Dialectic Dynamics of Management Accounting and Management Philosophy

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Abstract

This paper examines how management philosophy and management accounting systems are linked to management accounting practices by utilizing structuration theory and the concept of phronesis as heuristic devices. Base upon a detailed field study, we argue in this paper that potential contradictions within written management philosophy are reflected in management accounting practices, through which potential contradictions are realized as conflicts and tensions that turn out to open up spaces for creative actions. It is observed that the tight coupling between management philosophy and management accounting systems create problems that are sources, rather than barriers to, discretionary activities. By constraining reality, we open up a space to work with. The changing stability of accounting practices are explained in terms of dialectic dynamics in structuration processes which are fused with competing normative ideals.
1. Introduction

It has been long established that the technical characteristics of accounting systems and the formal rules governing the uses of accounting are necessary but not sufficient for understanding the implication of accounting for operational decision-making and activities (Argyris, 1953; Ridgway, 1956; Ahrens & Chapman, 2002, p. 151). The formal rules and technical characteristics of accounting systems provide both the context for, and rules and resources used, in day-to-day organizational life. Rules and resources both constrain and enable management accounting activities that actually take place at time and space bound localities.

The relationship between the general, i.e. organizational wide accounting systems and rules, and the concrete, i.e., situated activities, are not mechanistic, however. Actual accounting activities are not uniform, but variable and context-dependent, while technical characteristics of an accounting system and related organization-wide rules are often more standardized, invariable and context-independent. In between the invariable general and the variable concrete, accounting rules and resources are used as tools by people whose consideration, judgement and choice are not negligible at all. Accounting related rules are interpreted and enacted by people in each concrete situation.

The concrete accounting activities and the general accounting rules and systems are related, but the way in which they are related have to be scrutinized. The interaction between the general and the concrete becomes a focal theoretical concern in order to understand the dynamics of accounting practices that shape organizational life.

Phronetic organizational study shares this concern with the relationship between the general and the concrete (Flyvbjerg, 2003, p. 362). The concept of phronetic study derives from classical Greek concept of phronesis, i.e., deliberation about values with reference to praxis.
Phronesis is one of three intellectual virtues in classical Greek along with episteme, i.e. scientific knowledge that is universal, invariable and context-independent, and techne, i.e. craft/art that is pragmatic, variable and context dependent. “Episteme concerns theoretical *know why* and techne denotes technical *know how*, phronesis emphasizes practical knowledge and practical ethics” (Flyvbjerg, 2003, pp. 360-361). Phronesis concerns the analysis of values as a point of departure for managed action (Flyvbjerg, 2003, p. 361). The relationship between accounting and the analysis of values is therefore of vital interest to accounting researchers who concerns with day-to-day functioning of accounting in a context of a particular set of accounting systems.

This line of enquiry could be pursued by investigating working of situated accounting practices in a context of an accounting system with phronetic perspectives. Situated accounting practices reflect accounting craft/art that is pragmatic, variable and context dependent, while accounting systems are equipped with technical characteristics that are more universal, invariable and context-independent. Phronetic perspectives shed lights on the intertwined relationship between functional and normative aspects of situated accounting practices.

In order to unfold intertwined functional and normative aspects, we deploy the structuration theory with the eyes of phronesis over empirics obtained at our case site. It is empirically examined how management philosophy and management accounting systems are linked to management accounting practices by utilizing structuration theory as heuristic devices in this paper. The concept of phronesis is deployed over the structuration processes by shedding lights on the way in which the general abstract value systems are actually enacted in concrete practices.

The rest of paper is organized as follows. In the next section, we will briefly review extant literature on the relationship between management philosophy and management
accounting. It is followed by the theory development section in which structuration theory and new institutional theory are discussed with the eye of phronesis. We will develop a theoretical framework with which dialectic dynamics of structuration processes are illustrated by empirical materials obtained from the field research. The case will be described in the next section. We then proceed to discuss the findings from the case site and analyse how dialectics in structuration processes take place at the case site. Finally conclusion is provided.

2. Management philosophy and management accounting

The notion of management philosophy employed in this paper is an empirical concept that is found to be ubiquitous at the case site. Management philosophy is documented in books, brochures, posters, and is often referred in formal meetings and informal conversations regardless of ranks and orders at the case site. Management philosophy is the ethical base upon which management decisions and practices should take place according to the founder of the case company (Inamori, 2006). The notion of management philosophy is interchangeably used with that of management principles and credo at the case company.

Management philosophy has received a relatively scant attention in management accounting research, although there has been a strong strand in management accounting research that shed light on the particular normative significance of accounting by investigating constitutional powers of accounting in relation to organization and society (Hopwood & Miller, 1994; Chapman, 2005). There is scarce literature that directly either describes or analyses management philosophy in management accounting research. Miller & O’Leary (1987) traced the tie between scientific management principles and standard costing in Harrison’s text (1930).
Broadbent & Guthrie (1992) depicted a similar relationship that exists between the New Public Management (accounting) and commercial management principles, practices and accountability regimes. This type of literature found that emerging management accounting practices at a particular point of time in history are embedded with dominant management principles of the day.

Another type of literature that has brought some aspects of management philosophy into management accounting research stems from Simon’s levers of control framework, i.e., belief systems; boundary systems; diagnostic control systems; and interactive control systems (Simons; 1995; Henri, 2006; Widener, 2007).

In Simons’ typology of management control systems, belief systems, and to a lesser extent boundary systems, are related to the notion of management philosophy defined above. Beliefs systems are defined as “the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization” (Simons, 1995, p. 34), while boundary systems “delineate the acceptable domain of activity for organizational participants” by establishing limits, based on defined business risks (Simons, 1995, p. 39).

