



## Reverse logistics in the UK retail sector: A case study of the role of management accounting in driving organisational change

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### ABSTRACT

This paper illustrates how interventionist research can be helpful in providing managerially relevant solutions and furthers the debate about the relationship between social science research and practice. Through this use of interventionist methods, the paper contributes to knowledge by illustrating the way in which management accounting was used alongside other managerial disciplines in a UK retail organisation to promote change and influence outcomes. Specifically, the paper focuses on changes to the reverse logistics processes of the organisation and the important role that management accounting played. It also illustrates the use of management accounting in the pursuit of strategic and commercial advantage. As researchers, our work was grounded in action rather than being just observers.

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### 1. Introduction

This paper explores the engagement of management accounting in organisational change (Ahrens and Chapman, 2007; Burns and Scapens, 2000) and the role of accounting in the pursuit of strategic and commercial advantage (Ahrens and Chapman, 2007). In line with Jørgensen and Messner's (2010) call to examine accounting in terms of how it relates to, and intersects with, other types of activities, our paper focuses on the relationship with the management of reverse logistics processes. Reverse logistics concerns the management of a product or service after the point of sale and particularly focuses on the management of returns. We explore this through a case study of one organisation, Halfords plc, within the UK retail sector. Halfords plc is a UK based company that is in the FTSE 250 and had a market capitalisation of approximately £894 million at the time of the empirical research.

In terms of the literature, Ahrens and Chapman (2007) suggest that, whilst contemporary discussion of management control (e.g. Kaplan and Norton, 1996; Simons, 1995) frequently seeks to address strategic concerns, the literature does not tend to elaborate on specific activities through which these concerns may be addressed. Similarly, Jørgensen and Messner (2010) call for more research on the relationship between accounting and strategising. This paper seeks to provide an illustration of management accounting practice and its interconnections with other organisational practices in the pursuit of strategic and commercial advantage. Engaging with this management accounting practice theme, Malmi (2010) reflects on a paper he wrote with colleagues (Malmi et al., 2004) on the application of quality costing. He highlights the fact that the 2004 paper has few citations and that this may reflect the view that “it has not been accepted that researchers can innovate something and lead the way for practitioners” (p. 2). Taking a management accounting practice perspective, our paper seeks to disprove this assumption and argues the importance of such research in terms of both theoretical contribution and practical relevance.

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In methodological terms, we use interventionist research which has been the subject of some debate in recent management accounting literature (Baldvinsdottir et al., 2010). The polyphonic debate (Ahrens et al., 2008) engaged a number of academics in trying to identify ways forward with regard to the future of interpretive accounting research. Of relevance to this paper is the debate about the nature of engagement with practitioners. Granlund, in Ahrens et al. (2008), suggests that there is space in the interpretive accounting research agenda for interventionist research approaches. In the same article, Mennicken argues that practice should inform our research agenda whilst Mikes suggests that a growing number of practitioners are showing an interest in the findings of interpretive accounting research. Chua (2011) reflects that research should make strong and deep connections with practice. Further, Parker (2008) insists that we should reflect on what could or should be and not to worry too much about being labelled under the unfashionable brand of normativism. Our contention here is that by using interventionist research methods, we were able to engage practitioners in a research process that was of interest to them. In this paper, we engage with both theory and craft knowledge of accountants (Scapens, 2008) and other managers engaged in the reverse logistics processes. We see this engagement like Wouters and Roijmans (2011) as a journey of joint discovery between ourselves as academics and practitioners engaged within the case organisation. Whilst this journey of discovery needs to incorporate a “better understanding of the processes by which management accounting knowledge is produced, disseminated and operationalised” (Seal, 2010, p. 2), we would argue, in contrast to Wouters and Roijmans (2011), that our work takes knowledge further forward by providing some more convincing evidence of the impact of this joint discovery.

In summary, the research puzzle in this paper is an exploration of the way in which management accounting became embedded in the reverse logistics processes at Halfords and, in order to engage with this puzzle, we address the following two research questions:

- (1) How is management accounting engaged in changing the reverse logistics processes in the case study company?
- (2) What is the role of interventionist research in contributing to our understanding of management accounting practice?

The paper starts with a brief review of some relevant literature and then introduces the concept of reverse logistics. This is followed by an overview of the research method adopted and an explanation of the interventionist nature of the research. The Halfords case study is then introduced and this is followed by a discussion related to the research questions. Finally, concluding thoughts are presented.

## 2. Brief literature overview

Jørgensen and Messner (2010) have called for more research on the relationship between accounting and strategising. Strategising reflects the activities that are

undertaken in pursuit of some shared strategic ideas or objectives. Jørgensen and Messner (2010) detail the way in which management accounting information shaped continuous strategising efforts by providing a general understanding of the importance of profitability as well as through specific rules that were enacted at critical points in time. Importantly, Jørgensen and Messner (2010) conclude that “the influence of accounting information can only be understood when considered in interaction with other types of accounts or rationalities, such as strategic objectives” (p. 202). The emphasis here is on the position of accounting alongside other activities rather than the position of accounting in isolation thereby supporting the argument that accounting does not operate in a vacuum (Chua, 1986; Alcouffe et al., 2008). In our research, engagement between researchers from different academic disciplines was helpful in facilitating a more fruitful route to new ideas (Chua, 2011) and enabled a wider perspective to be taken on the practices taking place and their eventual outcomes.

In considering the relationships between logistics (in their particular case, forward logistics) and management accounting, Wouters and Roijmans (2011) engaged in longitudinal action research in order to explore the process by which enabling performance measurement systems (PMS) were created at an operational level in the transportation department of a medium sized company in the beverage manufacturing industry. Enabling PMS are described as information which is perceived by employees as facilitating their responsibilities rather than primarily being used for control purposes. Such systems are often diverse and informal although they are not completely detached from formal systems. Knowledge exchange occurred between the researchers, accountants and operational managers engaged in the organisation. The authors argued that, whilst there has been support for user participation in developing accounting information, there has been little in the literature about how users are engaged in the experimentation process (i.e. experimenting with new information systems) in order to create enabling PMS. A key component of enabling PMS is an understanding of what action managers take to influence costs and how these actions can be supported by accounting and other types of information. Central to this debate is the way in which the parties involved interact in order to create enabling PMS. What is not evident in the work of Wouters and Roijmans (2011) is the organisational outcomes resulting from these enabling PMS. Whilst their article describes in detail the processes of questioning and developing new accounting information through interdisciplinary dialogue, it is relatively silent on the resulting outcomes. There are some brief comments about the fact that the system was in use one year after the research period and that the new systems had helped to monitor and control transportation costs as well as better informing the company about the factors which determine actual costs. There is also mention of some efficiency impacts as well as some limitations in the new systems around unintended consequences of changes in packaging design. However, despite this better understanding of the process of interdisciplinary relationships in this logistics context and the detail of new

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