Management, Image and Management Accounting

By

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Abstract

This paper considers management accounting technique, specifically activity-based cost management, as a modelling process. Particularly in Anglo-Saxon capitalism, various institutional pressures have worked to dissociate management from expertise in the managed process. Management of this character can only engage with concrete processes by modelling them in terms which it can comprehend and with which it can engage. The result is a market in management and accounting techniques for producing these simplified representations. Those discussed in this paper consist essentially of a reporting framework which is imposed on the expert practitioner, so that the process is redescribed in modelled form. Precisely because the resulting models *are* simplified, however, the consequences of managing through them are dysfunctional in various ways.

In order to show the underlying similarities between apparently unconnected instances of this process, the paper discusses some attempts to open up aesthetic design to management control before proceeding to the analysis of activity-based cost management.

Introduction

Over the past decade, papers such as Gareth Morgan's 'Accounting as Reality Construction' (1988) and Ruth Hines' 'In Communicating Reality, We Construct Reality' (1988) seem to have lost much of their critical force. Once it is established that accounting does not mirror some objective reality, little more follows from the mere fact that it is socially constructed. Since all knowledges are socially constructed in the sense that they are products of human understanding and social acceptance, it becomes uninteresting to say the same of accounting. The interest lies in the questions of how, why and with what consequences it is socially constructed.

In this paper, I suggest that activity-based cost management (ABCM) is one of a class of techniques which has been constructed so as to appeal to a particular market for ideas. Particularly within Anglo-Saxon capitalism, that market has been conditioned by institutional pressures within management education, consultancy and labour markets which have worked to create a sharp distinction between 'management and what French and Raven (1959) once called 'expert power'. The result at the level of ideas is an abstract and generalised conception of management which is detached from expertise in any particular process and can, in consequence, be applied to any and all processes¹. At the human level, the result is the creation of a managerial cadre whose stock-in-trade is management-in-general rather than expertise in the processes to be managed (see Armstrong, 1986, 1996). For the one to control the other, for managers of this kind to control a particular process, it is necessary for that process to be constructed in a form which they find comprehensible and amenable to purposive intervention. Many of the procedures which are grounded in management knowledge aim to do exactly this. They are responses to a market for social constructions of reality, and ABCM is a response to this market.

In order to flesh out these ideas, and to concretise the market for managerial ideas, I begin not with an analysis of ABCM, but with an account of some recent attempts to construct the design of products (in the aesthetic sense) as a process amenable to managerial control. These cases indicate that design can only be constructed as a process transparent to managerial control by editing out the very characteristics which might yield competitive advantage (see Armstrong, 2000, Armstrong and Tomes 1996). The paper then considers the image of staff activity which underlies the project of controlling indirect costs through ABCM (see Armstrong, forthcoming). This portrayal too is shown to involve considerable degradation as compared to the self-images of the staff functions concerned. The likely consequences in both cases flow from management's capacity, as agents of capital, to concretise its own versions of reality. Both product design and the staff functions subjected to ABCM can be forced to conform to the social constructions demanded by management technique. These social construction then act as self-fulfilling prophecies in which the degraded image becomes a degraded actuality.

¹ The linguistic isomorphism with Marx's concept of abstract labour, of labour-in-general, suggests a stripping-out of mystificatory entanglements with the concrete which leaves abstract labour confronting abstract management - but the implications cannot be pursued here.

Management: Generalised and Abstract

Acknowledged as the founders of management thought, both Frederick Winslow Taylor and Henri Fayol would have been astonished at some of the inclusions and omissions in today's teaching and research on management. Begin with the omissions: Importantly Taylor's 'revolution in management', was also a 'revolt of the engineer' (Layton, 1971), a revolt against 'ordinary management' which, in Taylor's view, had forfeited its claim to authority because it lacked expertise in the productive process. As with the motive, so with the practice. The re-design of production processes which lay at the heart of Taylor's Scientific Management depended heavily on the expertise of the mechanical engineer, a profession of which Taylor was himself a distinguished member. For Taylor, then, the competent management of a process was inconceivable without expertise in that process. So it was with Fayol. Although the work translated by Lyndal Urwick as 'General and Industrial Management' (Fayol, 1949) aimed to set out the general principles of efficient administration, it was also an expression of Fayol's experience as a mining engineer. And although his principles were subsequently appropriated by Urwick as the knowledge base of a decontextualised managerial knowledge, Fayol himself took it for granted that they would be applied in the light of a thorough knowledge of production processes.