Simons’ framework could be classified as a variant of management control package approach in which accounting control systems are jointly used with other management control systems in management practices (Abernathy & Chua, 1996; Abernathy & Brownell, 1997). As each management control systems are treated as if they are independent to each other in control package approach, the four levers of control in Simons’ framework also are conceptually separated entities which jointly affect the pattern of behaviour in an organization. The contents of each management control system are assumed to be stable and unaffected by other management control systems. In other words, each management control systems are black boxed
conceptually, which pre-empted the possibilities of unpacking the complex relationship that may exist between management accounting systems and management philosophy.

The black boxing of the management control systems is also observed in Cooper’s analysis of our case site (1994, 1995). Cooper (1995, p. 279) described technical characteristics of management accounting of the case site as micro-profit centre (MPC). At the case company, a small organizational unit that usually consists of five to ten members are accounted for its profitability. Unlike ordinary profit centres that are larger in size, the case company have profit centres that are much smaller in terms of numbers of its members. The technical characteristics of MPC are not conceptually different from ordinary profit centres except their size in Cooper (1994).

The functioning of the MPC is idiosyncratic because of the way management accounting information is used. For example, performance against the monthly plan is monitored on a daily basis, while the performance results are disclosed within the company so that each organizational unit is able to compare their performance with other units (Cooper, 1994, pp. 7-8). MPC increases “pressure placed on the leaders of the self-directed teams to perform” (Cooper, 1995, p. 279) and make them take an entrepreneurial stance (Cooper, 1995, p. 281). The way in which MPC is used makes organizational unit leaders more individualistic entrepreneurs and enhances rivalry consciousness among them.

Cooper (1994, 1995) understands that functioning of MPC, on the one hand stimulates organizational activities and lowers risk of organizational sclerosis, while on the other hand increases conflicts among MPCs and endangers total optimization for the sake of partial optimization. This is where management philosophy plays an indispensable role in Cooper’s analysis (1995, pp.281-282). Management philosophy ensures that all units are “pulled in the
same direction” so that they can contribute to the company as a whole (Cooper, 1994, pp. 9-10). Management philosophy is a remedy to mitigate conflicts among MPCs in Cooper (1995).

3. Dialectics in structuration processes

We draw on Giddens’ structuration theory (Giddens, 1976, 1979, 1984) and new institutional perspectives (Meyer & Rowan, 1977; Powell & DiMaggio, 1991) to analyse the institutional – agency dynamics of our empirical materials. The underlying motif beneath the theory development is phronesis, deliberation about values with reference to praxis.

New institutional theory posits that organizations and individuals within them are suspended in a web of values, norms, rules, beliefs, and taken-for-granted assumptions (Barley & Tolbert, 1997, p. 93). Bhimani (1999, pp. 425-427) argues that the structure of management accounting is sometimes heavily influenced by culture and institutional environments in which organizations operate1. The socially constructed nature of reality is captured in the way environments, actors, and the structure of management accounting is characterized in the new institutional theory.

New institutional theory acknowledges the multiplicity of environments, that is both technical and institutional environments (Meyer & Rowan, 1977; DiMaggio & Powell, 1983), and multiplicity of logic of action, that is both logic of consequences and logic of

1 Management accounting researchers have long been interested in the relationship between organizational culture and management accounting practices (Bhimani, 1999, 2003, 2007, Ahrens, 1996, 1997, 1999). Existing literature on management accounting and organizational culture suggest that success or failure of a management accounting system are influenced by the cultural values which held by the users of that management accounting system (Bhimani, 2003; Dent 1987). In recent years, institutional theory has embraces culture as an synonym integral part of institutions (DiMaggio, 1997). Barley & Tolbert (1997, p. 93) posits that institutional theory highlights cultural influences on decision making and formal structures. The cultural elements of the institutional environments help to define the way the world is and should be for organizations and the individuals within it. The detailed theoretical analysis of relationship between institutions and culture is beyond the scope of this paper.
appropriateness (March & Olsen, 1989). Within the institutional perspective, organizations respond to pressures from both technical and institutional environments. Organizations tend to adapt to technical environments in a rationalistic manner, while they tend to adapt to institutional environments in a ritualistic manner. In the former circumstances, organizational actions are driven by the logic of consequences in which alternatives are assessed in terms of expected future consequences of that action, or in other words the use of a rational choice decision process model. In the latter circumstances, organizations adopt rules, such as formal structures and procedures, which are socially accepted as being appropriate for the organization. Logic of appropriateness is where actors seek to fulfil social images of themselves by matching actions to situation in ways that are appropriate for the image that the actors find acceptable. Within technical environments, means and ends relationships are technically defined and probabilities of outcomes can be estimated, however stochastic they may be. The logic of appropriateness is most likely to govern behaviour where there is uncertainty, ambiguity about preferred outcomes, or calculative behaviours violate core beliefs (March & Olsen, 1989; March, 1999).

The relationships between the technical environments and institutional environments, as well as between the logic of consequences and the logic of appropriateness, are intertwined. In many cases there are complex reflexive relationships between the environments that make it difficult to clearly distinguish one from the other. The dichotomy is neither so apparent nor consistent over time. The static nature of new institutional theory makes it difficult to analyse the interaction between the institutions and agency, even though the original theoretical development acknowledged such interactions (Meyer & Rowan, 1977, Loundsbury, 2007). Actors create institutions through ongoing interactions, which in turn become a taken-for-granted reality that designates appropriate roles and behaviours for actors.
Instead of statically juxtaposing the technical environments that are tied to the logic of consequences, and institutional environments to the logic of appropriateness, a dynamic theory is needed to be able to analyze the intertwined relationship between the various types of environment and logic of actions.

