

A Review on Strategic Management Accounting Literature: Reaffirming Potential of Studying Management Accounting in Which it Operates¹

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Abstract

While the research under the name of strategic management accounting has been increased significantly over the past decades, there is still limited understanding on what strategic management accounting is and no consensus is developed among existing empirical studies on how those new techniques are relevant in management practice. Therefore, this literature review attempts to identify some of key fields which have been left unexplored in strategic management accounting studies. In order for us to explore more complicated relationship between management accounting and strategy, this paper emphasizes an importance of reaffirming Hopwood's call for studying accounting in the contexts in which it operates (Hopwood 1983).

Keywords

Strategic Management Accounting, Accounting as Practices, Strategising, Roles and Responsibilities of Accountants

1. Introduction

The concern on "strategy" in management accounting research has been attracting significant number of attentions among academics and practitioners since the late 1980s. One of the key literature which led such interests was a book written by Thomas Johnson and Robert Kaplan in titled *Relevance Lost* (1987). In their provocative book, Johnson & Kaplan (1987) have provided a series of critiques on "traditional management accounting" as it could not cope with modern organizational demands and therefore they have insisted that it was often misled managers' strategic decision making: it is "too late, too aggregated and too distorted to be relevant for managers' planning and control decisions" (1987: p1).²

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2 Johnson & Kaplan (1987) argued that management accounting practices played an important role in evaluation of the internalized processes of single in manufacturers, railroads (textile

Their subject of criticism also directed to the way we educate potential executives and managers at university where we train them to "manage by the numbers". Regarding to this point, Robinson & Barrett (1988) pointed out that there were no strategy related topics covered in the content of management accounting curricula in American Assembly of Collegiate Schools of Business (AACSB). One early response to such ignorance of strategy in the field of management accounting research was to bring strategy into the realm of managerial accounting practices by directing our focus toward outside of the conventional discipline of accounting (Bromwich 1990, 1992; Shank & Govindarajan 1993)³. Those early studies, especially the book published by Shank & Govindarajan (1993), have been contributed expanding our existing knowledge and concern about the accounting calculation by broadening the traditional scope of management accounting techniques towards integrating cost management into the process of strategy. However, while there were some studies have started exploring the potential of management accounting in strategy such as strategic cost accounting (Shank 1989, Shank & Govindarajan 1993), value chain analysis (Porter 1985) and strategic management accounting (Simmonds 1981, Ward 1992), very limited attention to strategy have had been given in the academic research in management accounting until the middle of 1990s (Shank & Govindarajan 1993). In addition, some earlier studies have already pointed out that main focus of most of early study in strategic management accounting has been adapted to calculate structure of management accounting, main actors (users) of management accounting and management control systems have been put outside scope of their research. In addition, there are several studies questioned the usefulness and its practical feasibility of implementing strategic management accounting tools in the everyday business practice (Guilding et al. 2000, Tomkins & Carr 1996).

One of the reasons for the inconsistent findings of empirical studies repeatedly addressed in the literature is that there is still limited common understanding among researchers about what exactly strategic management accounting does (Chapman 2005, Lord 1996). Therefore, this paper attempts to build a consensus on what strategic management accounting study might be. Another reason of the inconsistent findings of previous studies could be related to ignorance of our attention on the way how management accounting and management control systems work in everyday organizational practices. Therefore, this study reviews two important streams of research: strategic management accounting/costing which focused on the development on management accounting struc-

mills & steel mills) and large retail chain stores in the 19 century and management accounting has had been able to keep management accounting relevant with a various forms of organization (centralized and decentralized) until middle 1980s. However, the method developed for external financial report such as inventory valuation has often started misleading manager's relevant managerial decisions.

3 Those studies drown significant attention of management accounting researchers under the label of strategic management accounting (Bromwich 1990, 1992) and strategic cost accounting (Shank & Govindarajan 1993).

ture beyond traditional management accounting and recent literature which emphasized an importance of uncovering the everyday process of managerial activities such as "how managers do strategy in meetings" (Jarzabkowski 2005), "how strategists strategize" (Whittington 1996, p.732) and "how managers are controlling strategy" (Chapman 2005).

