Accounting and strategising: A case study from new product development

Brian Jørgensen\textsuperscript{a,1}, Martin Messner\textsuperscript{b,*}

\textsuperscript{a}Department of Business Studies, Aarhus School of Business, University of Aarhus, Fuglsang Allé 4, 8210 Aarhus V, Denmark
\textsuperscript{b}Department of Accounting and Management Control, HEC School of Management, 1, Rue de la Libération, 78351 Jouy en Josas, France

\textbf{Abstract}

This paper explores the relationship between accounting and strategy in a context that is characterised by pluralistic demands and high uncertainty about outcomes. By way of an ethnographic field study in an R&D intensive company, we analyse new product development (NPD) projects and the way in which decisions and practices concerning these projects are accounted for. Building upon a practice theory perspective, we find that actors account for the appropriateness of NPD practices not only or primarily on the basis of accounting information, but also by “strategising”, i.e. by mobilising different strategic objectives to which these practices are supposed to contribute. We argue that this has to do with the ambiguous demands on NPD and the limits of calculability inherent in NPD design decisions. At the same time, accounting information is not necessarily irrelevant in such a case; it can enter the picture as a general understanding that guides actors’ strategising efforts by reminding them of the ultimate importance of financial numbers.

\textcopyright{} 2009 Elsevier Ltd. All rights reserved.

\section*{Introduction}

The way in which accounting information relates to strategy is a question that has been repeatedly addressed in accounting literature (see Langfield-Smith, 1997; Chapman, 2005; Henri, 2006). The dominant approach to this issue has been to take the contingency route, i.e. to examine the fit between the type of accounting information and the type of strategy (see Chapman, 1997). While contingency studies conceptualise accounting and strategy as static concepts, a case study approach offers the possibility to address the dynamic interactions between accounting and strategy over time (Langfield-Smith, 1997).

It has recently been suggested that a more detailed examination of this dynamic relationship between accounting and strategy is needed (Chapman, 2005; Chua, 2007). Chua (2007, p. 493), for example, calls for a rediscovery of accounting and strategy as “contingent, lived verbs rather than abstract nouns”. This call resonates with recent developments in strategy literature, in which an increased concern for the micro-dynamics of strategy-making can be observed (see Jarzabkowski, Balogun, & Seidl, 2007; Whittington, 2006). Instead of discussing “strategy”, these authors have adopted the notion of “strategising” as a shortcut for the various activities through which rather abstract strategic ideas or objectives are interpreted and enacted by organisational members who, in turn, shape and develop these ideas.

Combining this concern for strategising with a concern for the everyday practice of accounting (see Tomkins & Groves, 1983) seems promising in many respects. A focus on “strategy-accounting talk” (Chua, 2007, p. 492) allows, for example, discussion of how accounting is woven into strategic considerations and debates as well as how accounting concepts, such as “profit” or “cost”, are mobilised when crafting strategy. It also makes it possible to examine to which extent strategising is, in itself, a form of accounting (in the broad sense of this term; see Garfinkel, 1967) that may complement, or even replace, the reliance on accounting representations.

In this paper, we follow this call and seek to bring to the fore some of the complexities and nuances in this relationship between accounting and strategising by considering...
an empirical setting that is characterised by pluralistic demands and high uncertainty about outcomes. We examine new product development (NPD) projects and the way in which decisions and practices concerning these projects are accounted for. NPD arguably constitutes an interesting setting for the study of accounting and strategising because of the particular characteristics of NPD practices. NPD practices tend to be rather complex in terms of their demands and uncertain in terms of their outcomes. Complexity results from pluralistic requirements within the development process, and it increases with the number and diversity of organisational members that contribute to this process in one way or another. Uncertainty results from the limited controllability of the outcome-input relationship and tends to increase with the time–space distance between the actions taken in NPD and the consequences of these actions.