Very early in the history of management education, it became clear that the pressure of educational markets would prise apart this primordial unity of management and process knowledge. Harvard University's first venture into management education was a 1908 course on Railroad Management. This included such industry-specific topics as Railroad Operation, Railroad Accounting and Railroad Organisation and Finance. The pattern of electives chosen by students, however, quickly revealed a demand for topics of more general application, such as Industrial Organisation, and Factory Management (Copeland, 1958: 21 ff.). By 1912, the trend towards generality in management courses was decisively under way, driven by factors which remain operative today. Courses which promise a generality of application appeal to a broader market than those which are sector-specific. They also promise a wider range of career options since the end-qualification is portrayed as portable. The underlying assumption - largely tacit at this stage - was that management is always and everywhere the same.

Driven by the logic of competition and predation, meanwhile, capitalism itself was changing. Messily but inexorably, the era of family capitalism was giving way to that of entrepreneurialism, and this, in turn was giving way to managerial capitalism (Chandler, 1977). In consequence, the range of managerial practice was extending into functions previously reserved for ownership, such as finance, marketing strategy and company policy itself. As early as 1911, Harvard had responded by introducing a course in business policy, 'to develop an approach to business problems from the top management point of view.' (Copeland, 1958: 42). By the early 1920s, Harvard's courses had re- focussed on 'certain broad functions of the business enterprise': business policy, business law, statistics, marketing, accounting, money and banking, corporate finance and social factors in business.

Again one can discern the not-very-hidden hand of the market. Though the managers who practice the corporate-level functions are few indeed, what student, especially what student from Harvard, would opt for a course which omits the disciplines of corporate management? To do so would be to declare at the outset the modesty of one's ambitions. Driven by these twin tendencies - the detachment of management

from expertise in the managed process, and its identification with corporate-level functions - the modern conception of what counts as management science was already emerging.

Also in place was its rationale: the doctrine of managerial essentialism which justifies both the decontextualization of the management syllabus and the inclusion of corporate level functions in courses at all levels. Here it is expressed in the 1968 edition of a popular management textbook which, together with its successor volume, has now run through ten editions:

. . . managers perform the same function regardless of their place in the organisational structure or the type of enterprise in which they are engaged ... getting things done with or through people. The implications of this principle are several. In the first place it means that anything significant that is said about the functions of one manager applies to all managers ... In the second place, the principle implies that management knowledge and experience are transferable from department to department and from enterprise to enterprise.

Koontz and O'Donnell, 1968, p. 54

The influence of this thinking on what is taught in the name of management has been profound. 'A valid distinction cannot be drawn between the study of management for one purpose rather than another.' wrote Urwick in the report which introduced the UK's first national system of management education (Ministry of Education, 1947, p. 7). As with the principle, so it was with the practice. The syllabus for Urwick's 1948 course for 'managing directors and other high executives' delivered under the auspices of the Institute of Industrial Administration was virtually identical to that for his course on Principles of Industrial Administration intended for technical college students.

How, then, do management thinkers account for the very obvious differences in the work of managers at different levels? Beginning with Fayol himself, the tendency has been to see these as differences of quantity rather than quality. On this view, lower level managers, do the same things as higher management, but less of them. The matters which occupy the rest of the time of lower level managers, it follows, do not count as management. Here the notion is expressed by the most eminent management guru of them all:-

Every manager does things which are not managing. He may spend most of his time on them. A sales manager makes a statistical analysis or placates an important customer. A foreman repairs a tool or fills in a production report. A manufacturing manager designs a new plant layout or tests new materials. A company president works through the details of a bank loan or negotiates a big contract - or spends dreary hours presiding at a dinner in honor of long service employees. All these things belong to a particular function. All are necessary and have to be done well. But they are apart from that work which every manager does whatever his function or activity, whatever his rank and position, work which is common to all managers and is peculiar to them.

