Volume 10, Number 1| November 2008

Editor
Andrea Mennicken, London School of Economics and Political Science

Editorial Board
Patrik Aspers, Max Planck Institute for the Study of Societies, Cologne, and Stockholm University
Jens Beckert, Max Planck Institute for the Study of Societies, Cologne
Johan Heilbron, Centre de Sociologie Européenne, Paris
Richard Swedberg, Cornell University, Ithaca

Table of Contents

Note from the editor_2

Accounting for Economic Sociology
by Andrea Mennicken, Peter Miller, and Rita Samiolo_3

Talking Numbers – Governing Immaterial Labour
by Uwe Vormbusch_8

Accounting at the Heart of the Performativity of Economics
by Eve Chiapello_12

Global or Local? Travelling Management Accounting Ideas
by Albrecht Becker_16

Interview
A Conversation with Anthony Hopwood_21

Book Reviews_29

PhD Projects_35

http://econsoc.mpifg.de
Dear reader,

I am very pleased to offer you this November issue of the Newsletter under the new editorship. I would like to thank Patrik Aspers and his team for their excellent work on the last three issues. I would also like to thank Patrik for all the advice and support that he has given me, and I thank the Editorial Board for their confidence in me. I have taken up my new role with great enthusiasm. I hope that I will be as able as my predecessors in furthering debates, and in providing a vibrant forum for exchange of new insights and ideas among economic sociologists.

In line with the interdisciplinary spirit of the Newsletter, this issue explores intersections between economic sociology, economic calculation and studies of accounting, a theme which lies at the heart of my own research interests, having moved from a Sociology Department to an Accounting Department some years ago. An increasing number of researchers, particularly within the social studies of finance, have begun to draw attention to practices of calculation and the roles of calculative models and technologies in the framing of economic practice and market settings. This is timely, given the current desolate state of the world’s financial affairs. Accordingly, this issue draws attention to the specificity of accounting as a mode of calculation, and explores the relevance of accounting research for economic sociology.

Andrea Mennicken, Peter Miller and Rita Samiolo start off by investigating the interrelations between accounting studies and economic sociology, focussing on the roles that accounting plays in changing modes of power and governing styles, and the creation of new accountability regimes. Uwe Vormbusch investigates the dynamics of socio-calculation, drawing our attention to the “post-objective”, communicative and reflexive, character of calculative technologies, particularly of those used in performance evaluations and human resource management. Eve Chiapello places accounting at the heart of the performativity of economics, and explains why accounting constitutes an important vehicle in the spreading and translation of economic theories and models. Albrecht Becker analyzes the global travelling of management accounting ideas, and looks at the dis-embedding and local re-embedding of calculative models and practices.

The interview was conducted with Anthony Hopwood, one of the world’s foremost accounting scholars, and founder and Editor-in-Chief of Accounting, Organizations and Society, a journal which for more than three decades has been devoted to the fostering of the social and organizational study of calculation and accounting practice.

In the book review section, Matthew Gill, inter alia, reviews Brooke Harrington’s book on Pop Finance. Further, Barbara Grimpe and Simon Tan provide summaries of their doctoral research projects on transnational debt management and financial analysts’ involvement in corporate governance, respectively.

The next two issues of the Newsletter will focus on intersections between economic sociology and the study of risk, regulation and law. Please continue to submit material that you think should be published in the Newsletter.

Finally, I would like to thank Christina Glasmacher, Peter Miller and Rita Samiolo for helping me to put this issue together.

With best wishes, until Spring,

Andrea Mennicken
A.M.Mennicken@lse.ac.uk
Accounting for Economic Sociology

by Andrea Mennicken, Peter Miller and Rita Samiolo

London School of Economics and Political Science, Department of Accounting and Centre for Analysis of Risk and Regulation (CARR)

a.m.mennicken@lse.ac.uk; p.b.miller@lse.ac.uk; r.samiolo@lse.ac.uk

Economic sociology is flourishing, as the rediscovery of the economy by a range of social scientists gains increasing momentum. This rediscovery could not be more timely, as politicians, regulators, commentators and many academics struggle to come to terms with the near-collapse of the global financial system in recent weeks. While economists continue to say much about markets, hierarchies and contracting, sociologists continue their concerns with organizations and networks. But neither has yet said much about the roles of the calculative infrastructures that make and shape markets, hierarchies, contracts, organizations, and networks. Even fewer seek to explore the links between these calculative infrastructures and the modes of governing of individuals and social relations. This remains the case, just as an increasing number of researchers begin to recognize the roles of calculative models in framing socio-technical interactions in the particular setting of financial markets (e.g. Beunza and Stark 2004; Callon 1998; Kallhoff 2005; Knorr Cetina and Preda 2005; MacKenzie 2006; MacKenzie and Millo 2003; Muniesa 2007; Preda 2006).

At issue here, we suggest, is a much wider phenomenon than financial markets and the models that animate and operationalize them. This article calls for greater attention by economic sociologists to the roles of the variety of different calculative infrastructures shaping the world in which we live. We call in particular for increased attention to the field of sociologically oriented accounting research that has emerged over the past two decades (see e.g. Hopwood and Miller 1994), and suggest that much can be gained from increased exchanges between this body of work and economic sociology more generally. It is important, we suggest, to avoid a partitioning of the economic sociology literature, whether on geographical or institutional grounds (Miller 2008; Vollmer, Mennicken and Preda 2008), as any such partitioning could lead us to miss important commonalities as well as principles of differentiation across the various domains of calculation.

In this short article, we argue that social studies of accounting can contribute to economic sociology in at least three distinct ways. First, accounting research can help in developing a more nuanced understanding of the capacities and roles of the various calculative practices that populate the socio-economic domain. Second, a closer engagement, particularly with governmentality approaches to accounting, can enhance our understanding of the implication of particular types of calculation in shifting modes of power, regulating and governing. Third, sociologically informed studies of accounting can offer valuable insights into the workings of accountability regimes, their changing nature and the emergence of new regulatory spaces and practices.

How and why sociology forgot accounting

In the past two decades, increasing attention has been paid by sociologists to the economy, economics, and financial models (e.g. Callon 1998; Callon, Millo and Muniesa 2007; Knorr Cetina and Preda 2005; MacKenzie 2006; MacKenzie, Muniesa and Siu 2007). Yet, apart from a few notable exceptions (Boltanski and Chiapello 2007; Botzem and Quack 2006; Vollmer 2007; Vormbusch 2004), sociologists have shown relatively little interest during the same period in the calculative practices of accounting. This is ironic, given the considerable interest of Marx, Sombart and Weber in accounting. Instead, the rediscovery of accounting as an object of sociological enquiry occurred largely outside the disciplinary boundaries of sociology, and within the discipline of accounting itself. In the mid-1970s, Hopwood (1976) called for attention to the social and organizational dimensions of accounting, and the ways in which the forms and philosophies of accounting change in line with changes in the social and political environment. Subsequent papers of his reaffirmed and extended this call to arms (e.g. Burchell, Clubb and Hopwood 1985; Hopwood 1983, 1992). Meanwhile, neo-institutional theorists had laid the grounds for a consideration of the institutional environments of accounting, and these ideas
provided important inputs to the early conferences on the organizational and social roles of accounting (Meyer 1986).

Developments on the borders between economics and sociology gave additional support to the concern with culturally specific forms of economic calculation (Cutler et al. 1978). A preoccupation with the constitutive capacity of particular ways of calculating emerged among post-Marxist researchers, in a manner that complemented those working within the discipline of accounting. Research was conducted on the historical nature of the categories of economic discourse (e.g. Tribe 1978), and attention started to be devoted to the formative effects of particular techniques of calculation and to their link with economic policy (Thompson 1986). By the mid-1980s, there was increasing acceptance by a wide range of researchers that accounting did much more than mirror economic reality, and that it needed to be addressed as a distinctive phenomenon in its own right.

Research in the history of science and of statistical thinking (Desrosières 1998; Hacking 1975; Porter 1986; Poovey 1998) paralleled this nascent interest in the relationship between measurement conventions and modes of governing. Nonetheless, efforts aimed at forming a sociological analysis of accounting were confined initially to those working within the discipline or within departments of accounting (for an overview see Hopwood and Miller 1994). It seems that, at least for a while, sociology was too accepting of the economy as a given and objective reality, to give accounting the attention it merits.

In recent years, this has changed. With the emergence of the new economic sociology, and sociology’s increasing interest in financial markets, we witness a technological turn in economic sociology. Increased emphasis has been placed on the material reality of calculation, its mundane instruments and practices. This recent rediscovery of accounting by a variety of social scientists can, to a large extent, be attributed to an eruption of interest in practices (Miller 2008). Consistent with the arguments and findings of accounting researchers in the 1980s and 1990s – see e.g. the works published in Accounting, Organizations and Society or Critical Perspectives on Accounting – economic sociology, science studies, as well as economic geography and anthropology scholars have now begun to explore the diversity and distinctiveness of different forms and logics of economic calculation (Barry and Slater 2005; Callon, Millo and Muniesa 2007; DuGay and Pryke 2002; Leys hon and Thrift 1997; Ong and Collier 2005; Strathern 2000).

