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# The relevance of strategic management accounting to popular culture: The world of West End Musicals

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### ABSTRACT

The study of accounting and popular culture presents an exciting new research agenda for management accountants. This study examines this development from a strategy perspective. Specifically, this paper adds to our knowledge of the potential for Strategic Management Accounting in action by studying the novel setting of the world of West End Musicals. Using a case study approach, this study challenges conventional SMA thinking from a 'strategy-as-practice' perspective, using the process of developing a popular theatre portfolio of activities. Findings indicate that strategy is a complex practice which is an inherently social process: Theatre producers negotiate a route to the market that is mediated by validating intermediary organizations that contribute and communicate the reputation of new cultural products and thereby support the strategic process.

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## 1. Introduction

This paper contributes to the emergent field of accounting and popular culture (Jeacle, 2012) by its focus on musical theatre; by its contribution to the literature on Strategic Management Accounting (SMA), by extending our understanding of how SMA might apply in popular culture; and to the Strategy as Practice (SAP) literature by underlining the importance of the practice turn in understanding the enactment of strategy in a novel setting. In particular, we extend existing literature on accounting and popular culture by studying the process of selecting and launching musical theatre productions, which reveals a variety of extra-organizational activities in which strategic actions occur. This research examines the applicability of SMA, taking an SAP perspective. Empirically, this argument is supported by case study research of musical theatre in New York City and Toronto, Canada, employing a variety of research methods, including observations and interview data, to investigate the practices involved in bringing new theatrical productions to market. The particular focus on the strategic decision to initiate and launch new shows has been called the 'fuzzy front end' of product innovation (Alam, 2006; Carlsson-Wall and Kraus, 2015; Frishammar et al., 2013), which is about judgement and is informal, approximate and

interpretive (Alam, 2006; Frishammar et al., 2013). However, this 'fuzzy front end' is ignored in the accounting literature, even though it is essential to successful product innovation (Carlsson-Wall and Kraus, 2015).

In order to address the 'fuzzy front end' in the study of strategy by management accountants in the world of theatre we take the perspective of 'strategy as practice' (SAP). In contrast to more traditional discussions of strategy in the management accounting literature, this study aims to extend our understandings of what strategy means in practice and how this might inform the practice of strategic management accounting. Popular culture, in this case musical theatre productions, takes us beyond the confines of the typical industrial setting found in most of the literature on strategic management accounting, and thereby offers alternative perspectives on strategizing in organizations.

This paper's contribution adds to an increasing number of studies by SAP scholars in settings which are wider than in more conventional studies (Vaara and Whittington, 2012). Using an unconventional study setting offers a more nuanced understanding of strategy and what strategic management accounting could be. Specifically, the empirical material presented below offers insights into the sophisticated manner in which popular theatres enact their strategies. The world of popular theatre is intensely competitive and strategising extends beyond the confines of the organization in a manner which displays a preoccupation with the quality of new offerings or products and their customers' perceptions of these new offerings in the market place. This attribute – the perceived

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product quality – has primacy in enacting a strategy for successful theatre productions. This finding offers a distinct contrast with extant literature on ‘the customer’ in management accounting literature. Within industrial economics, the customer who is willing to pay the asking price for a product is represented by that willingness to pay. However, in seeking to go beyond prices for goods and services there is an accounting literature in which the customer has been described as a centre of calculative practice (Cuganesan, 2008; Vaivio, 1999), but ‘the customer’ has more frequently been depicted by the proxy of customer services (Cuganesan, 2008; Ma and Tayles, 2009; Ogden, 1997). Neither of the aforementioned offerings has the subtlety of a more nuanced intermediate market such as that found in the world of theatre products. Indeed, the operationalization of the concept of ‘the customer’ has proved complex for manufacturing enterprises and other industrial organisations (Perera et al., 1997; McManus, 2011). This paper offers an alternative route to analyzing and understanding the customer in strategic thinking.

The paper is organized in the following sections. We begin by examining ideas of strategising and strategic management accounting in Section 2. Next we examine cultural industries as a research setting (Section 3) and explain the research approach used in this study (Section 4). We then examine the experiences of musical theatre and present empirical material in Section 5. Finally, we offer a concluding discussion of our findings (Section 6).