(Drucker, 1955, p. 343)

Supervisors need to learn about company strategy, it follows, not just to encourage the belief that their studies might one day get them into a position to practice it, but because they already *do* company strategy, albeit in miniaturised form. For these

truths to be universally acknowledged, however, it was necessary to disentangle management from its origins in industrial engineering:

After, and even before, Taylor's death, a great many people adopted the profession of which he was the first exponent as advisers or counsellors to business undertakings that wished to improve their methods of management. Initially, the majority of these professional men described themselves as industrial engineers. Since most of them were engineers by training, they were usually employed in the manufacturing function of business and, most frequently, in the metallurgical industries. This was reasonable enough in the early stages. But as the concept of management has expanded, such counsellors have dealt with all kinds of business problems for which an engineering training is not necessarily the most appropriate discipline and for which, in certain cases, some other and different discipline may be mandatory. To continue to describe as industrial engineers firms engaged primarily in introducing psychological concepts into the selection and handling of personnel or statistical refinements into the handling of markets, is an obvious misnomer. The more modern and exact title of management consultant is tending to replace industrial engineer in these fields. . . Management owes an immense debt to engineering, but engineering as practised by the industrial engineer is only a part of the over-all work of managing. Engineering as a 'discipline' is concerned with physical forces and physical underlying sciences. Any title which includes the term engineering is strictly limited to dealing with things, because engineering knowledge does not include people.

(Urwick, 1963 pp. 1 - 6)

The genesis of abstract management, evidently, was bound up with a challenge to the credibility of the engineer in the market for consultancy services. Educational institutions too, have played their part in shaping and sustaining this view of management since their market too has come to depend upon it. It is also presupposed and endlessly propagated by the kind of generalised textbook in which the quotations from Drucker and Koontz and O'Donnell appear (*Principles of Management, The Practice of Management*). At the level of practice, finally, it has become a condition of existence of those characteristic figures of Anglo-Saxon capitalism, the peripatetic management consultant and the job-hopping senior executive. The credibility of both rests on a belief that the fate of companies, corporations and entire economies is largely determined by the quality of a context-independent managerialism (Williams et al, 1994). It is a belief-system sustained by massive intellectual and institutional interests - which is precisely why academic researchers ought to be prodding it for rust-holes. Such is the compartmentalisation of academic life, however, that most of those in a position to do so are themselves 'management researchers', a sub-species of the genus dispassionate enquirer whose intellectual horizons are exactly bounded by a belief in generic management.

The control of operations by a context-independent managerialism, however, resurrects Taylor's problematic of 'ordinary management'; that of how processes are to be controlled by those who do not understand them. Whilst it is one thing to teach management to people with experience of the process to be managed, today's schools of business and management turn out tens of thousands of graduates who have been taught *only* management. Even the MBAs, who are supposed to enter their courses on the basis of practitioner experience, exit them determined to distance themselves from that experience. In the words of the one-time manufacturing director of Lucas, 'a

whole generation of M.B.A. students . . . will not go near a manufacturing strategy . . . they want to be in at the gin-and-tonic end with the financial strategy.' (Parnaby, 1985)

Where Taylor's remedy for the infirmities of 'ordinary management' depended on the acquisition (or appropriation) of process expertise *by* management, much of modern management science consists of techniques which *substitute* for knowledge of the process. If one cannot understand what people are doing, one can try to motivate or lead them. Failing that one can set and monitor budgetary targets. Failing that, one can solicit the opinions of the various 'consumers' of their work, internal or external. Every one of these control techniques corresponds to one of the disciplines of management science - managerial psycho-sociology, management accounting and market research. The question is: are they *good* substitutes for knowledge of the managed process?

