



TRANSFERRING PRIORITIES: A THREE-ACT PLAY ON TRANSFER PRICING

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We present the discourse which surrounds the implementation of a transfer pricing system for a major company in the financial services sector. This discourse is superficially mundane and yet constitutes a problematic piece of text for which several readings are possible. Rather than close down interpretation by imposing a single reading, we develop a critique which juxtaposes critical perspectives and references to the text. The paper illustrates the many ways in which critical perspectives are relevant to an understanding of practice. In broad terms, the power of accounting is illustrated through its agenda-shaping potential, and shaping the agenda is shown to be capable of countering this power. A final section suggests that critical perspectives offer a more enlightened and optimistic programme than does the discourse of transfer pricing, which is to be found in practice.

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Introduction

"Imagine trying to describe a brook. A running brook is never the same. New waters flow past, working away, little by little, at the banks. From moment to moment it is a different brook. To perform any rational operation concerning the brook we must consider it unchanging, treat it as if it were the same. Language and rational processes both hold experience constant. . . We can map its course as of today, measure its acidity at a certain point. Each time we treat it as the same brook. An artist or writer, however, might choose not to hold it still but to sit by it and become open to its 'brookness'. We call this approach mindful or intuitive; it bypasses old categories. . . The dancer Isadora Duncan, whose act is by definition motion and change, said, 'If I could tell you what it meant, there would be no point in dancing it.'" (Langer, 1989, p. 116).

Baudrillard's (1984, p. 24) reference to exhaustion, that "it has all been done", seems particularly apposite to the theory of transfer pricing. This once vigorous area of management accounting research produced a plethora of recommendations for practice that testified to a vitality of interest, particularly in the period 1974–1985 (Grabski, 1985). Alongside these recommendations came the drive to found

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behavioural and other theories of transfer pricing, beginning with Abdel-khalik and Lusk's (1974) exhortations to broaden transfer pricing's base of interest, and producing some arguably notable contributions (e.g. Watson and Baumler, 1975; Eccles, 1985). Despite this, little evidence has accumulated for the adoption of transfer pricing recommendations (Grabski, 1985), and the seeds for the current period of relative disinterest were perhaps planted with Vancil's (1979, p. 142) declaration that "I have been unable to say anything definitive, or even mildly useful, on the subject of transfer prices". A preoccupation with relevance has provided a gloomy environment within which transfer pricing research might prosper outside the international glamour of cross-border transfers; defining relevance as packages of techniques with strategic effect (Roslender, 1996a), as mirrored in Kaplan's impact through activity-based costing or the balanced scorecard; utility to commercial practitioners.

Transfer pricing may have become ensnared within its own self-referential territory. For instance, Tomkins (1990) addresses the issue of the use of absorption costing by practitioners through a model which explains how this technique can lead to an approximate maximization of short-term profits. The paper demonstrates that managers might establish transfer prices in a pragmatic absorption-costing manner and modify them at the margin when necessary. The old cry, which privileged marginal costing over absorption costing, is almost silenced, but concern for optimization, and the respective merits of alternative technical approaches, retains its potency. The territory may have adjusted its priorities, but its inherent instincts are intact. There is nothing here to break from the tradition of securing optimum levels of internal transactions through the self-interested decisions of managers who are driven by price. There is nothing here to evoke the need for multiple frames and theories to enlarge experience; no space for Nietzsche contra Hirschleifer; no interest in critical perspectives contra economic rationality.

This paper opens up the transfer pricing literature to the practical relevance afforded by critical perspectives and encourages a dialogue between the narratives of practice and theory. Theory is used in the next section as a symbolic system (Gardner, 1993, pp. 301–313) to impose a pattern on reflections of practice. Agenda theory is adopted for this purpose because it takes an ecological, as opposed to a teleological, view which has the potential to "shake the conventional accounting paradigm to its very roots" (Dermer, 1990, p. 75; also Langley *et al.*, 1995). Practice is represented as a narrative, which is drawn from a case study (Llewellyn, 1992; Scapens, 1990, 1992; Yin, 1994). This is structured into a series of protocols (Newell and Simon, 1972), and is grouped according to a lens provided by agenda research, to present an everyday (Tomkins and Groves, 1983) enactment of transfer pricing in dramatical terms. The material is drawn from interview data, and documentary material is captured by a participant observer who enacted the role of researcher–employee (Gummesson, 1991). The data is presented as fully as possible to allow readers to take responsibility for their own reading (Cooper and Puxty, 1994) and their own challenging of the multitude of theories which are evoked in the second half of the paper.

A four-year story of transfer pricing for Trustco is told in the form of a Pinteresque play. Trustco is a major company operating in the financial services sector in the United Kingdom, and it has been necessary to respect confidentiality because of the

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