The objective of this literature review is not to provide a comprehensive review of existing studies, but to identify key fields for us to study more complicated intersections between management accounting and strategy that have been left unexplored in strategic management accounting studies. In order to complement and explore the issues identified in this literature review, this paper emphasizes an importance of reaffirming Hopwood's call for studying accounting in the contexts in which it operates (Hopwood 1983). Since the early 2000, practice concern in academic discipline has been widely discussed not only in sociology (Schatzki et al. 2001) but also widely in management research disciplines such as strategy (Johnson et al. 2003; Whittington 1996, 2003), technology (Orlikowski 2000), organisation management (Brown & Duguid 1991, Lave & Wenger 1991, Orr 1996) and management accounting (Ahrens & Chapman 2005, 2006; Chua 2007). Such practical turns in management discipline or sometime called bring social science back to accounting studies have started addressing more complicated roles and practices of management accounting in day to day management processes.

2. Strategic Management Accounting: Technical Development and Its Role of Accountants

2.1 Identifying key characteristics of strategic management accounting in comparison with conventional management accounting

The term "strategic management accounting" was originally advocated by Simmonds (1981) who attempted to explore the potential of an accounting perspective in competitor analysis (Bromwich 1992, p.135, Ward 1992, p.155). His study has expanded accounting perspectives beyond inter-firm's activities and operations by emphasizing the importance of directing interest to the comparison of own business structure and strategy with its competitors. However, it is probably more convincible to state that the significant shift in research focus towards a more strategic role for management accounting has become more popular since the early 1990s, in response to widely spread critiques against conventional management accounting techniques and education (Johnson & Kaplan 1987, Cooper & Kaplan 1987) as well as on Western management styles (Bromwith & Bhimani 1989). As mentioned above, this shift was strongly driven by Johnson and Kaplan's *Relevance Lost* (1987) by warning of the myopic behaviour of large U.S. firms' managers. This book, to greater or lesser extent, was written for Western companies and academics to indicate the importance of shifting their orientations both in theory and in management accounting practice to compete with Japanese firms at that time. In fact, the main concepts and the key strategic management accounting concepts and tools such as the bundle of characteristics, target costing, lean production system, market orientation, long-term perspective,

non-financial measurement, cross-functional management and high employee commitment were all related concepts with and referred to Japanese management practices (e.g. Bromwich 1990, 1992, Bromwich & Bhimani 1994, Cooper 1996, Hiromoto 1988). Thus, the early development of SMA could be regarded as one of the representative examples of such a movement.

To regain the relevance of management accounting, the researchers and educators in the field has started reconsidering and exploring the fundamental roles and activities of accounting, general managers and accountants both in theory and practice. The main focus of early studies was placed on the technical side of cost and revenue analysis (Simmonds 1981, Bromwich 1990, Bromwich & Bhimani 1994, Shank 1989, Shank & Govindarajan 1993). Consequently, assorted studies have started addressing various aspects of management accounting beyond conventional management accounting emphasising that strategic management accounting literature need to incorporate more in prospective strategic activities through providing data and analysis on strategic planning, product markets, firm's value chain at industrial level, competitive market forces, and the appraisal and evaluation of organisational strategies across multiple business cycles (Bhimani & Keshtvarz 1999).

