers and Porter, 1995; Jablonsky, Patrick and Heian, 1993). Managers also express the need for accountants to play a strategic role although in some organisations they emphasise bookkeeping roles (Chenhall and Langfield-Smith, 1998; Hopper, 1980).

Accountants, it can be surmised expect to assume newer and more challenging responsibilities, but the question remains whether accountants are assuming these roles or not. Chenhall and Langfield-Smith (1998) found that although accountants had opportunities for playing a strategic role, they were reluctant to take a proactive role in utilising them. Even where accountants thought they were playing a business advocate role, not all organisational members thought that they were doing so (Jablonsky, Patrick and Heian, 1993). Some of the factors impending accountants' progress to this higher ground included the reluctance of their managers (Akers and Porter, 1995; Bhimani and Kershvatz, 1999; Innes and Mitchell, 1990), lack of the required skills (Barbera, 1996; Sharma, 1998; Keating and Ansari, 1997; Lowry and Yap, 1994), fear of antagonising their managers, lack of autonomy and cooperation from senior management (Chenhall and Langfield-Smith, 1998), resource constraints and conflict with line managers (Innes and Mitchell, 1990).

Therefore, although accountants are being urged to take up a strategic role, their goals, skills and environmental factors seem to have impeded their progress. The picture does not change dramatically when looking at the adoption of strategic accounting techniques. For although businesses have expressed a need for strategic accounting type of information (Brouthers and Roozen, 1999) there is no universal adoption nor understanding of these techniques (Bhimani and Kershvatz, 1999; Guilding, Cravens and Tayles, 2000). Guilding et al. found wide disparity in terms of application of the individual practices and limited use or appreciation of the term strategic management accounting among accountants in New Zealand, UK and the USA (see also Bhimani and Keshtvarz, 1999). Lord (1996) found that although Cyclemakers, a New Zealand company, routinely collected competitor information and made estimation of competitor costs and market share and exploited linkages within and outside the firm this information was neither expressed in accounting numbers, performed by management accountants nor employed the sophisticated techniques proposed in the strategic accounting literature.

Thus within firms, there appears to be no universal adoption of a strategic accounting and the same is the case when comparisons are made across countries. Tomkins and Carr (1996) found that generally, although less than 25% of the companies in both the UK and Germany use formal strategic analysis, German companies generally placed emphasis on analysis of value chain and competitive advantage and less on financial analysis unlike their UK counterparts. Clarke, Thorley and Stevens (1999) found that Ireland lagged other Anglo-American countries in ABC adoption and attributed this to supply and demand factors for innovative management accountants. Ittner and Larcker (1997) found that Japanese organisations do not link their strategic control systems more closely to competitive strategy than other countries but make greater use of strategic controls irrespective of strategic emphasis.

Interest has also extended to whether implementation of proposed techniques have achieved the desired financial performance. Mia (2000) found that firms that had adopted JIT and modified their accounting systems in compliance with the demands of the new system experienced better ROI performance compared to those that had not (see also Durden, Hassel and Upton, 1999; Ittner et al. 1999). Durden et al. also found that firms that used non-financial performance measures experienced better performance whether they adopted JIT or not. Gordon and Silvester (1999) found no significant correlation between ABC and stock market performance in USA firms. Ittner and Larcker (1997) found that while some strategic control practices were associated with improvements in performance, others negatively impacted on performance, raising questions regarding the effect of strategic controls on the workplace.

Ittner and Larcker (1997) explained the negative association between strategic controls and performance on the rigid, informal plans, targets and punishing data gathering associated with the implementation of these controls. Thus while the implementation of some of these techniques was well received, others were received negatively, impacting on performance. McGowan (1999) found that users reacted positively to the implementation of ABCM. Workers associated ABCM with higher quality information that was useful to their jobs. The change to ABCM has however not made their jobs easier with some users suggesting that the implementation and adoption procedures of ABCM had placed additional demands on them and impaired their ability to reach their performance targets. McGowan also cited differences between the various case studies in implementation style suggesting that the method employed in implementing ABC may have influenced perceptions of its usefulness.

