Academic Journal of Accounting and Business Management
Vol.2, No.1; September-2021;
ISSN (6449 – 7017);
p –ISSN 3911 - 5688
Impact factor: 0.00

REVIEW OF ACCOUNTING INFORMATION IN MANAGERIAL WORK A STUDY OF SELECTED CONSTRUCTION FIRM

Dr. Sylvester I. Ejike, *FIPMA, CNA Ph.D.*
Department of Accounting, Caeitas University Amorji Nike Enugu

Abstract: j The aim of this paper is to identify roles of accounting information in managerial work in order to better understand the link between managerial work and management accounting systems. Managerial work has been described as fragmented, action-oriented, and highly interpersonal, leaving limited room for formal planning and analysis. Even so, managers are expected to engage with accounting information for planning and analysing their area of responsibility. Accounting information has, however, been found to be tardy, aggregated, and incomplete, leading managers to rely on a wide set of additional informational resources. Still, managers' doings and concerns tend to remain largely in the background in much management accounting research, which leaves us with limited knowledge of how accounting information comes into play in managers' work. Moreover, technologies aimed at accommodating managers 'information needs are becoming increasingly sophisticated, and allow for timelier and more precise accounting information. This gradual transformation of technologies has led to questions concerning how management accounting is practiced, and how it is related to accounting information systems. The empirical material consists of interviews with a cross-sectional sample of mainly first-line managers, and a study of a construction firm including interviews with higher and lower level managers, observations of workshops where higher level managers and staff discuss the management accounting systems, and internal documents. Overall, this paper suggests four roles of accounting information, based on its capacity to serve as representation, translation, key and perspective. Essentially, these roles reflect the ability of accounting information to both aggregate and disaggregate "reality". The potential of each of these roles is shaped by managerial, organisational and technological issues, and is not always easily realised. The potential of these roles is particularly challenged in an environment with many local contexts. By accentuating what makes accounting information more and less valuable vis-à-vis other informational resources, this dissertation adds clarity to the emerging body of literature on managers' situated use of accounting information, and to the debate on information technologies and management accounting.

Keywords: Accounting information, Managerial work, Managers, Management Accounting Systems, Accounting information systems.

Introduction

Uko (2010) defines accounting information as the collation of storable and processed financial and accounting data used for the purpose decision making in organization in order to achieve efficiency of operation. He maintained that adequate accounting information flow in place will ensure an efficient operational process, prudent use of scarce resources and achievement of set goals. While Adamu (2009) affirm that proper interpretation and understanding of accounting information flow by management and staff will give them insight regarding past performance and facilitate efficient operation to perform

better in the future. Accounting information has been considered tardy, aggregated, and one-sidedly monetary, confirming what managers know rather than providing new insights, and typically requiring managers to use complementary resources to accomplish their work (e.g. Clancy & Collins, 1979; Johnson & Kaplan, 1987; McKinnon & Bruns, 1992; Mendoza & Bescos, 2001; Pierce & O'Dea, 2003; Preston, 1986; Simon et al., 1954; Van der Veeken & Wouters, 2002).

On a sunny afternoon in April 2020, the researcher visited the change management department of a construction firm. They were interested in finding out how operations managers at different levels in the company worked with accounting information, what information they needed to make decisions and monitor their work, where they could find it, whether they were missing something; basically, how accounting information was implied in these managers' work.

Underlying this wish to better understand managers' information habits was the ambition to renew a rather obsolete and fragmented management accounting environment in terms of information systems, performance indicators, work methods, and more general philosophies of management accounting. They repeatedly stressed that they wanted to better understand managers' views on accounting information at different levels, and in the various business units, thus also reflecting an ambition to take the potential diversity of the business into account.

Managers' engagement with information for decision-making and control has long been of interest to both researchers and practitioners of management accounting and control. They are assumed to perform a range of information-related tasks, such as problem solving (Simon, Guetzkow, Kozmetsky & Tyndall, 1954), interactive control (Simons, 1995), planning (Anthony, 1965), and performance evaluation (Hartmann, 2000), to mention a few. However, there is evidence from various points in time that formally designed management accounting systems do not always accommodate managers' needs very well.

