

# MANAGEMENT ACCOUNTING AND CONTROL SYSTEMS

AN ORGANIZATIONAL AND SOCIOLOGICAL APPROACH

SECOND EDITION



NORMAN MACINTOSH AND PAOLO QUATTRONE



# **Management Accounting and Control Systems**



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## An Organizational and Sociological Approach

Second Edition

Norman Macintosh and Paolo Quattrone



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# Preface

The idea for a second edition of this book dates back some years. Norman and I were attending the annual congress of the European Accounting Association in Göteborg and, while we were sitting on the comfortable chairs in the lecture theater, Norman told me: “I was thinking of you as coauthor for new edition of the *Management Accounting and Control Systems* book. What do you think?” I was thrilled and honored. I knew that this was going to be a tremendous experience for me and so it has been.

Those who have had the opportunity to work with Norman know that it is a pleasure and also a learning journey—a journey that may bring you to the most interesting and remote places, although at that time I had not discovered how remote these could be. To my great pleasure, Norman organized a visit to the lakes up in Ontario where we spent five days. The new structure of the book took shape there at Dorothy’s Fishing Lodge in the complete isolation typical of the end of the fishing season. Well, not *complete* isolation. There was our landlord, who managed the lodge and was at the same time a great cook, the head of the local fire brigade (of which he was the only member) and the carpenter for the entire area; three dogs; and, finally, an unspecified number of fleas Foucauldianly disciplined not to leave the dogs and the carpet in front of the beautiful, warm, wood-burning stove. We had a great time and also ventured into an exploration of the lake on a small boat piloted by Norman. On that trip we soon realized how important the idea of checks and balances are—that small boat would not have passed any of the former and lacked all of the latter!

I am grateful to Norman for his hospitality and for the great opportunity. The photo you see below is a small tribute to him. I hope I was up to his expectations.

He is not the only person who accompanied me in this journey and who deserves my thanks. I will thank those who have contributed to the development of this book in the order in which they did so. The first is Salvador Carmona. I turned to him to ask advice on the whole project. He warned me how much I would regret taking on such a big task during the revision work and how a much greater joy would make me happy at the end of it. He was right.

I also have to thank those who have provided us with advice on how to revise the book. Other than the anonymous referees, to whom we are grateful, we have to name

Angelo Ditillo and Sten Jönsson who provided us with extremely useful advice, and we apologize if they will not recognize all of their suggestions in the new edition.

I want to thank warmly my undergraduate students at Christ Church, Oxford, who have all gone through most of the esoteric material of this new edition: from the Ignatian Spiritual Exercises to the Balanced Scorecard. They have been very patient and, with their comments and questions, have helped me enormously in making abstract and theoretical material accessible. I will remember many of the tutorials spent with them in my rooms in College with joy as the few last remnants of a truly academic life. I also have to thank my MBA students at the Saïd Business School, Oxford, and now at IE Business

School in Madrid, for having provided me with great practical insights on the use of accounting when I taught them, or having talked about the Parmalat scandal and the issues of governance, ethics and financial reporting associated with it. They shared their experiences with me and I am grateful for this.

Christopher Lewis, the Very Revd Dean of Christ Church, made me reflect on the similarities between business, religious practices and liturgies, something I then developed in a few works of mine and tried to incorporate in some of the chapters of this new edition.

Danielle Logue's help was fundamental at a time when it was difficult to progress with the work and her assistance made me regain the right pace, at least for a little while! Some colleagues have passed me their papers and unpublished work for me to look at and get inspirations. Carlos Ramirez and Marc Ventresca are amongst these and I am grateful for this. More than anyone else, Cristiano Busco has provided me with a lot of material that we are using in joint works and that is reproduced in this new edition. I want to thank him for not having doubted even for a second that I could use that material here.

Some young economists have given us the courage to write that the training in mainstream economics and finance courses is similar to religious indoctrination and inculcates in students a doubtful ethical attitude towards the world. Of course responsibility for what is written is only ours but Charles Brendon, Emanuele Ferragina, and Ferdinando Giugliano have spent time reading some of the material now reproduced here and for this we are very grateful.

Julia Ortega at IE Business School helped in editing pictures and references and deserves a lot of thanks for the time she helped me to save.



The last part of this book was written during my visit to Stanford University School of Education as Fulbright New Century Scholar to study business education. Some of the reflections prompted by this project have been incorporated in the book (and made me think of at least another one!) and I have to thank the generosity of the Fulbright Commission for having made these reflections possible. At Stanford, the hospitality and intellectual stimulation of Francisco (Chiqui) Ramirez has been crucial in setting the tone of some of the latest material I worked on. Chats with Gili Drori, John Meyer, Woody Powell, Mitchell Stevens, Marc Ventresca and the colleagues at the various workshops held at the Stanford Humanities Center have been extremely useful in helping me to understand how important a move back to the humanities and education is in business training.

Last but not least, this book would not have been completed without the patience, help and stubborn will to see it finished of Nicole Burnett and Steve Hardman at John Wiley & Sons, Ltd. Thanks to them for having been so nicely polite when I delayed the date of delivery of the manuscript for the *n*th time, and for being supportive for the entire duration of the project.

