MEMORIAL

Gordon Shillinglaw: Economist, Consultant, and Management Accounting Scholar

Geoffrey H. Burrows

INTRODUCTION

Gordon Shillinglaw was born on July 26, 1925 in Albany, New York, and died on March 31, 2012 in Mesa, Arizona. Although he is mostly known to more recent generations of accounting academics and students as the author of an undergraduate managerial accounting textbook (Shillinglaw 1961, et seq.) and as co-author of a work directed to the manager-education market (Gordon and Shillinglaw 1964, et seq.), his initial reputation was based on a cluster of influential publications covering a wide range of topics in the dozen years following the award of his Ph.D. These topics included discounted-cash-flow (DCF) analysis, divisional performance, transfer pricing, the determination of relevant costs, the treatment of leases in financial statements, and interim financial reporting.

Shillinglaw was raised in Albany, New York, the son of a state prison inspector whose wife died a year after giving birth to Gordon. He “spent his childhood being shuttled between the homes of aunts, uncles, and step-mothers.” Notwithstanding this disrupted childhood, because of his excellent school record, he enrolled initially at the University of Rochester and, as World War II developed, in the naval program at Brown University, from which he graduated AB (Naval Sciences) in 1945. This was in time to serve as an ensign aboard the USS New Orleans in two of the last battles in the Pacific Theater: in Okinawa and the Philippines. Following the cessation of hostilities he served briefly in China before returning to the U.S., where he completed his M.S. (Business Administration) at Rochester in 1948 and a Ph.D. in Economics at Harvard University in 1952, his dissertation topic being the effects of requirements contracts on competition, for which John Kenneth Galbraith was one of his supervisors. During 1951–1954 he was a consultant for Joel Dean Associates in New York City, from where he transferred to Massachusetts Institute of Technology. 1

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1 As recounted by his son Jamie Shillinglaw (https://groups.google.com/forum/?fromgroups#!topic/hastings-on-hudson-alumni/k6qrfoxbZ_U)
Technology and thence to Columbia University in 1961, where he remained until his retirement in 1990.

**EARLY WRITINGS**

Shillinglaw’s work as a consultant for Joel Dean in a rich variety of assignments strongly influenced his subsequent academic career. In a tribute to his sometime employer, Shillinglaw (1991, 231) credited Dean with translating microeconomic theory relating to “resource allocation decisions, based on postulated relationships among volume, costs, and profits in different market situations” to a practical set of notions for “use by rational business managers.” These notions permeated Dean’s *Managerial Economics* (1951a), a term that Shillinglaw (1991) believed was invented by Dean himself and ultimately had a profound influence on the management accounting literature.

Shillinglaw joined Dean at a critical time in the promulgation of DCF concepts. While discounting and present value notions have a long history (Parker 1968), with early U.S. advocacy dated by Dulman (1989) to railroad economists in the late-nineteenth century, Dulman saw the post-1950 diffusion of DCF concepts in the U.S. as being heavily influenced by, among others, Dean, Shillinglaw, and Robert N. Anthony, at the Harvard Business School, through their teaching, writing, and consulting activities. As Shillinglaw (1991) observed, Dean had scarcely mentioned discounting in his *Managerial Economics* and its companion volume, *Capital Budgeting* (Dean 1951b), possibly because he doubted its utility in practical settings. However, through his consulting assignments Dean was open to demonstrations of the concept’s power. Shillinglaw himself was present at Dean’s DCF epiphany, which he alluded to in Shillinglaw (1991, 231) and expanded on in a later communication to Zeff in which he commented in relation to Dean:

> The first week I was on his payroll we journeyed to Philadelphia to talk to Horace Hill and John Schultz at Atlantic Refining Company. They were using what they called the Investors Method to analyze capital expenditure proposals. Schultz was the real brain behind all this, and a number of my better problems came from him. Anyway, he had prepared an extensive set of discount tables based on continuous compounding ... we decided to add this to the product line of Joel Dean Associates, but we adapted it for different clients. Our first major client was the Chesapeake and Ohio Railroad, where John Kusik was CFO. Because most of the people on his staff had engineering backgrounds, we called it the Engineers Method. It was only after that that we decided to call it what it was, discounted cash flow.