Unpacking calculation, calculative practices and market devices

As accounting researchers, we welcome these recent developments. We call for increased cooperation between accounting researchers and economic sociologists, so as to more systematically address the specificity of different types of calculation, and to allow us to compare and contrast different calculative instruments. We need to stop looking at economic calculation as mainly derivative of, or secondary to, the discipline of economics. We should be careful not to treat practices of economic calculation in an undifferentiated manner. And, if we are interested in their emergence and deployment, we need to pay attention to the roles of disciplines as diverse as operational research, engineering, and statistics, in addition to accounting. For it is often out of interactions among one or more disciplines, that new calculative practices are formed. As Power (2004) points out, we need to distinguish between different types of calculation (e.g. first- and second-order measurement, financial data, financial models and other calculative technologies), and their implication in different forms of monitoring and control (see also Power 1996).

Accounting practices, it has been suggested, have been formed to a large extent at the margins of accounting (Miller 1998). More recently, accounting researchers have drawn attention to processes of hybridization (Kurunmäki 2004; Miller, Kurunmäki and O’Leary 2007), while others have explored how calculative practices may contribute to the forming of heterarchies of value (Girard and Stark 2003). Accountants and auditors work with multiple, at times conflicting systems of valuation and evaluation, combining financial and non-financial measures, models, indices and different valuation principles (take for example the debates about historical costing versus fair value accounting, which are so central to the current near-collapse of the global financial system). One can argue that it is the interaction or friction between different principles of valuation that induces the professional scepticism which accountants need if they are to spot errors, irregularities and fraud. Accounting studies show that numbers and economic calculation are not only implicated in the objectification of things and production of comparability (Porter 1995). Indeed, as has been argued: “Calculative technologies of accounting provide financial norms around which complex processes of negotiation of domains and outcomes can take place.” (Miller and Power 1995: 51; see also Uwe Vormbusch’s article in this newsletter).
Accounting, power and reconfigurations of government

Accounting is both inherently administrative and political. Not only does it depend on administrative practices of recording and bookkeeping, but the calculative technologies of accounting are mobilized by political programmes for intervening upon economic life. While some recent literature, particularly social studies of finance, has devoted great attention to the technological infrastructures of calculation, it has tended to neglect or downplay the roles that political ideas, programmes or myths play in articulating and mobilizing them. Drawing on arguments concerning the governing of economic life and the roles of accounting in making that possible (Hopwood and Miller 1994; Miller and Rose 1990; Power 1997; but see also Mitchell 2002), this article argues that we should attend to both instruments and ideas of calculation, and the interplay between them. For it is, we suggest, through that interplay that each dimension finds its conditions of operation.

Reflecting on the programmatic and discursive character of economic calculation enables us to rethink the politics of quantification (Fligstein 1998) and the relevance of numbers in public life. Much attention has been devoted to the role of quantification as a means of social control, and to the link between accounting, accountability and the power of experts and professional elites (e.g. Fligstein 1998; Porter 1995). In their ability to produce certain forms of visibility and transparency, and to make the judgment of experts open to question, quantification and calculation both create and constrain subjectivity. Governing by numbers (Rose 1991; Miller and Rose 2008) can help democratize spheres previously dominated by certain professional or technocratic elites, but the apparent de-politicization that this brings can simply shift the terrain of politics, or transfer control to other professional groups. Numbers and calculations are never simply technical solutions to allocation and accountability problems, never unproblematic vehicles of transparency.

As Rose (1991) put it, numbers have the capacity to act upon and standardize both the subject and the object of calculation. Numbers link decisions to the supposedly impersonal logic of quantification rather than to subjective judgement, thus configuring them as objective, replicable and independent of the people taking them. It is this perception of impersonality and objectivity which, according to Porter, makes numbers credible and turns them into a successful political resource. Numbers, which thus become politically relevant, can paradoxically promote the de-politicization of politics (Rose 1991: 674), by inducing procedural forms of accountability which displace more direct modes of interpersonal relationship. This may stifle public life and judgement, rather than enhance it (Porter 1995; Power 1997). Objects and subjects of economic calculation, once standardized through accounting, become governable in specific ways. Every mode of calculation produces a certain form of visibility which creates unique possibilities for intervention while displacing others. If much is disclosed and made transparent under a certain regime of calculation, much else may become invisible and thus unaccountable. Sociological accounting researchers have drawn attention to the instruments and ideas that constitute specific regimes of calculation, and to how accounting is involved in redistributing accountability and redefining modes of governance, in intended and unintended ways.

Changing regimes of accountability

Social and institutional studies of accounting have attended to the relationships between programmes of governmental reform and institutional change, and the technologies of calculation that help operationalize these changes. In the process, and across a range of organizational and institutional settings, the boundary between what counts as calculable and what does not is constantly redefined, as is the social acceptability of calculation and calculative practices. There is nothing natural or inevitable about the centrality of economic calculation to contemporary social relations. Rather, it is the outcome of a slow process of institutionalization, the assembling and linking up of various competencies and components. The analysis of these needs to extend well beyond the power of elites and interest groups. For quantification is not simply the function of a certain system of power and authority, nor of certain cultural preferences. As Fligstein (1998: 330) has observed, “there are good structural reasons why quantification and expertise have different uses in different societies. Accounting and quantification can serve a great many masters.” This focus on the institutional context of calculation is important, but needs to be complemented with a greater sensitivity to the modes and operations of accounting techniques themselves, and their ability to reform practices, reinvent identities, reconfigure interests and redefine possibilities of economic action.
As calculative tools travel the world in ready-made packages, highly institutionalized and functionalist accounts of calculation proliferate. International accounting standards, financial appraisal techniques, cost-benefit analysis, risk analysis, impact assessments and much more reach institutional contexts that are largely alien to the cultures of objectivity in which such techniques originated. Private sector models are promulgated as panaceas for public sector and not-for-profit organizations, just as they are being discarded or disgraced in their original context. At such a time, we argue, it is even more crucial to analyze the roles of calculative techniques and infrastructures in driving institutional change, and to follow the contingent ways in which certain calculative tools become world models of rational decision making and control (Meyer et al. 1997). This can highlight the variety of ways in which objectivity comes to be framed and embedded in particular discursive and institutional configurations, and how particular accounting regimes and practices contribute to this (Mennicken 2008). The power of accounting is neither endogenous to calculative techniques, nor the mirror of the institutional conditions in which they emerge and operate. Attending to the calculative practices of accounting means working on the slippery ground of the socio-technical, to follow how technological infrastructures and social relations constitute and re-constitute each other.

Andrea Mennicken is Lecturer in Accounting at the London School of Economics and Political Science (LSE). Her research interests include transnational governance regimes, processes of accounting professionalization and standardization. Peter Miller is Professor of Management Accounting at the LSE, Head of the Department of Accounting, and Deputy Director of the Centre for Analysis of Risk and Regulation. His current research interests focus on investment appraisal and coordination practices for large-scale complex investments, and performance assessment and ‘new public management’. Rita Samiolo is also Lecturer in Accounting at the LSE. Her present research focuses on project appraisal, with a special interest in the role of accounting and economic calculation in environmental controversies.

Endnotes

1The following section draws particularly on Miller (2008).

References


Sociocalculation can no longer be criticized the way a population of actively competing entities. But the calculations into an abstract space, thereby constructing a their performance and, subsequently, by booking these less immaterial capitalism.

This holds particularly true for fields characterized by that, until very recently, seemed to be inaccessible to calculations (see Power 2004) to different aspects of their performance and, subsequently, by booking these calculations into an abstract space, thereby constructing a population of actively competing entities. But the truth of sociocalculation can no longer be criticized the way a strong scientific and calculative epistemology can be criticized. More particularly, it does not require exact, neutral and distanced measuring – neither as a practice nor as a concept. Therefore, the distinction between objective-scientific measuring and subjective-contingent meaning is no longer its basic difference. Rather, it is the interweaving of both, whereby the social is made measurable and the measured becomes socially validated and meaningful. This social rationality implies a weak (or soft) authority of the numbers used – in contrast to the strong objectivity claims of the traditional calculative programme. Some critics may see the intertwine-ment of numbers with soft (often tacit) knowledge, e.g. when attributed to immaterial (non-physical, non-financial) values, as a weakness of calculation, as a flaw. In the following, I will argue that such a view is in many respects mistaken. This weakness of calculation turns out to be its decisive strength, allowing numbers and regimes of quantification to advance into social fields that, until very recently, seemed to be inaccessible to calculation. This holds particularly true for fields characterized by immaterial capitalism.

