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THE CONCEPT OF STRATEGIC CHANGE AND IMPLICATIONS FOR MANAGEMENT ACCOUNTING RESEARCH

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1.0 INTRODUCTION

Organizations are likely to experience ever more complex challenges in the new millennium because of changes in global economies, competition and the nature of knowledge [e.g.,Drucker, 1997]. Morgan [1989], using the metaphor of surfing in a turbulent sea, has this to say:

> For like surfers, managers and their organizations have to ride on a sea of change that can twist and turn with all the power of the ocean.... Managers of the future would have to ride this turbulence with increasing skill, and many more competencies will be required [Morgan, 1989: 1].

This turbulence is reflected, for example, in the serious questioning of the efficacy of prevailing management practices [Jones and Dugdale, 1998; Johnson and Kaplan, 1987]. Management accounting practices especially have been criticized as being inadequate in helping organizations manage change and get ahead of their competition [Johnson and Kaplan, 1987]. As a consequence, there have been calls for accounting to change to meet the information and decision making demands of the new management systems [Sillince and Sykes, 1995; Bromwich and Bhimani, 1994; 89].

Academics and practitioners have both suggested repeatedly that in order to be relevant in the new environment accountants should reposition their role within organizations to have a strategic focus. This repositioning has been described variously as accounting for strategic repositioning [Roslender, 1996; 1995; Keron, 1987], strategic management accounting [Bromwich, 1990; Simmonds, 1981] or strategic cost management [Shank and Govindarajan, 1993][1]. It has been suggested that linking management control systems (MCSs) and strategy is essential for firms to attain a position of competitive advantage. Consequently, accountants have expressed the wish to be constituted as strategic just like those in many other functional areas of management. In spite of significant research efforts however, there still remains ample confusion regarding what SMA entails.

Some accounting researchers have seen SMA as implying a greater contribution by accountants to strategy formulation and implementation [Shank and Govindarajan, 1993; Bromwich, 1990; Simmonds, 1981]. Some have viewed it as suggesting that accountants move away from purely financial concerns to larger business issues [Roslender, Hart and

[1] In this paper the term ‘strategic management accounting’ (SMA) is used to represent these different descriptions.

Ghosh, 1998; Kaplan and Norton, 1996]. Others have seen it as an opportunity to make accounting relevant again [Johnson, 1992], hence to elevate its standing [Keating and Ansari, 1997; Lianabel, 1991; Simmonds, 1981] relative to other functions within the organization such as marketing and business planning [Roslender, et al., 1998]. Strategic accountants are expected to focus not only on financial but non-financial information, the future and both the internal and external environments of the business [Brouthers and Roozen, 1999]. They are also expected to go beyond mere provision of "relevant" information and actually participate in the decision making process itself, for example in choosing among strategic alternatives [Bhimani and Kershtvarz, 1999].

The proposals for a SMA have generated significant research interest. Some studies have been concerned with the development of rational techniques (e.g., strategic cost management, the balanced score card, activity based management). This line of research has also been concerned with evaluating the extent to which these techniques have been implemented in organizations and even across countries [e.g. Guilding, 1999; Clarke, et al., 1999] and with what effect in terms of financial performance [e.g. Gordon and Silvester, 1999; McGowan, 1999]. These latter studies have expressed surprise that there is no universal adoption or understanding of these techniques [Adler, Everett and Waldron, 2000; Bhimani and Keshtvarz, 1999; Guilding, Cravens and Tayles, 2000]. Another line of research has examined the relationship between strategy and MCSs [e.g. Simons, 1990] adopting a largely contingent approach.

Although there are many ways in which strategy is conceived [Hax, 1998; Mintzberg, 1987; Tomkins and Carr, 1996], SMA researchers have taken strategy as given, without questioning what strategy is, how it is formed, how it comes to change, and how strategic change constitutes and is constituted by accounting. In the absence of an appreciation of these different conceptions, understanding strategy formation and change may as well be muddled [De Wit and Meyer, 1998]. While some efforts have gone into explaining how accounting changes [e.g., Burns and Scapens, 2000], these efforts do not articulate the changes within the context of changes in strategy. While an independent line of research continues to investigate the recursive relationship between strategy and MCSs, there has been little attempt to integrate this line of research with mainstream SMA research. Issues such as how accounting changes are implicated in changes in organizational strategy, and whether and how accounting differs between organizations undergoing different strategic changes remain largely unaddressed. Instead, there is an overemphasis on whether or not certain accounting techniques are adopted, often ignoring how accounting is intertwined with the larger organizational processes in which it operates.

Motivated by the apparent gap in the SMA literature in providing a comprehensive basis for conceptualizing accounting change in the context of strategic management, this paper proposes to examine the different concepts of strategic change with a view to identifying their implications for SMA research. The rest of the paper is organized as follows. The next section explores the theme of strategic change, paying attention to what strategic change means and how it occurs in an organization. The third section examines how strategic change is conceptualized in SMA research. The fourth section discusses the limitations of current SMA research and offers suggestions for further research, with some concluding remarks in the fifth and final section.

2.0 CONCEPTUALIZING STRATEGIC CHANGE

The bulk of studies have sought to study accounting change in the context of wider organizational processes [e.g. Burns and Scapens, 2000]. As a result, strategic change is often equated with organizational change [Mintzberg and Westley, 1992]. We examine the various ways in which strategy is conceptualized in the context of organizational change. We also explore the multidimensional nature of the concept of strategy.

2.1 Defining the Concept of Strategy

Strategy is a concept that is defined in probably as many ways as there are those who have attempted to write on it. Yet, because of the increased centrality of this concept in modern management, it is important that the various ways in which it is conceived be understood. Strategy is defined as a multidimensional concept, which goes into the very heart of business and organizations. It is thought to be concerned with all the critical activities or issues facing the business, providing a course of action for meeting the challenges facing an organization [Hax, 1998; Hax and Majluf, 1991].

Hax [1998] outline what strategy is on the basis of the role strategy is meant to play in organizations and society. Strategy is thought to provide "a comprehensive and integrative blueprint" Hax and Majluf [1991, p.2] for the whole organization, leading to plans whose aim is to achieve the organization's objectives. Here, the objectives precede or exist in parallel with the strategy. Strategy, therefore, provides the guiding light or plan for where the organization is going next [Mintzberg, 1987].