This is not the first time-consuming project that I have carried out. Sabrina, my wife, knows this far too well. She has all of my gratitude for her incredible patience, fantastic support, and undeserved love. However, this is certainly the first project that has taken away my time with our little ones, Vittoria and Carolina. Therefore this book is dedicated to them, in the hope that when they hear the word “Papà” they do not turn to a PC or pick up the phone believing that their father strangely preferred to live in them rather than at home. Kids are the best for looking at things from new perspectives and make us all aware of a need for a change in our point of observation. This book is written in response to that need.

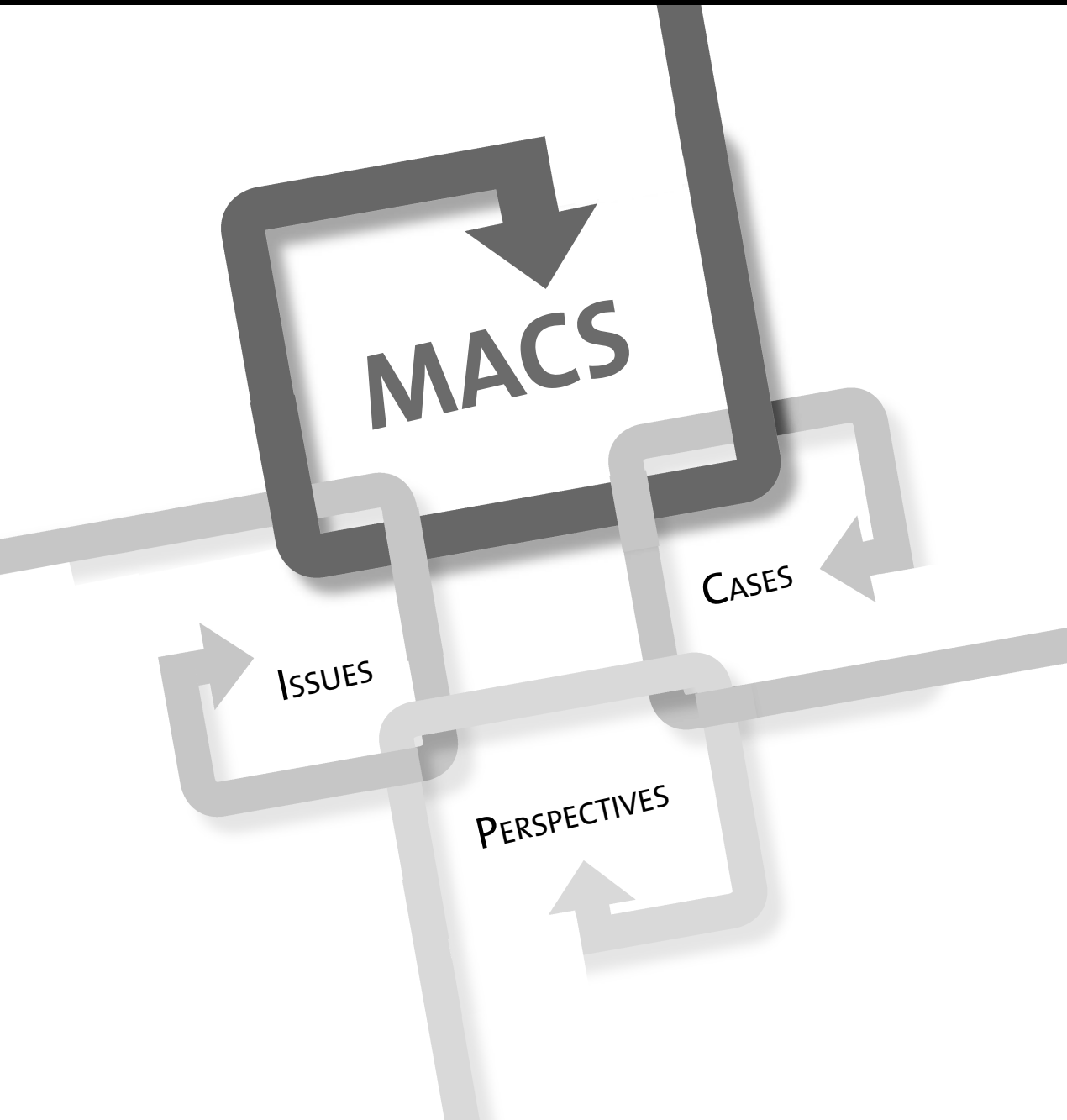
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# About the Authors

**Paolo Quattrone** is Professor of Accounting and Management Control at IE Business School, Madrid. Before joining IE, he was Reader in Accounting at the Saïd Business School and Official Student (i.e. Fellow) of Christ Church at the University of Oxford. A truly international scholar, he has conducted research and taught at the Universities of Catania, Kyoto, Madrid *Carlos III*, Manchester, Oxford, Palermo, Siena, Stanford and Luigi Bocconi of Milan. Paolo Quattrone has published widely on the interface between management control and information technologies, the history of accounting and management practices and thinking, and the managerialization of higher education institutions. He has been recently awarded a Fulbright New Century Scholar award to conduct research on the changes in business education. Professor Quattrone is also a member of the Standing Scientific Committee of the European Accounting Association, and he serves as book editor for the *European Accounting Review*. He also sits on the editorial boards of major academic journals such as *Accounting; Auditing and Accountability Journal; Accounting Organizations and Society; the British Accounting Review; Critical Perspectives of Accounting; the Accounting Historians Journal; Journal of Management and Governance; Organization; and Qualitative Research in Accounting and Management*.