Immaterial capitalism and the crisis of traditional accounting

Both proponents of a new accounting (e.g. Edvinsson and Malone 1997; Eustace 2000, 2003; Lev and Zambon 2003; Working Group Immaterial Values in Accounting of German Business Administration – Buchhaltung der Dinge, see Vormbusch 2007) and critics of the new capitalism (Boltanski and Chiapello 1999; Hardt and Negri 2002; Gorz 2004) share the view that it is the knowledge and competencies of a corporation’s workforce as well as its social networks (its software rather than its hardware – technologies, production processes) that are at the heart of profitability and future success. “The root of competitive advantage and economic regeneration lies in our ability to exploit immaterial things – so-called intangibles.” (Mantos Associates 2004: 2). Intangible assets, particularly human resources, are supposed to represent a corporation’s true value base (Fried 2005; Moldaschl 2005). If man’s creativity and sociability are regarded as the origins of value creation, then the very non-calculability of these resources is developing into a fundamental problem for contemporary capitalism. The question arises of how to measure and evaluate the resources of immaterial capitalism (Hanlon, Dunne and Harney 2008). In the post-fordist settings of project- and knowledge work, the new centres of gravity of economic productivity, the workers’ cultural baggage (Gorz 2004) is becoming ever more important. Yet, the growing significance of labour’s immaterial qualities seems to be diametrically opposed to practices of traditional bookkeeping and accounting (as e.g. outlined by Weber). The value-adding potential of human work is an awkward thing to calculate. The increasing subjectivation of work seems to be at odds with established, traditional regimes of calculation focussing on the calculation of things (Buchhaltung der Dinge, see Vormbusch 2007) and principles of objectivity and external verifiability.

From this, two conclusions can be drawn: First, the hitherto predominant form of economic calculation, the calculation of things, is in deep crisis. Second, a fundamental change in the form and logic of calculation itself is required in the development of new approaches to calculating the immaterial. Drawing on the case of Human Resource Management, I will illustrate in the following how calculation is extended into fields that, until recently, were considered incalculable.

Sociocalculation in Human Resource Management

In particular the organizational field of personnel management is constituted by immaterial resources: the...
knowledge and skills of the workforce, its motivation and flexibility, the uniqueness of its competences and social networks. Being immaterial and elusive, these factors cannot be physically measured and compared, and therefore escape those technologies that are informed by a traditional natural sciences approach to measuring. Human Resource Management stands for a new way of valuing employees and of systematically unfolding their individual working capabilities. It is particularly directed towards entrepreneurial competencies closely tied up with the individual and his or her unique experiences. As a starting point one could say that Human Resource Management draws on two kinds of knowledge simultaneously: soft, often implicit, experiential knowledge and gut feelings about employees, on the one hand, and knowledge commonly deemed hard, objective and valid across the borders of particular communities of practice (e.g. explicit knowledge about individual turnover, the acquisition of new customers, financial goal achievement etc.), on the other. Human Resource Management, thus, represents an interface of hard and soft knowledge. But its objective is not to transform soft into hard knowledge by measuring. Rather, the categorical difference between these two types of knowledge is being dissolved and synthesized in a new way. One core technology for doing so consists in placing peoples’ performance in a human resource portfolio (see e.g. Vormbusch 2007). Portfolios like this regularly rely on attributing numerical values to peoples’ performance in two dimensions: results (deemed hard) and capabilities (deemed soft).

Results reflect the individual’s performance of the past. Not surprisingly, relevant performance parameters like financial results; if and how employees have been managed; if customers have been gained; if processes have been improved; etc. are quite easy to define and to measure. In an effort to supplement this record of the past and build a bridge of individual anticipations and efforts towards the future, a matrix of individual capabilities is constructed. This matrix can be perceived as an indicator of future economic performance as well as of individual prospects within the enterprise. Calculations of capabilities and prospects often include entrepreneurial parameters like individual impact (on others, on processes), motivation, initiative, and passion. Obviously, these parameters represent a subset of those virtues and competences that are supposed to be at the core of immaterial labour. Here we enter an area of highly subjective assessment: Does the employee have passion? To what degree does he or she have initiative? Is she able to motivate and to focus on the essential? A matrix like this does not only allow for individual future career predictions. From the corporation’s point of view it represents an indicator of the expected stream of future income, at the individual as well as at departmental level. Evidently categories like passion and drive are quite obstinate to being measured in the same way as financial results or resource consumption is measured. In order to make these immaterial performance parameters accessible to measurement, an array of calculative as well as communicative techniques is applied, the latter being even more complex and demanding for those who are concerned.

For example, the employee is being asked: “Do you see yourself as somebody who is really pulling somewhere? What do you think, where are you at the moment?” This kind of questioning is intended to open up a space for reflection, particularly self-reflection of the vocational self. Such valuations by the leadership and self-valuations of the self are typical topics of goal-attainment discussions. In the end, everybody involved has to agree upon a numerical value for each of the fields opened up in the matrix. To agree upon is obviously not a form of representing an external reality of performance and aspiration. But even if there is no objective yardstick for this in the traditional sense, the continuous stream of ongoing evaluations of manifold selves establishes a network of valuations in which every single valuation can be compared to others – by calculative means. Power (2004) calls this kind of footless measuring that is not rooted in a direct correspondence with an external reality second-order measurements.

Ultimately, all employees of a specific function (e.g. engineers, project managers or technicians) are located within a portfolio of human resources (see Odiorne 1984). Callon and Muniesa (2005) would call this portfolio a screen, Miller (1992) an abstract space. The position of each employee is determined by the total sum of their performance points in the two dimensions results and capabilities. Individuals are booked into a space made up by calculation thereby enabling a systematic comparison of performance histories and, even more important, anticipated performance futures. The human resource portfolio makes the relative performance and the relative capabilities of all employees of a kind visually accessible. It is used to discuss the future development, the development paths and the measures to be taken for every single employee of interest. This may be somebody who stands out, but also somebody more average – we are not only talking about the best performers here, but about the systematic calculation and evaluation of a substantial fraction of the workforce. And
each particular screen is compared to a mid-range projection of the future business fields, technologies and vocational requirements of every business unit involved. So the question is not only who might be good today in the light of the applied measures. It is also asked who could fill a vacant position at what point of time in the future and what developmental measures must be taken to expand her capabilities adequately. In the language of business, this is a portfolio that shows opportunities for investment in immaterial assets just the way an investment banker is looking at assets in the financial market (and, by the way, that’s the intuition Odiorne had 1984 when he transferred the concept of portfolio theory into the hitherto highly subjective field of Human Resource Management).

The result is not just a portfolio of contemporary competences, but rather a field of possibilities for future development – based on a footless taxonomy as well as on individual aspirations and effort. Using calculation as well as discussion, this screen can be transformed by comparing it to one from another business unit, by changing the criteria for the screening of the workforce, by cutting off the best or worst performers and so on. Part of this, at least superficially, resembles Foucault’s concept of subjectivation by confession. But while Foucault, in his analysis of Bentham’s Panopticon, stresses the strict isolation of the subjectivated individuals, sociocalculation relies on numerically induced forms of communication, thereby unfolding, regulating, and ordering workers’ competition for salary, promotion, self-realization, status, and economic security. The outlined taxonomy is a substratum for comparison of the functional value of every single employee in the population. But his or her functional value cannot be read from a standardized scale like the strength of an earthquake can be read from a Richter scale. The calculation of functional value is meant to be the beginning – and not the end – of a series of discussions, informed by numbers. Talking numbers is the language for assessing past performance and for governing individual futures. Here, calculative devices are not so much utilized to pin somebody down to a specific and immutable value, but to induce discussion about how to continuously work on the perfection of the self and how to adapt one’s aspirations to an ever changing space of vocational possibilities.

Similar performance matrixes can be found in many other, different social fields, such as the university, the hospital, the Arbeitsagentur (Job Centre). Even though the matrixes may vary in their structure and organizational objectives, there still exist striking similarities between them, and the ways in which the different fields in which they are applied have developed and are controlled. In conclusion, I would like to briefly characterize these similarities to further outline what I would call sociocalculation.

Why actually sociocalculation? The notion of calculation is here used not only because new social fields are being subjected to calculations that differ from traditional measurements of distance and density. The measurement of people and socially constructed attributes of nations have long been important domains of calculation. The point is that the productivity of sociocalculation does not so much rely on the transformation of the social into numbers (as the traditional natural sciences notion of calculation would suggest). Its productivity consists in the negotiations induced by the calculative positioning of knowledge objects within a population of functionally equivalent and competing entities: individuals, organizations, even nation states and their educational systems (see e.g. PISA). It is a social productivity formatted by calculation. Only the margins that constitute and stabilize the abstract space and its parameters remain immutable within the ordinary course of action. And these margins, most likely, are knowledge objects of other, super-imposed or subjacent screens.