The first step in the diffusion of DCF concepts from the engineering and micro-economics literatures to the business and accounting mainstream occurred in an article by Dean in the *Journal of Finance* (1953), which was the published version of an address given on December 28, 1952 to the American Finance Association—which contained perhaps the first use of the term “discounted-cash-flow.” Rendering the capital budgeting sections of *Managerial Economics* and *Capital Budgeting* obsolete, Dean (1953) provided a lucid explanation of the superiority of DCF over the widely used payback method. That Shillinglaw was an important contributor to the development of this paper is indicated by Dean’s (1953, 119) acknowledgment of the “major assistance” provided by “Gordon Shillinglaw and Stephen Taylor” in the paper’s preparation.

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3 In 1954, Dean was responsible for Robert Anthony’s DCF epiphany in an anti-trust case in which the two were on opposing sides in a case centering on the application of present value (Zeff 2008, 189).
Shillinglaw’s (1953) own DCF proselytizing commenced only shortly afterwards with an article in a professional publication followed by three articles (Shillinglaw 1955, 1957a, 1959) in scholarly outlets. None, of these, it may be noted, were accounting journals. In Shillinglaw (1955, 277), he asserted that the “most accurate method of calculating rate of return is the discounted-cash-flow method,” and then proceeded to demonstrate the impact of “residual values”—amounts released at the end of a project’s life through asset sales, taxation adjustments, and reductions in working capital—on what later came to be called the internal rate of return (IRR). This analysis, in the relatively simple context of a “start-up” project, was followed by “profit analysis for abandonment decisions” (Shillinglaw 1957a), published in the Journal of Business, which examined “abandonment” decisions for ongoing operations or business segments and, which required estimates of recoverable investment values and future cash earnings and investment outlays, these future amounts being discounted to present values to see if abandonment was justified. This article was subsequently published in Ezra Solomon’s (1960) The Management of Corporate Capital, an early and influential book of readings in the emerging field of corporate finance.

Thus far he had devoted little attention to determining the required discount rate, but in Shillinglaw (1959) his discussion of managing capital expenditures included some ten paragraphs devoted to estimating the weighted average cost of capital—in a pre-Modigliani-Miller context—as well as comments on the limitations of IRR compared with net present value.

In relation to divisional performance his initial contribution (Shillinglaw 1957b) examined “internal guides to profit measurement,” basically arguing that performance measures should be congruent with the nature of decisions or assessments for which the information was required. To this end he examined organizational structures and a quartet of possible “profit” concepts—sales margin, controllable profit, contribution margin, and net profit—for purposes such as tactical decisions, assessing managerial performance, analyzing profit trends, and evaluating long-range investments. For the latter he pointed to the irrelevance of historical data and the need for future-oriented data. More generally he warned against divisional profit measurements based on arbitrary allocations of central expenses, eventually favoring “controllable profit”—divisional contribution margins less fixed costs controllable by divisional managers—as the best measure of managerial performance. His discussion also encompassed transfer pricing, and while referring to the advocacies of Dean (1955) and Hirshleifer (1956), respectively, for market-price and marginal-cost solutions to this problem, he remained non-committal about an actual solution, observing (Shillinglaw 1957b, 92) that “standard manufacturing cost or cost plus a fixed markup are inadequate” for this purpose.

For a purely academic audience, he subsequently developed these ideas in two directions. In Shillinglaw (1962) he drew on basic accounting postulates to examine how accounting theory might be developed for “internal income measurement for segments of the enterprise,” which he saw as a gap in extant accounting theory. His explorations (Shillinglaw 1962, 215) led to:

- a set of standards, which briefly stated, require that divisional income be determined objectively, be independent of performance in other divisions, co-variable with division’s constitution to company profit, and strictly comparable with income objectives attainable in the current period, deviations from budget being restricted to those currently controllable by division management.

This work was also reproduced in the first two editions of Anton and Firmin’s Contemporary Issues in Cost Accounting (1966, 1972), which were compilations of “state-of-the-art” articles on cost and managerial accounting topics intended to supplement textbooks aimed at both undergraduate and graduate courses in cost and management accounting.
In Shillinglaw (1963) he drew on more recent cost theory, as well as J. M. Clark’s (1923) “different costs for different purposes,” to advocate the concept of attributable cost—“the cost per unit that could be avoided, on the average, if a product or function were discontinued entirely without changing the supporting organization structure”—as a general rule for measuring “full cost” for both short- and long-run decision-making purposes.