**Norman B. Macintosh**, Professor Emeritus at Queen's University, Canada, has published widely in refereed accounting and organizational behavioural journals, and has been on the editorial board of eight accounting journals. His research into accounting and control systems has drawn on a number of disciplines including: human relations, psychological behaviour, organizational theory, sociology, philosophy, history, philosophy, and post-structuralism. He has served as visiting professor and invited seminar presenter at universities around the world and has been active in presenting conference papers including keynote and plenary sessions. He has served on the executive of the American Accounting Association and as Chair of its Accounting, Behavior and Organizations Section and he received the Canadian Distinguished Contribution to Accounting Thought and the Outstanding Contribution to Accounting Education awards. He has developed executive education seminars on accounting, control, and information systems and has served as consultant to large multinational firms and small businesses.

# AN INTRODUCTION TO MACS: ISSUES, CASES, AND PERSPECTIVES







# Issues: Why Management Accounting and Control Systems (MACS)?

**In this chapter:**

- 1.1 Why are MACS so Important?
- 1.2 What are MACS?
- 1.3 The Structure of the Book

## 1.1 Why are MACS so Important?

Control might be the most contentious word of our time. Half of the world thinks of control as coercion and oppression and protests that we should have less of it; the rest believes that society is pretty much out of control and that we need more of it. Either way, and regardless of one's political stance, control is a phenomenon that requires careful study if we are to make sense of our world. This book is about one very important and specific sort of control: *management accounting and control systems* (MACS).

It is not too great an exaggeration to say that MACS are so important and ubiquitous today that, if accountants and information people wrapped up their systems and took them home, the whole process of producing society's material goods and services, along with the governance of the social order, would grind to a standstill. Banks would close, factories would produce goods at random, supermarkets would be out of many products and overstocked on others, police would arrest and release the wrong people, and the military would

not have a clue which way to point their missiles. These controls are the central nervous system of the immense organism that we call “society,” although sometimes people believe that they are only an unimportant technical matter.

Even in the early part of the twentieth century, MACS were recognized as essential to the affairs of large corporations. Firms such as BP, Deutsche Bank, FIAT, and Shell in Europe and DuPont, General Motors, Sears, Standard Oil of New Jersey, and Bethlehem Steel in the US all developed early forms of management accounting and control. It should be no surprise that issues of control have always existed and date from much earlier than the rise of corporations as we know them nowadays. Think of the Kingdom of Egypt,<sup>1</sup> the Roman Empire, the administrative features of medieval and modern religious societies:<sup>2</sup> MACS have always been there, in various forms and degrees, functioning in different ways and following various aims but all geared towards ensuring some kind of order. They are an integral part of the systems attempting to govern organizations, corporations and whole societies<sup>3</sup> and trying to guarantee their survival and endurance.

As Alfred Sloan, former chief executive officer (CEO) of General Motors, explained in his memoirs:

Financial method is so refined today that it may seem routine; yet this method—the financial model as some call it—by organizing and presenting the significant facts about what is going on in and around a business, is one of the chief bases for strategic business decisions. At all times, and particularly in times of crisis, or of contraction or expansion from whatever cause, it is of the essence in the running of a business. (Sloan, 1963, p. 118)

The globalization of these same corporations, along with newcomers and their counterparts in other capitalist countries, the spread of managerial thinking, and the role played by large transnational consulting firms have made financial controls even more vital today. When controlling a highly complex and multifaceted operation in over 150 countries around the globe, a common language is essential. That language, even more universal today than English, is accounting and finance.

*Management accounting and control systems* are the principal means by which a few meganational enterprises virtually rule our contemporary world. Journalist Janet Lowe, in her carefully researched and disturbing book, *The Secret Empire*, convincingly documents how 25 multinational corporations, which developed out of the reach of public control, have become the new center of power of the world. Similarly, Michael Hardt and Antonio Negri have illustrated that this empire has now spread across national boundaries at the expense of large numbers of citizens. Its combined financial resources—sales and assets—exceed that of all but half-a-dozen or so nation states. The men at the desks at the top of these meganationals (there are virtually no women at the top) run their vast empires with highly sophisticated financial control systems.<sup>4</sup> These allow them to govern vast conglomerates of human and financial resources at leisure from their soft chairs, without having to move from their beautiful offices at their headquarters. Management accounting and control systems are an integral part of this staggering development.<sup>5</sup> These goliaths could not exist without them.

## 1.2 What are MACS?

This book is about MACS. Sometimes they are referred to as *planning and control systems*, sometimes *management control systems*, and sometimes simply *control systems*. We call them *management accounting and control systems* to signal our primary concern with management accounting systems such as the annual operating budget for a division of a multinational conglomerate, or a standard costing system for a factory, or a case-mix costing system for a hospital. This is control in the tactical sense.