Sociocalculation is a constructive rather than a reconstructive or even representative device. The aspirations of control cannot be achieved, if the main purpose of calculation is to objectively represent a reality outside the calculative space. Rather, a new model world is created by establishing a set of objectives and parameters that redefine the idiosyncratic goals and rationales that real-world individuals may hold. The explicit goal is not to represent reality the way it is, but to construct a new field of possibilities motivating individual as well organizational aspirations.

Sociocalculation is necessarily selective. It has no intention to represent every aspect of reality; particularly not the many aspects that native inhabitants of a field may think are relevant. This selectivity, which could be criticized, if the criticism were oriented towards the representational truth of numbers, here, is not a weak spot, but a functional advantage. Sociocalculation is – on a certain level of everyday practice – easy and intuitively to understand. Its ability to open up complex negotiations in a very clear-cut frame makes it a participative technology of control.

Sociocalculation does not depend on actors’ beliefs in it being an objective measurement tool. The outlined meas-
urements and calculations possess an empirical truth, which does not depend on beliefs in the objectivity of numbers. The numbers used in the case we studied were uncontested, not because their selective and intentional construction remained hidden from the participants. On the contrary, to a great extent, they remained undisputed, exactly because their constructed nature and contingency was at least partially obvious to the various actors, and objectivity claims, therefore, scaled back. A reflexive and communicative use of numbers does no longer need to deny the undeniable, the organizational, micropolitical and strategic foundations, of calculation. Sociocalculation, hence, is a post-objective technology.

Uwe Vormbusch is a researcher at the Institute of Social Research of the Johann-Wolfgang Goethe University Frankfurt. His interests include the sociology of calculative practices, social theory, the subjectivation of work, personnel policies and biographical research. His work has been published in Berliner Journal für Soziologie, Zeitschrift für Soziologie, and several other collected volumes. With Hermann Kocyba he edited a book exploring participation as a strategy of management (Partizipation als Managementstrategie. Gruppenarbeit und flexible Steuerung in Automobilindustrie und Maschinenbau. Campus Verlag, 2000).

References

Accounting at the Heart of the Performativity of Economics

By Eve Chiapello

HEC School of Management Paris, chiapello@hec.fr

Recent research has demonstrated the performative power of economics, in the sense that economic theory tends to mould the world to itself and its descriptions. The role of accounting in the performativity of economics is highlighted below.

The idea of the performativity of economics

The concept of performativity comes from linguistics, most significantly the work of J.L. Austin, and was introduced into economic sociology by Callon (1998) and MacKenzie (2004). D. MacKenzie (2004: 305) proposes two meanings for this notion. The first, generic performativity, points to the fact that the categories of social life “are not self-standing, natural or to be taken as given, but are the result of endless performances by human beings and (an actor-theorist such as Callon would add) by non-human entities and artefacts as well. (…) In this meaning, performativity is at the most general level entirely obvious. (…) Except in areas such as sex and gender where social categories might be read as natural, generic performativity is a weak claim (could matters be otherwise?) but still empirically important.” The second meaning of performativity, Austinian performativity, is less universal but stronger. In this sense, “a performative utterance is one that makes itself true, that brings into being that of which it speaks, as when a monarch designates someone an outlaw, an appropriate authority designates a couple husband and wife.” MacKenzie then uses this definition to study the performativity of models in financial economics (p. 306). “To ask whether a model in financial economics is performative in the Austinian sense is to ask, among other things, whether the effect of the practical use of the model is to change patterns of prices towards greater compliances with the model.” More recently, Mackenzie, Muniesa and Siu (2007) have dedicated a whole book to the question of the performativity of economics.

Accounting as an inspirer of economics

The fact that accounting practices were a major source of inspiration for the earliest economists (especially classical economists) hardly needs further demonstration (Klamer and McCloskey 1992; Thompson 1998). Accountants and economists share the same vocabulary: costs, expenses, investments, capital, assets, revenues, balance sheet, budget, expenditure, profit, etc.

The concept of capital that is central to economics is also central to, and in fact comes from, accounting. Italy supplied the first occurrence of the word capital in an economic sense in a Florentine accounting ledger dating from 1211. The term then appears to have spread within commerce and banking from Italy throughout Europe (Braudel 1981). In order of historical appearance, the economic meanings of the word capital have been:
The amount of money loaned as opposed to the interest on the loan.

The money invested in a trading concern or funds contributed by a merchant to his new concern. This second meaning is the closest to the accounting meaning.2

By extension, for late 18th century economists, capital meant all wealth invested in the economy for production. Here, the term became dissociated from the idea of an amount of money, covering all sorts of wealth and capital goods. This extension caused a frequent confusion between the meaning of capital in the sense of money invested, and in the sense of the things in which money is invested, since economists did not always explain their positions despite the significant consequences (Hicks 1974). This confusion never arose for accountants trained in double-entry bookkeeping, for the accounting model makes a clear distinction between the two meanings, which are also represented by the two sides of the balance sheet.3

Further, regarding the influence of the accounting framework on the birth of economic thought, I have shown elsewhere (Chiapello 2007) that Karl Marx took a close interest in accounting, helped by his friend Friedrich Engels who was aware of the cutting-edge practices of Manchester manufacturers. Marx sought to define the specific characteristics of capitalism and needed to recreate an interrelated system and its dynamics. For this systemic understanding, the representation of circulation and accumulation in accounting terms played a central role. For a mid-19th century observer such as Marx, the language of accounting was similar to that of political economy, a field in which he read every work published. Capital, profits, and wages were concepts common to accounting and the political economy of his time. Marx would choose the closest economic concepts possible to accounting.

The importance of accounting in the genesis of economic concepts is thus clearly visible in the works of the classical economists. They borrowed accounting terms and concepts very consciously. Yet, once introduced into economic thought, these concepts began to lead an autonomous life, progressively diverging from their roots.

In contrast with classical economics, neo-classical economics departs from traditional accounting representations of the economy. Irving Fisher’s complete redefinition of the concepts of capital and income enabled, at least intermittently, a divorce between accounting and economics (see e.g. Fisher 1906). Post-Fisher, capital is no longer backward-looking and seen as the money invested in capital goods or as the capital goods themselves, as conceptualized in accounting. It is now forward-looking and conceptualized as all future services expected of the capital goods. Discounted cash-flow calculation4 was then invented to operationalize the new economic concept of capital, and accounting, hitherto dedicated mainly to registration of past events, became a practice removed from neoclassical economic thinking.

But accounting frameworks played an important role at another moment in the history of economic thought: the construction of national accounts to provide statistical resources for Keynesian policies. As Vanoli (2002) and Studenski (1958) have explained, pre-1930s economic statistics used incomplete information or only attempted to estimate national income. It took time before the metaphor of business accounting was consciously used in constructing the model of national accounts (Suzuki 2003)5 and in systematic organization of statistical information in a coherent framework. This international effort was completed in the 1960s. Yet, since the 1980s, Keynesian macroeconomics has been in crisis, and accounting began to lose its attraction for many economists.

The moments of proximity, when economics refers consciously to business accounting to construct its own representation of the economic world, may explain the recurring temptation for economics to return some theoretical input into accounting, seeking to bring accounting into line or rationalize it in conformity with its own representations. Thus while accounting practices are not born out of economics – having on the contrary supplied some of its weapons – they may be influenced by economic theory. When accountants sought to rationalize practices and define their guiding principles, they turned to economics for the theoretical discourse that accounting should serve by operationalizing its concepts.

Accounting inspired by economics

Hopwood (1992) clearly identifies this movement. He stresses the grip of economic categories on accounting practice, and the demand placed on accounting to operationalize economic practices and reform in order to produce calculations that conform more closely to economics.
One of the most striking examples of the influence of economics on accounting concepts is the recent authorization in *International Accounting Standards* (IAS) of discounting future cash flows (DCF) as a valuation method for certain assets, in the pursuit of *fair value accounting*. This accounting policy assumes that the definitions of *Capital and Income* provided in the work of Irving Fisher are accepted by all. A few decades after economics, accounting is apparently undergoing its own revolution.

The story of this conquest by economic concepts is quite long. It begins with the birth of accounting theory in the 1920s, followed very closely by the creation of the first accounting standards in the US under the auspices of the new Securities and Exchange Commission (SEC). Accounting theorists, such as Littleton and Paton, wanted to give accounting theoretical foundations and influence accounting standard production as part of the mission of their newly created profession. Accounting theorists sought those foundations in economics, and organized many debates on Fisher’s concepts and their possible translation to accounting. The tradition of dialogue between accounting theory and economic concepts then lasted up the 1970s (special mention must be made of R.J. Chambers, who can be seen as one of the fathers of fair value accounting).

The *positivist* revolution in accounting academia, inaugurated by Watts and Zimmermann’s (1979) attack on the old school, changed everything. The positivists saw no point in thinking about what accounting should be, as accounting theorists did. Instead, in their opinion, a careful study of companies’ actual accounting practices was needed. This new, highly aggressive generation of academics successfully discredited their predecessors and, to a large extent, put an end to accounting theory research. But the accounting standard-setting system was still developing and eager to take the old theories on board and re-establish its legitimacy after a series of scandals through the application of economic accounting theory. The newly created (1973) US Financial Accounting Standards Board launched its accounting framework project (Gore 1992; Zeff 1999) in the first manifestation of this trend, followed closely by other countries. The old accounting theorists’ dream of influencing standard-setting became reality, strangely at a time when they were no longer welcome in academia. The unexpected destiny of accounting theory’s efforts to bring accounting closer to neoclassical economics was also boosted by the rising influence of the financial markets themselves and their penetration by Fisher’s economic concepts.

The close historical relationships between accounting and economics, largely hidden because contemporary economists often know little about accounting, explain why accounting remains a good practical vector for pure economic concepts, such as the Fisherian concept of capital. This can be seen as a good example of accounting’s ability to make economics perform the economic world.

*Eve Chiapello* is Professor at the HEC School of Management in Paris. Her research interests include accounting and the history of economic ideas, the sociology of accounting, and the historical transformation of management and capitalism. *Inter alia, her articles have been published in the journals* Accounting, Organizations and Society, Critical Perspectives on Accounting, Berliner Journal für Soziologie, and Sociologie du Travail. With Luc Boltanski she co-authored *The New Spirit of Capitalism* (Verso, 2006).

**Endotes**

1 The economic meanings of the word *capital* should be distinguished from older uses, when as an adjective it was applied to crimes and punishments, or carried the most obvious meaning of *most important* (e.g. the capital city of a country).

2 We talk here of the accounting concept of *share capital*, which represents the historical value of the contributions to the firm shareholders have made in the beginning and during the life of the firm by making external resources available to the firm. Shareholders’ equity consists of two components, *share capital plus retained earnings* (or reserves). Reserves represent the accumulation of capital, the part of the value created through the firm’s operations that shareholders have chosen not to take out of the firm.

3 Assets, to be found on one side of the balance sheet, represent the value of the *things* in which money is invested. The money invested is represented on the other side of the balance sheet consisting of *shareholder’s equity plus* liabilities, as the money invested comes from shareholders or other money bringers.

4 The *discounted cash flow* (or DCF) approach describes a method of valuing a project (company or asset) based on 1) a forecast of all future cash inflows and outflows generated by the project at different periods of time, and 2) a transformation of these flows by the use of a discount rate supposed to give their value as if they occurred at a single point in time so that they can be compared in an appropriate way. The discount rate used is supposed to represent the cost of capital, and may incorporate judgments.
of the uncertainty (riskiness) of the future cash flows. The evaluation of the value of an asset according to this method is thus based very largely on expectations about the future, neither on the money cashed out in the past to buy or produce it (as in the historical cost method) nor on the actual market value.

Suzuki (2003) shows how the history of British national accounting was of central importance to the development of macroeconomics, and reconstructs the early processes through which the notion and practice of modern macroeconomic management emerged.

References


Global or Local? Travelling Management Accounting Ideas

By Albrecht Becker

School of Management, Innsbruck University
Albrecht.Becker@uibk.ac.at

There is an ongoing debate about the global standardization of management accounting. This takes place in the context of a much wider process of globalization. The empirical evidence here is inconsistent, however: some researchers find clear differences in management accounting practices in different countries (e.g. Ahrens 1999; Ahrens and Chapman 2000; Bourguignon, Malleret and Nørreklit 2004; Carr and Tomkins 1996, 1998; Chow, Shields and Wu 1999); others suggest that the same management accounting techniques are used, albeit in different ways, across different countries (e.g. Granlund and Lukka 1998; Macintosh 1998; Sheridan 1995). Using the same labels for what one does, however, does not necessarily imply doing the same thing. Contributions from different fields like hospital management (Erlingsdóttir and Lindberg 2005), municipal reforms (Solli, Demediuk and Sims 2005), and management accounting (Ax and Bjørnenak 2005) hint at the fact that the same labels may be attached to different practices, or vice versa.

Ax and Bjørnenak (2005), for example, identify in their study of the diffusion and adoption of the balanced scorecard (BSC)1 in Sweden a Swedish BSC package, which differs from the original model as conceptualized by Kaplan and Norton (2001a, b) in at least two ways. First, the Swedish balanced scorecard is usually combined with either non-budget management, as paradigmatically practiced by Svenska Handelsbanken, or intellectual capital, as developed by Skandia insurance company. Secondly, the Swedish BSC package contains an independent employee perspective, thus adapting the balanced scorecard to the Swedish stakeholder business culture (Ax and Bjørnenak 2005: 16). This Swedish BSC package is far from the adoption of a ready-made tool, but rather a selective adaptation of some basic ideas derived from the original model, specifically the structure of different sets of financial and non-financial performance indicators.

In a study of management accounting practices in ten manufacturing companies in German-speaking countries (Germany, Austria, German-speaking Switzerland)2 we found discourses specifically on two of the new management accounting tools, namely activity-based costing (ABC)3 and the balanced scorecard. Very clearly in these cases, the companies rejected ABC, while they welcomed (the idea of) the BSC. We thus found a selective adoption of globally available control techniques in the specific local contexts, and not an uncritical or forced introduction as a result of forces of globalization. In the following, I concentrate on the case of ABC in the companies we studied to illustrate the process of the global travelling of management accounting ideas.

Globalization and travel of ideas

To conceptualize processes of the global travelling of management accounting and control techniques and systems, it is helpful to consider that the attributes global and local refer to performative properties. “[P]eople make something into local or global; they localize or globalize” (Czarniawska and Joerges 1996: 21). In this view, global refers to a “hugely extended net work of localities” (Czarniawska and Joerges 1996: 22). Localized time/space means “a sequence of moments spent in a unique place” (Czarniawska and Joerges 1996: 22). Globalized or translocal time/space accordingly refers to “co-temporary space, an ensemble of places accessed at the same moment” (Czarniawska and Joerges 1996: 22). Globalized time/space thus connects different localized time/spaces implying that globalized institutions are also constantly reproduced locally. “What we call global economy is a network of many local economies, which thus acquire an unprecedented scale and scope of action” (Czarniawska and Joerges 1996: 22).

This means that what others refer to as a process of global dissemination of control technologies may be more usefully conceptualized as the travelling of ideas (Czarniawska and Joerges 1996) – drawing on Latour’s notion of translation as “displacement, drift, invention, mediation, creation of a new link that did not exist before and modifies in part the two agents” (Latour 1993: 6, in: Czarniawska and Joerges

1. BSC
2. Germany, Austria, German-speaking Switzerland
3. ABC
In the process of translation, both that which is translated as well as those who translate, the agents, are changed (Czarniawska and Joerges 1996). Processes of translation occur either within or across localized time/spaces. The process of institutionalization (within a specific localized time/space) involves translating an idea into some kind of object, often a picture, a text, or words; without this translation into objects in processes of communication the idea would never be knowable. An object may then be translated into an action. If this action happens to be repeated for whatever reason in a localized time/space it may become taken-for-granted and form an action pattern, and if this action pattern is then connected to normative justifications an institution may emerge (Czarniawska 2008: pp. 22).

Concerning the translation between different localized time/spaces, Czarniawska and Sevón insist that: “only a thing can be moved from one place to another and from one time to another. Ideas must materialize, at least into somebody’s head; symbols must be inscribed” (Czarniawska and Sevón 2005: pp. 8, emphasis added). Neither ideas nor practices themselves are disembedded, but objects. As Erlingsdóttir and Lindberg (2005: 48) formulate, an idea is disembedded from its localized context as packaged in the form of a text, a picture, or a prototype and moved to another place where it is unpackaged to fit into the new context by being connected to ideas and practices (reembedded) and, eventually, institutionalized. The spread of institutionalized practices which denotes the process of globalization is therefore the outcome of processes of translation across different localized time/spaces which Czarniawska and Joerges (1996) term travel of ideas. Although some accounting researchers have referred to the concept of translation (e.g. Ezzamel, Lilley and Willmott 2004; Quattrone and Hopper 2001), Mennicken (2008) seems to be the only author to also draw on Czarniawska and Joerges’ ideas.

When management accounting ideas travel

As already mentioned, in the companies studied activity-based costing (ABC) had been considered, but in the end was rejected as alternative to, or addition to, the existing costing systems. In the terminology introduced above, the translation of ABC from the context in which it originated – Anglo-Saxon, specifically US tradition of management accounting – into the context of German Rechnungswesen (system of accounting) did not work.

As Jones and Dugdale (2002) show, in the Anglo-Saxon context the emergence of ABC was affected by the relevance-lost discourse triggered by Johnson and Kaplan’s (1987) critique of management accounting’s failure to provide adequate information for internal control. Johnson and Kaplan (1987) had criticized management accounting for being too much influenced by the demands of financial accounting, thus being unable to provide information relevant for management. Against this backdrop, Jones and Dugdale (2002) reconstruct the emergence of what they term first-wave ABC (p. 139) and its translation, or disembedding, into a global expert system and the later invention of a new form of ABC (ibid.). First-wave ABC is grounded in the idea of the complete allocation of overheads into product, i.e. the possibility of tracing all costs to a single cost object. This implies the promise of true costing. As Jones and Dugdale (2002) show, the institutionalized and black-boxed technology is then translated into another idea: allocation of all costs to a single output (product/ cost object) is impossible and not adequate because costs are incurred due to activities on different levels of a cost-incurrence hierarchy, that is, output unit-level, batch-level, product-level, or company-level activities. Therefore, costs should be allocated according to the appropriate level which implies that not all costs may be traced to product-level activities.

The German management accounting tradition differs significantly from the Anglo-Saxon tradition (Christensen and Wagenhofer 1997; Ewert and Wagenhofer 2006), the latter providing the background for the development of ABC in connection to the relevance lost discourse (Johnson and Kaplan 1987). The German tradition is firmly grounded in a strict separation of financial accounting and management accounting. Financial accounting information – based on expenses and expenditures – is seen to have the function of external reporting to shareholders, investors, and tax authorities and is regulated by law. It is based on relatively narrow and selective disclosure obligations, and it is closely related to tax calculation (Jones and Luther 2005). In contrast, management and cost accounting’s function is to inform (internal) management decisions assuming that cost information is less biased and thus provides a more accurate picture of the organization (Schmalenbach 1919a, b).
Therefore, management accounting in the Germanic tradition has developed a highly sophisticated system of cost accounting for tracing and allocating costs (see e.g. Scherrer 1996; Schildbach 1997). The standard costing system of flexible marginal costing (flexible Grenzplankostenrechnung, see Kilger, Pampel and Vikas 2002 [1961]) is grounded in a sophisticated structure of cost centres, the separation of variable and fixed costs specific to each cost centre, the allocation of variable overheads between cost centres, and a differentiated system of variable overhead allocation rates specific to cost centres. Variable overheads are in the last step allocated as percentage of direct costs specific to the different cost centres. Together with the highly elaborate system of cost centres – up to more than one hundred in a middle-sized company – this shall allow for a true allocation of variable costs to products. Fixed costs are either allocated to the facility as a whole or to different levels of a cost hierarchy like output unit-, batch-, product-, or facility-sustaining costs. Thus, the German multi-allocation system which predated ABC, already shares many similarities with ABC, specifically second-wave ABC.

Translating (second-wave) ABC into Germanic management accounting therefore encounters a context significantly different from the Anglo-Saxon context in which it originally emerged. Consequently, the idea which was attached to the technique of second-wave ABC was not the same as formulated by Kaplan (see Jones and Dugdale 2002: 139-145). Horváth et al. (Horváth 1990; Horváth and Mayer 1989, 1993) draw on ABC – the thing which travelled across time/space – as a remedy of a problem which came up for Grenzplankostenrechnung (marginal costing) due to changing cost structures. In Grenzplankostenrechnung variable overheads are allocated as percentage of variable direct costs, specifically direct materials and direct manufacturing labour. In the last twenty years, due to the increase of services relative to manufacturing, and changing production technologies, the Grenzplankostenrechnung systems experienced overhead rates of several hundred percent of the direct costs’ value. This is hardly consistent with the causality principle (Verursachungsprinzip) underlying Grenzplankostenrechnung.

The idea which is attached to ABC comprises a better allocation of costs of support activities by allocating them according to their utilization by products or output units. Additionally, ABC is termed Prozesskostenrechnung (process costing) in German. Explicitly, Horváth and Mayer (1993) argue that Prozesskostenrechnung should serve as a supplement to flexible marginal costing. ABC, or Prozesskostenrechnung respectively, has been perceived as an addition to an existing cost accounting system in German companies, and not as an alternative to it. Specifically, it should serve as a tool for special reports or specifically designated areas in manufacturing.

In the companies we studied, Prozesskostenrechnung is treated with great caution. Our respondents do not see much additional value which might legitimate the additional effort. Most management accountants and other actors in these companies think that their current standard costing systems are sufficient. It seems that the object ABC/Prozesskostenrechnung and the idea attached to it could not sufficiently be connected to the localized time/space contexts of the companies. In the view of our respondents, ABC/Prozesskostenrechnung does not sufficiently increase the capacities for control as opposed to the view provided through Grenzplankostenrechnung (marginal costing). This finding corresponds with quantitative studies which also report a reluctance to adopt ABC in German companies. Scherrer (1996: pp. 102), in a study from 1994, found virtually no companies employing Prozesskostenrechnung (ABC). More recent studies find that between 15% and 22% of the samples from different German-speaking companies use Prozesskostenrechnung (e.g. Währisch 1998: 147; Schäffer and Steiners 2005; Schiller et al. 2007). No significant variations due to company size have been found (Schäffer and Steiners 2005; Schiller et al. 2007).

Conclusion

I have argued that the globalization of management accounting should be seen as one of travelling and translation across different localized time/spaces, rather than as a process of sweeping away of local practices in a wave of standardization. This argument has been illustrated through the case of the (non-) adoption of activity-based costing in the specific German context. Most importantly, this approach calls for an in-depth examination of each specific case of globalization. Globalized time/space connects a number of localized time/ spaces implying that globalized institutions are also constantly reproduced locally. That is to say that globalized time/space disembedding (Giddens 1990) involves at the same time a reembedding of disembedded practices into localized time/spaces. This is what is meant when Czarniawska and Joerges (1996) talk about the global as a network of localities. In a
rough analogy, globalized management accounting practices may be understood as a network of many local(ized) management accounting practices which are performed in identical or similar form across many localized time/spaces.

Albrecht Becker is Professor of Management Accounting (Betriebliches Rechnungswesen) at the School of Management of Innsbruck University. His research focuses on management accounting as social and organizational practice, and knowledge and learning in organizations. His research has been published in the European Accounting Review, Critical Perspectives on Accounting, Zeitschrift Führung und Organisation, and Zeitschrift für Controlling und Management. He is author of the book Controlling als reflexive Steuerung von Organisationen (Schäffer-Poeschel, 2003).

Endotes

A balanced scorecard is basically a system of ratios, or scorecards, measuring different components of what is seen as the performance of an organization and its prerequisites. The standard model of a balanced scorecard comprises scorecards for financial performance, for customer relations, process efficiency, and learning and growth (relating to levels of qualification, infrastructure, etc.). Ideally, the performance measures in the different areas (scorecards) shall represent performance drivers and results connected in a causal chain, the so-called strategy map.

Funding by the FWF Austrian Science Fund (Project No. 17050) and the Tyrolian Science Foundation is gratefully acknowledged. We also thank our colleagues T. Colwyn Jones, Robert Luther, and research assistant Steve Green (University of the West of England, Bristol) who participated in the interviews we conducted in the German companies.

Activity-based costing is a costing technique, which traces costs in a detailed manner to activities that are seen as the cause of the respective cost, and allocates these costs to cost objects (products) according to the amount of the respective activity necessary for producing the cost object. This costing technique represents an important refinement of the so-called traditional costing systems, which allocate overhead costs in a much more general way and which seems inadequate for management purposes.

Her work, however, is in financial accounting.

There is, however, a discussion whether the introduction of IFRS will result in a weakening of the boundaries between financial and management accounting (Jones and Dugdale 2005; Weißenberger 2005).

Jones and Dugdale (2002) differentiate between two consecutive versions of ABC. First-wave ABC claims to allow for allocating all costs to the product and thus for calculating its true cost. Second-wave ABC is in part a revision of this strong claim. It concedes that the allocation of all cost to a single output (product, cost object) is impossible and not adequate because costs are incurred due to activities on different levels of a cost-incurrence hierarchy, that is, output unit-level, batch-level, product-level, or company-level activities. Therefore, costs should be allocated according to the appropriate level which implies that not all costs may be traced to product-level activities.

References


Czarniawska, Barbara/Guje Sevón, 2005: Translation is a Vehicle, Imitation Its Motor, and Fashion Sits at the Wheel. In: Barbara Czarniawska and Guje Sevón (eds.), Global Ideas: How Ideas,


A Conversation with Anthony Hopwood

Anthony Hopwood is the American Standard Companies Professor of Operations Management at the Said Business School of Oxford University. He is one of the most important figures in sociologically oriented accounting studies. With his research and the foundation of the internationally highly regarded journal Accounting, Organizations and Society, he revolutionized accounting research and established a new field of inquiry devoted to the social study of calculative practices.

After studying for a BSc in Economics at the London School of Economics, Anthony Hopwood went as a Fulbright Scholar to the Graduate School of Business at Chicago where he took an MBA and a PhD. He has since taught at Manchester Business School, London Business School and at London School of Economics, where he was Ernst and Young Professor of International Accounting and Financial Management from 1985 to 1995. He then went to Oxford as Professor of Management Studies, was elected the American Standard Companies Professor of Operations Management two years later, and in 1999 was appointed Dean of the Said Business School, a position which he held until October 2006.

Hopwood has written widely on accounting from a broad organizational and managerial perspective and is particularly interested in changing patterns of organizational information and control. He is the Editor-in-Chief of the international research journal Accounting, Organizations and Society. In 1998 he was voted Distinguished Academic of the Year by the British Accounting Association. In 2001 and 2008 he was given Lifetime Achievement Awards by sections of the American Accounting Association. In 2005 he was the recipient of the Leadership award of the European Accounting Association, and in 2006 served as the Presidential Scholar of the American Accounting Association. He was elected to the USA’s Accounting Hall of Fame in 2008 and also received the American Accounting Association’s 2008 Notable Contribution to the Management Accounting Literature Award. Hopwood holds honorary doctorates from universities in Denmark, Finland, Italy, Sweden, and the United Kingdom. In 2006, HRH the Prince of Wales appointed Hopwood as Chairman of the Prince’s Foundation for the Built Environment. In this capacity he works with the Prince and the Chief Executive of the Foundation on issues of urban design.

At the beginning of the interview we step back in time. I ask Anthony Hopwood to describe important stages in his academic career and tell me more about how he got interested and involved in the study of accounting.

Anthony Hopwood: I have been interested in accounting for as long as I can remember. I had an uncle who was an accountant. As a poor working class kid in the North of England, he got me involved with and intrigued by accounting. At school I actually thought of becoming an accountant and not going to university, or leaving after the undergraduate stage and then becoming an accountant. I always had this interest in the subject. It’s difficult to explain why. For some reason even at this early stage I saw accounting as being a problematic phenomenon, as being related to wider economic and social factors rather than just being technique. I suppose that I didn’t really want to do accounting. I was just intrigued by it. I wanted to explore it. So I went to the LSE to study accounting, did quite well, got more interested in the academic side of accounting and wanted to pursue it. In those days you couldn’t do a doctorate in accounting in the UK. So I went to the States. I went to Chicago. There on the PhD programme, there was a compulsory course on organizational theory. It was taught more sociologically than would be the norm in the States at that time. And that had a profound impact on me. I dropped finance in Chicago, which was the ultimate of heresies. Instead, I picked up behavioural science, as it was called there at that time. The faculty tried to persuade me not to be so silly. George Stigler, the Noble Prize winner in economics, had me in and said: “Don’t drop finance. It’s very silly to pick up behavioural science.” But I was very determined to do it.

But then, if you were doing so-called behavioural work on accounting, you were expected to use laboratory experimentation. The pressure to do that was really quite incredible. So we had a trial run of communication network experiments which had been introduced into accounting research at Stanford in the 1960s. Ray Ball and Ross Watts and other fellow doctoral students, although now distinguished researchers in their own right, be-
came my subjects. And it was a terrible farce. These people were so bright that the whole idea of them sitting in a room in a psychological experiment was just absurd. We all thought that this was a nonsensical way to advance knowledge. This only reinforced my own heart felt commitment to field research: if you want to study accounting, you have got to go out into the field where the action is. But in those days it was incredibly difficult to get into organizations. George Shultz, later the Secretary of State under Nixon, was Dean of the business school at that time. He was on the board of directors of companies, and yet he still couldn’t get me into them. In the end, however, I got into Inland Steel. With the commitment to study how accounting actually functions, I ended up on the shop floor in a steel works. I was convinced that to study accounting you had to really get out there and look at it, even though that was very new at that time. I don’t think anybody else had ever done this in accounting. Clearly, Chris Argyris had studied processes of budgeting some way back at Yale University in the 1950s (Argyris 1954). But I don’t think anybody in accounting had done it.

Indeed accounting was not – at that time – seen as a particularly problematic phenomenon, a sociologically problematized phenomenon. Weber mentioned it, but even Weber was taking it on its own terms. I think sociologists, political scientists and other social scientists almost had a fear of accounting. They didn’t understand it and therefore they didn’t investigate it. So to set in motion an early stage process of problematising accounting, exploring and investigating it, of which the only, almost standard example was Chris Argyris’s Human Relations type of work, was not easy.

**What particular problems did interest you when you embarked on your PhD research and looked at how accounting is practiced in the field?**

Initially I wasn’t too sure. I went in and spent quite a lot of time *hanging around*, almost like an anthropologist. It was like going into a different tribe in the middle of the jungle. This steel works was one of the most godforsaken places in the world. Trees were dead and paint was peeling off doors. It was the most polluted place you could ever imagine. And it quickly became obvious to me that the accounting was having a diversity of implications. The impact it was having in some parts of the organization were not the same as in some other parts of the organization. And of course as a social scientist you are always interested in difference, because it is through difference that you actually raise questions. Soon after I arrived, I was talking to one of the managers and telling him what I was doing. I must have used the term behavioural, or behavioural science, and he said: “You don’t have to be a behavioural scientist to understand what is happening here. You need to be an anthropologist.” In the steel works, each department was ethnically very compact. Each department constituted a very, very different environment reflecting the different waves of immigration into the Chicago area. It was therefore a very rich environment and it may well be that some of the differences I was observing were the results of these very different nationalities, traditions and ethnic backgrounds. But I was not allowed to write that up. The powers that be made it very clear that my research was not meant to be anthropology, it was meant to be management. Nowadays it wouldn’t be so constraining. But at that time life as a graduate student was different. I was a rebel at Chicago, because everybody did economics and finance, and I opted out of that. I even threatened to leave the doctoral programme – this is ridiculous as a student! – and go elsewhere unless they would let me do what I wanted. So in the end I was allowed to do what I wanted. But it was very conditioned. It had to be social-psychological. Sociology hadn’t entered American business schools; still it hasn’t very much. So, things like contingency theory were only just beginning to come into the door even though some of the key texts were written in that period. In sociology, I did take an organizational sociology course with Blau who was at Chicago at that time. But that was a very constrained and functionalist form of organizational analysis.

**After your PhD, you went back to the UK. Your research was pioneering and you would not have many peers in your field who would have done similar kinds of research. How would you describe your relation to, and your acceptance by, other accounting scholars in the field at that time?**

I wanted to return to the UK at some stage, and not stay in the States – and I came back to Manchester. I was offered a job at the London Business School, but the School was not a very exciting place intellectually at that time. But Manchester was. So I went there, attracted by the idea of working alongside Tom Lupton ( organizational sociology) and Dan Gowler (anthropology). They and others opened a whole new set of doors for me and so I continued the education and the learning process.
When I came back, there was very little of that [sociological/anthropological] work in accounting going on. But Manchester was more open. Some people, including some in accounting – Morris McInnis had been there before and Tony Lowe had just arrived in the Business School – were already inclined to have such an interest. Indeed I think that there was more potential at Manchester at that time than anywhere else. It helped that I had good academic credentials. I had LSE and Chicago, and Chicago in accounting at that time was the major source of new knowledge in the world with Ray Ball, Phil Brown, Ross Watts and Joel Demski all emerging from the doctoral programme at that time. It was an amazing gathering of people, all doing very different things, but we are still in touch and friendly. And interestingly, a lot of the economic research done on accounting back then, by Ross Watts in particular, was done from a quite critical market perspective even though it is now seen as rather uncritical, Ross Watts was full of criticism of the monopoly power of the accounting profession wanting to undermine this. So it is important to appreciate that it was a quite critical environment, even though it was more economic than sociological. The fact that I had that behind me was pretty powerful, I think, and when I returned to the UK, I was given quite a lot of space in which to operate.

Is that the reason why you decided not to leave accounting and become a member of a sociology department or an organizational studies department?

I have always been an accountant, and I have always been a learner of the sociological side of accounting. To deal with this type of research, you need accounting and you need sociology. You need both. I think one reason why there hasn’t been, and still isn’t all that much pure sociological investigation of accounting and economic calculation is that there are relatively few people who understand the technique, the practice. And whilst you can have abstract and general theories, in order to really penetrate and understand accounting practice you do need both – knowledge of the practice and of the theories. Reflecting on this in the context and work of the social studies of finance, it’s interesting to see that the discipline of finance has not had a branch of critical inquiry like accounting. They are all believers. Whether that will change in the next few years I don’t know, but I doubt it. Yes, you have had the emergence of the social studies of finance but still too much of that work still has too distant relationship with and understanding of the practice of finance.

What do you think can sociology, including the social studies of finance, contribute to accounting studies?