In 2000, the Chartered Institute of Management Accounting UK (CIMA) redefined and broaden the concept of strategic management accounting as "*a form of management accounting in which emphasis is placed on information which relates to factors external to the firm, as well as non-financial information and internally generated information*" (CIMA 2000, p. 50). Thus, strategic management accounting has been understood as a series of 'strategically oriented management accounting *techniques*' (Guilding et al. 2000, Roslender & Hart 2003 emphasis added). Eventually, all newly developed techniques of cost accounting and management systems such as activity-based costing (ABC) (Cooper & Kaplan 1987), target costing (Kato 1993, Cooper 1996), strategic investment decisions (Bromwich 1990, Shank & Govindarajan 1993) and balance scorecard (Kaplan & Norton 1992) have become to be considered as a part of strategic management accounting (Cadez & Guilding 2008). For example, Guilding, Cravans & Tayles (2000) identify 12 techniques extracted from existing studies as strategic management accounting. Through the subsequent research, Cravens and Guilding (2001) introduced three more techniques (see also Guilding & McManus 2002) and further categorised them into five classifications as follows: costing, planning, control and performance measurement, strategic decision-making, competitor accounting, and customer accounting (Cadez & Guilding 2008, p. 838)

As described above, the various concepts related with strategy have been developed significantly between late 1980 and the early 2000. Some of key characteristics of early strategic management accounting in the literature in contrast to traditional management accounting could be identified as follows: (1) an *outward-looking* orientation to strategic

positioning against competitors (Simmonds 1981, 1982, Shank 1989, Bromwich 1990, 1992, Roslender 1995, Ward 1992) and to customer demand (Bromwich & Bhimani 1989), (2) a *broadened accounting perspective* to include value chain information and to support generic strategies (Shank & Govindarajan 1993), (3) a long-term decision horizon and perspective without being restricted by traditional financial accounting (Hayes & Abernathy 1980, Hiromoto 1988, Johnson & Kaplan 1987, Shields & Young 1992), and (4) an attention to *non-financial* aspects (Bromwich 1992, Ward 1992, Perrera et al. 1997, Ittner & Larcker 1998, Bhimani & Keshtvarz 1999, Guilding & MacManus 2002). (1) and (2) line of arguments are developed for management accounting and costing incorporating frameworks in the fields of strategy and marketing, while (3) and (4) are related to and extracted from key characteristics of Japanese management accounting in manufacturing contexts.

Table 1.1 shows the key features which distinct strategic management accounting from conventional management accounting concepts (cf. Wilson & Chua 1993 and Collier 2006). As described in table 1.1, strategic management accounting has more flexibility in approach to cost analysis, performance appraisal, investment appraisal and profitability analysis which required interdisciplinary collaboration beyond accounting functions. Thus, many literature in SMA attempted to identify and consider new strategic role of management accounting in comparison with conventional management accounting.

TABLE 1 CONVENTIONAL VS. STRATEGIC COST ANALYSIS

<i>Characteristics of conventional management accounting</i>	<i>Characteristics of strategic management accounting</i>
Past oriented	Future oriented
Feedback use	Feed-forward use
Company	Business units
Accounting period	Business periods
Each decision	Series of decisions
Internal looking	External looking
Products	Products, Customers, Markets
Manufacturing focus	Competitive focus
Production	Marketing and Engineering
Product out	Market-in
Existing activities	Possibilities
Monthly or Yearly Based	Project Based
Environment adaption	Environment creation
Planning	Crafting
Supporting function as accountant	Key function as strategic accountant

Source: Developed based on Wilson and Chua (1993, p. 530) and Collier (2006, p. 29)