Giddens’ structuration theory treats structure as both a product of and a constraint or enabler to human action\(^2\). The structuration theory is a product of an effort to bridge the gap between static and objective notions of structure that governs agency, and dynamic and subjective notions of agency, by positing two realms of social order. These are the realm of structure where institutions define identity and appropriate behaviour and relationships between actors, and the realm of agency where actors interact with each other. The structuration theory focuses upon the area of intersection between the two realms, which Giddens calls modalities, i.e., interpretative schemes that mediate between signification structure and communicative actions, facilities between domination and power exercise, and norms between legitimation and sanctioning actions.

Management accounting research that are informed by Giddens’ structuration theory suggest that the emergence of and changes to management accounting practices result not from consistency but from contradictions and conflicts in practice (Giddens, 1979, p.131). Barret et al. (2005) utilized Giddens’ structuration theory to analyze the effect of globalization upon the coordinating of work in multinational audits and focused upon the resulting “global – local dialectics”. They mainly focused upon dialectic tensions between local activities and global management control systems.

\(^2\) Takatera & Sawabe (2000) draws on Giddens’ structuration theory to analyze historical development of income accounting. Takatera & Sawabe (2000) interpreted income accounting as an abstract system that moderates interaction over time and space. Income accounting as an abstract system facilitates the separation and re-integration of time and space by de-contextualizing actions at the local context requires re-contextualizing at another local context.
In this paper, we focus on potential contradictions and realized conflicts between and within various dimensions of an organization as drivers of accounting changing stability. Specifically, we examine how management philosophy and management accounting systems are linked to management accounting practice in a dialectic manner in structuration processes with specific concern over phronesis. Our phronetic concern requires us to treat management philosophy as an important but not decisive element in structuration processes.

We focus upon management philosophy narrowly as formalized written statements of norms, values, credos and other fundamental policies and boundaries that are centred around the notion of management at the level of collectivities\(^3\). Management accounting system that we specifically focus upon is a set of formalized written statements of rules concerning accounting information-based procedures.

Both written management philosophy and formal management accounting systems reside in institutional realm when they are shared in the domain in concern globally, as we draw on the definitions of institutions developed in new institutional perspectives (March & Olsen 1989, Brunsson & Jacobsson, 2000, p. 11) which posit that institutions are shared taken-for granted assumptions that tell an actor “who you are in this situation, and what an appropriate behaviour in this situation is.” This definition let both written management philosophy and formal management accounting systems reside in the institutional realm. Written management philosophy tells actors what it means to be a member of the organization, what they should and should not do as a member of the organization. Similarly, formal management accounting systems tell them what kind of responsibility and accountability they have in the organization, how and what measures should be used to evaluate their own behaviour, and so on. Finally,

\(^3\) Our definition of management philosophy treats it as “things”. They are formalized as documents and statements, and various other types of inscriptions. Our definition is intended to be a narrow one so that we can demarcate practices that are actually influenced by management philosophy from management philosophy itself.
management accounting practice is defined as actual accounting-information related actions and interactions that members of organizations deliver and engage with. Management accounting practice resides in the realm of actions.

Our purpose in pursuing those lines of enquiry is to elaborate the role that accounting plays both normatively and functionally in the organizational management practices. We suggest that in the context of our case company accounting could neither be understood as a straight forward functional tool for operational activities, nor could their relationship between accounting and operational management be simply regarded as ritualistic. Rather, we seek to demonstrate that in the case company, accounting was an operational tool that were embedded with normative meanings and that functioned in a non-deterministic, yet structured manner (Ahrens & Chapman, 2002, p. 152). Building on the distinction between the general, i.e., written management philosophy as well as formal accounting systems, and the concrete, i.e., situated accounting practices at localities, we seek to understand the practical wisdom in day-to-day operation of the accounting systems as ongoing accomplishments in time.

4. The case of Kyocera Corporation ltd.

The main case site for this research is a consulting arm offshoot from planning office of a Japanese manufacturing company. The manufacturing company, Kyocera Corporation Ltd. (KCR, hereafter), has JPY 1290 billion or USD 12 billion consolidated revenue for the year ending in March 2008. Within the Kyocera group, there are 187 companies at the end of the fiscal year 2007.
Sawabe, Kazusa, & Ushio (2008) for NZMA 2008

We have conducted in-depth and longitudinal field research since May 2004 based upon semi-structured interviews and on-site observation at KCR and its consulting arm, which is called Kyocera Communication Systems (KCCS, hereafter). The interview details are given in Table 1. The field research also included access to the other subsidiaries of KCR and client companies of KCCS. We had wide and extensive access to the internal documents of all the companies, except client companies of KCCS, involved in this research.

Table 1 will be around here

KCCS originated as an offshoot from the management planning office and is now a subsidiary of KCR. The management planning office is in charge of designing, establishing, maintaining the KCR’s management accounting system and also of providing internal consultations. The current CEO of KCCS is the former head of the management planning office. It was under his leadership that KCR's management accounting practices were developed systematically. Over the time, KCR’s management accounting practices were stylized and extensively formalized as a distinctive management accounting system. This formalized management accounting system developed from experiences at KCR is now known as Amoeba Management System (AMS, hereafter).

The core competence of KCCS as a consulting firm is in its ability to design, implement and operationalise the AMS. In particular, KCCS seeks to improve its clients’ practical ability to utilize the AMS. An executive of KCCS commented that:

"We think that our business is not only bringing the box (i.e., AMS) to the clients, but let them know how to use it in practice, (and learn) the necessary attitudes. We reckon that people in the place and
their mindset are decisive. [...] Ordinary consulting company tries to establish the management system once for all. Our business starts after that. We work with our clients to get the most of the system.” (interview, 26 November 2007)

4.1. Reflexive interviewees

This longitudinal case study involves multi-reflexive processes in a sense that we are making dialogue with practitioners who are forced to be reflexive because of the situated practices they engage with. Most of senior consulting practitioners at the KCR have working experiences at the management planning office of KCR. The management planning office is the original place where the AMS is developed, applied, and continuously modified over time. The AMS and associated knowledge, both tacit and explicit, are transferred to the KCCS. The AMS evolved further as it is deployed in different contexts and settings.

