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TOWARD A POST MODERN UNDERSTANDING OF ACCOUNTING: RELATIONALISM AND ACCOUNTING RESEARCH

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Abstract — Post-modern accounting research has rapidly developed over the past ten years, centered in Britain. In this paper, the most fundamental underlying pattern of post-modern accounting research: “relationalism” thought will be taken up and examined. Seen from the relationalism standpoint, the dual aspects of accounting are evident. One aspect is that in which accounting, as a network of relations, is creating a reality; the other aspect is that in which accounting itself is formed as a knot of the network of relations. We will discuss the first aspect by citing Hopwood’s arguments, and the second aspect by focusing Miller’s.

Keywords: post-modern, relationalism, the dual aspects of accounting

“A human activity called ‘accounting’ is a social action requiring an expanse and depth of thought far surpassing popular public ideas and even the common beliefs of accountants” [Aoyagi (1991) p.1].

INTRODUCTION

Some time has elapsed since the notion of “post-modern” thought was first introduced as opposed to “modern” thought. The use of the term “post-modern” ranges widely from mild to radical. The author will not delve into the philosophical meanings of “post-modern” and “modern”, but in this paper we will assume that “post-modern” is a critical viewpoint of all the common “isms” that have been instrumental in building modern industrial society, most typically functional rationalism. The above mentioned word “viewpoint” was used to indicate that a distinction between “post-modern” and “modern” is made not as two preceding and succeeding periods in history, but as two concomitant thinking patterns. Consequently this paper is not intended to discuss accounting in a “post-modern” period, but is meant to cast light on accounting seen from a dynamic “post-modern” viewpoint.

Accounting, which we endeavor to study, is one of the contrivances intended to comprehend a shapeless world as a set of measurable or conceivable objects. Accounting has played an important role in the construction and maintenance of modern industrial society. From the “modern” viewpoint, or from the standpoint of favoring the development of modern industrial society, accountancy as a practical study can be considered as a body of knowledge for attaining functional rationality in accounting. Viewed from such a standpoint, the world can be rationally divided into objectively recognizable and measurable constituents so as to add efficiency to the activities of individuals, organizations and society. On the other hand, post-modernism would put questions to the modernism’s self-evident truths or targets, such as rationality, objectivity, efficiency, and so on.

Post-modern accounting research has rapidly developed over the past ten years, centered in

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Britain, and more recently, notable works have also been produced in Japan [Aoyagi (1991), Ishii (1991) and Takatera (1992)]. Nevertheless, although post-modern accounting is introducing an extremely important perspective to the study of accounting, it still has a long way to travel before fully penetrating into the accounting fields in Japan, basically for two reasons: first, the methodologies needed in the post-modern studies must be found outside traditional accounting; second, these methodologies themselves are in the process of rapid ramification, making it difficult for traditional accounting researchers to understand just what concepts, ideas and discourse are involved. In this paper, therefore, as the most fundamental thought pattern underlying post-modern accounting study, "relationalism" thought is taken up and examined.

BASIC THOUGHT IN RELATIONALISM ACCOUNTING RESEARCH: REFLECTION ON A.G. HOPWOOD'S ARGUMENT⁽¹⁾

Relationalism thought rejects the traditional substantialism which holds that substance exists independently by itself; relationalism thought holds that the basis of existence for substance is formed in a network of relations, with the knots of the network serving as the places where events occur. By now, the relationalism has permeated human, social, and natural sciences to various extents, and "the conversion to the relationalism view of existence has reached the point of no return" [Hiromatsu (1990) p. 16]. This is no exception in accounting research, as relationalism thoughts are being introduced into the accounting field in diverse forms.

Seen from the relationalism standpoint, the dual aspects of accounting are evident. One aspect is that of accounting, as a network of relations, is creating a reality by formulating relations among individuals, organizations and society; the other aspect is that in which accounting itself is formed as a knot of the network of relations among individuals, organizations and society. In other words, the basic idea in relationalism accounting study is the dual nature of accounting which creates and maintains the social and economic realities as a network of relations while at the same time being under the control of the same network.

