



## Accounting information and managerial work

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### A B S T R A C T

Despite calls to link management accounting more closely to management (Jonsson, 1998), much is still to be learned about the role of accounting information in managerial work. This lack of progress stems partly from a failure to incorporate in research efforts the findings regarding the nature of managerial work, as well as inadequate attention devoted to the detailed practices through which accounting information is actually used by managers in their work. In this paper I draw on prior research to develop a series of propositions focused on three primary insights into how and why managers use accounting information in their work. First, managers primarily use accounting information to develop knowledge of their work environment rather than as an input into specific decision-making scenarios. In this role, accounting information can help managers to develop knowledge to prepare for unknown future decisions and activities. Second, as accounting information is just one part of the wider information set that managers use to perform their work, it is imperative to consider its strengths and weaknesses not in isolation but relative to other sources of information at a manager's disposal. Third, as managers interact with information and other managers utilising primarily verbal forms of communication, it is through talk rather than through written reports that accounting information becomes implicated in managerial work. These insights have important implications for how managers use accounting information, and, in particular, require reconsideration of the types accounting information that managers find, or could find, helpful. The paper also considers how existing experimental and field-based methods could fruitfully be adapted to focus on the detailed activities through which managers engage with accounting information.

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Despite calls to link management accounting more closely to management (Jonsson, 1998), much is still to be learned about the role of accounting information in managerial work. For what purposes do managers use accounting information beyond its role in specific decision-making scenarios? With many other information sources on offer, what is it about accounting information that managers find helpful? How exactly is accounting information used by managers in discussions and debates with subordinates and other managers?

Over 10 years ago, Jonsson (1998) exclaimed in the title of his paper the need to “relate management accounting research to managerial work!” Despite Jonsson's (1998)

fervent arguments, future research has generated few studies directed towards understanding how managers engage with accounting information in their work. Much management accounting research has been focused on how managers use accounting information to make decisions in well-defined scenarios. Although managers do make decisions, and many of these are undoubtedly important, empirical investigations of what managers actually do show that decision-making is only a relatively small part of managerial work and sometimes not that critical (for example, see Hales, 1986; Kotter, 1982; Mintzberg, 1973; Stewart, 1988; Whiteley, 1985). In addition, much managerial work involves addressing problems that involve turbulence, doubt, uncertainty, and the potential for significant error (Hales, 1986; Isenberg, 1984; Kotter, 1982; Landau & Stout, 1979). As such, a strong focus on

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how managers use accounting information to make specific decisions in well-defined contexts is restrictive as it limits consideration of other, potentially much more important, ways that managers use accounting information in their work.

There is also much to learn about how managers engage with accounting information because there are remarkably few studies of what information managers actually use or might use (Anderson, 2008; March, 1986). In particular, prior studies have devoted inadequate attention to the detailed practices through which accounting information is used by managers in their work (Ahrens & Chapman, 2007; Hopwood, 1989). Studies that focus on organisational-level issues only are limited because they are typically based upon assumptions about, rather than a detailed investigation of, managerial work behaviour (Covaleski, Evans, Luft, & Shields, 2003; Hall, 2008a). What is often missing from these organisational accounts is an analysis of the detailed ways in which managers use accounting information to perform particular activities.

Three studies in particular exemplify the kinds of insights that can be generated from inquiries directed more closely at examining how managers engage with accounting information (McKinnon & Bruns, 1992; Preston, 1986; Simon, Kozmetsky, Guetzkow, & Tyndall, 1954). Although best known for its typology of score-keeping, attention directing and problem solving, the Simon et al. (1954) study provides considerable evidence concerning how different types of managers used (or did not use) accounting information. Preston (1986) examined how managers in a plastics factory engaged in what he termed “the process of informing”, which involved the use of accounting information as well as other more informal sources such as observations, personal record keeping and meetings. He concluded that informal sources of information are used in spite of, rather than because of, limitations to formal documented systems as they are intrinsic to how managers go about making sense of their worlds. Similarly, although across a wider scope of managers and organisations, McKinnon and Bruns (1992) investigated how a variety of production, sales and finance managers used accounting and other information in their work. The resulting confluence of information that managers developed from many different sources they referred to as an “information mosaic”.

In addition to the rich empirical findings, what is particularly illuminating about these studies is that rather than assume particular roles for accounting information, they sought to investigate *if* a role exists and what it might be. Simon et al. (1954, p. 22) examined the “use (or non-use) of accounting data by operating executives and supervisors”. Preston (1986, p. 522), beginning with a focus on the use of a computerised production information system, broadened his inquiry to investigate “how the managers informed themselves and each other”. McKinnon and Bruns (1992, p. 2) asked “under what circumstances is information that we think of as accounting information actually used by managers?” (italics in original). The phrases “or non-use”, “how”, and “actually used” demonstrate that the researchers at least considered the possibility that managers may not use accounting information, that its role may be limited, or that new roles and possibil-

ities for accounting information may emerge. In these studies there are few assumptions regarding the ways in which managers use accounting information; the studies themselves are an attempt to find out what these roles, if any, may be. All three studies also examine in considerable detail how managers engaged with accounting information as part of a process involving other sources of information, other managers, and the wider organisational context. The studies were not solely concerned with how accounting information was used for decision-making purposes, nor were they focused only on how accounting information was implicated in wider organisational processes. These three studies show how managers draw upon a range of different resources, such as accounting information, other sources of information, and interactions with other managers, to perform their complex and demanding work.

The objective of this paper is to examine, and encourage further research to examine, how and why managers use accounting information. Although insightful, collectively, prior studies of what managers actually do with accounting information lack integration and conceptual clarity such that common themes and issues have not been developed. Drawing on prior research, I develop a series of propositions focused on three primary insights into how and why managers use accounting information in their work. First, managers primarily use accounting information to develop knowledge of their work environment rather than as an input into specific decision-making scenarios. In this role, accounting information can help managers to develop knowledge to prepare for unknown future decisions and activities (March, 1986; Preston, 1986). Importantly, in a knowledge development role, rather than complex and sophisticated reports and analyses, managers require accounting information that is easily understandable and provides a common-sense story of organisational performance. Second, as accounting information is just one part of the wider information set that managers use to perform their work (McKinnon & Bruns, 1992; Preston, 1986), it is imperative to consider its strengths and weaknesses not in isolation but relative to other sources of information at a manager's disposal. In particular, and in contrast to traditional criticisms of accounting, the strengths of accounting information relate to its aggregation properties and its role as a common, financial language to facilitate communication among managers. Third, managers interact with information and other managers utilising primarily verbal forms of communication (Ahrens, 1997; Jonsson, 1998; Kotter, 1982; McKinnon & Bruns, 1992; Preston, 1986). As such, it is primarily through talk rather than through written reports that accounting information becomes implicated in managerial work. In particular, verbal forms of communication allow managers to tailor accounting information to specific operational concerns, and provide a context to debate and discuss the meanings and implications of accounting data. Accounting information can also prompt discussions by signalling the need to investigate an issue further. Overall, incorporation of findings regarding how managers actually work has important implications for their use of accounting information, and, in particular, requires reconsideration of the types accounting information that managers find, or could find, helpful.

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