The AMS is instituted at the KCCS as well. There are noticeable differences in many aspects between a manufacturing company, i.e., the KCR and a consulting company, i.e., KCCS. The differences between them resulted in variations in terms of the design of AMS and of the way in which it is used in practice.

Soon after the KCCS was spun off from the KCR, the differences between them become apparent. KCCS consultants who used to be management accountants at KCR started to recognize explicitly taken-for-granted properties of the AMS that used to be unnoticeable. Drastic changes in the role, i.e., from internal management accountants to consultants who provide services to external clients made the once taken-for-granted implicit properties become a part of explicit knowledge of professional consultants.

The prior history and the current nature of operational practices of consultants have resulted in an accumulation of multi-layered reflexivity at KCCS where the AMS in practice and
the AMS for consultations are intertwined. The AMS is what they utilize at the KCCS while it is also what they provide to the clients. A number of consultants explained to us how they are now forced more to appreciate the nature of what they sell, i.e., the AMS, than the time when they were members of the management planning office at KCR. Now they have to explain the virtues and potential pitfalls of the AMS to the clients who do not share the same historical background with KCR and KCCS. Interviewees know how to explain what they are doing very well. It seems to us that the vocabularies of consultants are shared among them and the way in which the AMS is explained is highly standardized.

An obvious danger associated with accessing the field from, and being guided by, members of the consulting arm is that our perceptions are inevitably influenced by the cognitive framework of the consultants. There is also a danger that we may also be influenced by the values that favours consulting activities and thus develop a biased view in favour of them. We are aware of these potential dangers and take a cautious reflexive approach in order to validate and interpret the findings. As will be discussed later, the theoretical framework that we have employed, i.e., dialectics in structuration processes with the eye of phronesis, is the single most important reflexive tool to deal with these dangers.

There are some advantages to and opportunities provided by intense interaction with the consulting staffs at KCCS. They have an intense wealth of reflexive knowledge about the practices employed at KCCS, and they are eager not only to share their knowledge but also to listen to our understanding (Cooper & Morgan, 2008; Kaplan, 1986). Nevertheless, the aim of this research is not to report the practical knowledge of the KCCS consultants itself, nor is the aim to be merely advocates of the services provided by KCCS. On the contrary, we are aiming to use their knowledge in practice to provide some theoretical generalisations, and also to add
new insights that were not previously held by the practitioners. Thus the value of this research can partly be evaluated by to what extent this paper provides new insights about the AMS that the consulting practitioners are not currently aware of.

5. Philosophy and accounting systems at KCR

5.1. Management philosophy: Kyocera Philosophy

The Kyocera group is well-known for its affiliation with the charismatic founder and its management philosophy largely originated from the voice of the founder (Cooper, 1994, p. 19; Miya, 2003, pp. 143-144). The company has been keen to institute management philosophy education programs both domestically and internationally in recent years after the founder’s retirement. The educational programs are managed centrally by the Management Research Institute of KCR at their former head office site.

The participants of the educational program include top management as well as newly employed workers just graduated from colleges. In the fiscal year 2007, in total 33,949 employees of Kyocera group companies attended the education programs (Kyocera, 2007: 37). The educational programs include seminars those specifically designed for different ranks, i.e., those for senior general managers, department managers, sectional managers, and other lower ranked workers.

In the philosophy education programs, participants are typically involved in case-based studies. In case-based studies, participants are required to make management decisions which have to be approved by other participants. The basis of their decision is the Kyocera Philosophy and the legitimacy of the decisions is discussed. The program is intensive and the discussion
often continues after the formal programs over meals and drinks. The educational programs have also been conducted overseas since 2003. The table 2 shows the overview of the philosophy education at the company.

Table 2 will be around here

The essence of Kyocera Philosophy is concisely summarized in “The Kyocera Philosophy Pocketbook”. The first edition of the pocketbook was published in 1967. Since the publication of the first edition, every single worker of KCR is given the pocketbook on the first day when they joined the company. At daily morning meetings, they recite passages of the pocketbook. It is emphasized at KCR that all employees share fundamental philosophical basis and enact by their activities.

The primordial element of Kyocera philosophy emanated from a labour-management confrontation that took place at the nascent state of KCR. The founder of KCR recollects repeatedly the crisis moment where there was a lack of mutual philosophical understandings between managers and employees.

KCR was founded in 1959. In 1960 the company was in imminent danger: newly recruited teenage workers were about to go for a strike. It was a period of furious industry dispute in Japan. There were a number of stark confrontations between organized labour and management at that time. So called Japanese management which is characterized by in-house union and cooperative relationship between employees and managers would be formed after the ashes of this period.
The newly born KCR was also struggling in the social upheaval of the time. The confrontation was between young managers and younger workers. The founder was in his late 20s. He spanned off from a company with other 7 comrades to start a new company. They shared founder’s dream to show his technology to the world by this company (Inamori, 2006, p. 22). They were prepared to sacrifice themselves for this dream.

The newly recruited teenage workers did not share this ambition with the founding members. They were more concerned about labour rights and their own welfare. They claimed for annual wage increase and urged managers to guarantee lifelong job security. For the managers of the company which were still struggling to maintain operational cash flow, the claim of new workers sounded incomprehensible at first.

The negotiation between managers and employees lasted for three days and three nights. They reached a point of agreement when the founder promised to keep the firm alive otherwise he would give his own life away. By promising so, the founder made it clear that he committed himself for the security of employees’ job (Inamori, 2006, pp. 24-26). It was not a mere economic compromise but a value statement that dissolved the confrontation.