Imag(in)ing Process

What is common to these managerial technologies is that they articulate with the managed process, not as a practitioner would understand it, but in a simplified and modelled form. This is not to say that practitioners themselves – or any human beings – fully understand what they are doing. Humankind cannot bear very much reality (Eliot, 1942) and the way we see things, it has been truly said, is always an act of choice (Berger, 1972). As envisaged by the generalised control techniques of management science, however, the image of the managed process is subject to additional losses of scope and detail. Motivation theories, such as that of the once influential Fred Herzberg (1974), are a case in point. Still popular with those for whom social science is a matter of 'learning about the properties of humans' (to quote a former student of mine), theories of this kind offer an automatized view of the organisational subordinate, in which increased effort is a reflexive response to the 'enrichment' of jobs. Contrast this with the view of the managed person, 'I don't feel enriched, just knackered.' Made by a unskilled worker during a research project of some years ago (Nichols and Beynon, 1977), this remark has reverberated down the years as a classic commentary on the adequacy of Herzberg's model of the human being - and on its practical consequences. Through management's capacity to operationalize insult, injury is added – back injury in this instance.

The case of motivation theories suggests that there might be a more general tendency for abstracted and generalised management to generate models which degrade the processes to which they are applied. The instance of budgetary controls reinforces the impression. Controls of this kind image process outputs as a series of performance indicators. Agreeing that the approximate character of these indicators encourages distortions of practice, the literature is split on the question of whose fault this is. Is it 'gaming behaviour' on the part of the managed, or is it 'the folly of hoping for X whilst measuring Y' on the part of management?

The remainder of the paper consist of a more detailed examination of two techniques which have recently been developed by management researchers. The first is a proposal that product design (in the aesthetic sense) might be controlled through the mechanics of market research. The second, familiar to an accounting readership, is the more developed project of controlling indirect costs through the activities which they are supposed to pay for. What these otherwise very different techniques have in common is that they both depend upon a degraded image of the managed process, one

which threatens to function as a self-fulfilling prophecy in cases of 'successful' implementation.

Accountable Design

My first example concerns the management of product aesthetics. For the enterprise of managerialism, labour processes of this kind may be the final frontier. It is here that the Roman march of rational planning, disorientated by the marsh-lights of artistic temperament, loses its way in the Druidic thickets of tacit skill and becomes enmired in the sub-articulate quagmires of intuition.² It is here too, where the labour process is at its most opaque, that the attempts of managerialism to subordinate it to corporate policy are at their most revealing.

Why is product design important, or, more pertinently, how can it be represented as important by interested parties? The story begins with an observation, or an assertion, that there are now fields of product market competition - consumer electronics has been cited as an example - in which the technology has reached a stable plateau (Evans, 1990, p. 396). Competitive advantage, it follows, depends on the ability of the product's physical form to invoke particular images and lifestyles – at least so say the designers. For corporate managements who buy into this view of things, the problem is one of ensuring that the 'creatives' do indeed connect with the target market, whilst allowing them sufficient freedom to do so more effectively than the competition.

At the moment the usual solution involves a kind of mixed-media negotiation between the client (management) and the design team. In one study in which I was involved (Tomes, Oates and Armstrong, 1998), graphic designers began by boiling down the text of the design brief into a (still textual) 'concept' – a kind of mantra which would be invoked as a means of keeping the more detailed work on track. This concept would then be expressed in a number of 'vehicles' – sketched visual expressions of the concept which would then be shown to the client. This would then set in motion a process of 'conjectures and refutations' (Broadbent, 1984) in which the designers' sketches (conjectures) and the client's comments (refutations) would iterate onto a mutual understanding of what the other party 'meant'. In processes of this kind, the 'realisation' of a design brief involves a partial surrender of control on the part of corporate management. Competitive advantage through design, on this pattern, can be secured only through the uncertainties involved in experiencing its seductions.

Given the costs of tooling and promotion involved in many product launches, not to mention an anal drive to control everything in sight, researchers in management science see a ready market for some means of eliminating the risks involved in opening up the decision-making process to the designers' intuition. The project is to assure in advance the semiotic connection with markets, to ensure that the product speaks to the consumer as management intends. The terms on which this is to be achieved tell us much about the manner in which management science images the workings of design.