## 2. Theorising strategy in management accounting

Strategic Management Accounting (SMA) continues to be an accepted tool within the extant literature on what constitutes the contemporary portfolio of management accounting techniques (see e.g. Carlsson-Wall et al., 2015). This circumstance is despite a number of studies over the past 20 years which challenged whether SMA ever existed. An important challenge from Lord (1996) suggested that strategic management accounting is a ‘figment of the academic imagination’ (p. 364). She justified this stance based on her case study research which revealed that what is often referred to as strategic management accounting in the accounting literature was actually undertaken by a range of middle managers. These activities were undertaken without a detailed accounting input and so-called strategic management accounting information was not quantified in accounting figures, nor was it collected and used by management accountants. A survey by Langfield-Smith (2008) revealed that SMA has not been accepted as an accounting practice and that its language is in use by other professions. This study also found little evidence of SMA:

Overall, the clear message that emerges from empirical studies is that there is no compelling evidence that SMA, in the form envisaged by Simmonds, is used widely in practice. The normative papers extolling the benefits of SMA and early conceptual development have not led to widespread adoption of SMA, and the lack of widespread adoption also makes it difficult to determine the success or otherwise of SMA implementations. Also, the term SMA is not well organised by researchers, or in practice, and in some cases the term is not even recognised. (Langfield-Smith, 2008, p. 221)

Most recently, it has been re-affirmed that SMA has no agreed definition, conceptual framework or set of practices (Malleret, 2015). How has this arisen?

Since the initial case of the need for a strategic turn in management accounting (Simmonds, 1981, 1982), the interest in strategic management accounting has continued. However, much of the early research on SMA has sought to build on a particular concept of strategy. The concept of strategy with which these scholars have

sought to align ideas of management accounting in SMA is a deterministic, instrumental concept of strategising in organisations. This is despite critiques within the strategy literature which question the merits of developing strategy based on a rationalistic, objective tradition which views strategy as essentially top-down action in which practice flows from strategic policies (Balogun and Johnson, 2005).

This alignment by management accounting scholars with a normative, managerialist view of the world has resulted in many SMA papers which are overly preoccupied with ‘shoehorning’ strategy into management accounting. Early examples of this include the work by Shank and Govindarajan (1988, 1992) in which they advocate a strategic approach to costing, based on Porter’s (1980, 1985) formulation of strategy using value chain and cost-driver analyses, and also including investment appraisal as an SMA tool (Tomkins and Carr, 1996). A further example of this approach is the study by Cadez and Guilding (2008) which examines a variety of management accounting practices including attribute costing, life cycle costing, performance measurement and benchmarking, and extends to the labelling of existing techniques as ‘strategic’ as in ‘strategic cost management’ and ‘strategic pricing’. This is a kind of reverse thinking whereby techniques which are regarded by management accountants as ‘strategic’ are enshrined in this new practice of SMA. However, there are distinct contributions to the SMA literature which promote the idea of an outward-looking practice rather than an internal preoccupation with making existing techniques ‘strategic’ (Anderson and Dekker 2009a,b; Bromwich, 1990; Lord, 1996), but these contributions to the SMA literature fit within the schema of highly rational, top down practices.

Nevertheless, there are scholars who have challenged this prevailing view of what strategic management accounting is, or might become. An early contribution by Roslender (1995) challenged the capacity of management accountants to engage in sophisticated management accounting with soft accounting numbers, given their training and preoccupation with number-crunching and bean-counting. In another example, Roslender and Hart (2003) identified synergistic relationships between finance experts and marketing colleagues rather than the prevailing toolbox approach found in the extant SMA literature. Furthermore, Roslender and Hart (2015) argued that SMA is not what accountants would regard as management accounting, and Nixon and Burns (2012) observe that conventional portrayals of SMA do not resonate with managerial discourses and practices. Indeed, it has been suggested that strategy is such a vibrant area of study that early work has fastened onto somewhat dated or restrictive work on the nature of strategy. Indeed, it has been suggested that the lack of a commonly agreed definition of ‘what strategy is’ has confounded attempts to develop a meaningful SMA (Nixon and Burns, 2012).

An alternative perspective has recognised that strategy has developed in new ways. In particular, the ‘Strategy-as-Practice’ (SAP) cohort within strategy scholars has emerged with a more nuanced understanding of what strategy is (Carter et al., 2010; Sarhan and McDonagh, 2014; Vaara and Whittington, 2012; Whittington, 2003, 2006). The SAP approach is concerned with situated, concrete activities (Whittington, 2003). The actual practice of strategising may entail skilled in situ improvisation (Chia, 2004) or ‘artful interpretation’ (Whittington, 2006). Fundamentally, the SAP scholars decentre the preoccupation with the organization in traditional strategic management. Whittington (2006) places SAP at the heart of both internal strategic thinking and practices and external perspectives of organisations. Whittington (2006) reminds SAP researchers to be vigilant in the study of internal routines and practices, but to also look beyond the organisation for practices which are shaped across organisational boundaries where a wide range of actors across organisations may be involved in strategy work. Thus strategising is reoriented as an activity located within larger fields

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