The founder recollects that this confrontation was a starting point to reformulate the corporate rationale. “(T)here is something more important than my own dream (that is to show his technology to the world). It is more important to protect/guard lives and wellbeing of employees and their family. It is my destiny to strive for their well-being” (Inamori, 2006, p. 26). Since then, “the firm has been modelled on the traditional style of the ‘family’, where grandparents, parents and their kids live together and work hard for the entire family.” (Inamori, 2006, p. 53). This is the way in which current corporate rationale was established. The corporate rationale states that “the company provides opportunities for the material and intellectual growth
of all our employees, and through our joint effort, contributes to the advancement of society and humankind.” (Inamori, 2006, p. 26)

The company founded it with urgent importance that beliefs should be explicit and shared among members of organization from senior managers to shop-floor workers. Soon after the confrontation and eventual reconciliation, the corporate rationale along with the so called twelve principles of management was formally established:

-Twelve Principles for Management-\(^4\)

1. You need to understand the significance of the business and to have a clear goal for the business,
2. You need to set a concrete target,
3. You should hold a strong desire in your mind,
4. You need to make more effort than anybody else (self respect comes when you stand on your own feet),
5. Maximize sales, and minimize costs,
6. Pricing is management,
7. Strong will delivers management result,
8. Ardent fighting spirits,
10. Be creative,
11. Be honest with compassion,
12. Be cheerful and positive with dreams, hopes, and a good heart.

The corporate rationale and twelve principles affect the way in which management accounting are practiced. Following sub-sections will examine the way in which management philosophy is embedded in management accounting practices. In examining how management philosophy is embedded in management accounting practices, we will briefly see the structural properties of the AMS in the next two sub-sections.

5.2. Organization for the AMS

\(^4\) The original principles are written in Japanese. We translated them into English in this paper.
The AMS, the management accounting system originally developed at KCR, is structurally characterized by its organizational properties and the performance measures. We describe organizational properties in this subsection and the performance measures in the next subsections.

The AMS functions on what is called “amoebas”, i.e., autonomous groups that forms basic unit of the company. Amoeba is autonomous in a sense that they are endowed authority to set and execute its own plan. An amoeba can be large or small. At KCR, typical size of amoeba has 10-15 members. There were approximately 3,000 amoebas in KCR in 2006 (Inamori, 2006, p. 105).

Each amoeba is usually functionally divided. For example, manufacturing and sales functions are divided into different amoebas. In a manufacturing amoeba, there may be amoebas specialized in welding, moulding, cutting, finishing, and etc. Back office sections may also form functionally divided amoebas. For example, personnel, law, accounting, and planning are divided into autonomous amoebas. At KCR, there are four types of functionally differentiated amoebas, namely manufacturing, sales, research and development, and general administration (Kyocera, 2004, p. 34).

5.3. Management Philosophy in Amoebas

Each amoeba is bestowed authority and responsibility to set and execute its plan as is mentioned earlier. Executing the authority and bearing the responsibility is not an easy task for amoeba leaders. Amoeba leaders have to device its own plan and the plan have to be approved by its members as well as senior supervisors.
Amoeba leaders need to draw up their own plans that have the legitimacy. This is where management philosophy comes in. For example, management principle No.5 “maximize sales, and minimize costs” along with No. 6 “pricing is management” are reflected in a way that amoebas interact with other amoebas. Talking about the importance of the management philosophy, a divisional manager at KCCS commented as follows:

“Each amoeba (including those who transact internally only) knows the market price. They are eager to obtain latest market information. So, (when its counterparty amoebas offer internal transaction prices that are not based on latest market price) it raises hell.” (interview, 19 August 2004)

It is not only the sales amoebas that directly interact with the external market but also manufacturing and other amoebas that do not have market interactions, that take market information serious. Market prices form basis for communication and negotiations among amoebas to the extent that sensitivity to market prices is key requisite for amoeba leaders to survive. We termed the underlying belief that market should be the basis of internal negotiations “marketism.”

While marketism is prevalent in Kyocera Philosophy, there is equally, if not more, important “ism” in it. The corporate rationale that emphasizes welfare and wellbeing of employees as well as management principle No. 11, “be honest with compassion”, and No. 12, “be cheerful and positive with dreams, hopes, and a good heart”, encourage amoeba leaders to behave as if they were heads of family. We term this underlying belief “familism”.

At the same interview when he commented the importance of marketism, the same senior manager commented: “(In drawing up their plans) amoeba leaders ponders on how they could support and maintain their subordinates’ living” (interview, 19 August 2004). An amoeba
leader whose amoeba has members no more than ten commented: “My role (as an amoeba leader) is to make sure that all members of the amoeba understand what they should do to attain goal, and to take the lead in the process. [...] It may sound a little strange but I often listen to private affairs of my members in various ways. Well, I think I have to be able to do it. Really it is not merely business. I take it personal” (interview, 21 September 2004).

Along side “familism” and “marketism”, we induced two more “isms” in Kyocera Philosophy that guide amoeba leaders to draw their plans, namely “romanticism” and “realism”. Management principles that are connected to “romanticism” are principles No. 3 “strong desire”, No. 7 “strong will delivers management result”, No. 8 “ardent fighting spirits”, No. 9 “move ahead with courage”, and No. 12 “be cheerful and positive with dreams, hopes, and a good heart.” In practice, those principles urge amoeba leaders and their members to have a certain distinctive attitude that could be labelled “romantic.” Romantic in a sense that encourages challenging the status quo. Changing oneself and others are valued more than accepting things as they are and content with oneself as it is. With those romantic principles, daily routines tend to be biased toward idealistic future. We term this underlying belief behind these principles “romanticism.”

There is another set of principles that are juxtaposed to romantic principles. Principles No. 1 “one needs to clarify goals for the business”, No. 2, “set concrete targets” tell that business conditions on which amoebas function should be explicitly specified. We term this underlying belief behind these principles “realism” in a sense that workers are exposed to external reality of market and client by numbers.