In fact, managers are known to spend relatively little time on reflection and formal analysis, and more time on action and interpersonal matters (e.g. Carlson, 1951; Kotter, 1982; Mintzberg, 1975). Overall, however, studies on the more situated ways in which managers engage with accounting information to perform various parts of their work are rare, compared to the more significant body of organization-level studies in management accounting (Hall, 2010). Yet, following a shift towards the situations of social life (e.g. "The practice turn", Schatzki, Knorr-Cetina & von Savigny, 2001), there is renewed and increasing interest in management accounting as a "practical activity" (Chua, 2007, p. 493), e.g. how accounting information is interpreted and drawn upon according to what is required in local contexts (e.g. Ahrens & Chapman, 2002), or what managers do when engaging with accounting information (Hall, 2010). Furthermore, the technological development has enabled accounting information to be faster (even real-time), broader in scope (monetary and non-monetary), drilled down (allowing more precision, at lower levels of aggregation), more forward-looking (enabling what-if scenarios), and more mobile (enabling access to information more or less wherever you are) (Chaudhuri, Dayal & Narasayya, 2011). Some contend that analytics is "the new science of winning" (Davenport & Harris, 2007). With the ever-faster development of management information technologies in mind, scholars have pointed to the necessity of addressing the link between management accounting and information systems (e.g. Berry, Coad, Harris, Otley & Stringer, 2009; Rom & Rohde, 2007), not least in regards to managerial decision-making and control (Arnold, 2006). In sum, our theoretical knowledge of how managers engage with accounting information seems limited, rather aggregated,

and potentially out-dated, although there is an emergent interest in opening up the black box.

Accounting information is the quantitative information produced within an organization's management accounting systems, meant to serve managers in making decisions and following up their business in line with the goals of the organisation (e.g. Anthony, 1965; Horngren, 1995). A focus on managerial work is intended as a way of moving beyond an organizational level focus, towards managers' more mundane actions and concerns, and how these shape the roles of accounting information.

Furthermore, a focus on managerial work should allow for identifying roles of accounting information as they appear in managers' work, rather than imposing predefined roles, more so a focus on managerial work should enable a closer look on management accounting systems and their specific properties, and how they interact with management accounting issues as they appear in managers' work, i.e., to address the link between management accounting systems and managerial work.

The licentiate dissertation, Puzzle or mosaic? On managerial information patterns, addresses a number of issues concerning managers and information; most notably, it discusses various degrees of formalisation of information, and relates managers' use of accounting information to more general management issues pertaining to communication, culture and the idea of being a good manager.

Managers and accounting information at Construction Firm

This section briefly describes the empirical setting, the studied construction firm, hereafter referred to as CF, offers a range of products and services in the construction industry, ranging from large-scale infrastructure projects to small maintenance jobs, including e.g. commercial buildings, private housing and public sector projects.

CF is organised according to business units, geographical areas, and product groups. Construction work is typically organised around projects, implying a continuous change in who, e.g. co-workers, suppliers and customers, works together over time. Managers at CF do however strive to work with recurrent custom-ers, and there is often a rather long history between local managers and their customers.

Nevertheless, a project can often be considered different even from a similar project previously undertaken elsewhere in the organisation, e.g. because there are other people involved, the market conditions are different, and the physical setting offers varying possibilities for undertaking construction work. Moreover, the execution of a project implies varying degrees of uncertainty, not least in the larger, more complex projects.

The production plan and budget are seldom set in stone from the beginning, but are refined with time. It is not uncommon that a project changes in scope as a result of e.g. unexpected problems in the ground, changes that need to be documented and then negotiated with the customer.

Managers at CF are located in a rather tall hierarchy, and the group of those interviewed includes mainly production managers, project managers, district managers, and regional managers, plus the vice CEO of one of the business units. Their roles and responsibilities sometimes overlap, yet each managerial level has a few distinguishing traits. Production managers are located on the construction site and are responsible for the production in terms of time and costs. Their work sometimes involves negotiations and reporting to the customer. Project managers are formally responsible for the contract and so have the responsibility for the entire financial result of the project. A project manager is typically responsible for several projects simultaneously, and may be located on the construction site or at the headquarters.

Their work involves negotiations and reporting to the customer, and sometimes they are active in searching for new projects. District managers are those mainly responsible for maintaining and establishing relationships with old and new customers, monitoring coming projects

on the market, keeping an eye on the competitors, and choosing what projects to compete for. They are responsible for the consolidated result of their district, and are located at the head-quarters.