If understood in this narrow sense, management accounting may seem fairly easy to define. It is

the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of information that assists executives in fulfilling organizational objectives . . . a formal mechanism for gathering and communicating data for the ends of *aiding* and *coordinating* collective decisions in light of the overall goals or objectives of an organization. (Horngren and Sundem, 1990, p. 4)

However, management accounting is also about control in its broad sense. Strategic planning systems, standard operating rules and procedures and informal controls such as charismatic leadership and the fostering of a clanlike atmosphere are examples of how complicated it is to make someone do something. This is control in the large. So we use the term “control” to signal that the book also deals with other related administrative devices that organizations use to control their managers and employees. “Control” has an interesting etymology dating back to the Latin *contra*, “opposite,” and *rotulus*, “a script,” and draws upon an opposition between two poles: a “rôle” a (role-player) who acts to a script, and a “contre-rôle” (counter-role), which monitors the role player’s compliance. This etymology says a lot about the purpose of control: it is about making sure (or having the impression) that someone and/or something that plays a “role” (for instance an employee or a machine on the shopfloor) follows the script. Yet, there needs to be a wise balance between an excess of control, which would lead to resistance and organizational turmoil, and a lack of it, which would cause organizational chaos and disintegration. How and why such a balance exists is a matter of effective control. This book is about understanding it.

Our premise is that management accounting systems are only a part, albeit usually a very important part, of the entire spectrum of control mechanisms used to motivate, monitor, measure, and sanction the actions of managers and employees in organizations and to coordinate these with the other components that make organizations what they are: machines, information and communication technologies and the like. So, to understand the workings of management accounting systems fully it is necessary to see them in relation to the entire array of control mechanisms used by organizations. Our aim is for the reader to develop a strategic perspective of MACS in this larger context.

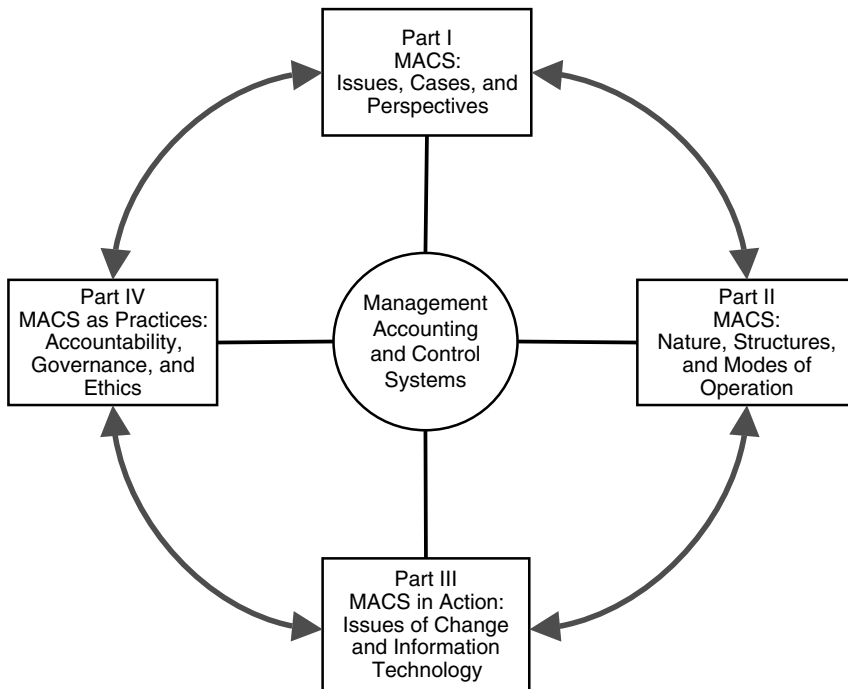
## 1.3 The Structure of the Book

The book has four parts as illustrated in Figure 1.1.

Part One introduces the issues that the book intends to address. It defines the contours of MACS. These are then exemplified in Chapter 2, which provides the empirical base of the book. In that chapter we will introduce four cases that contribute to a clear understanding of the features, problems and practical considerations involved when dealing with MACS. Part One also outlines various perspectives from which MACS can be considered. These have been arranged into two groups for simplicity.

The first main group of perspectives is characterized by a strong and positive belief in “reality” and is made of three further subgroups. The first subgroup posits individuals and individual agencies as the cornerstone of theorization on MACS. The second subgroup takes the organization as the pillar for theorization. In the third subgroup, certain contextual factors, such as the social environment in which individuals and organizations operate, shape the contours, purposes, uses and functioning of MACS.

The second main group of perspectives is characterized by a strong belief in the constructed nature of MACS—that is, they do not have given features and purposes but, rather, their features are defined in networks of relationships. Three further subgroups seek to explore this relationist view. The first focuses on the interaction between structures and



**Figure 1.1** The structure of the book

agencies; the second takes the notion of practice as the key element to study MACS; and the third views actors as networks and thus espouses a view of MACS as key nodes in a nest of business and organizational relationships.