² Having been instanced in the past as a practitioner of academic over-caution (Moore, 1991), I offer these bold and imaginative similes as a tribute to what Evelyn Waugh (1951) called 'fine writing.'

The key move is a tacit assumption that the visual and tactile languages of design are nothing more than approximate ways of communicating verbally-defined feeling states. Formulae of this kind are the typical product of meetings on corporate marketing policy. In 1994, for example, Thompson Consumer Electronics declared that all of its entertainment products must be 'engaging, foster a sense of discovery, and eliminate fear.'

A study of the 'communication effectiveness' of consumer packs by Bruce and Burrill (1995) illustrates how this view of design is underpinning the development of a form of audit based on the techniques of market research. In this particular instance, interviews with the designers of the packaging for frozen vegetarian meals were used to establish that they believed that their design communicated an image of 'wholesome, natural, imaginative and home-made products from the sponsor's country kitchen'. These claims were then tested against the perceptions of representative consumers. Semantic differential questionnaires and focus groups revealed that the messages actually received differed considerably from those 'intended' by the designers. A key conclusion of the paper was that 'The questionnaire provides reliable data that clearly indicates the strengths and weaknesses of attributes of the design.'

The prospect is enticing. In place of the acts of empathy involved in reading design as one thinks the market will read it, managers can now call upon objective measures of the meaning conveyed to the target audience. The messages of design can be controlled, it seems, at least after the event.

Notice first of all how this construction of accountability depends on manoeuvring design onto the discursive terrain of management. Participative and open-ended in appearance, the interviews with designers are actually constrained by the assumption that the visual and tactile can be adequately described in terms of verbal abstraction. By this means, designers can be represented as claiming that their work communicates messages which are isomorphic with English sentences. The communicative claims of design are thereby displaced onto a territory within which such instruments of audit as the semantic differential questionnaire can operate. This is a landscape of feeling-states divided up into administrative units which can be labelled by verbal abstractions ('wholesomeness', and so forth).

Notice too that the researchers made no attempt to engage with design, either as an end product to be experienced, or as a practice to be appreciated. Instead, they required the designers themselves to translate their work into a form controllable by management technique. Politically speaking, the tactic depends on turning professional expertise against itself. The judgement of the designer is employed as a means of eliminating managerial dependence on that judgement. That this kind of research is uncritically accepted as a contribution to the study of the design process speaks volumes for the intellectual hegemony of managerialism within the wider research community.

At first sight, the form of accountability created by this exercise leaves the actual process of design untouched. It appears to offer a post-hoc evaluation of output rather than the prospect of intervention in the production of design. Once it is assumed that the expressive forms used by designers are equivalent to ordinary language, however, it becomes possible to think of design as the manipulation of a relatively stable vocabulary of 'precedent form.' Market research techniques can then be used to build up a dictionary of correspondences between physical form and its verbal equivalents.

It then becomes thinkable that designs might be assembled so as to communicate given messages by exposing designers to an appropriate diet of precedent form (Pasman and Muller, 1995) or by drawing on an established databank of product semiotics (Kawama, 1987).

Moves of this kind aim at mapping the territory of design onto that of the marketing slogan, so that the one can be controlled by controlling the other. They are, of course, based on a simplistic image of the workings of design. Only the very worst of design, like the worst of art, works by substituting signs for textual messages. The fact that designer and consumer attach different phrases to a designed object tells us no more than the fact that art critics will use different words to describe a painting, and neither tells us much about whether and how either design or art has 'communicated'.

Nor does design depend on a 'visual language', if that term is understood to imply a relatively stable lexicon and syntax (Benveniste, 1985; Langer, 1985). It is true that certain stylistic cues may, through emulation, achieve a temporary semiotic significance. In motor styling the unbroken bonnet-windscreen line which signals (stylish and expensive) 'people-carrier' rather than (cheap and nasty) van is an example. For the most part, however, design does not work through the syntactical ordering of context-independent elements. Blue may be 'the very colour of heaven' (Keats on the female iris) but it is also 'the colour of distant hills, and boy's overalls' (Auden on Houseman). In consequence, the notion that the colour of a computer case might be chosen so as to convey such complex textual messages as 'Highbrow individuality, creation of a new tradition, intellectual elitism, androgynous sense of beauty, mental ecstasy, interest in the inner world' (Kawama, 1987 describing a project at Sharp electronics), is somewhat forlorn. The shade of grey actually chosen, plus the hard-shell texture, might more plausibly signal 'Rhinoceros hide.'

The irony is that design, when it works, is considerably more effective than allowed for in its representations as a manageable process. Communication at the sub-verbal level is also communication beyond the reach of rational critique. Whilst the pronouncements of the Seymour Powell Consultancy may be far from disinterested, they are also much more convincing as an account of the way in which design can create and connect with potential consumers than those offered by the management researcher:

The X-factor in the product is its essential personality, its desirability quotient, if you like - those intangible, emotional features, over and above function and efficiency, that make one product better and more desirable than another. It's the first thing that strikes you and it often makes itself felt in an immeasurable fraction of a second. It's the "I like it, I want it, what is it?" element in a product. We're constantly searching for that elusive iconography, the psychological bridge between consumers as they are and consumers as they'd like to be.

Seymour Powell (n.d.)

Activity-Based Cost Management

My second example concerns activity-based cost management (ABCM), a technique which is at a much more advanced stage of development than accountable design. Energetically promoted by all of the big five accounting firms as well as by professional bodies on both sides of the Atlantic, UK academics are about to discover more about these techniques than they might wish to know. The Higher Education

Funding Council will shortly be requiring activity costings of all academic activities and the management of activities in the light of this information will surely follow (<http://www.hefce.ac.uk/news/hefce/1999/transrev.htm>).

The problem which gave rise to ABCM is one which has evaded a definitive solution throughout the 120 year history of cost accounting: the allocation of indirect costs. Accountants have no problem – or think they have no problem – with the costs of materials, labour and equipment degradation directly consumed in a production process. The difficulty arises in how to allocate those costs which are not directly connected to a product. The costs of departments such as Research and Development, Marketing, Human Resources, Finance and Public Relations, for example, all have to be recovered through the sale of products, and the question is how they can be ‘equitably’ assigned to those products.

Before activity-based costing, the usual solution was to allocate these indirect costs on a single ‘allocation base’ – often direct labour costs, but sometimes the total of direct costs. Taking a typical level of indirect costs and a typical production volume, indirect costs would then be distributed as a percentage mark-up on the costs which serve as an allocation base.

Crude and simple, such a method of cost allocation was acceptable (so runs the founding myth of activity-based costing) so long as indirect costs were a small proportion of the total and product markets were slack enough to allow for a margin of error on prices. Over time, however, both of these conditions were eroded. Firstly, an increase in the capital intensity of production processes, meant that the indirect costs could be many times the base of direct costs onto which they were loaded. Secondly, there was an intensification of product market competition, particularly from the Far East. The first exposed the arbitrariness of single-base cost allocation (persistently and tendentiously misrepresented as ‘inaccuracy’ by the advocates of activity-based costing). The second made it important to identify which of a company’s products remained profitable when margins were being squeezed. Accounting researchers and consultants had identified – or created – a market for a ‘more accurate’ means of allocating indirect costs (see, for example, Cooper and Kaplan, 1991)

Taken literally, this was an expotition in search of an oxymoron³. If costs are truly indirect, there is by definition no correct way, even in principle, of allocating them to products. Consequently there can be no standard by which the accuracy of any practical method might be judged. It is not the way of management research, however, to let philosophical niceties stand in the way of scientific advance. The ambition of activity-based costing was to identify the costs of the *actual* activities which were performed ‘for’ products and, in its more overweening versions, to distribute *all* company costs according to the consumption of those activities in production processes (e.g. Kaplan, 1987). In other words all costs were declared henceforth to be