It can be surmised that strategic accounting, at least as understood in the academic literature is not widely appreciated in organizations neither have the techniques been universally adopted. Where some of these techniques have been implemented, the conventional position presents change as a mechanical linear process geared to the betterment of the organisation through achievement of business goals. The relationship between the implementation of these techniques and the results claimed is equivocal suggesting that more studies need be conducted and the issues be widened beyond financial performance.

3.2 Institutional Theory Perspectives

Institutional theorists present change as occurring not only for technical-rational reasons but institutional reasons as well. Some organisations undertake change so as to look like other often dominant members in the organisational field while others change to give the impression of being rational so as to win legitimacy from their constituencies. There are however, only a few studies on strategic accounting informed by institutional theory perspectives, among whom are Hoque and Alam (1999) and Zbaracki (1999).

Hoque and Alam (1999) investigated the adoption of TQM by DTL, a construction company in New Zealand. They argue that firms implement TQM for both technical-rational decisions (which is the need to have information for making strategic decisions regarding quality) and natural reasons represented by institutional pressure. They found that as the company expanded to take advantage of rising opportunities emanating from the liberalisation of the economic environment, it became difficult to monitor quality at different sites. The company also had to specialise and subcontract part of the work creating the need to monitor the quality of their sub-contractors. But to monitor them effectively, they needed a quality programme of their own. All these rational reasons necessitated the institution of TQM. They however also implemented TQM because their major client, the City Council preferred those clients with quality improvement programmes. Institutional pressures were also exerted by the award of prizes by various professional institutions and the implementation of TQM by DTL competitors.

Hoque and Alam (1999) found that implementation of TQM at DTL led to an increase in the number of orders, profit, and productivity. There were some in the organisation that were opposed to the changes, but this aspect is not explored further with the authors prematurely concluding that "apart from these managerial perceptions there has been little resistance from all levels of employees to TQM implementation at DTL" (p.205). Hoque and Alam (1999) also found that implementation of TQM at DTL placed heavy emphasis on "documentation and quality reporting processes" (p. 206). This suggests possible questions that need to be raised regarding the potential impacts of proposed techniques on the workers and workplace.

There is little doubt that institutional pressures have an impact on the organisation, but the way in which these pressures impact on the organisation is not clear. Zbaracki (1999) investigated the process through which the rhetoric of TQM was formed and came to diverge from the technical reality of TQM. He concluded that this process was evolutionary and consisted of four phases, namely variation, selection, retention and return. Generally managers who may be in search of different ways of doing things in their organisations feed on a rhetoric of TQM from those who have implemented it or other agents. They then employ that rhetoric to develop their programmes then present a rhetoric of TQM success that in turn feeds other organisations. Implementing TQM may not confer much technical benefit other than legitimacy from other members of the organisation field.

The proposals for a strategic accounting have been presented as the common sense approach to the problems emanating from a changed competitive and technological environment. Zbaracki (1999) and Hoque and Alam (1999) however question this narrow conceptualisation by showing that organisations may adopt these techniques not for their technical value but their symbolic value as well. This widens the agenda for research away from the unilinear, single factor analysis to autopoeitic (Morgan, 1986) multiple issue analysis of the forces engendering strategic accounting and the process through which it is achieved both in the organisation and its environs.

3.3 Organisational Learning Perspectives

The concept of organisational learning is associated with Senge (1990), Argyris and Schon (1978), Argyis (1977) and Hedberg, Nystrom and Starbuck (1976) and recently has "established itself as a key priority in designing and managing organisations that can deal with the challenges of a turbulent world" (Morgan, 1986: 88). Organisational learning systems are able to recognize, "monitor and scan" the important parts of their environment and discern the implications of this information on their operating values and norms. If these systems recognize where these norms have been deviated from and initiate measures to restore their course, they are engaged in single loop learning. If on the other hand they are able to discern that changes in the environment may negate prevailing norms requiring new initiatives and ways of doing things, they are engaged in double loop learning (Morgan, 1986). Single loop learning and double loop learning are akin respectively to adaptive and generative learning (Senge, 1990). Simons (1999; 1994; 1991) describes systems that do what single loop learning systems do as diagnostic systems, while interactive systems are akin to double learning processes.