In “Leasing and Financial Statements,” published in The Accounting Review, Shillinglaw (1958) was one of earliest advocates for the capitalization of long-term leases, at a time when critics of this practice claimed that only owned property should be shown as assets and that the present value of the lease payments represented a contingent obligation and not a liability. He argued that the asset and liability should be amortized by the same “constant yield” method so that the total expense would be the same as the total rent expense if the lease were not capitalized. This approach, based on the assumption that leasing was a form of debt finance, anticipated the later “standard” approach to lease evaluation presented by Bierman and Smidt (1966) and Myers et al. (1976).

TEXTBOOK AUTHORSHIP

The quarter century following the end of World War II saw an explosion in the number of books published with the words “management/managerial” or “cost” linked to “accounting” somewhere in their titles. In general, these works fell into two categories that can be depicted as “cost and management accounting” and “accounting for managers.” The first category consisted of works focused not only on cost measurement and recording but also on the managerial uses of this information having regard to the concepts of goal congruence and “different costs for different purposes,” as outlined by Anthony (1989). Works predominantly focused on these themes were most suitable for undergraduate courses taken as part of accounting majors.

In the second category, “accounting for managers,” the “management” aspect signified an intention to provide an overview of both financial and managerial accounting topics from a user perspective, downplaying recording and systems aspects. The obvious market for these works was M.B.A. and executive-development courses and single subjects in, for example, engineering and economics degrees, rather than undergraduate courses for accounting majors. While this categorization is useful in relation to classifying works in terms of their self-instruction roles, these categories were not mutually exclusive. With appropriate topic selection and emphases, cost and management accounting textbooks could be used for M.B.A. and executive courses. Alternatively, “overview” works, appropriately augmented, could be used for accounting majors.4

Cost and Management Accounting

In relation to management accounting works aimed at the accounting-major market, two of which stand out—despite neither going into a second edition—are William J. Vatter’s (1950) Managerial Accounting, and Carl T. Devine’s (1950a) Cost Accounting and Analysis. Vatter (1950) originated in the author’s late 1940s University of Chicago teaching materials that the publisher, Prentice-Hall, persuaded him to assemble for publication (Horngren 1991). Always regarded as “preliminary”—it had a utilitarian soft cover and lacked an index and the attractive graphics increasingly a feature of accounting texts—and never further refined by the author, this opus was reprinted 18 times, finally in 1962. Across 36 chapters and 510 lucidly expressed pages, Vatter (1950, v) provided a managerial accounting primer, directed at “present and prospective managers,” encompassing recording, reporting and interpreting aspects of the discipline.

4 Outside of these binary categories are books of readings in cost and management accounting, such as Thomas (1955) and Anton and Firmin (1966), plus Goetz’s (1949) distillation of readings on advanced topics, including a brief discussion of present values.
While Vatter’s focus was almost exclusively on product costs in manufacturing settings, Devine (1950a) was some 50 percent longer, partly due to the inclusion of topics such as systems design, distribution costs, plant addition and abandonment decisions, and product pricing. Reviewer, Lauren F. Brush (1951, 127), declared that Devine (1950a) “has brought a new tone to cost accounting literature” drawing attention to the author leaning “heavily on his training in economics for his explanations of the significance of data and he has presented a point of view from which cost accounting may be seen in its context of economic activity.” Cost and revenue curves, equations, and economic models dominated Devine’s explanations, and while he mostly included interest costs explicitly in his analysis of decisions involving capital expenditures, he was probably the first author of an accounting textbook to employ present values in his analysis of choices involving extended time frames. In the context of the accounting literature of the time, Devine’s (1950a) treatment of discounting is remarkable. He ignored prevailing accounting-rate-of-return and payback measures and proceeded as if discounting were so obviously the way to evaluate investment choices involving extended time periods that no explanation was necessary. He provided no discount tables and appeared unaware of the radicalism of his suggestions. If the lack of subsequent citations is any guide, his writing on this topic can be considered an intellectual dead end in the sense that it appears to have had no influence on the literature or on practice despite his present-value coverage being in advance of Dean (1953).

As the author of an article linking cost accounting with pricing (Devine 1950b), it is not surprising that Devine was also the first author of an accounting textbook to include a dedicated chapter on the relationship between costs and prices, drawing not only on his own work but also of the writings of economists Reynolds (1942) and Tarshis (1947).