Regional managers are supposed to have a more strategic, over-arching role, including supporting district managers when competing for large projects, coordinating resources within the region, and monitoring the world outside. All these levels include responsibility for personnel, which at the lower levels concerns more short-term allocation of human resources within and between projects, and at the higher levels implies more long-term human resources planning and talent management. Just like the rest of the industry (Dubois & Gadde, 2002), CF has a long tradition of decentralisation, meaning that managers have had considerable freedom in choosing and executing projects.

There are, however, efforts to increasingly coordinate the organisation, e.g. by narrowing the specialisation of different districts, and by encouraging internal procurement and sharing of resources. Also, while financial performance measures have long been prominent in the internal reporting of CF, non-financial measures related to e.g. customer satisfaction, employee satisfaction, safety, environment and purchasing, have increasingly gained ground. At the time of the study, CF had a rather fragmented and out-dated management accounting and information systems environment: there were several accounting information systems that partly overlapped, and many of the systems were considered generally user-unfriendly.

Moreover, there was a lack of common methods and definitions. As mentioned in the introductory chapter, there was an on-going project that was aimed at renewing the management accounting and information systems environment. When the project was presented by a change manager, he used the words of Pfeffer and Sutton (2006): "everyday there are opportunities for companies to use better information to gain an advantage over the competition" (p. 12). One aim of the project was "to make business-minded decisions and control our business in a professional way", and to "base decisions on facts and analysis". In order to achieve this, "the right information" needed to be available to "the right person" at "the right time", hence aiming to tailor accounting information to managers depending on e.g. business unit and hierarchical level. Such information could include both financial and non-financial information, pertaining both to more "mundane" information (e.g. cash flow and backlog) and to more strategically derived indicators (e.g. degree of compliance with work methods, and goals related to the strategic areas).

Accounting Information in Managerial Work

As mentioned above, scholars are increasingly interested in exploring management accounting from the more mundane perspective of managerial work, for example by better understanding the specific instances in which managers use accounting information in their work.

For example, what do managers do when they use accounting information to identify problems, surprises and opportunities? What do managers do when they integrate accounting and other forms of information? And what do managers do when they relate accounting information to specific operational concerns? (Hall, 2010, pp. 310-311) Not least, Hall (2010) emphasizes the value of investigating managers' use of accounting information not only in specific decision situations, but in other managerial situations, since decision-making is expected to be but a minor part of managers' work (cf. Kotter, 1982; Mintzberg, 1975).

Similarly, Chua (2007) calls for a view of accounting as a practical activity rather than an abstract technique, where the specificity of time, place, people and problems lead to specific translations of abstract technique (p.490). Although this interest has mainly emerged during the past decade, a number of studies in a fairly similar vein have been conducted earlier. The more recent works along these

lines are slightly different, although they share some concerns.

Managerial work in the background of MAS

The idea of management accounting systems (MAS) has been described as providing information for economic decisions, and as motivating people towards organisational goals (e.g. Horngren, 1995). Even though MAS concern all organisational members, managers are vital actors in that they are responsible of an aggregated result that is meant to contribute to the organisation (e.g. Hopwood, 1973).

This obviously includes a whole range of sub-topics related to managers and their use of accounting information, such as: specific tools: e.g. budgets, cost-allocation methods, and rules, their proper-ties: e.g. timeliness, scope, and integration, their main purpose: e.g. score-keeping, learning, communication, and accountability, various stages: e.g. design, implementation, and use, their effects: e.g. organisational performance, or individual behaviour, and a myriad of other possible angles.

There are the more functionalist studies on how MAS are best implemented and suited to their environment, and how dysfunctional effects can be avoided, as well as the more interpretative and critical studies that foreground tensions, resistance, and unintended consequences associated with MAS (see Chua, 1986, for a review). In spite of their assumedly central role in MAS, manag-ers and their work often remain in the background in most management ac-counting studies.

There are probably several reasons for this. Many studies of more functionalist nature assume accounting information to be an important part of managers' work, and therefore seek to understand its implementation, use, or intended effects from an organisational point of view (e.g. Bouwens & Abernethy, 2000; Hansen & Van der Stede, 2004; Kald, Nilsson & Rapp, 2000).

Furthermore, many studies focus on the events surrounding a particular management accounting tool or happening, e.g. a performance measurement system and its gradual refinement (e.g. Andon, Baxter & Chua, 2007), an ERP system and its impacts on management accounting practices (e.g. Scapens & Jazayeri, 2003), or a budget-cutting meeting where accounting information is given meaning through different interpretative frames (e.g. Boland & Pondy, 1986), which may draw attention to selected parts of managers' work, yet still foreground the processes immediately related to the particular accounting tool and possibly also to other roles.