Part Two deals with the *nature, structures and modes of operation* of MACS. Chapter 4 views these systems as dealing with issues of information and power, and how this creates forms of organizational control. The focus on information and how it creates power within organizations helps us to link economic views of MACS with other more sociologically informed views. Chapter 10 will address this relationship between information, knowledge and power as part of one of the specific aspects of the way in which MACS work in practice. Chapters 5 and 6 deal with the structure of MACS—that is, the mechanisms that are put in place within organizations to make control operate at various levels. We will deal with the dilemma of markets versus hierarchies to address the problem of resource allocation and how, within hierarchies, various mechanisms of control (mechanical, organic, cybernetic and strategic) are operationalized to make sure that some kind of organizational order is achieved. This description is then integrated, in Chapter 7, with the various modes of operation that control systems can present in different organizational forms and environmental situations.

Part Three presents a shift from the analysis of these systems as abstract formulations, and as generalizations from practice, to a discussion of the ways in which these systems work in daily organizational action. Chapter 8 will describe various models of change to explain how MACS participate in, and are shaped by, processes of organizational change. Amongst the changes that have characterized the recent evolution of these systems is the now-ubiquitous presence of information technology (IT) as an integral part of organizational control, not only in the form of microtechnology but also at a level where it affects notions of control and its functioning. These issues are discussed in Chapter 9.

Part Four looks at MACS *in* and *as* practices. In particular, Chapter 10 views these systems as an integral part of the mechanism of social order directed to the exercise of power and the creation of specific kinds of citizens and people. This happens through particular mechanisms of control in various organizations, which make some behaviors more appropriate than others; through the combination of organizational and macroinstitutional pressure to make societies ordered and citizens governable; and, finally, through the existence of specific training regimes that inform and shape the ways in which MACS are enacted in practice, and lead to the creation and pursuit of specific visions and notions of rationality. Chapter 11 deals with these issues at an ethical and societal level and views issues of control, governance and accountability not simply as organizational problems but as specific forms of arranging and governing societies. Management accounting and control systems are seen as possessing the ability to cement or disrupt organizations and societies.

The book intends to cover some conventional themes of accounting and control but from a different perspective. In doing so, it seeks to provide a perspective rather than offering a complete view on these issues. We are aware that some themes are not treated in the book (for example the growing phenomenon of interorganizational relationships) but we hope we can provide the tools to equip the reader with a different approach to view them. And we may still deal with them in a future edition of the book!

## Endnotes

1. See Ezzamel and Hoskin (2002).
2. Quattrone (2004, 2009).
3. See, for instance, Miller and O'Leary (1987).
4. For an inside look at how these meganationals are run with financial controls, see Sampson's exposé (1974) of the rise and fall of International Telephone and Telegraph Company (ITT).
5. See Latour (1987) and Quattrone and Hopper (2001, 2005). The ethics of this kind of concentration is addressed in some detail in Part Three of this book.

## Further Readings

Those who are interested in knowing more about current issues in MACS can look at:

- Bhimani, A. (ed.) (2006) *Contemporary Issues in Management Accounting*, Oxford University Press, Oxford.
- Chapman, C., Hopwood, A. and Shields, M. (2007) *Handbook of Management Accounting Research* (2 vols), Elsevier, Oxford.
- Drever, M., Stanton, P., McGowan, S. (2007) *Contemporary Issues in Accounting*, John Wiley & Sons, Inc., New York.
- Hopper, T., Scapens, R., Northcott, D. (2007) *Issues in Management Accounting* (3rd edn), Prentice Hall, Financial Times, London.
- Macintosh, N., Hopper, T. (eds) (2005) *Accounting: The Social and the Political*, Elsevier, Oxford.

# Cases: Building the Empirical Basis of the Book

**In this chapter:**

- 2.1 Introduction
- 2.2 The Society of Jesus
- 2.3 Wedgwood Potteries
- 2.4 Empire Glass
- 2.5 Johnson & Johnson
- 2.6 Summary and Conclusions

## 2.1 Introduction

Management accounting and control systems are intrinsically practical. This does not necessarily mean that they originate from the realm of practice (they may—but not always and not exclusively) but these systems are created, in most cases, to be operationalized, to be implemented, in other words to be “practiced,” even though sometimes they are not.<sup>1</sup> In fact, sometimes accounting calculations are not used for decision making but only to legitimate decisions already taken.<sup>2</sup> However, the intent is to have them appear as if they can deliver something useful and, indeed, often they do. Thus there is no real schism between theory and practice—for a system to be practiced requires a great deal of theoretical understanding of how people think, how machines work and how organizations behave.

What follows is a series of four case studies of MACS. They illustrate the subject matter of this book in some detail and provide it with empirical support. The case studies are: the Society of Jesus, Wedgwood Potteries, Empire Glass, and Johnson & Johnson. Each case represents an instance of a control system that is well thought out and effective in its

design, its structure, and how it works—its process. Each study is inextricably linked to a very well-defined historical era (the Early Modern period, the beginning of the Industrial Revolution, the post-Second World War period, and the late twentieth century capitalism, respectively). We will refer to these studies throughout the book.

These cases reveal the technical evolution that has taken place in accounting and control systems over the past four and a half centuries. However, rather than treating them simply as demonstrating the state of the art in management accounting and control in four different eras, we want to use them to illustrate different degrees of complexity in accounting and control matters, which are not necessarily related to a linear evolution of these notions and practices. In this respect, the cases are examples of how management accounting and control issues can be interpreted from different perspectives. Technical evolution is important but how we see management accounting and control in trying to understand how they work is also important, if not more so.