Strategy is also viewed as a way of identifying and shaping the goals and objectives of the organization, defining the major action programmes to achieve those goals and then allocating necessary resources to achieve those goals. A key concept here is strategic effectiveness, which is achieved when there is a fit between the objectives and action programmes including the allocation of the firm's resources. This broad view of strategy [e.g., Chandler, 1962] is what Mintzberg [1998] calls a plan, because it represents a conscious attempt to define where the organization is going and how it should get there.

Another view of strategy is positioning, because what strategy does is to position the organization vis-à-vis its environment [Mintzberg, 1987]. Related to this is viewing strategy as a means to competitive advantage, focusing on the business unit, industry structure and internal competencies. Porter [1980], popularly associated with this view, explicates three ways in which firms can attain a competitive advantage: low cost, differentiation or a focus strategy. Strategy may also be viewed as a ploy to outwit the competition [Mintzberg, 1987].

Related to strategy as position is the notion that strategy is also a way in which an organization seeks to match its activities with its environment and its resource capability. This contingency view holds that for organizations to survive they need to maintain a fit with their environment.

Strategy may also be seen as defining the operational responsibilities of the different managerial hierarchies within the organization and the roles various stakeholders should play. The focus here is on the corporate strategy, the business strategy and the functional strategy. Among the issues that this view of strategy engages with is how the management structure and control systems change with changes in strategy.

Finally, strategy may be defined from a more ideological perspective as a tool for meeting the needs of stakeholders. It is a way of taking care of stakeholder needs, values and power. Here it is recognized that stakeholders exercise unequal power, which is reflected in the strategies that come to play. This may again be seen as taking strategy as a perspective [Mintzberg, 1987], where certain individuals or groups may try to impose their views on others in the organization [Macintosh, 1994].

The problem with the above views of strategy is that they explicate what strategy does, but fail to answer the questions as to what strategy itself is. This is further complicated when attention is directed to strategic change.

2.2 The Process of Strategic Change

Mintzberg and Westley [1992] argue that organizational change is change in the *state* of the organization while strategic change is change in the *direction* of the organization, and that these two spheres of change occur at different levels. Strategic change can occur at two levels, i.e., the conceptual level and the concrete level. Conceptual change involves the vision and positioning of the organization, whereas concrete change involves the programmes and facilities [Table 1]. Change at the conceptual level may not be accompanied by changes at the concrete level. However, for strategic change to be effective, changes should take place at both levels. Where conceptual change is accompanied by concrete change, a deductive change has occurred. If the change is initiated at the concrete level leading to changes at the conceptual level, an inductive change has occurred. This framework does not, however, discount the influence of the *state* of the organization, e.g., culture and structure, on the strategy.

Table 1

Levels and Spheres of Organizational Change

	Changes in organization (State)	**Changes in strategy (Direction)**
More conceptual (Thought)	Culture	Vision
	Structure	Position
More concrete (Action)	Systems	Programme
	People	Facilities

[Mintzberg and Westley, 1992]

Some organizational theorists argue that all the components of strategy may not change uniformly. For example, Laughlin [1991] suggests that if change involves only the physical aspects, i.e., programmes and facilities of the organization, then little change has occurred, while if change occurs to the paradigm[2], i.e., vision and position of the organization, then more fundamental change has taken place. These changes are referred to as first order and second order changes, respectively.

The characterization of change as either first order or second order may be likened to what organizational learning theorists classify as single loop or double loop learning, respectively [Senge, 1990; Argyris and Schön, 1978; Argyris, 1977]. In single loop learning, the organization is able to correct its mistakes and hence restore itself to prevailing norms and values. Organizations engage in double loop learning when the knowledge obtained from the organization's environment generates not only understanding but also a base for questioning current norms and assumptions with the possibility of reinventing the organization [Crossan, et al., 1999] . Members of the organization are required to develop key competencies as well as a deep understanding of the philosophy and operations of the organization. The double loop process is "…a process that mobilizes disagreement to create consensus" [Morgan, 1986: 89]. Senge [1990] on the other hand coined two terms, adaptive learning and generative learning which are likened to single loop and double loop learning, respectively.

Changes to strategy may be planned, involving the collection and analysis of all the data available, and considering all scenarios. The planning process may lead to an intended strategy, which incorporates patterns of decisions that organizations plan to execute. The

[2] We define paradigm as the system of core beliefs and values that guides the organization.

strategy that is ultimately realized may be what was planned, i.e., deliberate strategy, or it could be what was not initially intended, i.e., emergent strategy [Mintzberg and Waters, 1985]. The planning perspective adopts a rational approach to strategic change on the grounds that this gives organizations a sense of direction, enabling the allocation of resources to the most promising courses of action and encouraging long term thinking and commitment [De Wit and Meyer, 1998].

Contrary to the planning perspective, the incrementalist perspective posits that planning is not suitable for non-routine activities, and that new strategies emerge over time as managers proactively piece together a viable course of action or reactively adapt to unfolding circumstances. Strategists under this perspective are inventors or innovators [Ohmae, 1998] who question the current paradigm and explicate a learning orientation. The strategy formation process is an iterative process of action, where strategies are considered and reconsidered on the basis of emerging evidence. Two types of incrementalism are identified, muddling through (which is reactive and ad hoc) and logical incrementalism (which is a reasonable, well considered, proactive approach to strategy formation).

Strategic change may also be revolutionary or evolutionary. Nelson and Winter [1982] define revolutionary change as that which involves radical change to established routines and practices that may result from various disruptive events or forces. Once a corporate culture is established and people get used to doing things in certain routinized or habitual ways, considerable pressure is required to bring about the needed change [De Wit and Meyer, 1998; Huff, et al., 1992]. Hamel [1996] argues that for organizations to be competitively successful, they must learn to master the skill of revolutionary change.

Revolutionary change however, requires a crisis to mobilize support for such change initiatives. Political conflict may be employed to bring about change, in what Kanter, et al., [1992] refer to as constructive conflict. Giddens [1990] refers similarly to change brought about through system contradiction[3]. Revolutionary change may also be purposeful and lead to desired changes [Hurst, 1995], or chaotic, leading to undesirable changes. Generally, revolutionary change requires strong leadership, and champions are key.