³ An expotition is a kind of postmodern expedition, in which the objective emerges as a by-product of aimless activity. So it was when Piglet fell into a stream on Christopher Robin's expotition. The long pole with which Pooh accomplished his rescue turned out to be the North Pole, which was then discovered to be the objective of the expotition (Milne 1930). It may be that 'accuracy' as an objective of cost allocation was discovered in a similar fashion.

direct - since they were, or ought to be, the direct costs of the activities which go into products. More politically circumspect advocates of the technique recognised that such items as the chairman's company car, not to mention his salary and secretarial support might be difficult to justify in such terms. These 'moderates', which by 1988 included Robert Kaplan himself, proposed to except such essential 'period costs' from the unsympathetic scrutiny implied by activity-based costing.

Allocating the costs of support activities in this manner, the advocates of activity-based costing had little difficulty in producing product costs which differed radically from those produced by single-base absorption costing. Disarmingly, these differences have repeatedly been presented in a highly partisan literature as 'proof' of the greater accuracy of activity-based costing, as if any discrepancy were automatically to the discredit of absorption costing (e.g. Innes and Mitchell, 1990, p. 14). In particular, many of these schematic calculations 'demonstrated' that the use of direct labour as an allocation base loads indirect costs disproportionately onto labour intensive processes, thus inflating their apparent cost and leading firms to abandon competition in the world's mass markets. For American capitalism, these were weighty matters and I would not wish to minimise the achievement of the activity based costing movement in destabilising costing tradition. My concern here, however, is not with the merits of the activity system of cost allocation, but with the technique of cost management which developed from it.

Once the activities which connect indirect costs to products have been established for the purposes of cost allocation, the potential for actually managing costs is obvious. Firstly, those indirect costs which cannot be justified in terms of such activities may be eliminated, a process of organisational eugenics which is dignified in management writings as 'value analysis.' Secondly, the volume of at least some of the support activities may be varied in line with any variations in the volume of production. Thirdly, the exposure of the activities which are paid for by the indirect costs loaded onto products and processes, may enable the managers of these products and processes to press for the elimination of those services they feel they can do without. All three of these potentials have been amply realised in case studies of activity-based cost management (e.g. Cooper et al, 1992). The result, so say the advocates, is a leaner, meaner organisation totally focussed on customer value. What could be more sensible?

The crucial question is that of what is eliminated, and this in turn depends on how the activities performed 'for' products are identified. Treated as a secondary matter of operationalisation in the literature, this actually lies at the heart of activity-based cost management. In *every* case I have read, the procedure depended on interviews with the heads of staff departments conducted by an ABCM implementation committee consisting of line managers and management accountants (e.g. Cooper et al, 1992). In these interviews, the heads of departments were required to list the activities through which their departments contributed to the productive processes of the organisation, to estimate the proportion of staff time and other expenditure consumed in these activities, and to agree an easily detectable proxy for a unit occurrence of each of them (as an act of materials purchase is signalled by a requisition). The procedure, we are told by prominent advocates of the technique, is complete only when the whole of staff time and equipment usage is accounted for (Innes and Mitchell, 1990, p. 8.)

Clearly these interviews are something of an inquisition, given that the stakes are not difficult to discern. Like the interviews with product designers, they use the expertise

of the staff manager as an instrument with which to demystify the inner workings of the department. And it is in these interviews – not in the programmatic intentions of activity-based costing – that its image of the staff department is created. It is an image which allows for no contribution of the staff department to the objectives of the organisation other than directly through products and services. It is seen as *service* department, one which exists for no other purpose than to support the productive process. These services, moreover, are assumed to consist of repeated activities, as they must be if a unit cost is to be established for each. The end result is an image of the staff department as a mass-producer of repeated – and therefore routine – acts of service. And it is seen in these terms because this is the only way in which its ‘activities’ can be used as a basis of allocating its costs.

This may not matter so long as it is only the allocation of costs which is at issue. But what happens when this information is used as a means of *managing* costs? Here we are short of data. There has been a considerable number of case studies of the introduction of activity-based cost allocation, all of them predicated on the assumption of its technical superiority, but many of them reporting the failure or abandonment of the project. Lacking, however, are studies of the long-term consequences of ‘successful’ systems, in which the activities, as identified, are used as an instrument of management as well as cost allocation. We must fall back on an examination of the logic of the system.