Thus, when Shillinglaw’s (1961) Cost Accounting: Analysis and Control appeared, the market for under- and post-graduate cost and management texts was already adequately supplied, albeit with Vatter (1950) now looking dated and Devine’s (1950a) “economics-heavy” approach apparently not finding favor with textbook adopters. Contrasting his new opus with extant cost accounting works, Shillinglaw (1961, ix–x) stated that he had:

tried to approach this subject from the viewpoint of the managerial consumer of accounting information. The criterion that I have applied to accounting concepts and procedures is how well they are likely to meet the needs of management. The question of what costs are to be reported as the cost of balance sheet assets and what costs are to be taken to the income statement as deductions from revenues is important and has not been neglected, but it has not been the dominant concern. My primary interest is in what managers want or need to know and how best to provide this explanation.

While Shillinglaw (1961) embodied recording and systems detail similar to that contained in Vatter (1950) and Devine (1950a), his approach and coverage also reflected his economics training, his employment with Joel Dean, and his earlier and roughly contemporary writings on capital budgeting and divisional performance. For example, in his Chapter 4, “Patterns of Business Costs,” he contrasted economists’ and accountants’ views of cost-behavior patterns, a matter ignored in cost/management texts to that time. Pricing was another topic in which—Devine (1950a) excepted—his work was unique in the field for containing a dedicated chapter (Chapter 20) on the topic which, understandably, drew heavily on Dean’s (1951a) coverage of “penetration” and “skimming” approaches to pricing and the role of market structures, pricing objectives, and competitor reactions in setting prices.

Shillinglaw’s economics background was also evident in his discussion of the pros and cons of variable/direct costing as opposed to full-cost approaches—then a matter of robust debate in the accounting literature—when he commented (Shillinglaw 1961, 624) that “the most serious substantive objection” to variable costing is the proposition that “the assignment of fixed costs to
products is necessary to reflect the long-run marginal or variable cost associated with each product.”

Predictably, given his close links with Dean and his own previous advocacy of DCF analysis, Chapter 16 dealing with elements of decision making (in which the concept of present value was introduced) and Chapter 17 “Capital Expenditure Analysis” were particularly strong in the context of the time, although his use of discount tables based on continuous compounding complicated his explanations somewhat. (Anthony [1956] used tables based on annual compounding in his explanations of DCF.) Theory in relation to optimum capital structures and estimating the cost of equity capital was then embryonic. Conceding that these matters were “far from settled,” his advice was that a company should select “some stable long-run balance of funds from debt and equity sources . . . [and determine for this balance] the capital costs of the various sources in proportion to their respective roles in the company’s long-range financing plan.” Significantly, his references included Modigliani and Miller (1958).

Familiarity with real-world problems was evident in his coverage of nonmanufacturing costs, notably for research and development, which emphasized budgetary rather than project reporting aspects. Failure to meet completion yardsticks was seen at this stage as a budget-revision rather than reporting problem. Reality also permeated his discussion of planning budgets and profit analysis in Chapter 15, in which he analyzed the difference between actual and budgeted profit in multi-product settings, with volume measured in relation to sales dollars rather than physical units. At this stage the analysis was partly intuitive, with the sales-mix variance being treated as a balancing item after volume and price variances had been calculated directly.

The excellence of Shillinglaw’s coverage of internal profit reporting in Chapter 21 reflected his ongoing work in the area. After comparing functional and divisionalized organizational structures, he opposed the use of return-on-investment (ROI) ratios to compare divisional performance because, in a division experiencing apparently deteriorating profitability, “there are so many factors other than ineffective management that might account for the low level of profits” (Shillinglaw 1961, 697). The relevant factors included market competition, controllability of divisional assets and operating costs, and arbitrary allocations of common costs to divisions. All of this led to his conclusion that “budgeted profit provides a better profit standard for managerial performance evaluation than any uniform ratio applied across the board” (Shillinglaw 1961, 697). The final chapter, “Intracompany Transfer Pricing,” drew on his earlier writings on this topic and represented the first coverage of this topic in a managerial accounting textbook.

With its distinctive approach and rich coverage, Shillinglaw (1961) provided an important benchmark against which competitors in the field could be assessed. The following year saw the publication of Horngren (1962), destined to be the market leader through later editions and multiple authors. Five decades later it is interesting to compare the first editions of these rival works that were approximately the same length at about 800 pages. An admittedly crude comparison is that Shillinglaw dealt with fewer topics in greater depth. For example, Horngren (who acknowledged his debt to Vatter’s [1950] path-breaking text) covered topics not covered by Shillinglaw, namely electronic data processing, cost accounting in the CPA exam, and operations research. In contrast, Horngren provided only brief coverage of pricing and transfer pricing, dealt with multiple products only in the context of cost-volume-profit analysis, and commented on the differences between economists’ and accountants’ views of cost behavior only in a footnote.

