

# The complexity of management accounting change: Bifurcation and oscillation in schizophrenic inter-organisational systems

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## Abstract

This paper discusses and reconceptualises the role and practice of accounting in dynamic and complex business networks. The paper conceptualises change in complex inter-organisational systems as a process where various perturbations from the environment or installation of management accounting affect the system. This initiates two types of development. Firstly, the system searches the inter-organisational space, and branches out into new inter-organisational configurations—the system bifurcates. Secondly, the systems studied in this paper did not stabilise to the new order and inter-organisational configuration—rather they oscillated between institutional orders. The inter-organisational system is therefore schizophrenic in a sense, since it can shift between fundamentally different behaviours and orders within a short span of time. Management accounting in this complex evolving inter-organisational system is a source of instability rather than stability, a source of emergent, unintended order rather than planned or institutionalised change.

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## 1. Introduction

Management accounting theory and practice has moved into new domains and dimensions of management, through a series of inventions in managerial technologies and as a result of new business priorities

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and agendas (Bromwich and Bhimani, 1994; Hartmann and Vaassen, 2003). Relevance was lost and should be regained through the use of new managerial technologies and multiple cost accounting systems (Kaplan, 1985; Kaplan, 1998), or through new conceptions of control enabling empowerment (Simons, 1995). Furthermore, a focus on strategy (Shank and Govindarajan, 1993; Lord, 1996), management of social responsibilities (Neergaard and Pedersen, 2003) or intellectual capital accounts to manage knowledge (Mouritsen and Larsen, 2005) has expanded the domains of managerial control. Lately, control of inter-organisational relations has emerged as a new influential challenge to dominant conceptions of control (Hopwood, 1996; Meer-Kooistra and Vosselman, 2000; Dekker, 2003), which is biased towards functionalist, static and simple cybernetic conceptions of organisations and management accounting (Burns and Scapens, 2000; Hartmann and Vaassen, 2003).

The literature on inter-organisational control has generally extended simple cybernetic conceptions of control to the inter-organisational domain through notions such as value-chain analysis, or it focuses on detailing static control and organisational configurations (Håkansson and Lind, 2004; Cooper and Slagmulder, 2004; Shank and Govindarajan, 1993). However, because inter-organisational controls trespass on firm boundaries and have multiple centres, simple cybernetic or static conceptions of control – understanding the organisation as a stable system managed from a centre via (predominantly) negative feedback (Boulding, 1956; Pindy, 2005) – are inadequate. Therefore, some authors, especially those working within the actor-network theoretical umbrella, suggest that the organisation and relationships are shaped by the accounting system and vice versa (e.g. Mouritsen and Thrane, 2006; Mahama and Chua, 2002).

This paper builds on these insights but also argues that we need a more complex conception of what a system is, how it changes, and how order emerges. Like Quattrone and Hopper (2001), the paper does not apply a specific theoretical perspective, but assembles thoughts from actor-network theory (Callon, 1998; Mouritsen and Thrane, 2006), general systems theory (Boulding, 1956, Pindy, 2005; Buckley, 1968) and the literature on organisational change (Van de Ven and Poole, 1995; Cooper et al., 1996). The resulting framework is a systems approach that allows a conceptualisation of change in systems with blurred boundaries, which is not linear, is dynamic, unstable and multidimensional. I thus follow Van de Ven and Poole's suggestion "to develop and study non-linear dynamical systems models of organisational change and development" (Van de Ven and Poole, 1995, p. 535). The paper also follows Quattrone and Hopper in investigating how management accounting "is concerned with organisational pluralism rather than uniformity and being open to and recognising multiple, diverse worlds rather (than) closure to a single homogenised world" (Quattrone and Hopper, 2001, p. 430). The paper examines the ways in which order in inter-organisational relationships emerges, how the inter-organisational system changes and adapts, and the role accounting plays in these processes. The paper contributes to both the literature on management accounting change and the literature on inter-organisational control.

The paper is organised as follows. Firstly, the paper reviews the literature on intra-organisational and inter-organisational control, arguing that both have generally relied on static or (simple) cybernetic conceptions of control and organisations. Then the literature on management accounting and organisational change is discussed in order to argue for more complex conceptualisations of inter-organisational systems and management accounting change. This is followed by the analysis of an inter-organisational system – a business network consisting of independent consultants – illustrating the way in which change in inter-organisational systems involves both exploration in the inter-organisational space and *oscillation* between different system states. The paper ends with a discussion and conclusions.

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