Kloot (1997) argues that management control systems can achieve generative learning if they are used interactively as opposed to diagnostically (see also Simons, 1999, 1995, 1991, 1990). Management control systems can engender or hinder learning (see also Crossan, Lane and White, 1999) by affecting knowledge acquisition, information distribution, interpretation, and organisational memory. Abernethy and Brownell (1999) for example argue that budgets could be used in an interactive way for initiating and sustaining "dialogue, learning and creating ideas" (quoted from Burchell et al. 1980). Interactive budget use is more appropriate when organisations are undergoing change because decision making is more complex and uncertain so new ideas need to be created, new goals and objectives developed and new opportunities explored. Interactive budget use creates dialogue and inter-functional collaboration leading to feelings of ownership of new initiatives among employees (Abernethy and Brownell, 1999).

Coad (1996) echoing Wilson and Chua (1993) argues that because strategic management issues are often unstructured, challenging and the information often unobtainable by conventional means, opines that a learning as opposed to a performance orientation is required to undertake a strategic accounting. A learning orientation combines two attributes, smart work and hard work. He defines smart work as the tendency in a person to "select clever and ingenious approaches to deal with a given task and to modify those approaches, intelligently and resourcefully" (p. 387). Hard work on the other hand is the "expenditure of effort in performance of tasks" (p. 387). One with a learning orientation would seek challenges, improve skills and abilities and is not easily intimidated by new situations. Such would measure success in terms of how they have been able to overcome obstacles and learn new ways of doing things or solving problems. Performance oriented persons on the other hand work towards pleasing their superiors and seek tasks that will get them a favorable rating. In terms of work, they tend to avoid work that would challenge them and pose the potential of failure. Coad (1999) has also suggested that learning oriented accountants are likely to involve themselves in decision and organisational change processes of strategic nature compared to performance oriented accountants.

There is little evidence that organisational learning can deliver the performance that is promised of it. Abernethy and Brownell (1999) undertook a study of budget use in Australian hospitals. They argued that organisations that used the budget interactively during strategic change were bound to experience better performance compared with those who used it diagnostically. Employing a self appraisal as a measure of performance, they found that strategic change in hospitals that employed budgets interactively was associated with better performance. This is a departure from accounting reform which has argued for change in techniques and not usage as a way of achieving sustainable advantage.

Strategic accounting is aimed at enabling the organisation to attain a competitive advantage relative to the competition. If accountants are engaged in double loop learning they would be able to constantly discern changes in the business environment and help the organisation to take counter measures to beat the competition. Double loop learning accountants would be concerned with understanding how the changes could impact on their organisation in addition to questioning current norms and assumptions. The literature also hypothesises that accountants with a learning orientation are likely to ascend to a strategic role while those with a performance orientation would seek bookkeeping roles. Abernethy and Brownell (1999) offer possible explanations for the continued use of traditional accounting techniques by showing that change may not be in technique but the way it is used in different situations (see also Burns and Scapens, 2000).

3.4 Critical Theory Perspectives

Critical theorists' contribution to the debate on strategic accounting may loosely be categorised into three parts. Firstly, critical theorists have questioned the presentation of history as narrated by Johnson and Kaplan (1987) and instead argued that a different history could be written. Secondly, they have questioned the remedies proposed first by Johnson and Kaplan (1987) and later by Johnson (1994; 92). Finally, critical theorists have sought to study the constitutive effects of specific strategic accounting interventions. Overall, researchers of a critical persuasion see little that can be achieved by these techniques in terms of improvement in the condition or role of the workers or even in terms of technical-rational performance.

3.4.1 The Historical and Remedial Challenges

Johnson and Kaplan (1987) have argued that management accounting had achieved its apex by 1925 but subsequently became irrelevant as it was subdued by the needs of financial accounting (see also Kaplan, 1984). Johnson (1994; 92) later revised this position and argued that irrelevance set in when managers started using accounting information to manage, arguing that accounting is unsuitable for providing process information necessary for sustainable competitive advantage. Ezzamel, Hoskins and Macve (1990) cast aspersion on Johnson and Kaplan's account of the development of cost and management accounting and suggest that a different history can be written. They dispute the account that accounting was useful for decision making and was only subverted through the emphasis on numbers. Instead, they posit that the management by numbers was bound to happen as modern society moved away from "the more visible and physical forms of control" to techniques for measuring individual human performance. Thus for Ezzamel, Hoskin and Macve (1990) criticizing management for managing by numbers is to be blind to developments in the wider society that celebrate that very approach.