2.2 Extending roles of accountant and the users of management accounting information

With the clarification of strategically oriented management accounting techniques (Cadez & Guilding 2008, p. 838), recent SMA literature has also suggested us to focus on the user of accounting and potential role and responsibilities of accountant in the process of strategic management and planning (Bhimani & Keshtvarz 1999, Lukka 1998). There were also some concerns that even the involvement in strategic business analysis of accounting professionals such as accounting firms and CIMA (Chartered Institute of Management Accountants) are commonly seen, the role and responsibility of accountants and accounting professionals are largely neglected in management accounting literature. For example, Lukka (1998) pointed out, with the change of relevant models for management, not only on techniques of management accounting itself but also on the users of accounting have required to be adopted to these changes: "much more than before, accountants are expected to share the everyday life of people from other functions, and to be able to act in cross-functional team-work conditions. [...] which is in contrast to the traditional image of accountants, covering only the supporting staff function type of responsibility" (pp. 334-5). Some authors have also argued that accountants have to play a significant role in cross-functional and team-based management (Chenhall & Langfield-Smith 2003, Coad 1996, Scott & Tiessen 1999). In this line of argument, it has been pointed out that accountants need to work more closely with other functions of management such as marketing (Roslender and Hart 2003; Roslender et al., 1998), business planning (Roslender et al., 1998) and engineering (Tani et al. 1994). In the literature, several terms have been used to describe such new strategic roles of accountants which are different from old fashion roles of accounting a scorekeeper and bean counter to facilitator of interdepartmental cooperation (Scott & Tiessen 1999), inter-functional communication (Bromwich 2000), and crossfunctional collaboration (Roslender & Hart 2003). Cadez and Guilding (2008) described the changing role of an accountant as 'the strategic accountant'. In their view, strategic accountants are not mere information providers but 'proactive' at analysing broader strategic management issues beyond their traditional roles. In addition, as Lord (1996) pointed out, because important decisions about organisational strategy and structure are usually made by general managers but not by cost and managerial accountants, broadening our focus beyond conventional accountants is essential. Thus addressing the importance of decentralisation of management accountants as a partner of strategist and active controller of business strategy has been one of the directions of strategic management accounting literature.

2.3. Summary

As reviewed in this section, strategic management accounting has two distinct line of arguments (see also Cadez & Guilding 2008). The first line of literature aims to study strategic management accounting as combination of a series of strategically directed and associated management accounting concepts, and therefore seeking for further refinement of management accounting techniques incorporating with strategic activities of firm

(Cravens & Guilding 2001, Guilding et al. 2000, Roslender & Hart 2003 for a review of these techniques). Some studies in strategic cost accounting literature was developed based on Porter's strategic positioning analysis (1980, 1985) by expanding accounting techniques for managers to understand strategic positioning of the firm, their entire value chain, and the different types of cost drivers (e.g. Shank & Govindarajan 1993). Thus one direction of the early SMA literature was consistent with planning perspective of strategy, in the sense that their main concerns are on tools and techniques such as portfolio metrics, industry structure analysis and competitor analysis to help managers and accountant make decision about business direction. In addition some other authors addressed the importance for accountants to work closely with marketers and argued that management accounting and marketing has to be integrated for the sake of competitive advantage of the firms (e.g. Roslender & Hart 2002, 2003).

The second perspective involves more specific efforts to explore the potential roles of accounting related professionals emphasizing more active engagement of management accounting and greater involvement of accountants in the process of strategic management (e.g. Bhimani & Keshtvarz 1999, Nyamori, Perera & Lawrence 2001, Scott & Tiessen 1999) as well as discovering other *users'*, such as general managers, marketers, strategists and engineers, role of and engagement with management accounting information (Hiromoto 1988, Lord 1996, Tani et al. 1994). Management accounting concepts and techniques developed from Japanese management accounting practices such as market driven accounting (Hiromoto 1988), target costing (Tani et al. 1994, Monden & Hamada 1991), Kaizen costing (Monden & Hamada 1991), value engineering and JIT inventory management emphasizes the importance of cross-functional collaboration (especially with engineers) in manufacturing setting, influencing role in addition to informing role (Hiromoto 1988) and non-accounting methods (Shields et al. 1991). As Hiromoto (1988) describes that the accounting practices described above do not necessarily represent Japanese practices as a whole. However, these practices and orientations address a key principle that provides direction of Japanese management accounting: "accounting policies should be subservient to corporate strategy, not independent of it" (1988, p.26). On the other hand, Western developed concepts are more focused on how accounting professionals work with strategists and marketing with accounting techniques. As Lord (1996) argued that management accounting techniques developed as strategic management accounting and costing are often not required professional accountants. Shields et al. (1991) argued management accountants play a different role and take different responsibility between Japanese firms and non-Japanese firms and their career progress differs from each other.

