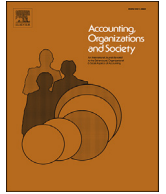




Contents lists available at ScienceDirect

## Accounting, Organizations and Society

journal homepage: [www.elsevier.com/locate/aos](http://www.elsevier.com/locate/aos)

## Evaluative infrastructures: Accounting for platform organization

Martin Kornberger<sup>a,\*,1</sup>, Dane Pflueger<sup>b</sup>, Jan Mouritsen<sup>b</sup><sup>a</sup> EM Lyon, France<sup>b</sup> Copenhagen Business School, Denmark and HEC Paris, France

## ARTICLE INFO

## Article history:

Received 15 March 2016

Received in revised form

30 May 2017

Accepted 31 May 2017

Available online xxx

## Keywords:

Accounting

Hierarchical consciousness

Evaluation

Infrastructure

Platform organization

## ABSTRACT

Platform organizations such as Uber, eBay and Airbnb represent a growing disruptive phenomenon in contemporary capitalism, transforming economic organization, the nature of work, and the distribution of wealth. This paper investigates the accounting practices that underpin this new form of organizing, and in doing so confronts a significant challenge within the accounting literature: the need to escape what Hopwood (1996) describes as its “hierarchical consciousness”. In order to do so, this paper develops the concept of evaluative infrastructure which describes accounting practices that enable platform based organization. They are evaluative because they deploy a plethora of interacting devices, including rankings, ratings, reviews, and audits to establish orders of worth. They are infrastructures because they provide the invisible yet essential mechanisms for the flow of economic activity and exchange on platforms. Illustrating the concept of evaluative infrastructure with the example of eBay, the paper’s contribution is to (1) provide an analytical vocabulary to capture the accounting practices underpinning platforms as new organizational forms, and in so doing (2) extend accounting scholars’ analytical focus from hierarchical settings towards heterarchies. Conceptually, this shift from management accounting to evaluative infrastructures entails a focus on relationality (evaluative infrastructures do not represent or reference but relate things, people and ideas with each other); generativity (evaluative infrastructures do not territorialize objects but disclose new worlds); and new forms of control (evaluative infrastructures are not centres of calculation; rather, control is radically distributed, whilst power remains centralized).

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“I look at the scaffold for the king from the carpenter’s perspective: The structure of the scaffold is of more interest than the actual execution.”

Jean Cocteau

## 1. Introduction

This paper is motivated by a growing and disruptive economic phenomenon: the rise of platforms as new organizational form. Platform organizations include accommodation providers such as Airbnb, ride-sharing companies such as Uber, service and product marketplaces such as Taskrabbit or eBay, and even relationship

services such as eHarmony; indeed, *There’s an Uber for Everything Now* as the Wall Street Journal commented in 2015.<sup>2</sup> Traveling under many names including platform capitalism (Srnicek, 2016), sharing economy (Sundararajan, 2016), collaborative consumption (Botsman & Rogers, 2010), gig economy (Mulcahy, 2016), mesh (Gansky, 2010), multi-sided markets (Evans & Schmalensee, 2016) or commons-based peer production (Benkler, 2011), the phenomenon of platforms can be defined by distributed and often switch-role producers (sellers) and consumers (buyers) interacting with each other, digitally mediated by a third party, the platform owner. Platforms organize distributed production (Benkler, 2002) and collaborative consumption (Botsman & Rogers, 2010) without direct control over the value creation process. Rather, platform organizations’ value-add is to provide an interface for interaction and controlling mechanism for transactions between tens of thousands, sometimes even millions of buyers and sellers who might never meet in person. Platform owners’ business models rest on their ability to ensure trust between these buyers and sellers.

\* Corresponding author.

E-mail address: [kornberger@em-lyon.com](mailto:kornberger@em-lyon.com) (M. Kornberger).<sup>1</sup> Professor at EM Lyon, France, and visiting fellow at the University of Edinburgh Business School, UK and the WU Vienna University of Economics and Business, Austria.<sup>2</sup> <http://www.wsj.com/articles/theres-an-uber-for-everything-now-1430845789>.

Through reputation systems that account for people's actions and behaviours, platforms turn what could easily become “markets for lemons” (Akerlof, 1970) into thriving exchanges. What allows them to do so is a specific accounting regime – a regime that this paper sets out to describe as evaluative infrastructure.

Taken the economic significance of platform organizations, this seems a timely task. Digital technology and the move towards access rather than ownership (Rifkin, 2001), among other factors, are fueling the rapid growth of platforms. PricewaterhouseCoopers (2014; 2016) estimates the transaction value facilitated by collaborative economy platforms in Europe to be €28 billion, tripling since 2013, and the global revenue to be \$335 billion by 2025. Platform organizations have an extraordinary scale: as of 2014 eBay had 165 million active users,<sup>3</sup> Uber was hosting over 1 million rides per day,<sup>4</sup> and Airbnb was facilitating 155 million guest stays annually, surpassing the Hilton Worldwide by 22 percent (PricewaterhouseCoopers, 2014, p. 14). The valuations of these relatively young organizations (many of them “unicorns”) further indicate the economic significance of the phenomenon. Eight years after its founding and with less than 8000 employees the ride-sharing platform Uber is valued at close to \$70 billion – more than General Motors, which employs over 200,000 people and manufactures annually close to 10 million cars.<sup>5</sup> Eight years after its founding and with only 1600 employees, Airbnb similarly is valued at \$30 billion – more than Hilton Worldwide.<sup>6</sup> These optimistic valuations are met with critical scrutiny of various researchers, who argue that the “Uberification” of the economy is resulting in a deterioration of labour standards amounting to the marketization and financialization of everyday life (Davis, 2016; Scholz, 2016). The contested political economy of platform capitalism (Martin, 2016) highlights the importance of better understanding its inner workings, which are enabled in large measure by its novel accounting regime. Toward this end we ask: What is the role of accounting practices in platform organization and through which mechanisms do they work? In other words, what is at stake is whether and how accounting scholarship can contribute critically to better our understanding of platforms as a disruptive organizational form.