Of the two aspects of accounting, let us first consider the one in which accounting creates social and economic realities. In this respect A.G. Hopwood has expressed the following idea:

"Through its intertwining with notions of accountability and responsibility, accounting has played a role in the reconstitution of organizational agents and actors, enabling different configurations of organizational arrangements to exist. By extending the range of influence patterns within the enterprise, by creating different patterns of interaction and interdependence, and by enabling new forms of organizational segmentation to exist, accounting has played a positive role in both shifting the preconditions for organizational change and influencing its outcomes. By its routinization of information flows and the ways in which it imposes a spatialization on time, it has changed conceptions of the past, the present, and the future, contributing different saliences to each, which in turn have moderated temporal preferences and emphases, and thereby, organizational actions." [Hopwood (1987a) p. 57]

This paragraph contains a number of the essences of the accounting theory based on relationalism thought. First, Hopwood asserts, "Accounting has played a role in the reconstitution of organizational agents and actors, enabling different configurations of organizational arrangements to exist." This sentence unquestionably points to the creative role of accounting, which he has repeatedly emphasized. According to Hopwood, "Accounting provides a way of making visible the internal functioning of an organizational economy" [Hopwood (1986) p.

(1) The author's understanding of Hopwood's accounting theory is described in detail in Kokubu [1992].

14]. In other words, by making visible abstract concepts such as “cost” or “profit”, accounting influences organizational structures and behavior. Hopwood further argues, “The visibility so created by accounting is not, however, a mere recording of what is otherwise there. The facts which enter into the organizational accounting are not merely collected but more actively created by the accounting craft” [*ibid*]. Here, Hopwood criticizes the traditional view that accounting must be a reflection of substance, and he stressed the aspect of accounting in which it creates realities⁽²⁾. “No one has yet perceived a cost, or a profit for that matter. They are abstract and conceptual phenomena, creations of the human intellect, forged and shaped by economic, social and institutional forces” [Hopwood (1990) p. 9]. And “it has been the accountant who has been concerned with making the abstract concept into a concrete instrument of governance in organization and society at large” [*ibid*].

Moreover, Hopwood touched upon active relations between accounting and such metaphysical concepts as space and time. The relation between accounting and space, as considered by Hopwood, means the demarcation of the cost center, profit center, investment center and other organizational units by accounting expressions. “Accounting is no less significant for facilitating the ordering and control of the spatial dimensions of organizational life” [Hopwood (1986) p. 18]. Regarding relations between accounting and time, accounting information is thought as what determined organizational actors’ view of time because all information provided by accounting is numerical information concerning the present, the past and the future; consequently, accounting/time relations serve to maintain, or sometimes confuse, orderly organizational behavior. Thus, it was stated, “Through standards, budgets and plans a language of time could more easily permeate organizational discourse, providing a temporal grid in which events can be located and managed” [Hopwood and Loft (1990) p. 66].

Hopwood’s perspective also covers relations between organizations and society, and he believes that accounting mediates interaction between organizations and society; then, through such mediation, accounting influences not only organizations and society, but also accounting itself. In other words, the organizational visibility and organizational units constructed by accounting are incorporated into a context called society, while at the same time accounting is creating this context itself. If such expressions are too abstract, we may consider the numerical value “profit” which was created by accounting. This numerical value is ingrained in the social context, as a figure closely associated with national taxes, decision making by investors and creditors, and expectations and criticisms of citizens; moreover, “profit” has an effect of changing the social context itself. Inversely, accounting also incorporates various social elements into organizations, as Hopwood points out, “Externally driven flows of information are entering internal organizational reports through accounting means” [Hopwood (1990) p. 11].

Hopwood, thus, is attacking the roots of traditional accounting and is emphasizing the aspect of accounting which creates social and economic realities. The foundation of his theory is relationalism thought which places accounting in the network which enables substance to exist and to change its position and shape, and he is striving to grasp accounting in action as much as possible⁽³⁾.

(2) Hopwood lays stress on the reality-creating aspect of accounting, but does not necessarily deny its reality-reflecting aspect. He considers the creation and reflection of realities by accounting to be two sides of the same coin.

(3) Hopwood attaches importance to the role or effect of accounting with the understanding that accounting is part of the network of relations, rather than to the concept of relations itself. To supplement this, a linguistic approach to the concept of relations appears most effective, as proven by Aoyagi [1991], who presented radically new ideas, assuming accounting to be a system of language.