Those studies reviewed above have significantly contributed our understanding on the importance of expanding and widening technical focus of accounting and roles of accountant, how strategic oriented accounting techniques are functioning and used by various users of accounting information in practice. In other words, what Ahrens & Chapman

(2007) called "situated functionality" still remain largely unexplored yet.

3. Management Accounting as Practice: Studying '*Strategic*' Management Accounting in Which it Operates

3.1. DISCUSSIONS ON INCONSISTENT FINDINGS IN STRATEGIC MANAGEMENT ACCOUNTING LITERATURE

Although SMA has now become one of the main stream study in field of management accounting and there are many business schools taught SMA as a subject in accounting course, recent studies have indicated the limited application of its techniques in practice and some pointed out that there are inconsistent findings among empirical studies (Tomkins & Carr 1996, Guilding et al. 2000, Lord 1996, Roslender & Hart 2003)⁴. In the special issue dedicated to the subject of SMA on the journal of *Management Accounting Research*, Tomkins and Carr (1996) concluded that SMA does not have a general conceptual framework. In addition, there are several reasons for the inconsistent findings in the previous literature in the area of strategic management research.

First reason is "definition" related issue that there is still limited shared understanding among academics about what does SMA mean (Chapman 2005, Cadez & Guilding 2008, Roslender & Hart 2002). Therefore there is still some ambiguity as to what constitutes management control system (Chenhall 2003, Langfield-Smith 1997, Merchant & Otley 2006)⁵. Secondly, and more importantly, it has not been well perceived that the accounting is actually a heterogeneous set of practices that are practised differently in various contexts (Hopwood 1983). Some recent studies have also started readdressing the significance of acknowledgement of Anthony Hopwood (Hopwood 1983) more than 30 years ago: we need to study various forms of *accounting* in the context in which it operates rather than studying accounting as just mere static calculation techniques. Thus, "how management accounting works" in practice was largely ignored in the early studies". Thirdly, early SMA research tended to ignore the roles and actions of uses of management accounting in shaping either the design or the use of accounting technologies. "How accountants do" in strategizing process was not on the agenda of the early SMA literature.

In other words, conventional concern on studying management accounting was very much normative in the sense that their main concern was placed on the question of the way management accounting should be run, linked, and designed, what kind of accounting technologies *should* be used, and what roles management accountants *should* play. It

4 For example, Lord (1996) argued that strategic management accounting could be "a fragment of academic imagination" (p. 364).

5 In the literature, the following terms management accounting, management control systems (MCS), and management accounting systems are often applied in the literature in an interchangeable manner without clear definitions.

merely explained how SMA concepts *work* in everyday practice and who are involved in accounting and strategizing practice.

Thus, the early strategic management accounting literature was interested in canonical practice as opposed to non-canonical, normative as opposed to explanatory, abstracted as opposed to situated. As a result, those early studies separated planning and implementation by following a traditional view of strategy, viewed strategy as static as opposed to dynamic, adopted an economic rationality as opposed to poly-rationality, and perceived MCSs as passive tools for supplying information to accountants and general managers. Therefore, in traditional literature of strategic management accounting, the failure of implementing management accounting techniques was explained in a binary manner by arguing that either the technique itself was right or wrong. Or if the newly invented accounting technique (such as ABC and ABM) is theoretically truth, then the blame was often placed on the managers who implemented 'right' technology. Regarding to this point, Ahrens and Chapman (2006) critically argued that an early SMA study assumed management accounting systems were "pure technique[s], uncontaminated by context that can be 'plugged into' any organisation" (p. 14). In addition, as Atkinson et al. (1995, p.471) explained that understanding basic concepts of strategic management and planning is not the issue but carrying out them smoothly and successfully becomes key challenge in practice.

3.2. Studying strategic management accounting in the process of doing: Beyond Dichotomy

As shown in Table 1., the early SMA literature tended to understand 'strategic' role of management accounting in comparison with conventional accounting. In addition, comprehensive findings across the early studies in SMA have not yet been provided. Therefore, it has become commonplace in the management accounting literature to think of formal management control system as at best irrelevant or even as damaging - except in highly controlled and stable environments (Chapman 2005). Formal planning or traditional MCSs have received criticism not only in the management accounting literature, but also in the field of strategy. One of the good examples of such arguments can be seen in innovation literature which often downgrades the potential function of formal and traditional management control system as a factor that may negatively contribute the smooth product innovation process (Dougherty & Hardy 1996, Verona 1999). However, this paper disagree with conventional dichotomy between conventional and strategic as we believe that there is still significant roles to play for conventional management accounting and formal management control systems in the process of strategizing even in the turbulent business environment and in the process of innovation.

For example, in organization literature, Clark & Fujimoto (1991) argued that management control systems are expected to make sure that ideas are translated into product

innovation. Davila (2005) also argued that formal MCSs could offer a platform where emerging ideas were made best use among members of organisation rather than restricting innovation (see also Ezzamel 1990, Fujioka 2004, Tuomela 2005). In addition, Chenhall & Langfield-Smith (1998) provided findings of the functions and potential roles of both conventional and strategic management accounting and control practices. Their evidences showed that the value of information delivered from conventional management control systems are greater than those generated from contemporary management control systems. It has also been revealed by a comprehensive questionnaire survey research in 2003 conducted by Ernst & Young and IMA (Institute of Management Accountants in the US) that conventional management control systems were *still widely spread and used* in practice whereas adaptation of some of the contemporary management accounting systems were not considered to be an essential in the existing business contexts (Chapman 1998, Garg et al. 2003, Guilding et al. 2000). More recently, Clinton & White (2012) replicated the Ernst & Young and IMA's 2003 survey to understand how the management accounting landscape had changed from 2003 to 2012 in which they concluded that "new cost accounting tool are largely not considered relevant" (p.42).

In order to consider this point, some studies have introduced more comprehensive framework of management control systems such as 'control package' (Otley 1999) that combines multiple management control elements with other managerial systems and 'levers of control system' (Simons 1995, 2000) which provides a framework for more flexible roles of MCS and Especially, interactive use of control systems (Simons 1995) position MCSs as a vital part of the process of fostering dialogue and generating new discussions to address the strategic uncertainties facing organisations. These studies showed that 'conventional' and 'strategic' control systems could coexist and that their relationship could be more understood as complementary rather than exclusively. From such a view, MCSs foster a process of conversation and discussion between executives and other managers within the organisation. Simons noted that an action-oriented theory of control is necessary to understand complicated MCS-strategy relationships (Simons 1995). These studies sought to provide 'everyday' insights into management accounting in its organisational context and shed light on the managers' practices with management control systems. His study is important since he addressed that the relevance of management control systems relies not only on the technical structure of systems but also on the capabilities of managers who use management control systems. Thus, while Simons (1990, 1995) contributed awareness of the importance of dynamics and the process of management practices, his framework *does not* specifically elaborate how these smart interactions should work in management practices.

In the study of strategy, it is well known that Mintzberg's (1987a, 1987b) classic work crystallized a widespread critique on the strategic rationality and detachment (e.g. Whittington & Caillaet 2008). However, it should be noticed that Mintzberg himself