The Jesuit case illustrates the surprisingly complex machinery of controls that the Society of Jesus developed after its foundation in 1540. The Wedgwood Potteries case describes a 1770s management accounting system—one of the first at the dawning of the Industrial Revolution. Empire Glass documents the almost textbook design and use of financial controls in the early 1960s in the bottle-making division of a packaging industry giant. The Johnson & Johnson case shows how a very successful multinational healthcare conglomerate uses its sophisticated MACS to manage its sundry subsidiaries spread around the globe. We begin with the remarkable story of the Society of Jesus and its fascinating “accounting for sins.”

## 2.2 The Society of Jesus<sup>3</sup>

The Society was founded by Saint Ignatius of Loyola (1491–1556) in 1539, and received the formal approval of Pope Paul III through the Papal Bull *Regimini militantis Ecclesiae* on 27 September 1540, taking the Italian name of *Compagnia di Gesù*. Originally, the project of Ignatius and his companions was to go to Venice, from where they were to embark on a “pilgrimage to Jerusalem in order to engage the ministry there.” They went to Rome and offered their services to the Pope, but only because they did not find a passage to the Holy Land.<sup>4</sup> This says much about how chance and serendipity affect people and organizations.

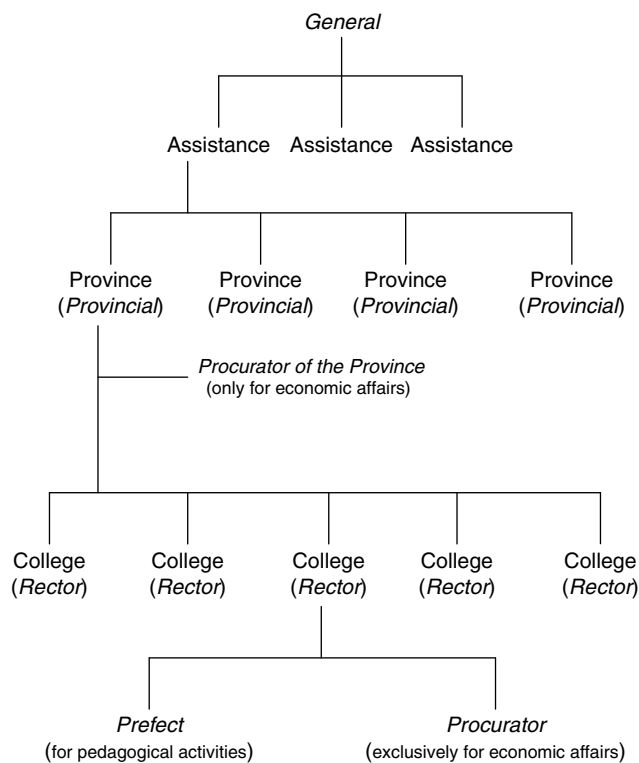
The principles for structuring the Order were outlined in the *General Constitutions* of the Society. They made it a very hierarchical organization. It was organized in Assistances (e.g. Italy) and Provinces (e.g. Sicily), to which the Jesuit Colleges and Houses belonged. Assistants, Provincials, and Rectors were appointed directly by the General of the Society, who was elected by a General Congregation and placed at the top of this hierarchy. The General, the Provincial, and the Rector were assisted by a Procurator, who was in charge of administrative and accounting issues. The Rector was also supported by a Prefect, who dealt with pedagogical issues. It should not be surprising to see hierarchical forms of organization so early in the history of modern times for, in fact, hierarchy comes from *hiereus* (priest) and *hieros* (what is holy), and *arkhe* (rule): hence sacred or priestly rule<sup>5</sup>—an etymology that is illuminating but always forgotten.



The Order’s activities mainly concerned its missions around the world, the education of members and young lay pupils, and various businesses that provided resources for this (education was, in fact, provided free of charge). Despite the supposed rigidity implied by the hierarchical structure, the Order was characterized by great flexibility and a capacity for adaptation to the most disparate lands and situations in which it operated (for instance, the Jesuits successfully reached India and Japan before the end of the sixteenth century). This approach was facilitated by a system of self-discipline, outlined in the *Spiritual Exercises* and inserted in the grand design of the *Constitutions*. Central to these *Exercises* was the individual and his self-control.<sup>6</sup> In order to achieve this combination of control and flexibility, the Order developed three forms of accounting and accountability in the various activities they carried out, which presented remarkable similarities. These systems are described below.

### Accounting for the College

The College (see Figure 2.1) represented the primary unit of the Jesuit organization and it was here that the main peripheral activities of the Order were conducted. Generally, each College had several sources of income: legacies and annuity payments (for the foundation



Source: Reproduced from Quattrone, P. (2004), with permission of Elsevier.

**Figure 2.1** The hierarchical organization of the Society of Jesus

of the College and for donations received), farms, and rents (from letting houses and from leasing land and small farms).