NETWORK OF RELATIONS FORMULATING ACCOUNTING: REFLECTION ON P. MILLER'S ARGUMENT

Based on Hopwood's arguments, we have reviewed the creative aspect of the dual ones of accounting; that is, the aspect in which accounting constructs social and economic realities. This, however, is very abstract and is liable to give the impression that accounting has an autonomous power to create realities. Although there are scholars who concentrate their arguments on this creative aspect alone, in this paper we shall also pay attention to the other aspect of accounting; the one in which accounting is regulated by a network of relations. Among many approaches adopted by various scholars to investigate the second aspect of accounting, here we shall discuss the results of the accounting studies based on M. Foucault, particularly his theory on power.

Foucault criticized the traditional, substantialistic view that power is possessed by the ruler for the purpose of suppressing the ruled. Defining power as "the overall effect of (the dominant class's) positions – an effect that is manifested and sometimes extended by the position of those who are dominated" [Foucault (1977) pp. 26-27]. Foucault asserted that "one should decipher in it a network of relations, constantly in tension, in activity, rather than a privilege that one possess" [*ibid.*, p. 26]. This, in fact, is a grand relationalism theory on power, which considers the network of relations governing the arrangement of the dynamic world as the mesh of the net of power. Foucault depicted the process in which the "disciplinary power" penetrates modern society and eventually governs individuals, organizations and society by producing the means of "governmentality" [Foucault (1979)].

"Foucauldians," those researchers basing themselves on Foucault's theory, are actively revealing research results in the recent years in the accounting field. P. Miller, in particular, has made notable arguments through solo or joint studies, interpreting Foucault's concept of "governmentality" as the mechanism for formulating accounting, therefore society. In governing practices, Miller distinguishes two factors: programmes and technologies of government. The first "is the field of statements, claims and prescriptions that sets out the objects and objectives of government" [Miller (1990) p. 317]. For example, "growth," "efficiency" and "morality" may be obviously set forth as objects of government. The name "political rationalities" can be given to this aspect of government. However, "growth," "efficiency" and "morality" are still abstract terms which by themselves cannot effect government. Consequently, technologies of government are called forth. They translate objects and objectives of government into reality through their objectification and visualization, and makes the programmes of government amenable to intervention and regulation. Specifically, these technologies of government are skills to convert "growth," "efficiency," "morality" and other targets set by the programmes into maneuverable objects, most typically into numerical values. As a result of the mutual dependency between programmes and technologies, "the diverse domains of 'governmentality' are made up, that 'objects' such as the economy, the enterprise, the social field and the family are rendered in a particular conceptual form and made amenable to intervention and regulation" [Miller and Rose (1990) p. 5].

Miller sees the existence of a network of government behind the practice of transforming elusive realities into conceivable and maneuverable facts. To him, therefore, accounting whose essential task is to translate realities into measurable values is one of the most important instruments used in the technologies of government. He examines specific accounting practices to show that accounting always functions as an expert technique for the programmes and technologies of government under the influence of infiltrating "governmentality." Miller's field of

observation ranges widely, including, for example, interrelations between accounting and the State in 16th century France [Miller (1990)], standard costing and budgeting in the first three decades of 20th century America [Miller and O'Leary (1987)], Discounted Cash Flow (DCF) techniques in Britain in the 1960s [Miller (1991)], and national accounting in post-war France [Miller (1986)]. Here, taking up his studies regarding the DCF techniques in Britain and the standard costing and budgeting in early-20th-century America, we examine his basic perspective.

As the background of the widespread introduction of DCF techniques to private and state corporations in Britain during the 1960s, Miller focused on the British socio-economic context of that time in which the concept of "growth" was regarded as both a central political target and a measure of national economic performance [Miller (1991)]. "Whilst politicians and their economic advisers could not themselves control the decisions of individual enterprises, whether private or nationalized, persuading managers of the advantages of the technique of Discounted Cash Flow Analysis (DCF) held out the promise of delivering economic growth" [Miller and Rose (1990) p. 16]. DCF techniques were not developed by the British government and were of course not forced on corporations, but these techniques were utilized by their free will. Nevertheless, Miller asserts that, as the background of the widespread use of DCF techniques, there was a political rationality (i.e., the programme of government) aimed at "economic growth" under the influence of anonymous government or power; DCF techniques functioned as a technology to govern economic life not directly, but "at a distance" [Latour (1987)].