(1987a) did not completely downgrade of the roles of formal planning and planner of strategy but warned us its usefulness in the strategy creation. It is proof that he argued that information provided through formal planning contribute to provide *ad hoc* analyses into the strategy formation process (Mintzberg 1987a pp. 86-7). By so doing information provided by formal planning system could also foster other managers and planners to think strategically. The key implication of arguments provided by Mintzberg (1973, 1987a) and Simons (1990, 1995) is that whether or not such information are used strategically does not depend the technology of formal planning itself but rather on the use of such information by users. Thus the question should be asked is not whether or not the technology of management control system in its own has relevance in strategy formation and implementation but how those technology and information systems are used in practice is more important. In order to explore the use of those technology, Langley (1989) focused on a key aspect of strategic analysis to examine how formal analysis is actually used in practice in three different organisations. More recently, a series of strategy literature called strategy as practice approach (Jarzabkowski 2005, Johnson et al. 2003, Whittington 1996) have addressed the importance of studying the use and usefulness of traditional management technology in strategising practice. Practice perspective on accounting literature has a great potential to contribute accumulation of knowledge in the field of strategy since various management accounting practices such as budgeting, resource allocations, customer analyses, forecasts, revenue plans, cost figures, and performance measures are inseparable practices in the process of strategising. Regarding to the call for study management accounting in which it operates (Hopwood 1983), Jönsson (1998) called for study into everyday organisational practices that is aligned with managerial work. More recently, Ahrens and Chapman (2007) and Chua (2007) attempted to further emphasise studying management accounting as a way of doing in action. Ahrens and Chapman (2007) encouraged reflection on the state of study by seeking to closely engage with management accounting practice. These arguments provide good opportunity for us to reconsider and overcome the dichotomy between traditional and strategic perspective.

By so doing, the accounting study can contribute back to the other related disciplines in management studies. As Richard Whittington, one of the key advocators of strategy as practice approach, discussed understanding managerial activity, how managers "do strategy" is emerging and important theme of strategy. "There are inspirational parts to doing strategy: the getting of ideas, the spotting of opportunities, the grasping of situations. But there is also the perspiration: the routines of *budgeting and planning* as they unwind over the year, the sitting in expenditure and strategy committees, the writing of formal documents, the making of presentations" (Whittington 1996, p.732 emphasis added). Thus main concern of strategy as practice approach is something people in organization do with strategy: "all the meeting, the talking, the form-filling and *the number crunching by which strategy actually gets formulated and implemented*" (Whittington 1996, p. 732 emphasis added)

As Hopwood argued more than 30 years ago, "accounting practices has tended to isolate itself from accounting in practice (Hopwood 1983, p.302, also cited in Kaplan 1986)". A key message of the practice-based approach in management accounting is that the accounting needs to be explored and studied in its local context but not isolated from its surroundings (Hopwood 1983, Ahrens & Chapman 2005). His suggestion provides clues to consider inconsistent findings of the relevance of strategic management accounting and usefulness of management control systems in the strategizing processes.

Firstly, accounting plays multiple roles in organizations to satisfy different needs of the users. Traditionally, use of accounting information are classified into scorecard, problem-solving and attention directing (Simon et al. 1954) and categorized as answer machine, learning machine, ammunition machine and rationalization machine (Burchell et al. 1980). More recently, use of management control systems are classified into four: belief system, boundary system, diagnostic system and interactive system as levers of control system (Simons 1995). For the monitoring use and feedback purpose, accounting information plays a role as scorecard (Simon et al. 1954), answer machine (Burchell et al. 1980) and managers use management control systems as diagnostic control lever (Simons 1995). On the other hand, when uncertainty becomes high for strategic decision making and in the process of strategizing, role on problem-solving and attention directing (Simon et al. 1954) tends to be more expected and managers seem to use them as leaning machine (Burchell et al. 1980) and problem solving (Simon et al. 1954). When the strategic purpose is more clear and focused accounting information is used as attention directing (Simon et al. 1954) and ammunition machine (Burchell et al. 1980) in more interactive way (Simons 1995). In addition, as Ansari & Euske (1987) argued that the use of accounting information need to be studied in political and institutional contexts since they are often used to justify and validate past and future decisions which Burchell et al. (1980) described as rationalized machine. Therefore, we need to understand contexts in which accounting information operates and where management control systems are used.