The Johnson and Kaplan (1987) thesis is posited on the technical rational or epistemic usefulness (Miller and O'Leary, 1993) of accounting. Miller and O'Leary (1993) however locate criticisms of accounting within the "politics of the product" which is a wide ranging debate about the decline of American industry competitiveness compared with the Japanese and the role of management training in this decline. Miller and O'Leary view the clamour for accounting change not in terms of accounting's deficiency as explained by Johnson and Kaplan (1987) but in terms of the needs of the "new economic citizenship" with the customer as the focal point of accountability. Hopper and Armstrong (1991) rebut the presentation of the history of accounting as being driven by the search for efficiency and instead chart a history of evolution of organisational forms of control that show accounting change implicated in efforts to intensify labour and shift rewards to capital. Hopper and Armstrong (1991) view the calls for strategic accounting as representing a "loss of relevance" with possible searches for new modes of controlling labour.

Critical theorists have also questioned the solutions offered by Johnson and Kaplan (1987) for restoring the relevance of accounting. Ezzamel, Hoskins and Macve (1990) argue that although the Japanese have not relied on accounting numbers to manage, they have employed modes of calculation based on physical measures which are basically numbers. They also argue that Japanese cultural modes of management based on tight controls and regimentation open the workers to exploitation.

Ezzamel (1994) directs his criticism at Johnson (1994; 92) who have called for replacement of accounting with TQM arguing that TQM will worsen the plight of workers. TQM elevates customer supremacy which while seen as the best way of securing quality and success, has potential disruptive effects on organisational social and political processes. Although TQM purports to engender employee cooperation and empowerment, it is originated from the top and is therefore part of hierarchical control. The various performance measures evolved under TQM are designed to keep a tight managerial hold and put pressure on employees by making them accountable for specific quality targets. Ezzamel suggests that Western businesses do not understand the culture under which TQM is generated and as such they do not know whether it will work or what its consequences are likely to be. These proposals Ezzamel argues are a simplistic case of looking for quick fix solutions to complex problems. The solution is not to abandon accounting but "… deconstructing accounting as a micro-technology and …transforming its practices into socialising forms of accountability" (p. 276).

Williams et al. (1994) question the assumptions of Johnson and Kaplan (1987) and Johnson (1994; 92) that management calculation is to blame for the decline in American manufacturing and the belief that America would always emerge tops. They also question the assumption that TQM would lead to satisfaction for all stakeholders including workers, managers and capital. They attack the argument by Johnson (1994) for the reform of management education, wondering whether the business schools play any role in disseminating management calculation in the first place. Instead, Williams et al. argue that its structural variables which are to be held responsible for the decline in American manufacturing. The source of competitive advantage are low wages and exploitation of labour, not accounting and it is these contradictions within capitalism which need to be challenged (Williams et al., 1994; Yuthas and Tinker, 1994).

The above criticisms have one thing in common and that is that they do not see anything good that can come from the proposals to reform accounting as proposed by Johnson and Kaplan. Roslender (1996) takes the minority view that strategic accounting offers potentials for a more “attractive accounting praxis” (p. 533). He laments that the critical discourse of strategic accounting is characterised by “a dismissive tone with the almost predictable conclusion that there is little here that promises to contribute to a more attractive accounting praxis” (p. 533). Roslender argues that strategic accounting offers possibilities for enrolling lower levels of managerial and professional employees to the general cause of worker empowerment, creating what he terms as “multilevel employee participation”. Strategic accounting can create real consumer empowerment by providing information on the full costs of consumption and socially responsible products. He also sees accounting innovations such as “soft accounting numbers” or non-financial accounting measures as offering possibilities for a better accounting.