Moreover, there are studies with a clearly pronounced control and accountability perspective (although control and accountability could be considered inherent in most management accounting studies), e.g. how people in organisations (including managers) respond to being held accountable for their actions and results (see Hartmann, 2000 for a review), or the tensions following from new accountability logics (e.g. Dent, 1991). A few of the more accountability ori-ented studies do focus more on managers' daily work and their engagement with accounting information to perform that work.

Incomplete Accounting Information.

Some management accounting studies have provided insights into both the formal and informal ways through which managers are informed. McKinnon and Bruns (1992), in a study of various manufacturing companies, demonstrate how managers use a variety of pieces of information – "the information mosaic" – to manage their work.

Generally, information from formal reports is perceived as too aggregated and too late in arriving to prompt action in the short run; instead, relying on informal dialogue, gossip and gut feeling is common. The kind of information that these managers use on a

23daily and weekly basis is mostly of operational kind, expressed in physical counts rather than in money, whereas financial information takes on more importance in the longer term. Similarly, Preston (1986) describes two or-

ders of informing: the official and the informal, where plant-level managers largely ignore the information produced at higher levels, and instead exchange information with those who are deemed trustworthy and competent.

Also studying manufacturing companies, Simon et al. (1954) conclude that managers have a number of strategies to stay informed, e.g. keeping personal notes (black books) and observing the operations, which serve them well in the short run. Financial information is deemed more useful in the longer run, as an indicator of trends, as a reminder of events, and as a translator of activities that are not apparent in day-to-day work.

In his literature review "Accounting information and managerial work", Hall (2010) points out exactly the above three studies as particularly illuminating, partly because of their rich and detailed empirical accounts, partly because they do not assume any particular role for accounting information but rather attempt to explore what any such role may be, and partly because they do not solely focus on wider organisational processes. Furthermore, there is an interesting case study of the use of cost information in the construction industry (Van der Veeken & Wouters, 2002), which, much along the lines of Jönsson and Grönlund (1988), points out the different skills used by higher- and lower level managers respectively, and consequently the different use of cost information. The work of lower level managers is found to be more action-oriented and experiential, and therefore requires specific pieces of information that can be related to previous experience, rather than aggregated financial information.

Summary and Conclusions

There are a number of studies trying to challenge and fine-grain our conventional knowledge of managers and accounting information, with slightly different orientations and emphasis. Some take a more or less explicit practice stance, whereas others conceptualize managers' use of accounting in other ways. They bring to the fore a diversity of seemingly mundane activities in managers' work that could be seen as management accounting.

Finally, in the context of control, accounting information in this study has an important role of informing managers of negative deviations, although the potential for using accounting information to exercise positive leadership has also been discussed. That negative deviations gain more attention than positive deviations in managers' fragmented work is not surprising, but studying how and to what extent accounting information is drawn upon to identify and learn from positive deviations could probably generate additional insights into the learning aspects of managers' engagement with accounting information.

By and large the study conclude by sympathizing with this emerging stream, and its intention is mainly to "put another stone on the path" (Locke & Golden-Biddle, 1997) rather than to provide new perspectives on it, i.e., contribute to reduce incompleteness rather than inadequacy.

References

Ahrens, T. & Chapman, C. (2002). The structuration of legitimate performance measures and management: Day-to-day contests of accountability in a U.K. restaurant chain. *Management Accounting Research,* 13 (2), 151-171.

Andon, P. Baxter, J. & Chua, W.F. (2007). Accounting change as relational drifting: A field study of experiments with performance measurement. *Management Accounting Research, 18*(2), 273-308.

Anthony, R.N. (1965). *Planning and control systems: A framework for analysis.*

Boston: Harvard University Graduate School of Business Administration.

Arnold, V. (2006). Behavioral research opportunities: Understanding the impact of enterprise systems.

International Journal of Accounting Information Systems, 7(1), 7-17.

Berry, A.J., Coad, A.F., Harris, E.P., Otley, D.T. & Stringer, C. (2009). Emerging themes in management control: A review of recent literature. *The British Accounting Review, 41*, 2-20

Boland, R.J. & Pondy, L.R. (1986). The micro dynamics of a budget-cutting process: Modes, models and structure. *Accounting, Organizations and Society, 11*(4/5), 403-422.