Virtually every staff function in the modern corporation has its professional and academic arms. The Chartered Institutes of Marketing, Purchasing and Supply, and Management Accounting, as well as the soon-to-be Chartered Institute of Personnel and Development, all of them see a much larger role for themselves than the supply of low-level services to production departments. Every one of them, moreover, sees its mission as one of promoting its potential contribution to company strategy, with commensurate rewards and career prospects for its practitioners. Whilst there may be much in this of self-interest and self-important puffery, few of us are in a position to dismiss these claims out of hand, and certainly not the line managers and management accountants of an ABC implementation committee. And yet this is precisely the logic of its analysis of activities. Building up strategic information on potential product markets, creating value through the supply chain, engineering workforce commitment and gathering information on competitor costs for the purposes of strategic management accounting: *none* of these are direct services to production function (some of them, indeed, threaten its established routines), and none of them are reducible to repeated and routine actions. The implementation of ABCM, therefore, creates pressures for their elimination. That pressure is often resisted, of course (e.g. Cooper et al, 1992). In general the outcome will depend on the relative influence of the function in question and the ABC implementation team. The pressure is always there in potential, however, and is likely to intensify when profit margins are squeezed and all expenditure with long-term and indeterminate payoffs comes under scrutiny.

The general point is that activity-based cost management depends upon, and therefore operationalizes, a degraded image of the staff functions. Under conditions which favour its promise of containing indirect costs – in general those of financial stringency – this image will tend to operate as a self-fulfilling prophecy. Staff activity may indeed be reduced to the provision of low-level, routine services. Meanwhile the activity-based cost management consultants will be able to point to short-run cost savings, whilst the consequences of lost capabilities will only work through the system when they are long gone.

Conclusions

During the 1980s, the Harvard Business Review's most-requested reprint was Hayes and Abernathy's 'Managing our Way to Economic Decline' (1980), a swingeing attack on the 'pseudo professionalism' of senior managements for whom neither industry experience nor technical expertise counted. Incapable of dealing with the 'messy' complexity of concrete processes, such managers demanded that issues should be presented for decision-making in the form of simple numbers. Management of this character, argued Hayes and Abernathy, was incapable of competing effectively in the world's markets for manufactured goods.

Two decades later, one wonders who ordered all those reprints and what they made of them. The ground assumption behind virtually the whole of management teaching, research and consultancy is still the abstracted and generalised model of management outlined in the first part of this paper. Correspondingly, the 'practical' techniques developed by management and accounting research are still, at bottom, ways of modelling concrete processes in forms which appear intelligible and tractable to the management 'specialist.' Like the approximations of physics and engineering science, models of this kind have limits to their range of applicability, and it is all too easy to stray beyond these limits, forgetting that they *are* assumptions and models. I do not believe the particular dysfunctions of the particular models outlined in this paper are at all unusual. I think that similar difficulties will *always* follow from an over-reliance on simplified representations.

At the level of practical politics, the prospects for mounting a wholesale challenge to the context-independent model of management (sic!) are forlorn indeed. As well as the vested interests of management education and consultancy, it is sustained at the higher levels of management by the capitalist mode of production itself, since in this social form the ultimate authority over the means of production lies with property rights, not expertise. Within this limitation, it remains possible, as a project of ongoing critique, to explore the discrepancies between managerial and practitioner models of particular process - including accounting models - and the consequences of these discrepancies. As a more general payoff which might be recognised by practical people, it may be possible to show that there are processes (like aesthetic design) for which negotiated relationships are more effective than attempts to manage as this is conventionally understood - perhaps on the half-forgotten model of industrial relations pluralism (e.g. Flanders, 1970).

I doubt, however, that the enabling conditions are in place for any programme of research which depends on an interrogation of the abstracted and generalised conception of management. Most management researchers – and here I include the self-styled 'critical management' circuit – *also* buy into this view of management, because that is how they define both their field of study and their constituency.

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