3.4.2 The Constitutive Effects of Strategic Accounting

While the debate on the desirability or otherwise of accounting reform as proposed by Johnson and Kaplan (1987) has raged, a few attempts have been made to study the effects of these technologies on implementing organisations. Ezzamel, Lilley and Wilmott (1997) found that accounting is an “enduring and endearing” craft that survives threats to its position emanating from competition from other expertise and changes in the organisations. Accounting was able to do so by acknowledging criticisms over its relevance and rationalising staff in line with the organisations’ staff reductions. At the time accounting was colonizing information technology and allying itself with proposed techniques such as TQM by arguing that accounting was indispensable to achieving these techniques. The continued centrality of accounting was aided by management’s need for measures of individual and team performance resulting from the implementation of new strategies. Accounting therefore performed the old hierarchical function of monitoring and control at a distance while this was being presented as novel. Accounting’s continued centrality was manifested in for example praise by managers about “accounting’s contribution to the bottom line” (Ezzamel, Lilley and Wilmott, 1997, p. 448) with the adoption of non-financial performance measures being praised as “best practice”.

Ezzamel, Lilley and Willmott (1997) conclude that accounting has remained central to the functioning of organisations, meaning that it never lost its centrality. Bhimani and Pigot (1992) on the other hand describe how implementation of ABC conferred positions of centrality on accountants and production staff while diminishing the influence of marketing. Accountants and production staff gained from ABC implementation through active participation and understanding of its operations while marketing’s peripheral understanding of it diminished their position. Munro (1995) found that TQM implementation conferred influence on middle managers by making them spokesmen for the customer. Accounting was mobilised to satisfy the customer while traditional accounting was being criticized on the same grounds.

The implementaion of some of the strategic accounting techniques promised a new regime free from the pitfalls of traditional accounting, but instead made the situation worse. Munro (1995) reports that the TQM initiative was received with enthusiasm by middle level managers who saw it as an opportunity for escaping the surveillance and control of the traditional budgeting and standard accounting systems. The TQM initiative however had more insidious designs, for it provided seniour management with new intensified ways of surveillance and control through lateral accountability and the reliance on fewer accounting numbers. While providing seniour management with tools for managing at a distance it also enabled them to claim success while at the same time disowning failure. Miller and O'Leary (1994) saw the implementation of JIT at Caterpillar Inc. as a process of ushering in a new government by enacting the "new economic citizenship" where the relationships between different stages of manufacture are transformed to give primacy to the needs of the customer. In this new arrangement, workers are made accountable to the customer by being empowered to make products that satisfy the customer. Miller and O'Leary present this factory as the site where the "politics of the product" are played out. Accounting is enrolled to enable the new government that has arrived with the new citizenship.

The critical theorists have attacked the historical development of management accounting and the remedies proposed for its rejuvenation by Johnson and Kaplan. In addition, they have sought to demonstrate that the effects of implementation of strategic accounting go beyond the positive ones envisaged. Critical theorists see little that can be achieved through a strategic accounting and instead view it as representing new threats to the worker through the creation of new calculative modes of governance.

4.0 CONCLUSIONS AND FURTHER RESEARCH

This paper has attempted a review of research into proposals for accountants to acquire a range of skills so as to position themselves strategically in organisations where they will be involved in strategy formulation and implementation. While attempts have been made towards understanding the process of accounting change in general (Abernethy and Chua, 1996; Llewellyn, 1993; Dent, 1991; Innes and Mitchell, 1990), the process through which accounting becomes strategic has not been clearly explicated. Efforts have been concentrated on prescriptions and less on whether and how strategic accounting has permeated the functioning of organisations and society.

The notion of strategy which has come to inform strategic accounting is taken as a given, but there is need to problematise this by questioning how strategic accounting has come to be presented as the *sine qua non* to organisations facing competitive and market pressure. Knights and Morgan (1991) have suggested that the interest in strategy by other functions within the organisations is a product of the power knowledge relations arising from the primacy of the discourse of strategy. There is need here for undertaking an analysis of the discursive formations of strategic accounting and their influence on the functioning of the accounting craft within organisations. Such an analysis may make visible some of the other factors necessitating strategic accounting other than competitive pressure. For example, if it can be inferred *a la* Knights and Morgan (1991) that one of the subjective effects of strategy is to confer privilege and power on certain expertise in the organization while degrading other expertise, competition between expertise may be an antecedent factor to the development of strategic management accounting discourse. Miller and O'Leary (1993) have argued that:

> "…it is worth emphasizing that in corporate governance, as much as in government generally, the alleged weaknesses or failures of one modality of governing are often principally ways of demonstrating the strengths and advantages of other techniques and remedies" (p. 192)

Goold (1987) has urged accountants to take the mantle of strategy given that other functions are doing so while Armstrong (1985) has highlighted how accounting was able to attain a position of centrality in organisations at the expense of engineering. Yet the role of competition among various kinds of expertise in strategic accounting remains unexplored.

Bhimani and Pigot (1992) and Munro (1995) have highlighted the power shifts and other constitutive effects which accompany the implementation of specific strategic accounting interventions. Thus if accounting came to occupy the special niche proposed, it is also likely to place accounting in conflict with other functions in the organization as they jostle for influence (see Bhimani, 1993; Armstrong, 1985). This conflict may be influenced by managers' preference for certain information in making strategic decisions relative to other information sets and the dynamics of these preferences. Simons (1990; 1987), and Akers and Porter (1995) have demonstrated that the different functions' influence in the design of planning and control systems differs. Efforts towards this end could draw on the efforts of accounting scholars of Marxist persuasion on how accounting systems create internal contradictions which fuel further search for other controls (Hopper and Armstrong, 1991; Miller and O'Leary, 1990). Burns and Scapens (2000) offer possibilities for looking at the internal processes through which accounting and organisations' rules and routines come to change. Their framework can be incorporated into that of how organisations learn, so that changes in rules and routines are understood as learning processes, providing new richer insights into changes in organisations and how accounting is implicated in it.

A survey of the critical literature has revealed a scepticism regarding the ability of a strategic accounting to achieve not only the technical rationale advanced for it but also social issues regarding the betterment of the condition of the workers for example (Ezzamel, 1994). It is also apparent that although a certain type of outcome may be desired in undertaking accounting and organisational change, what emerges may be at variance with the desired outcomes. Research efforts could thus examine the chasm between the rhetoric of management innovations and the technical reality of these innovations (Zbaracki, 1998; Nahapiet, 1988). Research could be undertaken on the extent to which the culture of a strategic accounting has been embraced in organisations and how what is embraced may be at variance with what is proposed and why that is so. Zbaracki (1998) for example found that the technical adoption, use and results of TQM in five companies differed in a variety of ways from what was espoused (see also Bhimani and Pigot, 1992 on ABC implementation). This led Zbaracki (1998) to conclude that TQM was implemented not least because of the search for legitimacy by the implementing organisations. Jones (1986) found that accounting systems were dismantled and coupled with new accounting systems as a result of ownership changes without due regard to their technical usefulness.

When the constitutive and reflective effects of accounting are considered, this is likely to lead to a reevaluation of how accounting change is evaluated. The literature suggests an overarching concern with profitability (Mia, 2000; Gordon and Silvester, 1999; Ittner, et al. 1999). Organisational learning theorists have demonstrated the different levels of learning, the adaptive one being on the surface and the generative being deeper and involving fundamental change in paradigm. Evaluating accounting change can focus on the levels of change, whether at the surface or to the core of the organisation. This may entail exploring the meaning of change by examining change in the mindset of accountants and not merely in the techniques used. There is need to understand the new realities being created and communicated (Hines, 1988), the change in culture with the incidence of the new techniques (Dent, 1991) and the possibilities in terms of accounting's influence in the organisation (Hopwood, 1987, 89; Dent, 1990). Strategic accounting has been justified as a decision making tool, but there is need to understand whether the links between decision making and accounting remain elusive (March, 1987).

A review of the calls for greater involvement of accounting in strategy formulation and implementation have revealed that while considerable effort has been put into the development of rational techniques for the proposed use, less has gone into whether, how and with what effect the proposed techniques have been implemented in organisations and society. The literature has adopted an uncritical approach to the proposals for a strategic accounting, not questioning how the discourse of strategy has come to be so central in organisations as to require other expertise to adopt the brand "strategic". These gaps can hopefully form the basis for revisiting the agenda of strategic accounting research.

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