As a consequence of the complex and uncertain setting, one can expect a relatively high degree of ambiguity in the evaluation of NPD practices. Often, there is not “one best way” NPD should be performed, but rather a range of possible options that are acceptable to the relevant parties. This, in turn, suggests that there may be limits to the usefulness and applicability of those forms of accounting that neatly specify what is right and wrong. The alleged precision and objectivity of accounting numbers may be of little value in a setting where a plurality of interpretations is not only possible but also warranted. Nevertheless, there is likely to be a need for some form of accounting in such a case. For, ultimately, decisions need to be made and actions must be coordinated. Rather than relying only or primarily on accounting representations, organisations may resort to other types of accounts which allow goals, decisions and actions to be selected and justified (Ahrens, 1996; Garfinkel, 1967). The enactment of strategic objectives is a case in point. Strategic objectives may be mobilised together with accounting information to make sense of particular design choices or action alternatives and to control the trajectory of the NPD process. How this happens, and to which extent accounting information is implicated in such processes of strategising, shall be the focus of this paper.

To this end, we apply a practice theory perspective (Ahrens & Chapman, 2007; cf. Schatzki, Knorr Cetina, & von Savigny, 2001), which is helpful in picturing accounting practice as forming a nexus with a wider set of NPD practices. According to such perspective, NPD practices can be regarded as “spaces of intelligibility” (Schatzki, 2005, p. 470) against the background of which other practices (such as accounting) become meaningful. We investigate how accounting is practised in the context of new product development by mobilising findings from an ethnographic field study of an R&D intensive manufacturing company. This company had implemented a number of change projects, e.g. “the SAP project”, “the Lean project” and “the Procurement project”, in the recent past. At the time of our study, another major change initiative was underway: a switch from integral to modular products. This move to modularity was a strategic reorientation that considerably affected the company’s NPD practices. What is of particular interest to us is that modularity was promoted in the name of several different strategic imperatives. The sometimes competing strategic demands added to the complexity of the NPD process and increased the ambiguity of evaluating the appropriateness of NPD solutions. This particular setting not only motivates an inquiry into the role of accounting information; it also creates visibility into the way strategic imperatives were mobilised within the NPD process. As such, our case invites a reflection upon both accounting and strategising, and upon the ways in which these two sets of activities relate to each other in a setting characterised by pluralistic demands and uncertain outcomes.

While our paper is not the first case study to address the relationship between accounting and strategy (see, e.g., Dent, 1991; Roberts, 1990), we contribute to the existing literature by detailing the continuous process of strategising and the role of accounting therein. More specifically, we highlight challenges for accounting and strategising that may emerge in a pluralistic and uncertain setting such as that of NPD, and we explain how our case company dealt with these challenges. On the one hand, we demonstrate how accounting information can be used to frame the strategising process, both as specific rules that top management can enact at certain critical points in time and as a general understanding that helps actors from different functional practices to make competing or even conflicting ends meet. Accounting is not the only practice that shapes the strategising process, but when it is enacted as rules and general understanding (see Schatzki, 1996, 2002), it becomes a powerful means that allows managers to move forward despite high degrees of complexity and uncertainty. On the other hand, we also demonstrate how strategising may become a way to complement reliance on accounting information. The representational limits of accounting in a pluralistic and uncertain context are less likely to be contested if accounting information can be combined with a more hands-on approach to control that relies on mobilising strategic arguments. We show how such processes of strategising are promoted by top management but rely upon the local knowledge of managers and engineers and their efforts to coordinate themselves horizontally.

By considering the role of accounting in NPD practices, we also, and more specifically, contribute to the existing accounting literature dedicated to this particular subset of organisational practices. Most of the existing literature in this area has taken the contingency route, i.e. it has studied the fit between forms of accounting information and characteristics of NPD or R&D practices (e.g. Rockness & Shields, 1984; Abernethy & Brownell, 1997; Davila, 2000). While these contingency studies have drawn attention to the complexity and uncertainty of NPD projects, as outlined above, they have studied the use of accounting information in such a setting mainly from a distance. Using a positivistic methodology (see Ahrens & Chapman, 2006), they have focused on what kind of accounting information

---

2 A case study by Nixon (1998) is a notable exception. Nixon argues that accounting may be seen as the “integrating vernacular” of project members. The details of how this is accomplished are left relatively unexplored, however.
دریافت فوری
متن کامل مقاله
امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات