THE ACCOUNTING REVIEW
Vol. 88, No. 6
2013
pp. 2241–2246

American Accounting Association
DOI: 10.2308/accr-10356

Book Reviews

Stephen A. Zeff, Editor

Editor's note: Two copies of books for review should be sent to the Book Review Editor: Stephen A. Zeff, Rice University, Jesse H. Jones Graduate School of Business, 6100 Main St., Houston, TX 77005. The policy of *The Accounting Review* is to publish only those reviews solicited by the Book Review Editor. Unsolicited reviews will not be accepted.

YURI BIONDI and STEFANO ZAMBON (editors), *Accounting and Business Economics: Insights from National Traditions* (New York, NY: Routledge, 2013, ISBN 978-0-415-88702-1, pp. xxii, 514).

Before the 1970s European accounting researchers were mainly nationally oriented and did not have many opportunities to meet each other at international forums. This started to change after the creation of the European Institute for Advanced Studies in Management (EIASM) in 1971. Under the auspices of EIASM, accounting research workshops were organized and the European Accounting Association (EAA) was established in 1977. Through these mechanisms, a growing group of European accounting researchers started not only to know one another, but also to understand and appreciate each other's research interests and the traditions from which they emerged. These traditions were very diverse, indeed, in almost all respects: modes of inquiry, methodological approaches, connections to other disciplines and research fields, and substantive concerns. In 1982, EIASM organized a conference to celebrate its tenth anniversary. Anthony Hopwood, who was the founding father of the EAA and the engine driving the European developments, took this opportunity to invite a set of papers to chart this diversity. Building upon this set of papers, Anthony co-edited with the present reviewer the book *European Contributions to Accounting Research* (Hopwood and Schreuder 1984). It can be seen as the first attempt to systematically document and compare European accounting research traditions in order to provide more international access to their richness and diversity. This was thought all the more worthwhile since pressures for standardization of accounting were clearly mounting. In many ways, the current volume builds upon this earlier book and extends the analysis considerably.

The book consists of three parts. In the first part, Richard Mattessich provides a scholarly overview of the genesis of accounting as an academic discipline, with particular attention to Italy as well as the German-language and English-language areas. The main body (part 2) of the book is devoted to overviews of the rise of accounting and its relationship to business economics for various countries. Next to the European countries (Germany, Italy, The Netherlands, Finland, Sweden, Denmark, Spain, France, and the United Kingdom) there are also chapters on Japan and the United States. The 11 chapters in part 2 provide rich descriptions that contain lots of food for thought. For instance, the discussion of "static" versus "dynamic" theories of accounting surfaces in each country, but the specific shape that the discussion takes and the outcomes over time are very much determined by the country-specific institutional factors in each time period.

In the third part of the book, six chapters should contribute to a comparative analysis and to further insights. It is this part that the current reviewer found least convincing: three chapters have a predominantly national perspective and are therefore somewhat duplicative with the content of chapters in part 2. The other chapters do provide further insight but primarily to the entity versus proprietary views of accounting. Many other angles of the divergent national "histories of thought" thereby remain underexplored.

As the title indicates, the focus of the book is on the connection between accounting and business economics as reflected in the different national traditions. On the one hand, there are countries where this connection has historically been strong. Examples are Germany (*Betriebswirtschaftslehre*), Italy (*economia aziendale*), and Sweden (*företagsekonomi*). On the other hand, there are countries where accounting appears to show only a loose coupling, if any, with the evolution of other disciplines that deal with the firm and micro-economic activity. Examples in the latter category are France and the U.K. In his interesting overview of "The Three Main Schools of French Financial Accounting Doctrine" (Chapter 10), Jacques Richard argues that France has not only witnessed long periods of liberalism, but also periods of state capitalism. Interestingly, the contributions of French authors during the periods of *laissez faire* seem to have gone into oblivion abroad, while the three main schools of French accounting doctrine noticed internationally and discussed in this chapter all originated in periods of state capitalism. Apparently, the contributions by French authors to the international literature share the relationship between accounting entity and the state as the distinctive institutional element. It is revealing that Richard concludes (p. 266) that there is a big divide in the French accounting system: while group accounts apply IFRS, individual accounts must apply the French accounting plan. Similarly, debate rages between French accounting scholars until this very day. While some accept the standardization that came with IFRS, others remain opposed to its universal application (also to individual accounts), and some hope to return to the preceding era of the historical cost system. As we shall see later in this review, France is not the only country where the intra-national differences are at least as interesting as the inter-national differences.

Christopher Napier, in his insightful overview of the development of accounting in the U.K., points to two other, interrelated factors to explain the absence of a business economics tradition in this country: "The first of these is the way in which British accountants are educated . . . despite the explosion in university accounting courses over the past forty years, many accountants positively prefer 'non-relevant' graduates. They see such graduates as having a 'more rounded' personality, not burdened by technical knowledge. Why should this be the case? The explanation lies in the second of the interrelated factors: a suspicion of technical expertise that has permeated British society for more than a century" (p. 274). Napier illustrates these theses with a detailed account of the rise of economics and accounting in the U.K. university system and their fraught relationship. He makes it clear, however, that this relationship is a matter "within the academy" and that "accountancy practice continues to follow a largely atheoretical road" (p. 298). Again, the reasons for this lie in the institutional context (Napier refers to partly cultural and partly educational reasons) and have their roots in the nineteenth century.

As noted, the relationship between accounting and business economics has historically been stronger in other countries. It is interesting to see, however, that within such countries there is often a polarization between those who see accounting as a branch of (business) economics and those who advocate a more pragmatic, non-restrictive approach. Kees Camfferman illustrates this for The Netherlands in his description of the Amsterdam (theory-led) "school" versus the Rotterdam (more pragmatic) "approach." Similarly, in Germany, Schmidt would represent the more economic theory-led approach (Chapter 13), while Schmalenbach would take a more pragmatic stand (Chapter 2). In science one speaks of "physics envy" to denote the (perceived or real) tendency of the social sciences to emulate the "hard sciences," and physics in particular, by striving for formulaic and mathematical expressions as much as possible. In the same vein, one can note that some accounting researchers have shown themselves to be prone to "economics envy" throughout history. They have exhibited a clear tendency to deduce from economic principles and to see accounting as an application of (business) economics theory. This tendency may have caused them to under-appreciate the firm as a distinct entity of its own. Economics has treated the firm for a long time as a "black box," represented by a production function. It is only relatively recently that economics has really attempted to look inside this box. But also these more recent approaches can deal only with the *economic aspect* of the firm, i.e., the (optimal) allocation of scarce resources (see Douma and Schreuder 2013, 4). From an institutional perspective, one would argue that the societal role and function of firms encompasses more than only the allocation of scarce resources.

In this context, the particular accounting issue that is dealt with extensively in this book is the competing views of enterprise entity versus the proprietary view of the firm. In the enterprise entity approach the firm is viewed as a socioeconomic institution in its own right (*Unternehmen an sich*). The purpose of accounting is to provide a numerical representation of the reality of this entity to a mixed community of interests. In modern terms, one would identify the stakeholder approach. In the proprietary view of the firm, shareholders are the residual claimants to any business income due to the fact that they have provided the primary capital at risk. This view is strongly incorporated in the agency literature and in the "shareholder value" approach to business firms. In his concluding Chapter 18, Yuri Biondi summarizes "the main argument driven by reading this volume. In our opinion, the enterprise entity view that was co-developed by European and American scholars is still valuable and denotes the pure logic of accounting for business enterprise control, investors' protection, and social control of business. The enterprise entity is thereby clearly distinct from the net worth of its shareholders and from changes of value on external markets. Accounting works then as a mode of representing, organizing, and regulating the special economic and monetary process of the business firm" (p. 491). While I suspect that many readers will come to (or stick to) their own conclusions after reading this volume, it is certainly true that the collective contributions illustrate the contestable nature of any particular view of the firm as the basis of accounting. The concept of the firm in any particular time and place arises out of the prevailing institutional context. Since this institutional context will be subject to evolution, so will the concept of the firm that is embedded in this context. The current discussion on the nature, role, and function of banks is an example. Because of the financial crisis of the last few years, we are forced to re-examine some of our fundamental beliefs and assumptions about these entities.

Let me conclude with a final observation that is implied by the foregoing line of argument. The observation is that the ongoing standardization of the international accounting rules has not only many advantages, which are driving this development, but also a downside, which has perhaps been not so obvious. As this volume clearly conveys, our accounting histories are of a rich diversity that has allowed us to experiment with different approaches and to discuss the pros and cons of various systems. While the international transfer of knowledge has been relatively poor in the past, this could be potentially much better nowadays. However, we have deprived ourselves of the opportunity to learn by experimentation. On the contrary, we are increasingly locked into a rather rigid IFRS system. The design of the system has been driven more by practical exigencies and compromises than by clear perspectives on the role and nature of accounting (or on the concept of the firm that is accounted for). Again, the financial crisis has produced sufficient examples that a rigid system of valuation at market prices may be counterproductive across financial cycles. One would hope that such insights will lead to evolutionary adjustments of current rules, but these will be more difficult, as "institutional lock-in" has run its course. This volume offers us an intellectual counterweight to present developments by clearly exposing the contestability of many fundamental concepts in the accounting field.

REFERENCES

Douma, S., and H. Schreuder. 2013. *Economic Approaches to Organizations*. 5th edition. Harlow, U.K.: Pearson.

Hopwood, A. G., and H. Schreuder (eds.). 1984. *European Contributions to Accounting Research*. Amsterdam, The Netherlands: VU Uitgeverij/Free University Press.

HEIN SCHREUDER
Adjunct Professor of Corporate Strategy
Vlerick Business School

FALCONER MITCHELL, HANNE NØRREKLIT, and MORTEN JAKOBSEN (editors), *The Routledge Companion to Cost Management* (London, U.K.: Routledge, 2013, ISBN: 978-0-415-59247-5, pp. xii, 394).

First, some descriptive facts. The editors view cost management as a sub-discipline within management accounting. Cost management is defined as "the use of cost-related information as a lens through which the organization is represented to and viewed by management as they strive to gain improvements in economy, efficiency and effectiveness" (p. 1). For successful cost management to occur, a wide variety of information is considered relevant. The book includes 22 chapters on cost-management topics, categorized into four parts. Part I "Cost control issues" focuses on budgetary control and other approaches for controlling costs. Part II "Cost management and decision-making" addresses approaches for understanding the cost implications of decisions. "Inter-organizational cost management perspectives" is the title of Part III, which addresses situations where different organizations in a value chain are involved in cost management. Finally, Part IV looks at the idea of the accountant becoming a business partner under the heading of "Strategy and cost management." The chapters have been written by 28 authors, who are all from Europe, with the exception of one Japanese author. The editors are affiliated with the University of Edinburgh, the Norwegian School of Economics, and the Aarhus University in Denmark. This brings me to a first overall comment: It was surprising that, with only one exception, solely European authors have been included. Cost management is not a specifically European topic, and this bias may not provide the international scope and perspective the publisher promises (p. ii, unnumbered).

Another overall comment to mention upfront is that the goals of many chapters remain unclear, and thereby also the goal of the book as a whole. The book covers "both practical developments and research in this area" (p. i, unnumbered). "This text is designed to describe and explore the main contemporary developments in the topic" (p. 1). Furthermore, it is informative to consider that the book is part of the series "Routledge Companions in Business, Management and Accounting," and these are intended to be handbooks, or reference works, that survey the state of the discipline.[1] They aim to be a comprehensive, up-to-date, and authoritative source on the subject, and to reflect an international range of perspectives (p. ii, unnumbered).

While these descriptions of the goal of the book seem clear enough, the diversity of contributions that the various chapters offer remain confusing. Most chapters are written as reviews of existing research literature in a specific area. Some of these chapters I would characterize as informed essays, in the sense that their main contribution is the author's framework and ideas, rather than a comprehensive review of the literature and the identification of new directions for research. Other chapters read like research papers, such as in an academic journal, providing results of original research. Some chapters read like parts of textbooks, explaining known concepts more for educational purposes, and they seem to be intended for students or practitioners. Maybe all could be seen as broadly "covering both practical developments and research in this area," but I found the objective of the book, the intended contribution, and the criteria for inclusion of chapters in the book still not so clear.

So, for the purpose of this review, we follow the editors' implicit idea of including diverse kinds of contributions. The remainder of this review is organized somewhat subjectively into literature reviews and essays, research papers, and textbook chapters. I will summarize a few chapters to illustrate the various kinds of contributions, without going into details on all chapters.

Literature Reviews and Essays

Chapter 2 by David Marginson, "Budgetary control. What's been happening?" provides an excellent review of recent literature on budgetary control in the context of more flexible organizational arrangements. Especially the literature on "beyond budgeting" is covered. The chapter talks about the appealing arguments for why budgeting practices should change and become less important when there is more uncertainty and greater flexibility is required, because of international competition, technological advancement, market volatility, etc. However, the available evidence suggests that traditional budgetary control remains used. Some explanations in the literature are that firms are modifying and amending their practices and procedures as they see necessary, rather than dispensing with budgetary control. Marginson finds, however, that the academic literature still offers little insight into firms' developing practices, because it has continued to investigate traditional budgetary control topics. A few studies on budgetary control practices that are more related to the focus of the chapter are reviewed in detail, and ideas for further study are presented. I share David Marginson's view that it would be helpful if more descriptive studies of firms' practices would be done. We simply know little about contemporary practices. However, in defense of the papers the author mentions as focusing only on traditional themes, some of these do look for theoretical explanations of budgeting practices under considerable uncertainty.

Equally interesting is the literature review by Will Seal and Ian Herbert on cost management when support services, such as finance, human resources, information technology, and legal advice, are centrally provided in large organizations (Chapter 13). The chapter focuses on "recent approaches to support service provision which may be described by the term corporate 'unbundling': services are made visible by migrating

[1] Some other recent accounting titles in this series are Routledge Companion to Fair Value and Financial Reporting and Routledge Companion to Accounting History.

from local business or operating units and then repackaging via an in-house shared service organization . . . or outsourced to third-party providers" (p. 200). The in-house shared service model (SSM) is discussed in detail. This is a clear focus that fits the book very well. There is not that much literature on the topic for which this chapter provides a good overview, and the literature review is organized in an interesting way. Cost management is implicated first, because information on expected cost savings forms a key motive for changing toward such a SSM. Second, SSMs have implications for the practice of accounting. One of the arguments for moving toward SSMs is that such specialized centers should be able to provide better service than the old service departments. Accounting has a role in managing the quality and cost of activities of such centers. A third way in which accounting is related to such new structures is that accounting is often one of the services now centralized. Understandably, consultants' and specialist service providers' texts promote SSMs; however, the empirical support for the claims about cost reduction and service improvement seems weak. More research on unbundling, and especially focusing on the accounting and finance function, is certainly relevant.

This is a plea for future research of a particular kind, and this was also mentioned above for Chapter 2: studies that do a serious attempt at thorough empirical investigation of contemporary organizational practices. Such research is different from consulting texts, which have a commercial agenda and often lack nuances. The idea is to document "what is happening." Such research is different from usual academic research, in the sense that topics are primarily driven by real-world, state-of-the art phenomena in practice, and less determined by "traditional" themes and theoretical concepts.

Chapter 18 by Riccardo Giannetti provides a nice review of the literature on quality costing. A main theme is the relationship between the cost per unit of product and the level of conformance to quality. Is there an optimal level of conformance below 100 percent at which the cost per unit is minimized, or does more conformance always reduce costs? Different models in the literature are reviewed, ending with the model that explains the search for continuous improvement (quality conformance) based on technological progress for solving quality problems. Furthermore, different quality costing systems are discussed, and how these support the management of quality-related costs.

Other chapters review literature on target costing (Chapter 6), time-driven activity-based costing (Chapter 9), inter-organizational cost management (Chapter 14), environmental cost management (Chapter 19), and performance measurement systems, namely, empirical relationships between different performance measures that underlie the balanced-scorecard logic (for example, between customer satisfaction and profitability) (Chapter 20).

Some reviews are written more as essays, in the sense that a chapter is primarily proposing the author's innovative framework or intriguing idea. Literature is cited, of course, and more in some essays than others, but the literature review seems less important *per se*. Perhaps this is my interpretation, but I found this a useful way to think, for example, about Alnoor Bhimani's short Chapter 22, "Cost management in the digital age." The chapter reasons about how three main developments will lead companies to rethink their cost management practices: the spread of Internet technologies, the rise of novel organizational forms, and the advent of new approaches to using, accessing, and analyzing information.

Chapter 4, titled "ICT systems and cost management," I would also characterize as an essay. Timo Hyvönen presents four perspectives on cost management in the context of ERP systems, and he synthesizes primarily his own studies using this framework. ERP systems are defined as "module-based integrated software packages that control all the personnel, material, monetary and information flows of a company." The first perspective is cost management as a technology: who implements ERP systems and what is the effect of the technology (ERP versus a "best-of-breed" package) on the management accounting function? The second perspective is cost management as knowledge: how can organizations implement standard software packages and still allow and support locally useful management accounting information? The third perspective is cost management as a control structure: how the new technology may be used by headquarters to create systems that increase control over local business units. Fourth, cost management as a profession: how does the new technology change a management accountant's role more toward being a business advisor?

Another essay-type of contribution is about the dynamics of management accounting and control systems (Chapter 11).

Some literature-review chapters are somewhat disappointing, because the scope of the literature covered is rather limited and/or is rather old, and the contribution compared to literature reviews published previously about the same topic is not apparent. For example, the chapter on the theory of constraints (Chapter 10) reviews 25 well-known and mostly at least 15-year-old sources on this topic, and similar reviews of the same literature have been published before.

Research Papers

Chapter 3 is an example of a different kind of chapter, namely, a research paper presenting new empirical research: "Management accounting system problems in the context of Lean: Development of a proposed solution" by Thomas Borup Kristensen and Poul Israelsen. The authors look at the questions as to whether short-term control using non-financial performance measures automatically aligns with long-term financial goals, and also why standard costing would be a potential problem in Lean settings. It is based on a case study. What I like about this chapter is that it provides some detailed description of practice. This is not done so much, as I also mentioned above in the context of Chapters 2 and 13. Handbooks could be a good place for that. We read about Lean management practices and about management accounting changes related to those. For example, reporting the cost of waste was very important in the companies studied. A bit more discussion and explanation of the findings, to put them in context, would have made this chapter even more interesting.

Chapter 8, "Specifying conditions for cost systems generating relevant decision-making costs" by Samuel Pereira and Falconer Mitchell, also presents research results. It addresses the conditions under which a costing system can generate relevant costs for long-term and also short-term decision-making, using a mathematical model. The long-term decision-making analysis in the paper is explicitly built on previous models in the literature that looked at the decision-relevance of activity-based costing, and it offers specific refinements. The short-term decision-making analysis is less clearly positioned relative to prior literature. The authors argue that "[i]t is a notable deficiency of existing analyses that they only consider the long run" (p. 112). This seems an oversight, as several earlier authors, for example Ewert, Göx, Reichelstein, Banker, Whang, Balakrishnan, Sivaramakrishnan, and Gietzmann have investigated the short-run relevance of full costs.

Other research-papers are in Chapters 17 and 21. Chapter 17 by Chris Carr, Katja Kolehmainen, and Falconer Mitchell is a paper previously published in the *Management Accounting Research* journal. It is an interesting paper that clearly contributes to the literature, but it has already been published in a journal that is widely distributed. It is not apparent to me why this paper is included as a chapter in the book. About Chapter 21, I cannot say much, because the first five pages of this chapter (and the last three pages of Chapter 20) were missing in my copy of the book.

Textbook Chapters

Chapter 16, "Customer relations and cost management" by Trond Bjørnenak and Øyvind Helgesen appears to resemble a textbook chapter for educational purposes. It does not seem intended as a review of research literature, but more as a focused introduction to a specialized topic for students and practitioners. The chapter presents established knowledge about customer profitability, starting at a basic level, using a fictitious numerical example of a portfolio of customers. The chapter explains measurement of customer costs, reporting on the results of customer profitability analysis, and market segmentation and strategic positioning based on financial measures. It is a very nice overview and an excellent introduction to this topic. As a textbook chapter on customer profitability, it is very useful.

I view the contribution of several other chapters in the book similarly, such as Chapter 12, "Capacity usage," and Chapter 15, "New directions for research on outsourcing decision-making." While the title of the latter chapter includes the phrase "new directions for research," I would argue that the contribution of the chapter lies somewhere else. It nicely explains several well-known management theories about outsourcing, namely, transaction cost economics, the industrial view, and the resource-based view. It shows how these theories are the bases for two established management-accounting concepts for decision-making: total cost of ownership, and strategic cost management. It is an excellent introduction to, and basic explanation of, these theories and concepts, and is certainly relevant for students and practitioners.

Some educational chapters are less convincing. Chapter 5 on functional analysis, for example, reviews old literature, does not go beyond basic textbook level, and the purpose and contribution are not clear to me.

Overall, the book contains some really interesting chapters, and the reader can make use of them in different ways. Some are useful to get an overview of recent research, some to learn about specific new research results, and some to use for teaching. To paraphrase an old saying: "Different chapters for different purposes."

MARC WOUTERS
Professor of Management Accounting
Karlsruhe Institute of Technology