At our case site, traces of romanticism and realism are observed in planning by amoebas. Let us first describe traces of romanticism and then those of realism in planning.
Romantic bias is most apparently observed when amoeba leaders set their numerical targets both monthly and annually. As is explained before, amoeba leaders set their own targets and plans. Annual master plans and monthly plans that are aligned with the master plans are primarily designed by amoeba leaders. The initiative of setting targets is taken by amoeba leaders, nevertheless, the set target should be accepted by amoeba members and be approved by their superiors.

An amoeba leader is expected to persuade their colleagues, both subordinates and superiors, of the relevance of the target levels and the validity of their plans. The divisional manager at KCCS commented:

“When the superior has expectation of, say, 3,600 yen (for the HPW target in the next month) for his/her subordinate amoeba, he/she asks the amoeba leader to revise the proposal (of, say, 3,500 yen for the HWP target). However, he/she never tells specific numbers to the leader. They have discussion repeatedly over the proposed plan. After the discussion, they may come to a conclusion that the original proposal is appropriate, or that higher target is actually possible. . . Our philosophy requires us to ‘set high targets’. You shouldn’t set an easy target.” (Interview, 27 July 2004)

One of the preconditions for a supervisor to be convinced is that the plan has a high stretch target that shows leaders’ strong desires. A sectional leader comments on it in another interview:

“Planning is everything. It is extremely important for us. We cannot make better results than what we planned. We set the target as high as possible and cling to it after that.” (interview, 21 September 2004)
Realism is also reflected in a way that a plan is devised by amoeba leaders. Planning is expected to be highly detailed. An amoeba leader is expected to persuade their superiors of the feasibility of their plans. One of the preconditions for a supervisor to be convinced is that the plan based upon supporting data that show the feasibility of the plan is well thought out.

Financial numbers in the plan must be feasible ones based upon appropriate pricing expectations. For example, monthly sales figures should be disaggregated into specific items and categories of which there are convincing data, qualitative and quantitative ones, to show the reality and expectation behind the sales target. The divisional manager at KCCS commented that:

“You need to show what actions to be taken to accomplish this amount (of HWP) and how those actions are ensured to be taken (when you set a target)” (interview, 19 August 2004)

Realism for amoeba leaders means that their plan should be highly detailed with convincing data that demonstrates feasibility of the plan.

5.4. Performance measures: Hourly Workers Profit

As amoebas are endowed authority and responsibility to draw up and execute their own plan, there is a corresponding system of accountability that amoebas are subjected to. There are two key performance measures at KCR: what we call “Workers Profit” (WP hereafter) and “Hourly Workers Profit” (HWP hereafter).

WP is defined as gross value added minus capital costs and interest payments. This is akin to surplus attributed to workers. The definition of workers here includes both managers and
employees. The claims by capital providers are not appropriated from the surplus, but treated as a cost in this calculating structure.

The basic idea of WP is shown in Figure 1. The whole circle represents gross value added. From the gross value added, capital cost and interest payments are subtracted in order to calculate WP. In other words, WP is a sum of economic value added, management compensation, and labour expenditure, which is highlighted in black. Regarding the calculation structure of WP, especially the way in which labour expenditure is treated as a part of WP, a consultant at KCCS commented in the interview as follows:

“Amoeba management aims to bring out and maximize employees’ potentials, rather than exploit them by cutting off their salary to improve the profit of the firm. [...] Although we have the words ‘maximizing sales, and minimizing costs’ in our philosophy, labour expenditure is not included in (the definition of) ‘costs’. It means that labour expenditure is not something that should be minimized. (On the contrary,) we would like to increase the labour expenditure by improving turnover. We don’t have the mindset that we should cut labour expenditure.” (interview, 27 July 2004)

The family kinship, or familism as we call it here, is a key feature of the philosophy at KCR. We see that “familism” is reflected on the way in which the performance measure is formulated. To provide family members with an opportunity to work for their material and intellectual growth, labour expenditure is not booked as “costs” in the calculation of WP.
Consistent with the corporate rationale, it is believed within KCR that employees should not be sacrificed for the sake of the corporation. This belief in “familism” is often transmitted to other companies when the AMS is introduced. In an interview, a consultant commented that:

“When the AMS is introduced to a firm, the managers do not think of any layoffs as their options. Instead of layoffs, they try to explore the ways in which they can make maximum use of what they have (as member of the company). [...] Workers seem to feel a kind of security when they actually see the WP in their performance sheet where labour expenditure is not included in the column of ‘costs’” (interview, 26 November 2007)

The other performance measure is HWP. HWP is defined as WP divided by total labour hours devoted to earn the respective WP of the amoeba. Along with corporate rationale and management principles, HWP converts dull and mundane workers’ life into exciting games within which amoebas compete against other amoebas. The size of each amoeba is kept as small as possible so that maximum numbers of workers are given opportunities to act as leaders in the game while their duty as leaders are manageable to most of them because of the small size of amoebas. A senior executive of a group company commented:

“It is not something that you enjoy to work in a factory. Amoeba Management brings vibrant atmosphere onto the dull workplace by giving personal goals to every worker.” (interview, 4 April 2008)

Amoebas are usually functionally highly interdependent because of the way in which they are organized, but nevertheless they compete against each other by numbers, i.e. performance measures. The performance of each amoeba is reported on a daily basis to all amoeba leaders.
Amoeba leaders usually share the performance information with other members of the amoeba. At the same time, performance results of amoebas are readily available to leaders of other amoebas. Such management style with all performance results shared among workers in this company is called “management in a glass office” (Inamori, 2006, pp. 165-166).