Evolutionary strategic change on the other hand is continuous and gradual, building on prior changes. The organization engages in continuous improvement, learning and adaptation with change occurring within the current paradigm. In addition, unlike in revolutionary change where leaders are at the forefront of change, here change is organization-wide. Thus, all members of the organization are continuously engaged in the search for better futures. The strategist's role is to create flexible structures and systems, to encourage an open and tolerant corporate culture that nurtures continuous learning [De Wit and Meyer, 1998].

Theories of evolutionary change are often concerned with examining what forces compel organizations to change and what factors within or without the organization hinder or facilitate change [Kanter, et al., 1992]. Organizations, however, do not change due to external factors alone, but undergo micro-evolutionary changes as a result of their process of growth and development. Life cycle theories for example conceptualize organizations as going through three inexorable phases: growth, maturity and decline. As organizations go through each of these phases, they undergo various internal reconfigurations, which may include changes in strategy.

Evolutionary theories present the organizations as surrounded by and open to an external environment, but this ignores the reciprocal impact of the organization on the external

[3] Morgan [1986] invites us to examine how disparities or contradictions within a system create tension, which results in change.

environment. For example, Morgan [1986] employs the logic of autopoiesis[4] to negate the popular notion that organizations are open systems subject to change that originates from the external environment. Instead, organizations can be closed autonomous systems that consist of "autonomy, circularity and self-reference" [Morgan, 1986, p. 253]. As such, they can recreate or renew themselves without outside reference, with the aim of maintaining their identity, i.e., reproducing themselves. For such organizations, change is important only as long as it enables them to retain their identity. Viewing organizations from an autopoeitic perspective provides a possible explanation for why organizations change or fail to change when conventional wisdom says otherwise.

Strategic change however is not always as orderly or controlled as presented above. Morgan [1986] draws on chaos theory to argue that organizational systems are characterized by both chaos and order, which creates random disturbances to the system that may result in unforeseen changes. Next we look at the extent to which SMA research engages with the themes identified in this section. Our position is that accounting researchers have not adequately appreciated how accounting and strategic change may be related.

3.0 STRATEGIC CHANGE IN SMA RESEARCH

The analysis of the strategy literature above has revealed a multiplicity of ways of viewing strategy and how it changes. It can be surmised then that how strategy changes depends on what it is perceived to be. The SMA researchers in a limited fashion have recognized a multiplicity of ways of seeing strategy [Bhimani and Keshtvarz, 1999; Guilding, et al., 2000]. Key among these is the theme that SMA is a means for organizations to achieve competitive advantage. The other significant themes are that strategy is something important or critical, which would benefit from the involvement by accountants; strategy is a way of achieving closer alignment with the external environment; and strategy is a mechanism for ideological control. Next, we examine each of these themes.

3.1 Achievement of Competitive Advantage

The most popular conception of strategy in SMA research is as a ploy [Mintzberg, 1987] to outwit the competition. Simmonds [1981], who coined the term strategic accounting, proposed SMA as "a natural" response to a competitive environment. Simmonds' [1981] view of SMA is that it helps firms attain positions of competitive advantage by measuring and monitoring competitor's relative levels and trends in costs, prices, market share, cash flow and financial structure so as to achieve competitive advantage. Whereas initially profitability was seen as resulting from a firm's "internal efficiency", Simmonds sees it as "stemming from the pattern of competition over time and the individual firm's position in the competitive configuration" [p.26]. Taking a similar position, Dent [1996] and Cooper [1996] see management accounting as capable of helping firms to build organizational capability to ward off competition from Japanese companies. The view of strategy here is one to achieve long-term sustainable advantage over a firm's key competitors [Hax, 1998]. The concern with competition is also reflected in Guilding [1999] who called such an accounting competitor focused accounting.

The concern with achieving sustainable competitive advantage has been accompanied by the development of a range of accounting techniques. These techniques by and large promote the measurement and analysis of information on both markets and internal organi-

[4] The concept of autopoiesis views organizations as self-referential closed systems that change, not in response to external environments, but to reproduce themselves hence maintain their identify.

zation so as to beat the competition. Activity-based costing (ABC) is, for example, promoted as providing information that can enable a firm to attain competitive advantage [Roslender, 1995]. Shank [1996] proposed strategic cost management (SCM) as a way in which strategy can have a bearing on capital investment decision-making. The SCM framework involves *inter alia*, an analysis of the firm's competitive advantage strategy [Shank and Govindarajan, 1993]. The balanced score card (BSC) model has been developed to provide a cocktail of measures that include the entire value chain of the organization, though its emphasis is not on the competition [Kaplan and Norton, 1996]. In addition, various Japanese management accounting techniques such as target costing have also been proposed [Cooper, 1996].

Empirical research regarding this conceptualization of strategic change as changing competitive dynamics is two pronged. One has focused on examining the extent to which the proposed techniques have been adopted in organizations and across countries, and to some extent, with what effect. The other has been concerned with analyzing how firms pursuing different strategies use MCSs but without paying specific attention to the range of SMA techniques on offer [Chenhall and Langfield-Smith, 1998b; Guilding, 1999]. We briefly examine each of these efforts.

The first line of research emphasizes techniques and their adoption almost to the exclusion of any consideration of the interface between strategy changes and changes in accounting systems and thinking. The literature reports increasing interest in SMA, but shows a wide disparity in terms of application of the individual practices and the use of the term SMA among accountants in different countries, for example, New Zealand, the USA, the UK and Germany [Adler, et al., 2000; Guilding, et al., 2000; Bhimani and Keshtvarz, 1999; Guilding, 1999; Carr and Tomkins, 1996]. These studies do not, however, explicate the relationship between MCSs change and changes in strategy in the firms oı organizations studied.

