Critical Perspectives on Accounting 16 (2005) 353–389

CRITICAL PERSPECTIVES ON ACCOUNTING

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Management accounting and value creation: the profit and loss of reification

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Received 17 March 2000; received in revised form 19 September 2000, 25 June 2002; accepted 1 March 2003

Abstract

Management accounting has recently broadened its scope to encompass contributing to the so-called value creation process. Value creation is usually presented as a simple, strategically relevant and all-embracing concept. Drawing from the Marxist concept of reification, this article shows that value creation is commonly reified through its objectification, which prevents any dispute and further maintains social domination. The contribution of this analysis to more general research questions, such as managerial innovation and the governmental role of accounting, is discussed. Academic and practical implications are suggested in the conclusion.
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Keywords: Value creation; Reification; Shareholder value; Customer value; Objectification; Rhetoric; Social domination

1. Introduction

1.1. Background

For more than a decade, the term ‘value creation’ has been used with increasing frequency in connection with, and on the subject of, management accounting, with the usual claim that management accounting should actively contribute to value creation (VC). Defined as “the mathematical science of values” (*Office*, 1887, quoted by McMillan, 1998, p. 1), accounting deals primarily with the question of value (Tinker et al., 1982). However, the ‘value’ which is referred to in VC is not the usual accounting ‘value’.[1] VC is not first and

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[1] It would be of interest to articulate value creation with the general concept of value in accounting. But that is another paper.

1045-2354/$ – see front matter © 2003 Elsevier Ltd. All rights reserved.
doi:10.1016/j.cpa.2003.03.001

foremost an accounting, but a strategic concept. Management accounting contributes to its implementation—as it serves any other strategic objective.

However, although they use the same word (value creation), not all VC discourses refer to the same 'value': some of them use a customer value perspective and others a shareholder value standpoint. As firms have various stakeholders, this duality should not deserve any comment. However, one should expect a mutual acknowledgement and discussion of both values... which has not always been the case. As we shall see below, both types of value emerged and were promoted at about the same time (in the mid-1980s) by different authors, and both of them have had a significant diffusion. One would then expect that texts at least quote the existence of the other type of value—if only to unambiguously be clear about their focus. However, for years, the authors writing about shareholder value have hardly mentioned the existence of customer value[2]—and vice versa. It is only since the mid-1990s that the existence of both values has been explicitly recognised in literature. Generally, it is argued that both value-based approaches converge and that there is no conflict between customer and shareholder values, indeed even other stakeholders' values.

The writings of Kaplan and Norton provide us with an illustration of the way in which the literature has evolved. Their first presentation of the balanced scorecard (BSC) (1992) mainly emphasises customer value, which is the starting point of the presentation and further justifies the internal perspective, hardly mentions shareholder value and gives very quick and general arguments for the articulation of both values:

> More companies today have a corporate mission that focuses on the customer. (...) The balanced scorecard demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. (...) Customer-based measures are important, but they must be translated into measures of what the company must do internally to meet its customers' expectations. (...) A company's ability to innovate, improve, and learn is directly linked to the company's value. That is, only through the ability to launch new products, create more value for customers, and continually improve operating efficiency can a company penetrate new markets and increase revenues and margins—in short, grow and thereby increase shareholder value. (Kaplan and Norton, 1992, pp. 73–76)

In their 1996 book, the importance given to both values appears more balanced and their integration improved. The presentation begins with the financial perspective and the internal processes are said to "enable the business to:

- deliver the value propositions that will attract and retain customers in targeted market segments, and
- satisfy shareholder expectations of excellent financial returns" (Kaplan and Norton, 1996, p. 26).

[2] Rappaport tried to "link competitive and shareholder value analysis" (Rappaport, 1986, p. 79) and therefore mentioned the competitive strategy framework developed by Porter and the value chain concept. However his analysis focuses on the industry and business unit levels. In his book, 'value creation' always refers to shareholder value. His work has been consistently associated exclusively with shareholder value.

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