This is not to say that Horngren’s overall coverage was superficial. In discussing the setting of labor standards, he referred to circumstances in which “learning” considerations were relevant (Horngren 1962, 156)—a topic to which Shillinglaw (1961, 94) devoted only a single sentence—and explained the power of the Du Pont analysis in exploring strategies for profit improvement (Horngren 1962, 576–577); the absence of the latter in Shillinglaw is perhaps explained by the latter’s aversion to profitability ratios in divisional settings.
Many of the changes in the second edition of *Cost Accounting: Analysis and Control* (Shillinglaw 1967) involved the reorganization and simplification of existing material to enhance “teachability,” but to the extent that material was introduced, it enhanced the first edition’s strengths. The discussion of project planning and control was extended by an exposition of network (critical path) analysis and by a graphical project-reporting tool employed by the Department of Defense and NASA (Shillinglaw 1967, 512–513), which integrated technical progress into project financial reporting. No subsequent management accounting textbook has approached Shillinglaw’s excellence in relation to this topic.

The treatment of profit analysis in multi-product settings was upgraded to include a more explicit explanation of the sales-mix variance with volume still measured only by reference to sales dollars. Shillinglaw’s outlier status in this respect featured in the only appearance by a Soviet-bloc contributor to *The Accounting Review* in the cold-war period, specifically by Ukrainian scholar, Chumachenko (1968), who compared U.S. and Soviet approaches to profit analysis. Bizarrely instructing the capitalists about their own businesses, Chumachenko (1968, 755) observed that:

> Expressing the volume of sales in physical units is possible only in those rare cases when a company produces and sells one product. When a company produces several different products, measuring the volume of sales in physical units becomes devoid of a theoretical basis.

Of the six contemporary U.S. management accounting texts—including a later edition of Horngren (1967)—that Chumachenko examined for their treatments of the sales-volume variance, he considered that only Shillinglaw (1967) provided guidance on this topic that could be applied in most realistic settings.

Shillinglaw’s already advanced coverage of pricing in his first edition was enriched in the second by the addition of a short section headed the “use of unit cost targets in product design.” In this section, which drew heavily on Dean’s (1951a, 454–455) account of “product tailoring” (Shillinglaw 1967, 689), included the following key passage:

> The preceding discussion has presumed that a price is to be set on a product that has been developed and is ready for commercialization. In many cases, however, selling price is known and the question is what kind of a product can be offered at this price.

For example, the automobile manufactures often start with a tentative price at which they want a particular model to sell. Each proposed design is costed, element by element, to test its feasibility at this target price. Features are then added or subtracted, components are redesigned, or new price quotations are sought from parts suppliers until target cost levels are achieved. Clothing manufactures typically follow a very similar procedure.

As Burrows and Chenhall (2012) observed, although no literature search using the key words “target costing” would locate this passage, it contains a sufficient number of the key elements of target costing—customer focus, price-driven design, recursive design processes, and the involvement of the purchasing function and supply-chain elements (via parts suppliers)—for it to be considered the first appearance of the target-costing concept in the accounting literature. Just how advanced Shillinglaw was on this topic is evident from the Burrows and Chenhall (2012) target-costing chronology that dates the first English-language coverage of target costing (under this label) in the accounting literature to a group of Japanese authors from 1986, and the first coverage by Anglophone authors (Shillinglaw excepted) occurring as late as 1991, namely, by Young and Selto (1991) and Horngren and Foster (1991), with the explanations in these latter works being less comprehensive than Shillinglaw’s 24 years earlier.
Responding to a query 40 years later about the background to this passage, Shillinglaw replied that:

I certainly was familiar with the target-costing concept, although I probably didn’t use that term. It was widely used in automobile product design at least as far back as the early 1950s, but I have no idea now how I came by that information. When I was working with Joel Dean in the early 1950s, I worked with a defense contracting company that applied the concept as it tried to redesign its principal product to eliminate costs so that it could compete profitably in civilian markets. In fact, I assume the practice was widespread and probably still is.5

Regrettably for awareness about his contribution to the target-costing literature, while this material was included in the third (1972) and fourth (1977) editions of his textbook, Shillinglaw dropped this topic from the pricing chapter of the fifth and last (Shillinglaw 1982) edition, just prior to the development of intense interest in Japanese management and accounting practices. In subsequent correspondence, Shillinglaw indicated that he had prepared a 600-word coverage of target costing for an intended sixth edition of his text that never eventuated.6

Accounting for Managers

In the alternative management-oriented stream of accounting textbooks, the first in this chronology was Accounting: A Management Approach by Robnett et al. (1951). Reviewer, Harry Simons (1951, 600–601), in The Accounting Review, summarized the authors’ intentions as being “to develop a text that would meet the needs of the person who will use accounting as a source of financial information and as a basis for decision and policy making . . . [namely] the business man, investor, labor leader or legislator.” To this end, the contents were roughly evenly divided between financial and managerial accounting topics.

Next in this stream was Robert Anthony’s (1956) Management Accounting: Text and Cases, seen by Zeff (2008) as embodying the “management control” emphasis of Harvard University’s M.B.A. accounting courses, in which Professor Ross G. Walker was an instrumental figure. Oriented more toward the use rather than generation of accounting information, Anthony (1956) aimed to assist managers in making decisions and influencing employee behaviors toward the achievement of corporate goals. Reflecting its origins, Anthony (1956), with its considerable coverage of financial accounting and reliance on case studies rather than shorter problems as reinforcement material, was probably more geared to the M.B.A. market than to undergraduate accounting programs. Among this work’s many virtues was its Chapter 18, “Planning Capital Acquisitions,” which contained—Devine (1950a) excepted—the first exposition of DCF techniques in an accounting textbook.

Next in this chronology was Bierman (1959), which, despite its title—Managerial Accounting: An Introduction—was similar in approach to Anthony (1956) in extensively covering financial as well as managerial accounting topics on the basis that this information was important to managers. Unsurprisingly, Bierman’s coverage of capital budgeting, including DCF techniques, was particularly strong.

Contemporary with Bierman (1959) was Hill and Gordon (1959), the revised edition of Robnett et al. (1951) from which only Hill of the original authorial trio remained, now combined with Myron Gordon. In the third (Gordon and Shillinglaw 1964) edition of this work, Hill was replaced by Shillinglaw in the authorial team. Reviewer, Harold Q. Langenderfer (1964, 116),

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described this work as a “quality text,” not only for including topics such as “tax allocation, pensions, leases, and pooling of interests,” frequently ignored, but also for the breadth of the supporting problems, particularly their requirement for both written and numerical answers. This work’s popularity meant that it went through multiple editions with Joshua Ronen, Philip E. Meyer, and Kathleen McGahran, successively, as later co-authors until the final, ninth edition (Shillinglaw and McGahran 1993).

LAST WORDS

Shillinglaw’s post-1964 writings were mostly confined to revising his two textbooks and contributing original chapters to a variety of Festschriften, encyclopedias, conference proceedings, and handbooks; for example, Shillinglaw (1980, 1986, 1992). In Shillinglaw (1980) he questioned whether a unifying theory of management accounting was possible, due to the discipline’s derived nature, particularly its sources in, variously, engineering, economics, mathematics, and behavioral science. He concluded (Shillinglaw 1980, 16) by offering four propositions about the future of management accounting research, namely, “the need to devote more effort to identifying the problems our practicing counterparts are struggling to solve . . . [expanding] our horizons to include subject matter we have never thought of as managerial accounting—mainly in connection with the organization’s relationships with noncustomer, noninvestor, and nonsupplier outsiders . . . [a willingness] to accept research methodologies that do not give us results we can subject to statistical significance tests . . . [and developing] multi-disciplinary research teams to deal with problems that transcend the boundaries of the managerial accountant’s zone of unique expertise.”

He expanded on some of these themes in what would be his penultimate appearance in the refereed literature (Shillinglaw 1989) in which—together with fellow management accounting luminaries, Robert N. Anthony and Charles T. Horngren—he outlined his insights into “Managerial Cost Accounting: Present and Future” in the inaugural edition of the Journal of Management Accounting Research. His interpretation of criticisms of managerial cost accounting by Johnson and Kaplan (1987), Cooper (1987), and Berliner and Brimson (1988) was that existing systems failed to reflect cost causality, were hampered by low traceability of materials and labor costs, and employed inaccurate overhead-apportionment rates. He also urged the decoupling of managerial, as compared with financial, accounting requirements in relation to product costing. For the former, more-precise ex ante costs were required for planning purposes; for the latter, more-approximate ex post methods were appropriate. Controversially, he argued that “it may be appropriate to classify some cost elements as direct costs for ex ante costing but not for ex post costing” (Shillinglaw 1989, 39).

Looking to the future, particularly reflecting the likely influences of advanced technologies and globalization, he predicted that cost controls would focus more on (1) overall rather than departmental effectiveness, (2) cost reduction rather than cost control, and (3) design as a means of minimizing lifetime-product cost by reducing product complexity. He concluded by calling for more research into actual costing systems, while acknowledging the problems of access to research sites and the low status accorded field studies by journal gatekeepers and tenure committees.

A thorough analysis of the validity of Shillinglaw’s (1989) assessments of management accounting’s past and present and the accuracy of his predictions is beyond the scope of this article. However, readers of today’s financial press can hardly be in any doubt that, influenced by globalization, cost reduction is a major corporate focus in enterprises worldwide wherever there is exposure to international competition. Separately, his comments on the role of design in minimizing lifetime-manufacturing costs—an important element of target costing—are consistent with his pioneering appreciation of the role of target costing.
His final appearance in the refereed literature (Shillinglaw 1991), a tribute to his sometime employer and mentor, Joel Dean, in a sense completed the circle of his consulting and academic careers. He argued that, while Dean’s direct presence in the accounting literature consisted of a mere three articles in The Accounting Review during 1937–1954, his indirect presence had been enormous through his Managerial Economics (1951a)—described as “required reading” for 1950s and 1960s managerial accounting courses—and other writings on topics such as cost-volume-profit relationships, incremental and DCF analysis, and transfer pricing.

PROFESSIONAL LEADERSHIP ROLES

Shillinglaw was a leader in professional circles. From 1978 to 1980, he was a member of the Cost Accounting Standards Board, a federal government body created by Congress in 1970 to promote consistency and uniformity in cost determinations by defense contractors engaged in major government projects. From 1985 to 1987, he served on the Railroad Accounting Principles Board, which was an advisory board set up in 1980 under the office of the U.S. Comptroller General to establish principles for use by rail carriers that were subject to the Interstate Commerce Commission.

He was vice president of the American Accounting Association in 1966–1967, and he served on the Institute of Management Accountants’ (IMA) Management Accounting Practices Committee from 1973 to 1976 and as a member of IMA’s Board of Regents from 1976 to 1978.

PERSONAL IMPRESSIONS

I never met Gordon Shillinglaw in person. However, we did “meet” electronically, when, exploring the history of target costing (ultimately, Burrows and Chenhall 2012) I made contact with him through the auspices of Steve Zeff. Aged in his early eighties, living in retirement in Florida, and under treatment for the cancer that eventually claimed his life, he could have been forgiven if he had ignored the request from a stranger in the antipodes for additional information about something he had written 40 years earlier. Instead, he replied fulsomely, including the passage quoted earlier as well as attaching the 600-word text concerning target costing that would have been included in an intended sixth edition of his Managerial Cost Accounting, which was never published.

In a tribute delivered at Shillinglaw’s memorial service held on May 31, 2012, his former colleague Trevor Harris, referred to his “...humility ... compassion, integrity, realism, and a desire to make his colleagues and Columbia better.” Harris also referred to his combination of frustration and selflessness in relation to the increasing use of mathematical and statistical tools in management accounting research from the late 1960s: although Shillinglaw regretted his lack of these tools, unlike some of his contemporaries who were threatened by this development, he sought to appoint and encourage younger academics who possessed the skills to apply these research tools.7

Another colleague, Kathleen McGahran, who was also his co-author for the ninth and last edition of Accounting: A Management Approach (1993), recalled that Shillinglaw “was the consummate gentleman in addition to being a scholar. He would open doors, step aside to let women enter the elevator, and walk on the outside of the sidewalk when escorting a woman. He was kind, generous, and well respected by all members of the Columbia Business School community.”8

It is said that readers “should never meet the author” on the grounds that writers, admired for their wit, insights, erudition, and other positive qualities displayed on the page, frequently disappoint when met in the flesh. From the comments of those who knew Gordon Shillinglaw, I

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7 Communication from Trevor Harris to Geoff Burrows, dated January 8, 2013.
gain the strong impression that, had we met, there would have been no disappointment, at least on my side.

REFERENCES