The second line of research looks at ways in which the use of accounting differs between different ways of competing. The most popular conceptualization of ways of competing are those by Porter [1980], Miller and Friesen [1982] and Miles and Snow [1978]. This literature seems to suggest that different types of accounting information may be suited to different ways of competing or strategy typologies [e.g. Guilding, 1999; Chenhall and Langfield-Smith, 1998b; Govindarajan and Shank, 1992]. Bromwich [1990] argued that SMA could measure the attributes of products both for the firm and competitors with a view to assisting firms pursuing either cost or differentiation strategies. Cooper [1996] argued that a cost or differentiation strategy is not sufficient where there is intense competition making it impossible to attain a position of sustainable competitive advantage. Instead, he argued that firms faced with such competition might pursue temporary competitive advantage through a colliding strategy. Management accounting, he argued, could help such firms attain the triplet attributes of price, quality and functionality and hence attain continuous temporary competitive advantages by providing feedback and feed forward information. Employing Miles and Snow's [1978] typology of strategy, researchers found that prospector firms made greater use of accounting systems compared to firms pursuing other strategies [Guilding, 1999; Simons, 1987]. This line of research has however not examined how the nature and use of accounting data change with changes in the ways of competing.

Dent [1990] and Macintosh [1994] have pointed out possibilities for the use of Miles and Snow's [1978] typology where defenders, prospectors, analyzers and reactors are bound to require different MCSs [see also Guilding, 1999]. Govindarajan and Shank [1992], following the same line of argument, have posited that a key role for management accounting systems is the development and implementation of strategies. They posit that SCM is "the managerial use of cost information explicitly directed at one or more of the four stages of the strategic management cycle" (p. 14). Drawing on the work of Porter

[1980] they posit further that there should be congruence between the strategy chosen (whether low cost or differentiation) and mission (build, hold and harvest) and the kind of management accounting controls used.

Some limited attempt has been made to investigate how the use of different SMA techniques differs between firms pursuing different strategies. Chenhall and Langfield-Smith [1998b] for example found that the type of technique used was associated with whether firms were pursuing low cost or differentiation strategies and this had performance implications. Guilding [1999] also found that firms pursuing build strategies use pricing and strategic costing more. There is, however, little appreciation of the differences in the ways in which the different approaches to competing use the range of SMA techniques on offer and how these change with changes in strategy.

A major limitation in the above literature is that adoption of certain techniques is equated with a change to a SMA. In undertaking change to SMA however, there is little apparent questioning of whether evident organizational problems were not a product of wrong paradigms or strategies in the first place. The resulting change is not evaluated in terms of change in core values. Emore [1991] has reported that major Mid-Western manufacturers in the USA made large expenditures overhauling their accounting systems but these systems did not end up providing relevant information for decision-making. Emore opined that this was because change was "focused on integrating and automating diverse accounting and manufacturing systems rather than on *improving the conceptual underpinnings* of the cost systems" (p. 86, emphasis added). In undertaking change, there is need to ask whether the change does result in different values and ways of doing things or it is merely at the surface. Further, although SMA is advocated on the basis of beating the competition, a survey of the critical literature shows a skepticism regarding not only the ability of SMA to achieve the technical rationale advanced for it, but also social issues concerning the betterment of the condition of the workers, for example [Roslender, 1996]. Suggestions have also been made that there is a chasm between the rhetoric of management innovations and the technical reality of these innovations [Zbaracki, 1998; Bhimani and Pigot, 1992; Nahapiet, 1988].

3.2 Playing a Strategic Role

It has been proposed that to be relevant management accounting should be concerned with the strategic issues facing the organization [Govindarajan and Shank, 1992; Johnson and Kaplan, 1987; Simmonds, 1981]. Simmonds [1981] has this to say:

> Management can make its most costly mistakes in forming business strategy hence this is where the greatest value in information lies. Management accounting systems should eventually come to be dominated by strategic needs – unless, that is, the management accounting profession is held back by an unwillingness to pursue the changes that a strategic orientation entail's [p. 26].

Thus, Simmonds [1981] urged management accountants to change their orientation to provide information deemed of greatest value to the business. An underlying theme of SMA is the need to elevate the role of accountants relative to other management functions in the organization. However, little insight is provided as to how this reorientation might occur with changes in strategy. The proposal seems to be that strategic accountants should not only provide strategic information but also participate in the decision making process itself, for example, in choosing among strategic alternatives [Bhimani and Kershtvarz, 1999; Tricker, 1989].

The professional accounting literature seems to suggest that accountants should change their role from that of bookkeepers to being in house consultants or service providers

[Keating and Ansari, 1997]. Accountants need to be involved in the search for value-adding opportunities [Peter Drucker quoted in Horngren, Foster and Datar 1997, p. 18]. Consequently, accountants are being urged to change their perspective from a pure financial focus to larger business issues, which entails a detailed understanding of the business and its environment [Keating and Ansari, 1997; Jablonsky, Patrick and Heian, 1993].

Accountants would also be expected to work closely with other functional areas to achieve business objectives [Mersereau, 1999; Roslender, et al., 1998] and view lower and middle level management as their major clients whose information needs they need to cater to. The role also involves helping other organizational members to understand the strategic implications of their decisions [Ansari, et al., 1997]. The position of in house consultants is "strategic" in the sense of being more relevant to the needs of the organization in addition to being potentially more influential. The advocates of SMA express the hope that this repositioning would lead to a dramatic improvement in the standing of accounting [Lianabel, 1991; Keating and Ansari, 1997; Simmonds, 1981; Corrigan, 1996] relative to other functions within the organization such as marketing or business planning [Roslender, et al., 1998].

Empirical research regarding the role of accountants has been concerned with whether the role accountants play changes to include formulation and implementation of strategy and involvement in change initiatives. This line of research has shown that management accountants perceive their role as formulating strategy and involvement with organizational change [Barbera, 1996; Akers and Porter, 1995; Jablonsky, et al., 1993]. Managers also express the need for accountants to play a strategic role although in some organizations they emphasize bookkeeping roles [Chenhall and Langfield-Smith, 1998a]. There seems to be consensus among accountants and their employers that accountants are due for strategic roles, yet they do not take advantage of the opportunities presented to them to play a strategic role [Chenhall and Langfield-Smith, 1998a] although they think they are doing so [Jablonsky, et al., 1993].

This line of research has outlined some of the factors impeding accountants' progress to this higher ground. They include the reluctance of accountants to utilize opportunities for influencing change [Chenhall and Langfield-Smith, 1998a]; reluctance of their managers to assign them strategic roles [Akers and Porter, 1995; Bhimani and Kershvatz, 1999; Innes and Mitchell, 1990], lack of the required skills [Barbera, 1996; Sharma, 1998; Keating and Ansari, 1997; Lowry and Yap, 1994], fear of antagonizing their managers, lack of autonomy and cooperation from senior management [Chenhall and Langfield-Smith, 1998a], and resource constraints and conflict with line managers [Innes and Mitchell, 1990]. The way in which roles change with changes in strategy is, however, not explicated.

Some have viewed SMA as hierarchical [Bromwich, 1990] while others have seen it as working where accountants can make a difference, irrespective of hierarchy [Chenhall and Langfield-Smith, 1998]. The latter position is consistent with notions of empowerment and bottom up management [Johnson, 1994; 1992], where employees at all levels are required to engage in strategic issues, yet repositioning implies that accountants ascend to hierarchical positions of influence or ivory towers. This line of research has, however, focused on a narrower definition of strategic roles, which emphasizes mainly formulation and implementation of strategy. The strategy literature suggests concern with a wider definition of roles distinguishing between functions (functional strategies) and between units (corporate and business units) and managers. The overall emphasis of these studies also appears to be a static investigation of whether or not accountants play strategic roles [e.g. Keating and Ansari, 1997; Jablonsky, et al.,1993], and not how these roles change with changes in strategy.

3.3 Achieving Closer Environmental Fit

This line of research looks at the whole gamut of MCSs of which accounting is a part. It is based on a contingency framework which suggests that if strategy, management accounting controls and the environment were aligned, then the organization is likely to experience an improvement in performance [Mia and Clarke, 1999; Slagmulder, 1996; Macintosh, 1994; Simon, 1990; Khandawalla, 1973; 72]. Alignment suggests that MCSs are developed in response to strategy, suggesting dynamism where change in strategy necessarily involves a change in management accounting systems. These studies premise that the type of management accounting system employed by an organization is a function of that organization's strategy and its environment [Macintosh, 1994; Chandler, 1962].

Slagmulder [1996] developed a grounded theory on the use of MCSs to achieve alignment between strategy and strategic investment decisions. The theory presents the firms' environment as continually changing in its organization structure, competitive environment and strategy. These changes affect investment opportunities, information flow, attractiveness of projects and therefore the mix. In their turn, these changes cause information asymmetry, uncertainty, and goal incongruence, causing misalignment between strategy and strategic investment decisions, manifested in poor strategic fit, low responsiveness, inefficient use of managerial resources and capital. MCSs can however bring about realignment by being adaptive to these changes through introducing new control mechanisms, changing the tightness of control, the degree of formalization and the locus of decision making.

Slagmulder's [1996] study is useful because it develops a theory, which can be employed to examine strategy and strategic decision-making. However, it takes strategy as given and assumes that the role of accounting is to align itself with the given strategy, ignoring questions of how strategy was formed in the first place or even what it is. Nevertheless, by looking at MCSs and strategy in an actual organization, the study sheds light on the intricacies involved in this relationship and provides opportunities for further research.

Turney and Anderson [1989] employing the metaphor of the Cadillac car and its change in design since the 1950s in response to changing consumer needs, push the message that accounting also needs to change to meet changing philosophies or "world views". Previously, accounting was required to play a largely external role with success being measured in terms of monthly net income. The entry of Japanese competition with low priced high quality products ushered in a new worldview that required continuous improvement, people involvement and customer primacy. Accounting was required to change to facilitate these improvements: "Accounting innovation requires radically changing the role accountants play and the information they provide to management" [Turney and Anderson, 1989, p. 40].

At Portables Division, Turney and Anderson [1989] found that a new management team supported by top management and committed to the success of the new technology of continuous improvement was installed enrolling accountants to join production, engineering and marketing as partners in bringing about the desired changes. This was because the team saw accounting information as central to the success of continuous improvement. Turney and Anderson [1989] conclude that as a result of these demands accountants played a pivotal role in the implementation of continuous improvement at Portables Division. This study presents accounting change as a technical process with little regard to how the accountants as people change with the new systems, or how these change with changes in worldviews.

Other researchers have extended this contingency approach to the lifecycle of the firm, looking at how accounting systems change with changes in strategy over time. Moores and

Yuen [2001] have examined the relationship between a configuration of factors, namely strategy, structure, leadership and decision-making and the management accounting system's attributes such as formality and presentation. Employing a life cycle approach, they found that management accounting systems formality changed at different times in the life cycle to complement organizational characteristics, especially of growth firms. They argue that firms at different stages of their life cycle face different challenges which their management accounting systems have to respond to.

Closely associated with the contingency line of research is the organizational learning literature, which posits that strategic issues are so complex that they require a learning approach [Coad, 1996]. Thus, organizations should use their MCSs to study their environments and change their strategies as changes occur [Argyris and Schon, 1978; Argyis, 1977]. MCSs can engender or hinder learning [see also Crossan, et al., 1999] by affecting knowledge acquisition, information distribution, interpretation, and organizational memory [Kloot, 1997]. MCSs can also be used interactively to generate and focus attention on non-strategic uncertainties and generate learning and debate, enabling a review of both the strategy and the MCSs [Simons, 1999, 1995, 1991, 1990; Kloot, 1997]. Abernathy and Brownell [1999] for example argue that budgets could be used in an interactive way during strategic change to enable new ideas to be created, new goals and objectives developed and new opportunities explored. The limitation with this research though is its focus on top managers as the sole custodians of strategy, ignoring the contributions of middle and lower level workers to the strategic process.

The organizational learning literature suggests that if accountants are engaged in double loop learning they would be able to constantly discern changes in the business environment and help the organization to take counter measures to beat the competition. Double loop learning accountants would be concerned with understanding how the changes could impact on their organization in addition to questioning current norms and assumptions. The literature also hypothesizes that accountants with a learning orientation are likely to ascend to a strategic role while those with a performance orientation would seek bookkeeping roles [Coad, 1996].

3.4 Strategy As a Mechanism for Ideological Control

Unlike the other perspectives, looking at strategy as ideology moves away from the emphasis on techniques to an examination of the way in which people interact with each other and make sense of the meaning of strategy [Knights and Morgan, 1991]. Macintosh [1994] defines ideology as "...a socially constructed worldview about what activities the participants in a social order should pursue, how they should be pursued, and why they are important" [p 107]. Accounting is seen as a socially constructed artifact with which organizational participants make sense of their organizational life. Thus SMA as an ideology influences what organizational participants measure, report and dialogue about, and therefore represents a powerful control mechanism. Citing two case studies, Macintosh [1994] shows the potential of strategic ideology to improve organizational life or to exacerbate it by deluding participants about their role in society and therefore producing " a fettered existence" [p.108].

Accounting researchers have employed case studies to emphasize the ideological and potentially pervasive roles that accounting can play in processes of strategy formation and implementation. They have also criticized SMA raising questions about its claimed potential to alleviate organizations' competitive disadvantage.

Some of the most vociferous criticisms of the positive roles of accounting in strategy have been made by Kaplan [1984] and Johnson and Kaplan [1987], who argued that management accounting had achieved its apex by 1925 but subsequently became irrelevant in meeting the strategic needs of firms as it was diverted to meet the needs of financial accounting. These criticisms have been rebutted by Miller and O'Leary [1993] and Ezzamel, Hoskins and Macve [1990] who cast aspersion on Johnson and Kaplan's account of the development of cost and management accounting and suggest that a different history can be written that puts less emphasis on accounting's past glory. Instead, they view these changes as emanating from wider changes in the evolution of organizational forms of control that seek among other things new and more pervasive ways of employee subjugation [Hopper and Armstrong, 1991; Miller and O'Leary, 1990]. Johnson [1994; 92] later revised their position and argued that irrelevance set in when managers started using accounting information to manage, pointing out that accounting is unsuitable for providing process information necessary for sustainable competitive advantage.

While critical theorists have dismissed Johnson and Kaplan's [1987] call for the reform of accounting, Roslender [1996] laments that the critical discourse of SMA is characterized by "a dismissive tone with the almost predictable conclusion that there is little here that promises to contribute to a more attractive accounting praxis" [p. 533]. Instead, Roslender argues that SMA does provide potential for the general cause of worker empowerment, creating what he terms as "multilevel employee participation", and that it can also create real consumer empowerment by providing information on the full costs of consumption and socially responsible products. The above studies on strategy as ideology, however, focus on the issues at the macro level and not the changes of accounting in the context of organizational strategies at the micro level.

Among the micro level studies is Roberts [1990] who looked at how accounting was implicated in the process of strategy formulation and implementation at a UK company and its business units. Roberts found that accounting was involved in the company strategy at two levels: at the level of the corporate headquarters and at the business unit level. At the corporate level, accounting was used as a public relations tool, to convince the shareholders and the world generally how successful its strategy of acquisition and management or sale of profitable businesses is. In so doing, accounting helped conceal the problems bedeviling the company:

> Thus through the medium of accounting information, Conglom is able to present an external image of "success" which, however, reveals nothing of the organizational processes whereby this "success" is realized, and hence conceals the possibility of the damaging strategic consequences for individual business units of Conglom's exclusive preoccupation with financial returns (Roberts, 1990, p. 124)

Accounting, by concealing the problems facing the company, subverted a critical look at the business, which could probably have brought about a strategy more in line with the realities of the marketplace. The head office used accounting reports to monitor the achievement of its strategy of high volume production by the business units although seeming to grant them autonomy in strategy formulation and implementation. Accountants played dual and often contradictory roles, where they helped achieve the business unit's new decentralized strategy, which sought internal efficiencies, yet serving ultimately to meet the short-term strategy of the corporate group. Accountants also held meetings and conferences with other members of the business units, creating greater involvement, understanding and consensus of strategy at the business unit level, but Roberts viewed this as yet another way in which the unit was sucked into achieving the corporate group's financial strategy based on return on capital employed (ROCE). He surmised that, "vertically, the conformity with central concerns that such a form of accountability secures can cut senior management off from knowledge of changes in its markets" [p. 125]. It is not clear though how accountants are able to reconcile these contradictions.

The MCSs may enable the implementation of existing strategies, but may not assist the search for new strategies [Hoque and Alam, 1999; Archer and Otley, 1991]. Knights and Wilmott [1993] however found that MCSs can be key to the transformation of a sleepy organization to a very competitive one. This study showed that change in a MCS can have positive results for the achievement of the strategy of the organization, but there are many issues that may emerge, including whether the change was designed for such a purpose in the first place.

Other research efforts have indicated how the centrality of accountants was enhanced through their superior understanding and more active participation in the implementation of new management technologies. Munro [1995] found that TQM implementation conferred influence on middle managers by making them spokesmen for the customer. Accounting was mobilized to satisfy the customer while traditional accounting was being criticized on the same grounds. Bhimani and Pigot [1992] also describe how implementation of ABC conferred positions of centrality on accountants and production staff while diminishing the influence of marketing. Accountants and production staff gained from ABC implementation through active participation and understanding of its operations while marketing's peripheral understanding of it diminished their position [see also Miller and O'Leary, 1993]. New forms of management such as TQM seem to provide accountants with opportunities for continuing to maintain their positions of centrality in organizations and society [e.g., Hoque and Alam, 1999; Ezzamel, et al., 1997].

SMA has been presented as the common sense approach to the problems emanating from a changed competitive and technological environment. Hoque and Alam [1999], however, question this narrow conceptualization by showing that organizations may adopt these techniques not for their technical value but their symbolic value as well. Furthermore, Roberts [1990] points out that accounting may not perform the rational strategic role espoused for it, but instead subvert the strategic process.

4.0 SUGGESTIONS FOR FURTHER RESEARCH

While accountants have been urged to constitute themselves as strategic, there however, remains confusion regarding what a strategy constituted accounting entails. This confusion is reflected in the way accounting researchers have conceptualized strategy. Although the strategy literature recognizes that strategy is a multidimensional concept, SMA researchers have not fully engaged themselves with these dimensions in a clear-cut manner. Table 2 provides a summary of the dimensions highlighted in the strategy literature in defining strategy and examples of SMA researchers who have attempted to engage with these dimensions.

The most notable interest has been in the sphere of competition, where accounting researchers have suggested ways in which accounting could contribute to the achievement of competitive advantage. With a few exceptions [e.g., Chenhall and Langfield-Smith, 1998b; Guilding, 1999], this line of research has, however, not examined how the nature and use of accounting data change with changes in the ways of competing. And beside Guilding [1999], there has been no focus on how specific SMA techniques change with ways of competing. Future researchers may need to focus their attention on how different organizations pursuing different strategies employ the extant cocktail of SMA techniques, and how these

Table 2

Definitions of Strategy and Accounting Research

	Strategy Literature		SMA Literature
	Definition of Strategy	Elements of definition	
1	As a comprehensive and integrative framework	Develop plans to achieve objectives	Kaplan and Norton [1996]
2	As establishing organization's purpose	Define and shape goals and objectives Define action programmes Allocate resources	
3	As specifying the organization's competitive domain	Segmentation Defines what business we are in and should be in	Guilding [1999]; Chenhall and Langfield-Smith [1998b]; Cooper [1996]; Dent [1996]; Bromwich [1990]; Simmonds [1981]; Shank and Govindarajan [1993]; Govindarajan and Shank [1992];
4	As a means of achieving competitive advantage	Strengths and weaknesses External environment Internal competencies	
5	As specifying roles	Define role of managers at unit, multiunit and internal unit levels. Business strategy and corporate strategy Functional strategy	Chenhall & Langfield-Smith, [1998a]; Roslender, et al. [1998] ; Ansari et al. [1997]; Keating and Ansari, Jablonsky et al. [1993]; Johnson [1994; 92];
6	As ideology	Who are our stakeholders? What are stakeholders' needs? Power relations	Hoque and Alam [1999]; Ezzamel, et al. [1997]; Knights and Wilmott [1993]; Archer and Otley [1991]; Roberts [1990];
7	As maintaining environmental fit	What are the changes in the external environment? How are we changing to meet these?	Mia and Clarke [1999]; Abernathy and Brownell [1999]; Kloot [1997]; Slagmulder [1996]; Simons [1994, 1990, 1987]; Khandawalla [1973; 72]

Adapted from: Hax, 1998; Hax and Majluf, 1991; Mintzberg, 1987 change with changes in strategies. The latter may involve case studies of individual organizations to see their transition from one strategy to another and how the techniques employed change. This implies the use of longitudinal studies over extended periods of time, or historical studies. In summary, instead of focusing on techniques and whether these have been adopted or not, there is need to engage strategy itself more closely, i.e., how it is formed, how it changes and the implications on the various accounting techniques or practices.

SMA researchers have also been concerned with whether accountants desire to play strategic roles, and the extent to which they are playing such roles. The ways in which roles change with changes in strategy is however not explicated, instead the research has focused on a static investigation of whether or not accountants play strategic roles. Attention to the differing roles of functions, for example, within business units versus corporate units and among managers, may shed some light on the dynamics of role change and how it implicates accountants. The implication for research is that instead of focusing on senior management as the source and formulator of strategic ideas, closer attention should be paid to the whole organization.

SMA researchers have also been concerned with the strategy dimension regarding the effect of the external environment on organizations and the mediating role of MCSs. Most of these studies have assumed that strategy is given and accordingly, the role of accounting is to help align the organization with the assumed strategy, ignoring questions of how strategy was formed in the first place or even what it is. Some researchers [e.g., Simons, 1999, 1994, 1990], however, examined how accounting systems can be used to enable learning hence lead to a review of the strategy itself. Here, a recursive relationship between strategic change and MCSs is undertaken. More effort into how accounting is used as a learning device would shed light on how accounting is intertwined with strategy. Specifically, the various SMA techniques and how they are used, whether in a diagnostic or interactive way would shed light on the dynamics of SMA and strategy change. SMA studies present accounting change as a technical process with little regard to how the accountants as people change with the new systems, or with change in worldviews. Future research may need to focus on the extent to which accountants emphasize the learning as opposed to a non-learning orientation, the kind of information they provide and how changes in strategy influence that information.

Some SMA researchers have looked at strategy from a critical theory perspective, and examined the pervasive effect of strategy on organizations through case studies. Accordingly, accountants have been presented [e.g., Roberts, 1990] as playing contradictory roles, helping units come up with viable strategies while at the same time being instrumental in subverting these strategies in the interest of corporate strategy. It is not clear though how accountants are able to reconcile these contradictions. Closer to our concern, the strategies here seem to emerge, and the role that accountants play in this emergence process needs to be articulated. This should widen the agenda for research away from the unilinear, single factor analysis to autopoeitic [Morgan, 1986] multiple issue analysis of the forces engendering SMA and the process through which it is achieved both in the organization and its environs.

Table 2 reveals that a number of studies have been conducted on dimensions 3, 4, 5, 6, and 7, while dimensions 1 and 2, which involve the setting of organizational purpose and objectives have received scanty attention [except for Kaplan and Norton, 1996 who incorporate organizations' purposes and objectives into the balanced score card concept]. Future researchers may look at how accounting is engaged with changes in organizational values, missions and objectives. A potential focus is the recent restructuring of public sector organizations in Western countries, with these sectors being constituted along private sector managerialist principles. Some research efforts here [e.g., Dent, 1991] have examined the role of accounting in these changes, but sharper focus on strategic change could provide some insights into how accountants are engaged in the reshaping of organizational purpose and objectives.

5.0 CONCLUSION

The last two decades have witnessed immense interest in strategy, with many disciplines wishing to assume the mantle of strategy. The accounting literature is also replete with proposals for accountants to reconstitute themselves as strategic in their organizations. Accounting academics and professionals are urging their colleagues to take a higher profile that involves strategy formulation and implementation to help organizations succeed in what is seen as a very turbulent environment. To ascend to this position, accountants are being asked to acquire new skills and adopt a range of techniques whose focus is the markets and the future. There, however, remains confusion regarding what a strategy constituted accounting entails.

The bulk of the SMA literature has taken strategy as unproblematic, without questioning what various organizations or groups within these organizations understand by it or how it is formed. The exception is Simons [1999] who points out that the way that accounting is used (whether as a diagnostic or interactive device) may depend on the perspective of strategy that one employs. These perspectives could be extended to provide a richer conceptualization of accounting and strategic change. To ignore changes in strategy literature for a profession seeking to constitute itself as strategic would be akin to acting like the proverbial ostrich. It does appear to us therefore that future research must more deeply engage questions of what individual organizations, individuals and groups understand by the term strategy and what it means for a discipline like accounting to be called strategic.

