

# Scrutinising the Armstrong Thesis on Accounting Controls

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*The purpose of this paper is to extend the presently limited critique of the Armstrong thesis on the rise of accounting controls and of the UK accountancy profession. The paper has been conceived of as an attempt to demonstrate that critical accounting researchers are prepared to subject their own literature to the same degree of scrutiny as they pursue elsewhere. In this respect, it is an exercise in helping to persuade those outside of the critical accounting project of the integrity of the work which is being carried out by those associated with it. The paper is in four sections. The first provides a brief outline of the main features of the critical accounting project. This is followed by an exposition of the Armstrong thesis as it was presented in a several papers published in the middle and later 1980s. A review of the main issues raised in the two most substantial commentaries on the Armstrong thesis published to date forms the third section of the paper. In the final and longest section of the paper, a number of difficulties with the Armstrong thesis which would benefit from further enquiry, are identified and discussed.*

## (1) THE CRITICAL ACCOUNTING PROJECT<sup>1</sup>

Critical accounting research, as the principal manifestation of the critical accounting project, has become increasingly evident and influential during the past twenty years. In contrast to mainstream accounting

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research which is largely concerned with technical questions, and the formulation of better ways of accounting, researchers committed to the critical accounting project seek to promote a greater extent of self-awareness, and thus reflexivity, within the research community. Beyond the academe lies the broader challenge to critical accounting researchers, that of aiding all accounting workers to gain an appreciation of the conditions and consequences of their various endeavours. Critical accounting research, therefore, is much more than simply a laudable extension of enquiry into the realms of the non-technical. It is a thoroughly radical project which can readily be interpreted as seeking to undermine the institution of accountancy as we know it.

Not everybody associated with the critical accounting project is comfortable with such an explicitly radical representation of their work. Nor is it possible to distinguish those for and against radical critical accounting according to whether they are Marxists or Foucauldians, a distinction which has increasingly characterised critical accounting research since the later 1980s. The designation Marxist applies to those who deploy one of the principal Marxist perspectives, namely Critical Theory, political economy or a labour process perspective, to make sense of whatever aspect of accountancy engages them. Foucauldians elect to use not only the work of Foucault, but a range of postmodern and poststructural writers as their intellectual foundations. A significant number of Foucauldians would claim to be as critical of accountancy as their Marxist counterparts, arguing that they are better able to formulate a radical critique without recourse to the weight of Marxist theory. Equally, many Marxists have been persuaded of the value of integrating Foucauldian concepts and themes with their own thinking. The topography of the critical accounting project is further enriched, rather than complicated, by virtue of the purchase offered by sociological perspectives such as social constructionism, structuration theory, and more recently, institutional theory, each of which has strong Weberian rather than Marxist or Foucauldian resonances. It is this multiplicity of perspectives, and in particular the many fruitful permutations this affords, which ensures that critical accounting research is inherently able to furnish an insightful commentary on accountancy in all of its many guises.

For those involved in the critical accounting project, one of its defining

characteristics has been the impressive level of scholarship normally associated with it. From the outside, things may look quite different, however. Because it has borrowed heavily from the social sciences, critical accounting research has invariably departed from the hypothetico-deductive model which underpins natural scientific enquiry, and which contemporary developments in positive accounting research seek to emulate. The emphasis is more on exploring issues rather than testing hypotheses, generating understanding rather than furnishing proof, and formulating different orders of theoretical statement rather than those of a more general nature. There is also the question of the social sciences admitting a greater degree of subjectivity than the apparently more objective natural sciences. In sum, the greater part of critical accounting research *may appear* to depart from the ideal of scientific endeavour, creating doubt and uncertainty in the minds of colleagues outside of the critical accounting project. This poses a major obstacle to the continued development of the tradition of critical accounting research.

In order to reassure, and hopefully gain the support of those who might question the integrity of the critical accounting project, it is important to identify the fundamental similarity which exists between the mainstream and critical accounting research traditions. One of the earliest findings of those who took the critical turn in accounting research twenty years ago was that what passes for accounting is socially constructed. The application of a sociology of knowledge perspective to science itself had long since suggested the same, particularly in the wake of Kuhn's seminal thesis on the development of scientific knowledge (Kuhn 1962). The many ways of seeing which have characterised critical accounting research reflect the fact that researchers are studying the institution of accountancy. The same multiplicity of perspectives is evident in the field of science studies, the study of the institution of science. In both cases, accountancy and science, it is possible to distinguish between the mainstream project, the technical inquiries with their strong normative emphases, and the more reflexive attempt to understand what is going on in the mainstream. Whichever project scholars commit themselves to, they are required to embrace the same universally recognised (and socially constructed) standards of rigorous enquiry if they wish to have their contribution accepted by their peers. To do otherwise would be damaging to the integrity of the institution of scholarship itself.<sup>2</sup> Of central importance is a preparedness

to have our insights subject to the same careful scrutiny that we visit on other scholars.

## (2) THE ARMSTRONG THESIS

The most cogent statement of the Armstrong thesis is presented in his 1987 paper: 'The rise of accounting controls in British capitalist enterprises'. Armstrong believes that accounting controls have become the most important means of managing British companies, and in his paper offers an explanation of both the rise of these controls, and of the UK accountancy profession itself. A simple technical superiority thesis of the sort advanced by sympathetic commentators such as Stacey (1954) is rejected by Armstrong who cites other commentators who have drawn attention to the manifest failings of accounting and accountants in a business context. In addition, Armstrong notes the comparative lack of influence which the same controls have in the German and Japanese cases, leading him to conclude that the British experience is a special case demanding explanation.

A labour process perspective provides the theoretical foundation for Armstrong's thesis. The specific articulation of labour process analysis is the theory of inter-professional competition for key decision-making positions within capitalist management hierarchies (Armstrong 1984, 1985, 1986). The professions are portrayed as being continuously locked into a process of competition with each other for access to the commanding positions within the managerial hierarchies of organisations. Motivated by self-interest, the professions and their members are in pursuit of their respective collective mobility projects (Larson 1977). Armstrong identifies the existence of crises within the global function of capital as the context for inter-professional competition. These crises can occur in relation to any of the three economic functions within the global function of capital described by Carchedi (1977) and Johnson (1977a, 1980): the extraction of surplus value, i.e., control of the labour process; the realisation of surplus value, i.e., the conversion of surplus value into money; and the allocation function, i.e., assigning capital to productive processes, distributing revenues to shareholders, reducing the level of an enterprises

indebtedness to the state, etc. After Braverman (1974), control of the labour process is viewed as the ultimate challenge to any aspiring profession, the implication of the previous taxonomy being that by successfully establishing themselves in the context of the other functions, professions find themselves in a position to sponsor their own characteristic approaches to the extraction of surplus value.

Armstrong's theory of inter-professional competition for pre-eminence within the managerial hierarchies of organisations can be stated as follows: collective mobility for any profession within the global function of capital depends on being able to identify a key problem confronting capital, successfully demonstrating the inadequacies of alternative methods of coping with the problem, i.e., as offered by the other professions, and having its own solution, based on the techniques of the profession, accepted and implemented. Armstrong is at pains to point out that the control of labour need not be the problem which secures a profession pre-eminence within managerial hierarchies. However, a profession which is able to secure significant advance on the basis of solving problems other than the control of labour may still influence the latter as a consequence of its general dominance. Moreover, any such profession will tend to do so in ways which are consistent with its own specialism, i.e., will favour means of controlling labour which its members understand best. In the case of accounting controls and the accountancy profession in both the UK and the USA, Armstrong (1985) offers the following unequivocal observation:

... although accountants in capitalist enterprises perform other functions (e.g., stock control, minimisation of taxes, appropriation of surplus from other capitals) their importance in management hierarchies depends on the adoption of their particular approach to the control of the 'labour process (the conversion of labour power into particular forms of labour so as to yield a surplus) (Armstrong 1985, p. 130).

Within the Armstrong thesis, management accounting is accorded a crucial significance among the repertoire of controls available to the accountancy profession. In his 1985 paper, Armstrong observes that while management accounting does not entail actual physical intervention in the labour of production, it serves to control the labour process in at least three different ways. First, through budgeting, which motivates management as well as rewarding and disciplining them, and

linking their careers to success in increasing the rate of exploitation in their departments. Second, by rationalising allocation decisions, enabling the concentration of capital and labour on operations returning the greatest surplus, and indirectly disciplining all those whose livelihoods are linked with those operations yielding the least. Finally, the language and suppositions of accounting systems function as vocabularies of motive which underpin the practice of management itself (Armstrong 1985, p. 137).

The centrality of management accountancy is reaffirmed in Armstrong's discussion of its origins in an introductory section of his 1987 paper (pp. 418-9). Its roots lie in cost accounting, a line of continuity being discernible between wage fixing techniques evident in the eighteenth century, and the sophisticated, comprehensive methods of budgetary control associated with the extraction of surplus value now associated with it. Armstrong also notes the possibility of an alternative genesis in the UK case, one which links cost accounting with a realisation problem evident in the 1880s. Armstrong argues that the practice of cost accounting and its influence within UK firms was limited at the beginning of the twentieth century. In those cases where it was evident, predominantly in industrial locations, it was carried out by engineers or the comparatively few accountants employed in industry. By contrast, chartered accountants and their firms, both of whom had become increasingly influential on the basis of their insolvency and auditing functions, had little or no contact with, nor involvement in the early development of cost accounting. At the outbreak of World War I, there had been little or no change in this situation, and consequently, the future of cost accounting as a body of knowledge was open. Three possible outcomes are identified by Armstrong: incorporation into the knowledge base of the engineering profession; development by an independent new professional association, of cost as opposed to chartered accountants; and the actual outcome, the re-integration of cost accounting into the mainstream of accounting knowledge. This is perhaps the crux of the Armstrong thesis: how the evolving chartered accountancy profession was able to incorporate a crucial, although at that time only an embryonic knowledge, one which in time would permit the latter profession to provide a compelling solution to the challenge of successfully extracting surplus value, i.e., controlling labour.

The greatest part of Armstrong's 1987 paper provides an historical account of the impressive rise of the (chartered) accountancy profession and its characteristic modes of control, particularly management accounting controls. At the turn of the twentieth century the chartered profession was already successfully pursuing its collective mobility project. Initially it had developed a reputation for its bankruptcy and insolvency work, having added a demonstrated competence in audit by the end of the century. Consequently, the profession was well-placed to sponsor its own methods of corporate control when the opportunity presented itself. This actually occurred during the inter-war years, after the profession had been able to significantly enhance its portfolio by incorporating a cost accounting component. This involved a rapid, and largely successful learning experience on its part. Following two years of attempting to preserve peacetime practices, in 1916 the British government recognised the necessity of regulating the realisation process, and thereby the rate of capital accumulation. To do so it was necessary to enlist the assistance of the accountancy profession who were charged with determining the production costs of munitions and other war effort manufacturers. Lacking a competence in this sort of work, the profession turned to the practitioners of cost accounting for assistance. Armstrong recounts Crawford's (1984) observation about eminent city accountants becoming acquainted with the evolving techniques of cost accounting, although in later work she has argued that a number of prominent cost accounting specialists also played a significant role in this process (Loft 1986, 1988, 1990, 1994). A visible indicator of the importance now accorded to cost accounting was that relevant topics soon began to appear in the syllabi of the professional associations in the immediate aftermath of the war. This was not accompanied by an invitation to cost accountants to join these bodies, however. Consequently, they were obliged to form their own association, the Institute of Cost and Works Accountants (ICWA), founded in March 1919. As the Chartered Institute of Management Accountants (CIMA), this organisation continues to be independent of the UK's principal chartered accountancy association, the Institute of Chartered Accountants in England and Wales (ICAEW).

The slump of the inter-war years provided the opportunity for the accountancy profession to progress its collective mobility project Armstrong argues. The newly acquired cost accounting competence was evident as cost identification and budgetary control systems were

installed in a growing number of companies. Standard costing, however, was not much in evidence, unlike in the US where it was rapidly being diffused. The profession's advance was not achieved solely by this means, as elsewhere the holding company form, with its characteristic property of being readily monitored by auditing, was being promoted. Taken together, the result was that many more accountants were employed in senior management positions at the outbreak of World War II. Accountants had a good war, and the incoming Labour government of 1945 signalled a willingness to retain a measure of external control in their attempt to promote post-war national regeneration. As part of this initiative, the Anglo-American Council for Productivity explored the potential of US management accounting practices, including standard costing, further proof of the importance of this branch of accounting and its stock of controls. Allocation problems attendant on the increased UK interest in company mergers further extended the accountancy profession's presence, and influence, in industry.

It was the advent of the multi-divisional organisational form in the mid-1960s, and with it the urgent necessity of resolving a range of surplus value extraction problems, that presented the opportunity for the UK accountancy profession to secure its pre-eminence within managerial hierarchies. As in the case of US business forty years earlier, the senior management of this new organisational form found accounting information, including that generated by budgetary control systems and batteries of financial indicators, vital in securing its control. Accountants began to occupy more senior management posts while more accountants found attractive employment prospects within the industrial sector. Together they oversaw the introduction of more accounting controls, a wider range of such controls, and the general application of accounting solutions to a growing number of organisational problems. For Armstrong, by the mid-1970s accounting controls, and crucially those designed to ensure the successful extraction of surplus value from the labour process, were firmly established as the central element of management's attempts to control organisations. The UK chartered accountancy profession's collective mobility project had succeeded.

It would be instructive to know how extensively the detail of the Armstrong thesis has been explored in the decade or so since it was



formulated. Some of these papers are widely cited, although one suspects quite often as examples of critical accounting research or the use of a Marxist/labour process perspective therein. Leaving these aside, it is difficult to escape the conclusion that many working within the critical accounting project take Armstrong's thesis as being almost axiomatic, and in little need of substantiation. Equally past evidence suggests that my representation of the Armstrong thesis is accurate, that it is presented in all of its complexity and in a fair manner. There is no straw man here.<sup>3</sup> The key issue is how *provocative* the Armstrong thesis is. It really leaves little room for concluding other than that Armstrong, and by implication many within the critical accounting project are at best sceptical about, and at worst downright opposed to the pivotal role which the accountancy profession and its characteristic mode of control have come to play within the UK economy. A thesis as provocative as this demands careful scrutiny, something which to date has not been much in evidence from within the critical accounting project, or indeed from those who work outside it. From the very outset I have been uncomfortable with the evidence used to support the thesis, and of the view that it is necessary to identify the main difficulties which it presents, in order that a more insightful understanding of the role of accountants and accounting controls might be advanced.

### (3) EXTANT CRITIQUES

Despite the influence which it has had in the critical accounting literature, the Armstrong thesis has attracted surprisingly little scrutiny. Only two concerted attempts to question the thesis have emerged to date, those of Murray and Knights (1990) and Townley (1991, 1995).

Murray and Knight's "reservations" were outlined in an extended introduction to their own attempt to test the explanatory power of Armstrong's broader theory of inter-professional competition in the case of the UK's information technology specialists. Their paper drew a prickly response from Armstrong (1990), justified to some degree as Murray and Knights are guilty of misrepresenting Armstrong on several issues. Nevertheless, they do have some interesting observations to offer. Noting that Armstrong identifies management accounting as

playing a central role in the ascendancy of the UK accountancy profession, they question the concepts of management and management control he embraces. They detect a tendency to focus on direct control coupled with an unwillingness to explore the full range of management practices in relation to the different elements of the global function of capital which Armstrong identifies. It is not difficult to agree with Armstrong that Murray and Knights are silly to conclude that he "identifies management exclusively with its role as a controller of labour" (Murray and Knights 1990, p. 174). Equally, assertions such as:

Though not immediately concerned with the control of 'labour power' (the purchased potential for labour) both of these activities only make sense as components of an organisation for doing so (Armstrong 1985, p. 130)

can readily be construed in this way perhaps.

Murray and Knights are also uneasy that Armstrong is dismissive of the existence of managerial labour processes (see Armstrong, 1989a, for a clear statement on this). While managers may be comparatively advantaged and protected, they do not stand above the labour process, Murray and Knights argue. Managers are fully implicated in the labour process, and experiences parallel tensions and contradictions by virtue of their own labour and the labour of those whom they supervise. Consequently, many of the accounting controls which Armstrong regards as constituting the core of contemporary management control systems impact on managers rather than those engaged in productive labour. Armstrong's response to this line of argument is unconvincing. He expresses astonishment that Murray and Knights do not regard the latter controls as controls of the labour process because they affect managers, a view which contradicts their position on managerial labour processes. Secondly, he asks them to ponder on what such accounting measures of performance translate into for those in subordinate positions. What this exchange of views highlights is the necessity of researching the existence of managerial labour processes more fully, as a complementary project to more detailed case studies such as Berry, Capps, Cooper, Hopper and Lowe (1985) of how accounting controls impact the work experiences of productive labour on a day to day basis. In respect of the study of managerial labour processes, Roslender (1990, 1996b), after Johnson (1977a,b, 1980), has advocated exploring the

incidence of proletarianisation amongst the ranks of accounting labour.

Townley's criticisms focus on Armstrong's thoughts regarding the prospects for the personnel/human resource management profession, rather than on his thesis on the rise of accounting controls (Townley 1991, 1995). The two are interlinked, however, as Armstrong (1988, 1989b, 1995) explores the prospects for the latter profession in an age of management accountancy. Given the pre-eminence of the accountancy profession, for Armstrong the other professions are challenged to accommodate to their limited power within managerial hierarchies. In the case of personnel/human resource management the shift to a greater concern with hard data, the promise of human resource accounting, and increased management appraisal and development activities, indicate that the profession has progressively shed its behavioural emphases and welfare roots in favour of some form of accounting rationale. Townley doesn't object to the facts of the case, rather the construction Armstrong places on them. Drawing on themes from the Foucauldian literature, she argues that like accounting, personnel has always existed as a form of disciplinary practice. Both exhibit a tendency towards the creation of a calculative order or mathesis, i.e., management by numbers. Consequently, personnel/human resource management should not be represented as mimicking (management) accounting.

In terms of a significant challenge to the Armstrong thesis, it is Townley's observation that he tends to focus on accounting as budgetary control and financial monitoring systems which is crucial. While Armstrong's representation of accounting accords with its common sense definition, the emergent critical accounting literature has problematised such understandings. For Townley, the Foucauldian literature in particular defines accounting in terms of "the constitution and operation of a calculative order" (Townley 1991, p. 3). It is now necessary to pose the question whether such calculative orders are confined to their accounting/financial forms. To the extent that any profession is concerned with the calculation of individuals, i.e., operates as a system of governance through the application of taxonomia and mathesis, it must be conceived of as providing an alternative to accounting. What is brought clearly into focus by Townley's commentary are two fundamental, and interrelated issues. First, whether the accepted pre-eminence of accounting controls has been

secured by what, in the last analysis, is a narrow, if appealing conception of accounting practices? This is an empirical matter. The second issue is one of perspective, and raises questions of interests and motives. Townley (1995) argues that Armstrong equates accounting with economic outcomes rather than behavioural details (1995, p. 558). By demonstrating that the latter are equally important in the context of pre-eminent accounting controls, i.e., by collapsing this distinction *within* accounting, as Townley does between accounting and personnel management, then Armstrong's underlying theoretical perspective would be demonstrated to be wanting.

#### (4) SOME UNANSWERED QUESTIONS

A number of fundamental problems present themselves in respect of the Armstrong thesis, giving rise to serious doubts which, to date, appear not to have troubled most of those engaged in critical accounting research, and who appear content to cite his work in a largely uncritical way. Initially, three simple questions present themselves regarding the crucial role accorded to management accounting techniques in the UK accountancy profession's successful collective mobility project. First, why is management accounting viewed to be of such importance? Second, how was management accounting so effectively integrated into the portfolio accounting controls deployed by the dominant chartered accountancy profession? Third, when did the role of management accounting controls actually become pivotal? In addition, two broader concerns also need to be addressed. The first of these relates to the robustness of the theory of inter-professional competition which informs the Armstrong thesis. Finally there is the question of establishing what constitutes the general and the particular aspects of the thesis and how this distinction might inform future research in this area. In exploring these issues, it is instructive to refer to some of Armstrong's later contributions to the accounting literature and beyond.

## 4.1 Why Management Accounting?

From the outset, management accounting has been the branch of accounting regarded as central to the success of the UK accountancy profession. This has been affirmed in Armstrong's more recent work: his contribution to Hopwood and Miller (1994) focuses on the intersection of industrial relations and management accounting in post-war Britain; Armstrong (1995) argues that the personnel profession needs to speak the language of management accountancy if it wishes to convince other managers of its relevance; and it is dominant role of management accounting controls in the companies which Armstrong, Marginson, Edwards and Purcell (1996) survey. Within the stock of management accounting techniques, it is budgeting and budgetary control systems which are singled out as being particularly important. Recall that it was budgeting which was the principal addition to the competence of post-1920 chartered accountants, to be deployed so effectively in industrial contexts during the following two decades. By contrast, Armstrong (1993) intimates that the (unidentified) cost accounting techniques which had proved so valuable during the later years of World War I remained largely the province of cost clerks for the next thirty years. While standard costing is regularly mentioned as a key control, Armstrong consistently cites Parker's (1969) view that as late as 1960 it was not easy to find an English company which employed this technique. Historical costing is described as being "a potentially formidable technique for rationalising the extraction of surplus value" (Armstrong 1987a, p. 428), no further explanation being offered. Finally, when Armstrong does provide more detail on budgetary controls, prevalent among a list of nine "financial indicators" is a series of derivative profit and loss account ratios, together with return on investment, sales and unit cost measures (Armstrong *et al.* 1996, p. 6).

From a labour process perspective, with its Marxist roots, techniques such as budgetary control and standard costing are readily perceived to have a strong, common sense affinity with the challenge of successfully extracting surplus value. By drawing attention to their escalating deployment by the UK accountancy profession, it is possible to offer a neat and tidy explanation of the profession's rise to pre-eminence within managerial hierarchies. It is an explanation which is particularly compelling for those who have elected to understand and represent accounting and its history in this way. It also provides an answer to the

question: why management accounting? It is because management accounting embraces a range of seemingly unsavoury techniques, at least from the viewpoint of those subject to them, that it can legitimately be identified as deserving of such criticism. There are a number of difficulties with this position, however. First, it is underpinned by a circular logic, a characteristic which applies to labour process analysis generally. Armstrong recognises this limitation but is satisfied that its explanatory power outweighs it. Second, is it reasonable to make reference to management accounting when it is clearly only a limited range of techniques which have been successful in extracting surplus value? Armstrong remains silent about the majority of techniques and models normally identified with management accounting. In the case of budgetary control systems themselves, as long ago as 1952 Argyris argued that it was vital to recognise the many benefits of a more participatory approach to the budgetary process. A 'behavioural' emphasis is now commonplace in most management accounting textbooks, forming the cornerstone of responsibility accounting. Finally, Armstrong would have his readers believe that, by definition, certain influential techniques of management accounting faithfully reflect the imperatives of labour process control with all their attendant negativities. By contrast, in one of the founding statements of critical accounting research, Burchell, Clubb, Hopwood, Hughes and Nahapiet (1980, p. 13) observed that accounting is "made to be purposive rather than being inherently purposeful". Rather than simply writing off budgetary controls and kindred techniques as means of extracting surplus value, and thereby deserving of significant opprobrium, a more mature, and thoroughly critical stance would be to study the budgetary process in order to determine what budgeting is, is not, and thus what it might be (c.f. Armstrong 1989c).

## 4.2 How Management Accounting?

The issue of how cost accounting techniques, and subsequently budgetary control principles, were successfully integrated, or in Armstrong's view re-integrated, with the mainstream of chartered accountancy practice is one which has never been directly addressed by Armstrong. Effective integration is arguably the central tenet of his entire thesis, yet it remains nothing more than a bold assertion. Armstrong argues that although the chartered profession was reasonably adept at providing for (while simultaneously creating) the

financial needs of British industry and commerce at the outbreak of World War I, it quickly became apparent that its established prospectus of skills was largely irrelevant for tackling the prevailing realisation problem. That competence resided elsewhere, among the ranks of cost accountants and industrial engineers employed in industry. The pressing need was for the former group to apprise itself of the latter's stock of costing knowledge, and to deploy it to control the profiteering excesses of companies. As the dominant partner in this marriage of necessity, the chartered accountants were in a strong position to determine what constituted the relevant approach to the problems confronting the government, with integration being very much on the terms it dictated. Loft (1994) notes that invariably the professional accountants assumed a managerial role in the pursuit of the necessary cost information, with the cost clerks engaged in producing the detail. It was unlikely that the latter group, largely anonymous by virtue of their industrial employment, much less educated than and understandably deferential towards their 'betters', would feel confident to challenge any interpretation which the chartered accountancy profession might place on costing practice. As a consequence, it seems probable that the form of cost accounting which was fabricated, and in the immediate aftermath of the war found its way into the ICAEW's examination syllabus, was a somewhat corrupted variant of that which constituted best costing practice.

Armstrong (1993), commenting further on the uptake of cost and management accounting practice in the UK during the inter-war years, also casts some doubt on its integrity. What little cost accounting there was carried out, was performed principally by chartered accountants,

... whose core activity is financial rather than cost accounting ...  
 Financial accounting is concerned with reporting on the overall financial performance of an enterprise to shareholders and other outside parties. It is thus a key term in the control of industrial by finance capital (Armstrong 1993, p. 6).

Despite costing's contribution to the war effort, not to mention the fortunes of the chartered accountancy profession, there was no invitation to the ranks of cost accountants to join the existing professional associations. A proposal for the creation of a Costing Association within the English Institute was rejected in 1919, effectively obliging cost accountants to form a new association, the ICWA. As a

consequence, the dominant chartered profession was clearly in a position to fashion management accounting very much in its own image, one of financial accounting, reporting and auditing, throughout the inter-war period, perpetuating the corrupted form suggested earlier. The continued dominance of chartered accountancy during the half century since World War II, both in terms of its status and its size, if not necessarily the traditional public practice mode, has ensured that what passes for management accounting has continued to reflect its preferences. The result has been that management accounting in the UK context has invariably reflected a limited management accounting concept, one not too dissimilar to that described by Armstrong perhaps. In some respects it is possible to conceive of this concept as that of management *accounts* rather than management accounting. Here the emphasis is principally upon periodic reporting to senior management of financial performance against budget rather than deploying the wider prospectus of techniques and models commonly associated with management accounting. In other words, not so much the integration of management accounting with financial accounting, as its emasculation by financial accounting.

### 4.3 When Management Accounting?

Armstrong begins his 1987 paper:

The single most common academic or professional qualification in British boardrooms is membership of the Institute of Chartered Accountants (Armstrong 1987a, p. 415).

What is interesting about this observation is its origins, an article published in *The Director* in 1965. Although subsequent surveys and literature which provide confirmation of this view are discussed by Armstrong as a prelude to him asking: why has all this occurred? (p. 416), dating the accountancy profession's prominence within business enterprises so early is problematic. This is particularly so from a management accounting perspective. As noted earlier, Armstrong sees no reason to challenge Parker's view on the widespread absence of the standard costing technique in English companies in the early 1960s. Clearly the profession's ascendancy had been achieved without recourse to this particular element of the management accounting tradition. This despite its common sense affinity with the extraction of



surplus value problem, and its crucial role in the US case from the 1920s onwards. If, at best, a corrupted form of management accounting had played a largely subordinate role in advancing the fortunes of the chartered accountancy profession within UK business enterprises up to the mid-1960s, what was the likelihood of it becoming the means of securing the profession's pre-eminence in the next decade? This is what Armstrong argues in the detail of his 1987 historical account: the advent of the multi-divisional company in the UK in the mid-1960s highlighted the pressing necessity of solving the extraction of surplus value problem. It was management accounting which furnished the solution to the problem, thereby providing the means of translating the accountancy profession's prominence within UK business enterprises into pre-eminence a decade later. Irrespective of the learning experiences of World War I, or the slow evolution of budgetary control systems and management accounts after 1920, the influence of management accounting in the UK case can only be identified after the mid-1960s.

Armstrong (1994) dates the accountancy profession's managerial pre-eminence a little later, arguing that it was only after the mid-1970s that accounting control systems became really influential. Since then substantive industrial relations have become increasingly dominated by a budget-driven, line management approach. This dating of the rise of management accounting systems is also reflected in Armstrong's observation, based on the limited historical evidence which is available, that, as late as the early 1970s, in the case of labour costs at least, "the time had not yet arrived" for such systems of control (Armstrong 1994, p. 199). At points in the paper Armstrong appears to question the substance of his own thesis. He links the employment of budgetary control systems with the emergence of local management initiatives, themselves designed to ensure increased headquarters' control. To the extent that such initiatives are likely to increase in future years, management accounting control systems will assume a heightened importance within the business enterprise. Finally, Armstrong *et al.* (1996) reports the findings of a survey of the use of budgetary controls in large UK companies, and their link with the control of labour. Although the authors were able to identify cases where the two are intimately related, their overall conclusion, as exemplified in the following quotations, cast serious doubt on the suggestion that (management) accounting presently performs a widespread role in the

management of UK business enterprises:

Portrayals of British industry and commerce as uniformly permeated by accounting controls ... have, it appears, been overdrawn (Armstrong *et al.* 1996, p. 6);

In the light of dramatic reports of accounting domination of British industry ... and of the evolution of accounting-centred disciplinary regimes ..., accounting controls on the business units of large British companies prove unexpectedly sparse (p. 20).

On the basis of this particular survey, it would appear that large parts of senior management in the UK have yet to appreciate the value of management accounting for controlling the labour process.

#### 4.4 Theoretical Equivocation

The theory of inter-professional competition for access to key decision-making positions within capitalist management hierarchies underpinning the Armstrong thesis is commended as a powerful corrective to Braverman's 1974 labour process analysis. Armstrong agrees with Littler and Salaman (1982) that Braverman prematurely foreclosed the analysis of the means which capital employed to control labour, by identifying a single control problem and suggesting that deskilling, in the guise of scientific management, as a pervasive way of solving it. Later attempts by writers including Friedman (1977), Edwards (1979) and Littler (1982), to identify a broader range of techniques for securing control and to take account of contradictory historical evidence, are viewed by Armstrong as offering little advance. Like Braverman's own work, these provide a functionalist type of explanation in which the appearance of new strategies is accounted for in terms of the problems which they solve. For Armstrong, such explanations are not so much wrong, as incomplete. They fail to account for the origins and nature of particular control strategies, being content to limit attention to the adoption of particular strategies, focusing on the problems which they solve. Explanations of this sort ascribe a much greater role to agency and process, attributes also evident in Burawoy's contributions to labour process analysis (Burawoy 1979, 1985). They are explanations which depart from the determinism which characterises the more holistic, structurally-oriented labour process perspective associated with Braverman, emphasising the value of exploring the interplay of

structural factors and human agency. Another way of conceptualising such an enhanced labour process perspective is to recognise it as shifting the emphasis from demonstrating the fundamental correctness of its Marxist underpinnings, towards gaining an understanding of the dynamics of the social organisation of work.

Having delineated such a promising theoretical foundation for his analysis, it is disappointing to observe the distance between it and Armstrong's commentary. On offer is an account of how a particular professional occupation, (chartered) accountants, has achieved pre-eminence within the managerial hierarchies of business enterprises in one country. Although Armstrong never claims that since the mid-1970s every business in the UK has been managed in ways prescribed by the accountancy profession, nor that such modes of management are guaranteed to promote greater profitability, this is the gist of what is being argued. In this way the Armstrong thesis is thoroughly deterministic, highlighting the successful colonisation process of UK business enterprises by the accountancy profession. Counter instances are of no significance to Armstrong, although it would be the nature and origins of such counter instances that would be of particular interest to researchers seeking to deploy an enhanced labour process perspective. Exploring diversity in management control systems is not Armstrong's project. A general uniformity of practice is what Armstrong seeks to document, one which reflects the key assumptions of labour process theory while managing to avoid its more damaging functionalist shortcomings (c.f. Storey 1985).

The extent to which Armstrong ultimately remains faithful to a generic labour process perspective can also be seen in other ways. Much of his account is articulated in terms of the crises within the global function of capital which provides the context for inter-professional competition. The accountancy profession rather than accountants assumes the role of agency within the analysis, accountants being cast in the role of the unquestioning performers of management control functions, acting literally as the functionaries of capital (c.f. Johnson 1977a,b, 1980; Roslender 1990, 1996b). Competitors such as engineers, personnel managers, sales and marketing specialists are discussed in a similar way, with little attempt being made to identify which of them the accountancy profession has replaced as the pre-eminent managerial occupation. In the absence of such insights, there is good reason to

believe that despite advancing the theory of inter-professional competition, Armstrong takes the view that in the UK the accountancy profession is the *first* group to achieve pre-eminence within managerial hierarchies. Moreover, while its pre-eminence may be strongly challenged in the future by other professional occupations, the likelihood of the accountancy profession losing its grip on power is presently remote. Because it offers such a compelling, and dynamic response to the problems of management control, the profession is in a strong position to continue to construct the agenda in order to serve its own interests.

#### 4.5 The General and the Particular

From the outset, Armstrong has restricted the applicability of his thesis on the rise of accounting controls, and of the accountancy profession, to the UK case. In the German case engineers are identified as the pre-eminent group, with accountants engaged in the performance of the relatively subordinate bookkeeping function, at least in manufacturing enterprises where "it is virtually unknown for a German managing director to have an accounting background" (Armstrong 1985, p. 130). Japan is reported to be similar, a country where, according to Coke (1983), "qualified accountants in the Western sense are almost unknown". This apparent lack of accounting expertise in the case of two highly successful post-war economies only serves to focus attention on the British case. Armstrong regards the US experience to be much closer to that of the UK, but the two cases are never argued to be identical. Although accountancy is an influential profession within US business and commerce, at no point does Armstrong suggest that it is, or ever has been, pre-eminent in the way its British counterpart has become. Management accounting has also played a significant role within the portfolio of the US profession but at a much earlier point in time, with standard costing being very much to the fore during the inter-war years. Consequently, there is little reason to believe that the US serves as a model for the subsequent British project. In a later paper with Hopper (1991), Armstrong documents a positive role for some aspects of management accounting in the US in association with the labour-capital accord which they see characterised the period 1930-1980. Renewed interest in cost management, however, reflects the necessity of managing the extraction of surplus value more effectively in the face of growing global competition.

Despite Armstrong's efforts to the contrary, his thesis has invariably been accorded a general applicability by those who make reference to it. This is not difficult to understand given the issue he is dealing with, the nature of accountancy's relationship with the reproductive imperatives of capitalism, and the theoretical framework he embraces to explore this relationship, that of labour process analysis. As has been suggested at various points in the preceding paragraphs, the entire project readily lends itself to the formulation of reassuring, generalisable insights, at least from the standpoint of much critical accounting research. In order to prevent the perpetuation of this damaging tendency, it is desirable to distinguish the general and the particular aspects of Armstrong's thesis. Among the most important general aspects posited are: the existence of crises within the global function of capital; organisational hierarchies offering differential access to managerial power; a number of professional occupational groups pursuing collective mobility projects; and a variety of approaches to the task of management control. These are features which can be detected in all late capitalist economies.

The particular aspects of the case which Armstrong investigates are concerned with the reasons why the accountancy profession has been able to convince the owners and/or providers of capital in the UK of the superior merits of its characteristic approach to managing business enterprises. According to Armstrong, the great strength of the UK accountancy profession lay in its ability to provide acceptable solutions to the changing set of problems which capital faced from the mid-nineteenth century onwards. The profession's role in conceptualising these problems must not be underestimated, nor should its willingness to learn from the experience of others, not least cost accountants during World War I, be overlooked. In the last analysis, however, the success of the UK accountancy profession was achieved because it succeeded in persuading capital to entrust it with the protection of capital's short, medium and long term interests to a degree not evident in comparable cases. The role of trust has also been recognised by Armstrong, and in 1991 he offered an alternative theoretical formulation of his theory of inter-professional competition drawing on agency theory (see also Armstrong 1987b, 1989a). Trust is only discussed in a general way, however, with Armstrong postulating "a long-run tendency within capitalist organisations to displace trust from agents whose function it is to control the productive process to those who whose task it is to monitor their activity" (Armstrong 1991, p. 18). While an interesting, and insightful

proposition, it deflects attention away from the specifics of particular trust relations, and in the UK case, from identifying precisely what it was/is about the UK accountancy profession, and its evolving stock of management controls, which has so captivated capital. Such questions can never be satisfactorily answered employing a generalising framework for analysis. Researchers wishing to pursue similar enquiries are therefore recommended to adopt a research design which will allow them to probe the crucial role played by human agency in determining the social construction of management control.

## (5) CONCLUDING COMMENTS

If the critical accounting project is serious about the promotion of greater self-awareness among accounting academics, and in turn the wider constituency of accounting labour, those who contribute to it must be prepared to confront the big issues associated with the social institution of accountancy. In this respect, Armstrong richly deserves the acclaim which his work on the rise of the UK accountancy profession, and its characteristic modes of management control, has attracted since it first appeared in the middle and later 1980s. His account was favourably received by many within a critical accounting project which at that time evidenced a strong Marxist leaning. The emergence of a more pluralistic project in the past decade has failed to give rise to a substantial critique to his thesis. This is a little surprising given the highly provocative nature of the thesis. The limited critique of the Armstrong thesis might be interpreted by those outside of the critical accounting project as evidence that critical accounting researchers are unwilling to subject their own work to the same level of scrutiny as they engage in elsewhere. The purpose of this paper has been to counter such criticisms by identifying a number of elements of Armstrong's seminal contribution to the literature which would seem likely to benefit from further research and reflection.

## ENDNOTES

- 1 This section draws on an extensive literature. Readers may find the following contributions to it particularly instructive: the special issue of *Critical Perspectives on Accounting*, Volume 5, Number 1 (1994); Moore (1991); Morgan and Willmott (1993); Roslender (1995, 1996a); Gallhofer and Haslam (1997); and Dillard and Becker (1997).
- 2 Identifying rigour and scholarship in this way has the consequence of introducing a significant distinction within the set of "ways of knowing". There are some ways of knowing which have nothing to gain from being identified with either rigour or scholarship. The most obvious examples are forms of artistic exploration including art, poetry and dance. Stories and play(let)s present a more difficult case since in the form of narratives and case materials they have made a major contribution to the literature of critical accounting research. Nor is it possible for scholars to turn in shoddy deconstruction and genealogical materials.
- 3 Ironically the charge of importing straw men has been levelled at Armstrong in the title of a previous draft of the present paper, namely: "Extracting straw men from historical infights: problematising the Armstrong thesis on accounting controls".

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