Figure 2.2 illustrates the typical *Entrata e Spesa Generale* of a Sicilian College (AD 1665), in this case the *Casa del Noviziato* of Palermo. Examples of the accounts include: *Viatici* (travel expenses), *Elemosine*, (donations given and received), *Porto di lettere* (expenses for correspondence), *Infermeria* (infirmary), *Contribuzioni diverse* (contributions to the Province), *Salari diversi* (wages for people employed in the house), *Loheri di case* (rents and relative maintenance expenses), *Magazzini* (warehouse for such foodstuffs as wine, grain, and oil), *Spesa ordinaria* (food purchases for the house), *Forno* (bakery expenses), and *Masserie* (expenses and revenues related to the management of farms). Each of these accounts represented a revenue and/or cost center for which a Jesuit member was responsible.

The College's economic activities were formally regulated through the directives that emanated from the *Instructio pro administratione rerum temporalium collegiorum ac domorum probationis Societatis Jesu*, written by Valentino Mangioni S.J. in 1649. The *Instructio* ruled the relationships among the Provincial, the Rectors of the various colleges and the Procurators of the colleges. These rules, in brief, concerned what today would be described as management control and auditing. The Provincial's main concern was to ensure that the directives received from Rome were implemented in the various Colleges of the Province. He made periodical visits to the Colleges or sent an assistant (the *Padre visitatore*) to perform this task and to check the accounting books of each College under his jurisdiction.

The image shows two pages of a handwritten accounting ledger from 1665, titled "Entrata e Spesa Generale" of the Casa del Noviziato of Palermo. The pages contain multiple columns of text and numbers, detailing various expenses and revenues in Italian. The handwriting is in a cursive script typical of the 17th century. The left page has a header "1665" and a title "Entrata e Spesa Generale". The right page has a header "1665" and a title "Entrata e Spesa Generale". The entries are organized into columns, with descriptions of expenses and revenues on the left and numerical amounts on the right. The entries include various categories such as "Viatici", "Elemosine", "Porto di lettere", "Infermeria", "Contribuzioni diverse", "Salari diversi", "Loheri di case", "Magazzini", "Spesa ordinaria", "Forno", and "Masserie". The numbers are written in a mix of digits and letters, representing the currency of the time.

Source: © 2009 Archivio di Stato di Palermo.

Figure 2.2 The profit and loss account (*Entrata e Spesa Generale*) of the *Casa del Noviziato* of Palermo (1665)

The Rector and the Procurator of the College had to be prepared to provide the Provincial on demand with an account of the state of College affairs.

The success of the Sicilian Province may be partly attributed to the fact that the Procurator of the Province was Ludovico Flori, the well-known author of *Trattato del modo di tenere il libro doppio domestico col suo esemplare* (1636), an accounting treatise expressly written for the Sicilian Colleges.

The double-entry accounting system described by Flori in the *Trattato* was an effective combination of analysis and synthesis. It contained a detailed chart of accounts (*Lista* or *Rubrica*), and the profit or loss shown in the income statement (the *Entrata e Spesa Generale*) was the result of a progressive aggregation of the revenues and expenses generated by each “business area” of the College.

The features of the Society’s accounting system are interesting and surprising. They show that sophisticated accounting techniques were in place for management control as early as the sixteenth century. However, as we stated in the previous pages, we do not want to use these cases to show the development over time of MACS. With the Jesuit case, instead, we want to show how these are rarely only an economic matter.

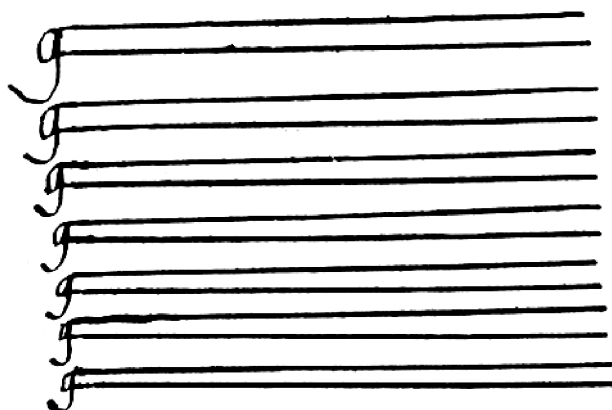
In order to do so, we now explore the other forms of controls that the Society deployed since its foundation. This will also explain why the more conventional bookkeeping of the College was so sophisticated: it originated not only from a need for economic control but from a need for the control of each Jesuit and his soul.

## Accounting for Sins

The basis of the control system of the Society was the Ignatian Spiritual Exercises and the accounting for sins described therewith. In the first week of the Exercises, the exercitant was asked to make “a moral inventory” of his life<sup>7</sup> through an examination of conscience intended to prepare the soul for confession. He was asked to interrogate himself on his daily sins. For each sin committed from the moment of rising until the first examination, the exercitant was required to enter a dot on the upper line of the first “g” (which probably referred to the Italian word *giorno*, day), as shown in Figure 2.3. This step was followed by “one’s resolution to do better during the time until the second examination” (SE, 25), which was made that night after supper. At that time other dots were placed on the lower line of the “g,” and the letter was examined to see if the situation had improved or worsened over the course of the day. This examination was to be repeated each day of the week (from Sunday, the biggest “g,” to Saturday, the smallest one).