Miller and Rose made the following statement on the issue:

"Whilst the language of growth was one of the central features of the political rationality of the mid-1960s, to realize such an objective at the level of individual enterprises and in the public sector was far from easy. Even a government disposed towards the regulation and supervision of industry could not take over day-to-day investment decisions within private firms or even the Nationalized Industries. The technique of DCF analysis provided an ideal mechanism for such a situation. DCF techniques made possible a range of renewed attempts to govern economic life 'at a distance'. . . . The political rationality of growth and its orientation toward the future could be rendered operable within the enterprise by a technology which made the future actually calculable. The processes of calculation would take place at the micro-level of the enterprise, but they would henceforth be congruent with national economic growth. 'Growth' as an ideal to be sought, an objective to be realized and a rationality by which to evaluate society was to be delivered in the final analysis not by politicians and planners but by a multitude of local centers of calculation. A political programme, it was hoped, could be rendered operable by installing a technology of incessant calculation." [Miller and Rose (1990) p. 18]

Concerning the study of standard costing and budgeting in the United States in the first three decades of the 20th century [Miller and O'Leary (1987)], the focus was on the national-level pursuit of "efficiency" at that time. Miller and O'Leary noted that in the U.S. at that time a national movement to promote efficiency was present in the editorials, philosophical discourses and social writings produced in political, journalistic and governmental circles; in addition, eugenic policies, mental hygiene programmes, intelligence tests and other measures for socio-political management were taken for the attainment of higher efficiency. They claimed, therefore, that the accounting practices of standard costing and budgeting were elements of "governmentality" aimed at "efficiency." The basic understanding of Miller and O'Leary is that objects of government became publicly conceivable due to the word "efficiency," and also became controllable in the enterprise due to the introduction of standard costs and budgets in terms of numerical values. In other words, the government programme of "efficiency" was firmly established, or more specifically, a new social reality was constructed by the government technologies of standard costing and budgeting, which resulted in the construction of "governable persons" who were a more manageable and efficient entity. This analytical

perspective has much in common with the theory of "human accountability" advocated by Hoskin and Macve [1988].

Miller endeavored, rather than to gain a technical understanding of various accounting practices, to identify from the aspect of "governmentality" the mesh of the net of power relations that give rise to accounting practices. The development of his theory can be regarded as a result of research into the dynamic driving mechanism for the creative role of accounting advocated by Hopwood. The key concepts in Miller's theory are "power" and "government" as coined by Foucault.

CONCLUSION

We have reviewed accounting studies based on the relationalism thinking that reflects the post-modern viewpoint. According to these studies, accounting as a network of relations creates social and economic realities, while at the same time it is defined and formed by a network of power. This paper discussed the first aspect by citing Hopwood's arguments, and the second aspect by focusing on Miller's. Although there was a limit to the number of studies this paper could review, the basic ideas in the field of relationalism accounting study were outlined.

While an increasing number of studies on the dual aspects of accounting are underway, the next task in relationalism accounting study is the understanding of change in the network (or structure) of relations; this network, created by accounting, regulates accounting at the same time. The importance of this task is growing, as modern structural change is taking place in many areas of human activity, and a substantial change is not only predicted, but also felt in the accounting field, both in financial accounting and management accounting.

Although understanding of structural change has been a major challenge for the relationalism approach, promising methodologies are being developed in various fields related to accounting. For example, there is a self-organization theory concerning the ability of an organization to reorganize itself when a structural shaking has occurred. A. Giddens's Structuration Theory is based on the duality of structure where "social structures are both constituted by human action (agency) and at the same time are medium of this constitution" [Macintosh and Scapens (1990) p. 456]. P. Bourdieu explores the generative mechanisms of structures, using "habitus" as the key concept. Further, arguments propounded by the "Régulation" school economists in France who seek new economics based on the concept of "régulation" are also worthwhile. In particular, A. Giddens' Structuration Theory is already being introduced into the accounting field [Macintosh and Scapens (1990)]. It is certain that, with the help of these new theories, the analysis of change in accounting and in society, which is in a mutually regulating relationship with accounting, will be promoted even more. Thus, we are moving closer to an unraveling of accounting as "a social action requiring an expanse and depth of thought far surpassing popular public ideas and even the common beliefs of accountants."

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