Performance measures convert otherwise mechanistic workers life into lively competition. The competitive atmosphere resembles that of sports. Indeed, the same attitude toward competition is observed when amoebas compete against each other at an annual athletic festivals held at factories. The chairman of KCR comments:

“Performance in workplace correlates with the results in an athletic festival. If you cannot cooperate in an athletic festival, you cannot work with your colleagues in business. Teamwork is much related with the performance.” (interview, 27 September 2005)

The game is more than a game for amoebas, though. Performance measures create rockbound reality in which amoebas survive. As an “independent company”, it is required for an amoeba to achieve a HWP that is higher than the average hourly salary of its members. It is the minimum requirement for leaders to achieve HWP that is higher than this hurdle. Failures to achieve this minimum requirement inevitably result, firstly in replacement of the amoeba leaders, and secondly absorption of the underperforming amoeba itself by other amoebas if failure continues under new leaders. An administrative manager of KCR commented that:

“We have maxim ‘make your own bread’ in our philosophy. In our company, each amoeba struggle to meet with this maxim as a minimum mission. Under the Amoeba Management, each amoeba is regarded as an independent company. Realizing your autonomy is considered important. You need to do
your best to harvest enough fruits to feed yourself. In this way, we believe that each member is able to bring out his/her potential in reality.” (interview, 25 October 2004)

In this section we have briefly sketched out the education programs of its management philosophy under which all workers learn and discuss how they should behave in daily situations in relation to the basic value systems embodied as Kyocera Philosophy, together with a brief description of the AMS at the company. The management philosophy and the AMS both constrain and enable amoeba leaders to make their own plans that stand legitimate by themselves.

In the following sections we introduce episodes from our fieldwork that then can be used to draw out the dialectic tensions in the structuration processes. Each subsection describes at first the way in which potential contradictions at general abstract level are actually realized at concrete level, and then explores the way in which realized conflicts are coped with in practice. In this way we seek to convey emergent properties of management accounting practices that stem from dialectic tensions between and within management philosophy and accounting systems.

6. Dialectics at the AMS

6.1. Conflict 1: familism v.s. marketism

There is a potential contradiction between familism and marketism within the management philosophy. As we have seen in previous sections that the familism is encoded in the calculation structure of performance measures, WP and HWP, while that the marketism is encoded in the system of accountability that creates competitive environment for amoebas to
survive. The abstract philosophical beliefs are encoded in a more concrete management system. The contradiction remains to be a potential unless they are enacted in practice.

For amoeba leaders, familism means that you should treat your members as if they are your family on the one hand, and marketism means that you should achieve improved performance in terms of performance measures, i.e., WP and HWP. Ironically as an amoeba becomes more efficient in physical terms, the potential contradiction becomes actual conflicts that amoeba leaders confront with. For example, the more efficient an amoeba becomes, the fewer workers hours are needed to carry out the same quantity of tasks. If they could subtract idle time from total labour hours when calculating HWP, improved efficiency would have resulted in increased HWP. However, idle time is included in total labour hours of HWP, so increasing efficiency is a necessary but not a sufficient condition to improve HWP.

In this situation, there might be a temptation for an amoeba leader to lay off the redundant members so that improved efficiency is reflected upon the performance measures. This option is morally prohibited because of the familism. Consequently, the increased efficiency may just result in abundance of labour without improved HWP number, and let otherwise successful amoeba leaders without recognitions.

6.2. Coping with conflict 1

Confronted with the realized conflict, some amoeba leaders creatively cope with the uncomfortable situation. Management accounting practices that are not explicitly spelled out in written rules emerge at localities through amoeba leader’s discretionally initiatives.

A representative practice of what has evolved is the temporal transfer of members between amoebas. Those amoebas with worker abundance negotiate with other amoebas to let
them use his/her people temporally. If they agree upon the temporal transfer between them, the amoeba that sent the members to other amoebas gets higher HWP because of the reduced total labour hours, while the amoeba that receives the members gets higher WP because of increased revenue. This is a win-win condition between two amoebas. A subsection leader commented to us:

“It is often the case that we ask other amoebas to give or receive one or two members according to the shipment volume of the month. We do that almost every month. [...]. I think it is our, Kyocera’s, strong point, having this kind of flexibility” (interview, 21 September 2004)

This process of allocating workers among the same level of amoebas is conceptualized by us as “autonomous labours accommodation.” The allocation of workers is autonomously decided through negotiation between the two amoebas in the same rank without commands from the higher in hierarchy\(^5\). Performance measures actually activate amoeba leaders’ creativity through conflicts in this instance at some localities.

Another practice that is observed in some localities is also related to interactions with other amoebas. Those amoebas that have successfully increased its efficiency exert pressures upon neighbouring amoebas in their value chains. Typically manufacturing amoebas with increased efficiency and temporal overcapacity encourage and cooperate with sales amoebas to get more business orders. Daily and monthly meetings provide opportunity for efficient amoebas to exert its influence. In certain occasions, manufacturing amoebas send their people to visit customers to help sales amoebas without formal transfer of labour hours.

\(^5\) When the misallocation of labour forces continues persistently, there will be a permanent transfer of workers from one amoeba to another given that HWP of receiving amoeba is high enough. The decision of permanent transfer is made by supervising manager.
6.3. Conflict 2: romanticism v.s. realism

Another source of tensions originates from the dialectic relationship between romanticism and realism in the philosophy. Romanticism encourages workers to challenge the status quo, while realism exposes workers to the reality in market and clients by numbers. Romanticism means that you should not be content with what you are doing now, while realism reminds you of the current state of nature that you are now located.

With romanticism and realism juxtaposed, amoeba leaders confront with daunting task of setting aggressive targets whose feasibility have to be demonstrated by detailed plan with supporting data. There is potential trade off between aggressiveness and feasibility of the target. The more aggressive, the less feasible targets are ceteris paribus.

The potential contradiction between romanticism and realism in management philosophy are realised in practice when a feasible plan to attain stretched target is difficult to draw up and supporting data for the plan is not readily available.