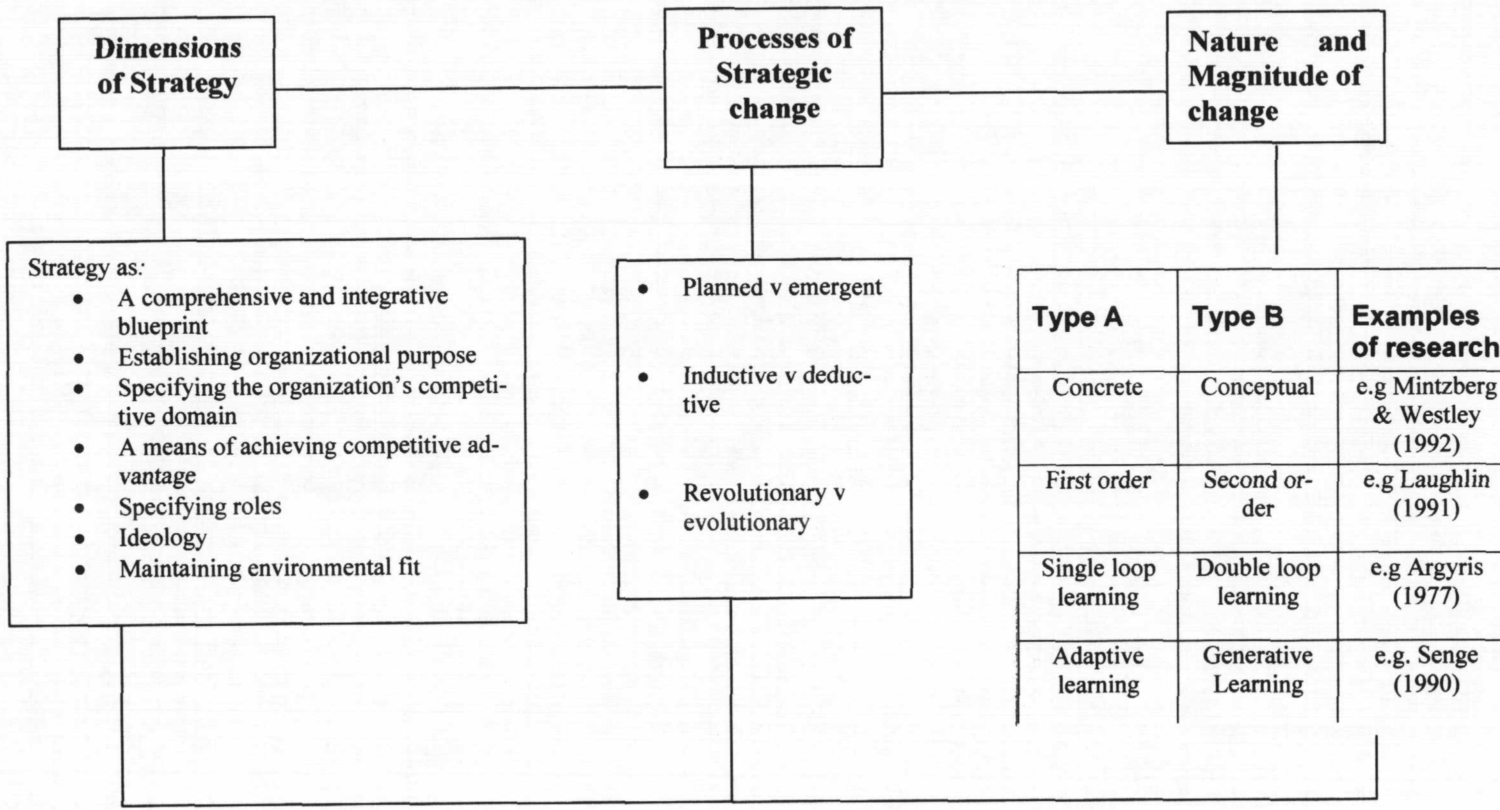
Once the issues of meaning are appreciated, then the issue of how strategy changes can be more forcefully engaged. The strategy literature is rich with theories regarding ways in which strategy is formed and changed. Is the change planned or does it just happen? Is strategic change incremental (evolutionary) or is it sudden (revolutionary)? In looking at strategic change in the context of accounting, there is need to look closely at ways in which strategy has changed and how accounting is implicated in that. For example, if change is gradual, how are accountants mobilized to enable organizational learning and how does this affect the way they are perceived in the organization in terms of centrality? Or if the change is sudden, and revolutionary, how is accounting mobilized to bring about a new order or to create the sense of crisis that is a prelude to change? Simons [1994] has done some work on similar issues by studying two organizations, one undergoing revolutionary change the other evolutionary change. More such case studies are needed to shed light on the process of strategy change and how accounting is involved in such a process. While Simons has examined the use of accounting within a revolutionary and evolutionary change context, his subjects have been the presidents of the organizations concerned, with the result that accounting is studied as information but not as accountants. Future researchers could examine how accountants reacted or participated in evolutionary and revolutionary changes within their organizations, at all levels.

One of the most contentious issues in change research is identifying if change has taken place. The literature has emphasized concern with the impact of strategic change on performance. Organizational learning theory however, provides a potential basis for explaining how strategic change could occur and what the effect of such a change could be on the organization as it experiences further influences. As this framework assumes the existence of innate potential for change, the question arises as to how this ability comes about and how and why it differs among different organizations with different strategies. Again this may entail a move away from the sole focus on senior management in SMA research to an engagement with organizational participants at all levels in the organization. Figure 1 provides a framework that incorporates the three main interrelated aspects of strategic change, i.e. dimensions of strategy, processes of strategy formation and change and the nature and magnitude of change.

This paper argues that accounting researchers promoting the constitution of accounting as strategic need to keep abreast of developments within the strategy field. The strategy literature suggests that there is confusion regarding the meaning of strategy, how it is formed and changed and how this change can be evaluated. This paper offers a framework which can be used to locate research within the various dimensions of strategy and the processes through which strategy changes, for example, whether in a planned or incremental way, evolutionary or revolutionary way or inductive or deductive way. This change can then be evaluated to see whether the change is to the core of the organization or at the superficial level. As shown in Table 2, the SMA researchers have touched upon some of the issues of strategy highlighted in the strategy literature. However, it is clear that there are many issues which still require attention. We hope that the issues raised in this paper will provide a basis for the search for a more comprehensive appreciation of strategy in management accounting research.

Figure 1

Conceptualizing Strategic Change



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