Through this examination, a distinction was established between the controller and the controlled. This distinction constitutes the cornerstone of every system of accounting, accountability and management control. Interestingly, the distinction existed even without a physical distinction between these two figures: the distinction only occurred here thanks to the inscription of the sins on a piece of paper, which made the Jesuit member reflect on his “self.”

Thus the Exercises constituted a building block of the Jesuit Order’s accountability and management control system: a continuous process of definition, which allowed both control (through examination) and flexibility. The Exercises pay obsessive attention to categories.



Source: Geymonat (1970).

**Figure 2.3** Accounting for sins in the Ignatian Spiritual Exercises

The Exercises were organized as a hierarchical tree in which each exercise was divided into prayers, preludes, points, and colloquy, and these, in turn, were subdivided into other more analytical categories.<sup>8</sup> It is not surprising, then, that the accounting treatise by Flori, the dispositions of the *Instructio*, the organization of the various forms of controls within the College and elsewhere in the Order reflected this way of viewing and organizing the world. In other words, the Exercises created and transmitted to the Jesuit member a sort of “accounting” passion, which would have shaped his entire life and his range of activities. The same passion for accounting also characterized the *Accounting for the Soul*.

## *Accounting for the Soul*

The Society of Jesus grew very rapidly and by 1615 the Order attained a worldwide presence, with 372 Colleges and 123 Residences (*Domus Professae*) for its c.13 000 members. These numbers show that the Society was an organization of considerable size.

Keeping the periphery close to the Jesuit headquarters in Rome required a constant flow of information from the periphery to the center and vice versa. The form and timing of all correspondence was thus strictly prescribed in the *Formula Scribendi* in order to facilitate storage and access in the general archive of the Society in Rome (the Archivum Romanum Societatis Iesu). This archive constituted more than a collection of letters. Given the amount of information it stored, it was an instrument of governance and management control.

The *Catalogi* were most important items in this correspondence, and in particular those sent every three years—the *Catalogi triennales*—which comprised three parts. The first, the *Catalogus primus* gave personal details about the members (i.e. name, surname, age or date of birth, place of birth, role within the Order) (see Figure 2.4, where the record No. 22 refers to Lodovico Flori, author of the famous *Trattato* (1636)).

The second, the *Catalogus secundus*, gave personal details about the character and attitudes of each member.

	Alfonso Cypriano	Alfonso	Alfonso	Vincent	Thomas Jovis	Alfonso	Alfonso	Alfonso	Alfonso	Alfonso
17	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
18	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
19	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
20	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
21	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
22	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
23	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585
24	Vincenzo Cipriano	Alfonso	1585	1585	1585	1585	1585	1585	1585	1585

Source: © 2010 Society of Jesus.

**Figure 2.4** *Catalogus primus*

The *Catalogus secundus* was also called *secretus*, for it did not report the names of the Jesuit members on whom the information was collected. In order to know the identity of the member, one was required to match the ordinal number on the page of the *Catalogus secundus* with the number and name of the Jesuit member as it appeared in the *Catalogus primus*.<sup>9</sup> Only the recipient of the two *Catalogi*—i.e. the controller—could therefore identify to which Jesuit member the evaluations referred. The *Catalogus tertius* gave details about economic activities, reproducing the balance sheet of each College—information that was then “consolidated” in the *Stato temporale dei Collegi d’Italia*, a book that summarized all the balance sheets of the Italian Colleges.

The *Catalogus secundus* (see Figure 2.5) represented what could be called *accountability for the soul*. The dimensions chosen in the heading of each column (ingeniousness, intellect, prudence, experience, ability to profit from studies, character, and talents) made visible those aspects of the soul that were important in making the good “soldier,” the good teacher, the good “manager”: in short, the good Jesuit. Through a methodical assessment of each Jesuit by grading and ranking the qualities mentioned above in a four-point scale

	Jesuit	Province	Province	Very Reverend	Superior	Mentor	Tutor
1	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...
3	...	...	...	...	...	...	...
4	...	...	...	...	...	...	...
5	...	...	...	...	...	...	...
6	...	...	...	...	...	...	...
7	...	...	...	...	...	...	...
8	...	...	...	...	...	...	...

Source: © 2010 Society of Jesus.

**Figure 2.5** *Catalogus secundus*

from *malus* to *optimum*, this set of practices highlighted some aspects of Jesuit life while obscuring others.

The upper left corner of the form, which is a matrix with the people on the vertical axis and the qualities requested/monitored on the horizontal axis, represented an imaginary eye overlooking each individual member of the society. “Accounting for the soul” and “accounting for sins” of the Spiritual Exercises allowed the General to supervise (*episcopio*) his Order. Paraphrasing Latour (1987, p. 220), through the accurate and recursive process of accumulation of information on the Jesuit members, Colleges, and Provinces, the General could now *see* them, at leisure, in his own office in Rome, without any pressing need to visit them. He was able to act at a distance through the accounting devices (Robson, 1991, 1992) which were developed in the various geographical and virtual spaces that the Order created and occupied. The General was thereby empowered, an attribute reflected in his nickname, the “Black Pope,” after the color of his garments.