Chapman et al. (2009) continuously pointed out that there is a need for a curiosity in the intricacies and complexities of managerial accounting practice (Chua 2007). Thus, recent accounting as practice studies represent a reflection of Hopwood's (1983) call for studying accounting in action in which it operates. Our understandings of management accounting and controlling in practice are enhanced through intensive involvement with practices that Ahrens and Chapman (2007) conceptualised as 'the situated functionality of accounting'⁶. By emphasising the relevance of attributes related to different 'uses' of MCSs

6 More recently, Jorgensen & Messner (2010) studied micro processes of strategising and accounting at new product development. Their study inspired by Ahrens & Chapman (2007) and Chua (2007) demonstrated that the roles of accounting became 'intelligible' through the process of strategising, and therefore strategy became to matter by the way in which strategic ideas were mobilised through situated practices as well as by its contents and frameworks alone.

rather than '*design*' or '*existence*', practice based perspective brings practical sensitivity to management accounting research on the questions of how various types of control systems are used and functioned in the process of strategizing.

4. Conclusions

As discussed above, some literature that attempted to study the current status of strategic management accounting found less application of the term of strategic management accounting in their (accountants') daily practice and a limited use of those techniques in management practices (Tomkins & Carr 1996, Guilding, Cravens and Tayles 2000, Lord 1996, Roslender & Hart 2003). These findings imply the relevance of management accounting need to be assessed and considered not only at calculative practice level but also in the contexts in which those accounting techniques apply.

In addition, this literature review argued that while the early studies in strategic management accounting and management control systems argued that conventional management accounting techniques must be replaced with strategic focused one to regain "the relevance lost" of management accounting (Johnson & Kaplan 1987), some studies have taken different views on the potential role of traditional MCSs and accounting techniques even in highly turbulent and competitive environment (Davila 2005). This finding indicates that relevance of techniques in management accounting and the use of management control systems should not narrowly be studied in dichotomous manner but multiple roles and responsibilities need to be studied since managers use them interchangeably in management practices. Managers use management control systems coercive way as well as enabling way (Ahrens & Chapman 2004) and nature of uses of management control systems are more interchangeably and complementary than exclusive each other (Simons 1995). These recent authors encouraged us to avoid false dichotomy and to reconsider our approach to uncover dynamic relationship between strategy and management accounting.

Furthermore, since most time and effort of previous studies have been invested in strategy making, formation of strategy, strategic decisions or strategic choice rather than the implementation of strategy and how managers do with strategy and accounting, the literature has typically adopted a normative or determinant approach to explain the existence of the firm and the forms of accounting techniques and MCSs rather than adopting a practical approach to explain how SMA and MCSs work in practice. There is now a well-established tradition of research that have studied in detail about the roles and functions of accounting in the creation, building, and reinforcement of organisational agendas (cf. Hopwood & Miller 1994 and Chapman et al., 2009 for a compelling collection of pieces within this tradition). With such effort, it has become to be obvious that accounting is neither just a double-entry bookkeeping practice nor a set of transactions that objectively records the economic activities of the firm but rather is to be viewed as social, organizational, behavioural and institutional practices (Chapman et al. 2009, Hopwood &

Miller 1994, Suzuki 2003). Accounting, thus, has to be discussed more intensively on the social science agenda. This can help us overcome a current status of accounting research where the consumers of our research are only other accounting researchers (Hopwood 2007). As Anthony Hopwood had continuously argued over the past few decades (since 1978), accounting is too significant to be studied only by accountants (Chapman et al. 2009).

As discussed above, this study re-emphasized the importance of studying management control system and accounting as more than its accounting manuals, budgets, and expenditures (Ahrens & Chapman 2002). Bringing actors of accounting and strategy back to the agenda of accounting and strategy research there might be a great potential to uncover long existing black box of interrelationship between strategy and management control system.

"If we learn only one thing from recurrent financial crises, it should be that a fuller understanding of all those calculative practices that underpin the modern economy is urgently needed. And this understanding (of calculative practices) should not be viewed as a narrow technical understanding, but it should be viewed as including the ideas and aspirations that are so intimately attached to the roles of accounting in organizations and institutions. If we neglect the latter, then our understanding of the former is seriously diminished." (Chapman et al., 2009 pp.20-21).

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