Turning from business to the bookshelf, two bodies of literature in accounting prove helpful in articulating our research question. On the one hand, the growing strand of literature attending to supply chains and supply networks highlights the changing and contested role of accounting concepts and practices in the formation and control of alliances, joint ventures, strategic partnerships, outsourcing, and cooperative between independent units (Håkansson & Lind, 2004; Mouritsen & Thrane, 2006; Caglio & Ditillo, 2008). On the other hand, studies of accounting as a power/knowledge apparatus (see Miller & Power, 2013 for an overview), and more recently explorations of non-traditional forms of accounting such as rankings, ratings and other classification regimes (Kornberger & Carter, 2010; Jeacle & Carter, 2011; Pollock & D'Adderio, 2012; Fourcade & Healy, 2013; Power, 2015) explore processes of accounting which extend beyond organizational boundaries.

These strands of literature offer a foundation for an investigation of platform organization. However, as we elaborate below, much of this literature remains beholden to what Hopwood (1996, p. 589) criticised as the persistence of “accounting's hierarchical

consciousness”. Extending their unit of analysis from firms to supply chains and networks, the first body of literature investigates how firms, like “islands of conscious power in this ocean of unconscious co-operation like lumps of butter coagulating in a pail of buttermilk” (to paraphrase the economist Dennis Holme Robertson, quoted in Coase, 1937, p. 386), coordinate action; but in so doing this literature remains wedded to notions of hierarchy and the visible hand searching for efficiencies in closed supply chains. Whilst thinking accounting as an apparatus of governmentality, the second, more critical, strand of literature remains tied to a centralist notion of power – the buttermilk is studied to understand the formation of lumps of butter, to stretch the metaphor. Both literature represent points of departure for our own contribution.

The contribution of this paper is to propose and specify evaluative infrastructure as an analytical concept with which to attend to the accounting practices that help to structure platform organization and in doing so extend accounting beyond its hierarchical consciousness. The concept of evaluative infrastructure includes a focus on relationality, generativity and on an evolving apparatus of control that we describe as protocol. With the concept of relationality we propose that evaluate infrastructures do not represent or reference pre-existing objects, but relate and recombine people, ideas, and things so as to construct new economic subjects and objects. With the concept of generativity, we propose that evaluative infrastructures do not territorialize from a centre, but instead disclose new worlds. And with the concept of protocol we propose that control in evaluative infrastructures is radically distributed whilst power remains centralized alluding to the interplay between hierarchical and heterarchical power relations.

These three concepts provide part and parcel of a vocabulary with which to describe production in, and control of, platform organization. Put metaphorically: if we look at Manhattan today we marvel at the skyscrapers from the early 20th century; yet in order to understand their designs we have to study the race between several intertwined infrastructures, most notably plumbing, lift technology and finance (Koolhaas, 1978). This paper makes a homologous argument: in order to understand platform organization (and by extension other, non-hierarchical, forms of economic activity) we need to look at the invisible infrastructures that coordinate and control platform activities. It is this paper's contention that the focus on these evaluative infrastructures helps to equip accounting scholars with critical instruments to study a set of emerging phenomena that are related to platforms as new organizational form, including distributed innovation, crowd sourcing, big data and other burgeoning phenomena.

This paper is structured as follows: in the next section we review the literature that marks the point of departure for our argument. We then develop the concept of evaluative infrastructures. This conceptual work implies mobilizing a variety of different literature that have discussed infrastructures in depth. In order to illustrate the mechanisms and effects of evaluative infrastructures we provide the extended example of eBay as prototypical platform organization that is based, at least in large part, on such a novel accounting regime. This calls for a caveat: eBay and related examples are not intended to provide closure but, to paraphrase Thomas Schelling (1978), to spark curiosity for further investigation. The paper concludes with a discussion of implications for research and reflections for practice.

## 2. Accounting beyond its hierarchical consciousness?

### 2.1. Empirical context: the disruptive phenomenon of platform organization

Our paper uses the phenomenon of platform organization as a

<sup>3</sup> <https://www.statista.com/topics/2181/ebay/>.

<sup>4</sup> <http://www.forbes.com/sites/ellenhuet/2014/12/17/uber-says-its-doing-1-million-rides-per-day-140-million-in-last-year/#19515df97a68>.

<sup>5</sup> <http://www.reuters.com/article/us-uber-valuation-breakingviews-idUSKBN14B23A>.

<sup>6</sup> <http://qz.com/719157/airbnb-is-raising-money-at-a-30-billion-valuation/>.

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