6.4. Coping with conflict 2

Confronted with the realized conflict between romanticism and realism, some amoeba leaders creatively cope with the situation. An aggressive target shakes amoeba leaders to acknowledge that their own experience and knowledge is not sufficient enough to devise feasible plans to attain the target.

Faced with this lack of experience and knowledge, some amoeba leaders explore various possibilities in order to devise an acceptable plan that will convince their superior and subordinates. One of the means to explore possibility is to expand span of interactions. Beyond
the sphere of daily interactions, amoeba leaders seek for experience and knowledge of others when faced with this realized conflict.

This exploration consequently intensifies both the horizontal and vertical communications within the company, while at the same time it may strengthen interactions with external parties. As a consequence, amoeba leaders visit not only neighbouring amoebas with whom they have daily interactions but distant ones who they may not meet frequently before.

As part of this research we conducted a series of interviews at an independent company (SD Corporation hereafter) that has introduced the AMS under consultation of KCCS. A manufacturing manager commented that he had more frequent communication with amoeba leaders at other divisions, sales division and development division, after introducing the AMS:

“Before the introduction of the AMS, workers in different divisions had rarely talked to each other. We, a kind of, felt distance between them. With the AMS, we have no choice but to talk with each other. Now it is natural for us to communicate. We have no barriers between (different division of) workers. Everyone speaks his/her mind to each other, and it even sometimes results in quarrels. (interview, 19 January 2006)

The realised conflict between romanticism and realism expands the scope of interaction at SD Corporation. He added as follows:

“The tendency is more prominent among young workers and part-timers. During the monthly planning phase, they are making more contacts with workers in other amoebas. [...] When a potentially serious problem emerged, it was resolved by part-time workers with the help of workers in other amoebas, even before I realized that the problem occurred.” (interview, 19 January 2006)
In this case, the realized conflicts between romanticism and realism made not only amoeba leaders but also members, including part-timers, of the amoeba to proactively participate in drawing up detailed plans. The realized conflicts are actually perceived as problems that they could solve for the young and part-time workers.

The inherent difficulty of achieving aggressive target sometimes remains intact however hard amoeba leaders may try to devise detailed plans. The fundamental fact that the highly stretched target is difficult to achieve may remain to be true. In such a situation, the system of accountability that creates survival conditions for amoebas may result in accusing amoeba leaders for not being able to achieve the target that is inherently difficult to achieve. If amoeba leaders recognize that they will be accused of not achieving the difficult target, they may be discouraged to set high targets in the first place.

At KCR, the performance result is analyzed and discussed with supervisors and the members of the amoeba vigorously. However, more often than not, the focus of the discussion is on the reasons why the amoeba has or has not achieved the target, rather than on how well they achieved the target. While the reason behind performance result is scrutinized, simply succeeding or failing to meet the target is not usually sanctioned at KCR. It is the reasons behind the performance result that is more important than the performance result itself. The performance result is understood as probabilistic and as being subjected to uncertainty. With this mutual understanding about the nature of planning and the result, amoeba leaders are forced to be reflective on their planning.

Under these practices, amoeba leaders expect that they will not be accused of failing to achieve the target by itself, but that they will be scrutinized about the appropriateness of their
planning *ex post*. This assumed attitude that emphasizes planning, rather than results, is often observed at KCR and other companies that introduced the AMS.

**Concluding Remarks**

Structuration theory provides us a theoretical perspective in which the relationships between the general and the concrete are systematically examined. With the eye of phronesis, we started our investigation with the analysis of values. This is why we focused upon management philosophy and its impact on management accounting systems and practices in the first place.

In deploying the structuration theory on our empirical materials, we are lead to appreciate generative power of management philosophy, not because of its internal consistency but because of potential contradictions that it embraces. The above episodes illustrate how amoeba leaders cope with realized conflicts that are derived from potential contradictions in management philosophy. They demonstrate emergent practices are generated when amoeba leaders confront with and cope with the realized conflicts. The contradictions and conflicts are not barriers but sources of creative activities in these instances.

Barret *et al.* (2005) analyzed global – local dialectics with the case of multinational audits by utilizing Giddens’ structuration theory. Our findings reinforce Barret *et al.* (2005) by showing that dialectic dynamics occurs both between the general and the concrete, and within the general and the concrete. Our findings illustrate the way in which potential contradictions at the structural level is realized as actual conflicts in practice. In this process, formal accounting systems that are embedded with competing values in the management philosophy transmit potential contradictions to management practices.
These findings have theoretical implications on the functioning of accounting. Willmott (1993) forcefully argues that there is a dark side of the self-disciplining form of employee subjectivity by asserting that practical autonomy is conditional upon the development of a strong corporate culture. The findings of our case study show a certain potential danger of this sort is inevitably a part of reflective practices. Nevertheless, we illustrated that the strong corporate culture does not necessarily mean mono-cultural if corporate culture is understood as synonym of corporate philosophy in our case.

On the contrary to the mono-culturalistic image of strong corporate culture, the management philosophy of the case site contains competing values with potential contradictions within it and is a source of the variations seen in day-to-day practices of the firm. The intrinsic dialectic tensions create uncomfortable problems for workers, but the same problems may turn out to be the opportunities to demonstrate free will, not in a heroic manner but as a part of mundane practices. At a meta-level, this is still a total subjugation to the abstract corporate philosophy as each individual worker is forced to confront with the tensions that they would not want for themselves. Nevertheless, we would argue that being confronted with the tensions are different from happy slavery because the former is open to playful trials that are not prescribed in the system.
Bibliography


Kyocera. (2007). *CSR report*


Table 1: Interview list

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Table 2: philosophy education programs at Kyocera group

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Figure 1: the structure of Workers Profit

WP is expressed as the sum of the black.