Bouwens, J. & Abernethy, M.A. (2000). The consequences of customization on management accounting system design. *Accounting, Organizations and Society*, 25 (3), 221-241.

Carlson, S. (1951). *Executive behaviour.* Stockholm: Strömbergs.

Chaudhuri, S., Dayal, U. & Narasayya, V. (2011). An overview of Business Intelligence technology. *Communications of the ACM*, 54 (8), 88-98.

Chua, W.F. (2007). Accounting, measuring, reporting and strategizing – Re-using verbs: A review essay. *Accounting, Organizations and Society*, 32 (4-5), 487-494.

Clancy, D.K., & Collins, F. (1979). Informal accounting information systems: Some tentative findings. *Accounting, Organizations and Society, 4*(1-2), 21-30.

Davenport, T. H. (2000). *Mission critical: Realizing the promise of enterprise systems*. Boston: Harvard Business School Press.

Dubois, A. & Gadde, L-E. (2002). The construction industry as a loosely coupled system: Implications for productivity and innovation. *Construction Management and Economics, 20*(7), 621-631.

Gullberg, C. (2011). *Puzzle or mosaic? On managerial information patterns*. Licentiate dissertation, Linköping University.

Hall, M. (2010). Accounting information and managerial work, *Accounting, Organizations and Society, 35*(3), 301-315.

Hansen, S.C. & Van der Stede, W.A. (2004). Multiple facets of budgeting: An exploratory analysis. Management Accounting Research, *15*(4), 415-438.

Hopwood, A.G. (1973). *An accounting system and managerial behaviour*. D.C. Heath Ltd: Saxon House

Horngren, C.T. (1995). Management accounting: This century and beyond. *Management Accounting Research, 6*(3), 281-286.

Johnson, H.T. & Kaplan, R.S. (1987). *Relevance lost – The rise and fall of management accounting*. Boston: Harvard Business School Press.

Jönsson, S. & Grönlund, A. (1988). Life with a sub-contractor: New technology and management accounting. *Accounting, Organizations and Society, 13*(5), 512-532.

Akanbi , T. A. ., & Adewoye , J. O. (2021). Examination Of The Causal Relationship Between Ict Investment And Smes' Performance In Southwestern Nigeria. *Academic Journal of Accounting and Business Management*, *1*(1), 1–13. Retrieved from https://cirdjournal.com/index.php/ajabm/article/view/41

Kald, M., Nilsson, F. & Rapp, B. (2000). On strategy and management control: The importance of

classifying the strategy of the business. *British Journal of Management, 11*(3), 197-212.

Kotter, J.P. (1982). What effective general managers really do. *Harvard Business Review, 60*(6), 156-167.

McKinnon, S. & Bruns, W. (1992). *How managers get the information they really need – The information mosaic*. Boston: Harvard Business School Press.

Mendoza, C. & Bescos, P-L. (2001). An explanatory model of managers' information needs: Implications for management accounting. *The European Accounting Review, 10*(2), 257-289.

Mintzberg, H. (1975). The manager's job; Folklore and fact. *Harvard Business Review, 53*(4), 49-61.

Otley, D.T. & Berry, A.J. (1980). Control, Organisation and Accounting. *Accounting, Organzations and Society, 5*(2), 231-244.

Pfeffer, J., & Sutton, R.I. (2006). *Hard facts, dangerous half-truths, and total nonsense: Profiting from evidence-based management*. Boston: Harvard Business School Press.

Otley, D.T. & Berry, A.J. (1980). Control, Organisation and Accounting. *Accounting, Organzations and Society, 5*(2), 231-244.

Pfeffer, J., & Sutton, R.I. (2006). *Hard facts, dangerous half-truths, and total nonsense: Profiting from evidence-based management*. Boston: Harvard Business School Press.

Preston, A. (1986). Interactions and arrangements in the process of informing. *Accounting, Organizations and Society, 11*(6), 521-540.

Rom, A. & Rohde, C. (2007). Management accounting and integrated information systems: A literature review. *International Journal of Accounting Information Systems, 8*(1), 40-68.

Schatzki, T.R. (2005). Peripheral vision: The sites of organizations. *Organization Studies, 26*(3), 465-484.

Simons, R. (1995). Control in an age of empowerment. *Harvard Business Review, 73*(2), 80-88.

Van der Veeken, H.J.M. & Wouters, M.J.F. (2002). Using accounting information systems by operations managers in a project company. *Management Accounting Research, 13*(3), 345-370.