I think an immense amount – at a range of levels. Accountants traditionally, and even now I suppose – I was reading a letter in today’s Financial Times and somebody was writing and defending in the current environment fair value accounting – accountants see accounting as a truth machine. And sociology or social science can provide a way of questioning that, not only questioning it, but taking the questioning in particular directions in terms of seeing that particular modes of calculation are one of a range of possibilities. That can happen at a micro-level, in terms of an organization, but we are also increasingly aware of accounting diversity internationally. Sociology can help raise questions, understand change processes and differences, and the consequences of those differences. It can help us appreciate how accounting is linked to broader social-economic and institutional factors. Indeed right now some people are going to raise questions just about how accounting and economic calculation is implicated in the present financial crisis. Not surprisingly they are going to start probing into how the accounting establishment in Europe, particularly in the UK, has been pushing into the US and the rest of the world very different forms of accounting, which people are now saying might be implicated in the circumstances in which we live.

What were main works in sociology or the social sciences that had a major impact on your work and research?

I think there have been a number and they change across time. When I was in Chicago doing my social-psychological work, it was Michigan role theory and Katz and Kahn which provided a framework in which I could operate at that particular point in time. And then coming over to the UK it was in part a Manchester version of contingency theory that was less statistical, less precise, and less predictive than other versions of contingency theory. But then, when I came to Oxford for the first time in 1976 and had a position here that had relatively little teaching – I was there to put together a research team and I had about five people and that was, I suppose, the most influential period of my academic life, because the roles paper (Burchell, Clubb, Hopwood,
Hughes and Nahapiet (1980) and the value-added paper (Burchell, Clubb and Hopwood 1985) came from that – the big influence there clearly was Foucault (see also Hopwood 1987). But I have always seen myself as an intellectual magpie, as a bit of this and a bit of the other, and I have never seen myself, or had any desire, to be a theoretical purist. I use ideas as lens, as means, as tools. I’m quite happy putting together a bit of this and a bit of the other, even though that might not have been the original intention, because I am trying to get things which allow me to see things in certain ways that I am interested in. I have never seen myself as a Foucauldian. I am a magpie who has picked up a bit of Foucault. So when various people in the past have written articles criticising my Foucauldian tendencies and I have read these articles, I have never identified myself with the person they are criticising. I have never had this self-image. I also developed links with Stanford and John Meyer. The institutional sociologists rang very many bells to me: you can see the processes that John was describing operating before your very eyes. But they don’t give complete insights, they don’t give the same insights as a Foucauldian analysis would do, or even a contingency analysis, and I still want to hold on to a bit of this and a bit of that. I am not a purist and never have been.

**Do you think that this is a specific characteristic of accounting studies?**

Yes, because mine and other accounting academics’ base interest is in accounting, in understanding accounting, and in trying to challenge accounting. To do this you draw on different works and theories. In sociology, in pure sociology departments, the initial positioning is probably more conceptual and theoretical, and it is about developing theories and understanding theories, rather than the empirical phenomena, which they’re looking at. If you go into a social work department or a health studies department this is probably different. There people draw – similarly to accounting – on various things to improve their understanding of how hospitals should work, how they function.

**How do you see the relationship between empirical studies and theory, and between accounting and sociology? Do you think that it works just one way: accountants borrow sociological theory to explore accounting and understand accounting? Or do you think accounting research can also give something back to sociology and further the development of particular sociological theories?**

To me the ideal is iterative, it should move both ways, that through understanding and reflecting on empirical phenomena you get conceptual and theoretical ideas, so you change theoretical ideas. And through theory you have different views of the world, so you change your empirical understandings, so it is iterative and interlinked. Accounting clearly has drawn on sociology, and it continues to do so, while sociology has drawn on accounting much less. But there are signs of it happening. For example, there are Espeland and Carruthers at Northwestern University (see e.g. Carruthers 1995; Carruthers and Espeland 1991). Then there are branches of history, for example Ted Porter (Porter 1995a, b), and there is Mary Poovey (Poovey 1998), who has statements of praise for AOS (Accounting, Organizations and Society) and all the connected work in accounting. But I suppose the average sociologist most likely still has the accountant’s view on accounting. They still see it as being relatively unproblematic, or if they think that it might be problematic, are fearful of entering there, because you can’t just enter a little bit. You have really got to go in and understand the technical practices. You can’t half-study accounting or quarter-study accounting.

I think this is – this is my idea – this is to why relatively few sociologists are moving into the accounting area and have really taken hold of the AOS-type literature, although there are more and more signs of it happening. There is for example Donald Mackenzie and the rise of the sociology of finance literature, which obviously has facilitated it, and will facilitate it more (MacKenzie 2006; MacKenzie, Muniesa and Siu 2007). And it may well be that the current financial crisis might be helpful, at least intellectually, because it clearly deeply problematizes many things.

**If you think about the particular contributions of accounting research to the field of economic sociology – you already mentioned the problematization of calculative practices and how calculation works – would you see any other contributions?**

I suppose another contribution would be the understanding of the diversity of calculative practices. A given calculative regime isn’t a singular calculative regime. Economic calculative regimes have emerged and changed across both time and space, and there are only a few economic historians who have investigated that. I am
thinking, for example, of the Polish economic historian Witold Kula who has analyzed feudal society (Kula 1976, 1986). The change from feudal structures to capitalist structures occurred relatively late in Poland, so there is a greater degree of documentation of the changes. There hadn’t been a commodification of labour. So you don’t get wages in feudal societies, there isn’t a cost of labour. Agriculture workers would pick up some of the food and have accommodation, but they don’t enter into accounts, and it is only with the emergence of markets and labour and the capitalist system that you start having wage costs and labour costs. Yet, some of the implications of that, of smaller changes and more modest changes in socio-economic institutions and how they feed into economic calculation, have not really been picked up very strongly by economic sociologists or economic historians. And I think there are enormous possibilities for research here. Chris Napier, for example, has some unpublished research that he did on the accounts of the Marquis of Bute in the 18th and 19th centuries in the UK, in which he has some notion of aristocratic accounting, forms of accounting where you have different conceptions of time, when you are managing agricultural and industrial estates as if you were passing on to the next generation, because of the longevity of the aristocratic tradition, rather than short-term maximising. This is very relevant in the present era, where we are worried about the implications of today’s impact on the environment. Even in economics, even in the Stern Report, they are starting to question the very notions of discounting and how the present treats the future, which accounting has traditionally discounted. But if you were an aristocrat, with your line and lineage, you had a very different notion of the future, and this had implications for daily economic calculative practices in the 18th and 19th centuries. That could well have relevance for how we might think of treating, in a calculative sense, the future differently in today’s environment. If there really was a much greater urgency about considering the future implications of present actions, because of global warming and the like, then how would calculative practice need to change? I think this is an area where you can get quite fascinating insights and real contributions.

In 1976 you founded AOS, which became an international journal of great international reputation. What was your main motivation in founding this journal? What agendas were you trying to bring forward, and how do you see the history of AOS and its relation with accounting research and economic sociology?

I suppose around 1973-74 I had become aware that a constraint on the development of the type of ideas that I was having was the non existence of sympathetic journals in accounting. Existing publications were not open to this type of work and it became clear to me that an alternative publication outlet was needed. With Jake Birnberg I had already set up a behavioural accounting newsletter, and that had attracted a certain amount of interest, so I thought that a new journal might be able to be created. I hadn’t quite realized the boldness of that, because when AOS was set up, it was the first specialist journal in accounting. There had only been general journals before. I took the idea around various publishers, but it was a depressed time and nobody was interested. Then I met up with Robert Maxwell, soon after he had come back into Pergamon Press. He was trying to build up the company again and he asked me if I got any publication ideas and I said, well, in fact I do have, and he decided to back it, and so we set it up. I think the agenda at that time was quite broad and not highly specific one. There was work that was being done and there was a lot of goodwill. So we filled up the first two years, but then we hit serious problems, because we had used up the initial goodwill and the publications that went along with it. The journal was set up to create an area, rather than because there was an area and moving forward was very difficult. There was a real shortage of material for the next two years. There were thin issues and issues that came out late. But at the same time I think that it was starting to prove itself and the situation started to change, not least because of a conference in Los Angeles at UCLA, which we organized and to which John Meyer was invited and the like. AOS thereby started to bring in people with a broad range of backgrounds: Ray Chambers was there as a conventional accounting theorist, through to John and others. I think that was the result of the work in the first four years. It has always been a diverse journal and a fairly open one.

AOS was set up, because other people were rejecting what I thought was excellent work on inappropriate criteria, and I never wanted AOS to reject work on inappropriate criteria. So, I have never been a great fan of laboratory experimentation, but if people do it, I publish it if it passes the review processes in those areas. I am very cautious about being hyper-critical of work in particular areas. It gives you more freedom when you don’t have a reputation for not liking something. And AOS was set up at a margin in accounting, and in some sense still is.
How important was it for AOS for how it was received outside accounting?

Very important, I think. John Meyer came in reasonably early (Meyer 1986), and people like Jim March and Chris Argyris (Argyris 1988; March 1987). The really helpful person outside accounting in the early days was Aaron Wildavsky, the political scientist, who published in the first issue of AOS an article entitled Economy and environment: rationality and ritual (Wildavsky 1976), which is very topical right now. I was introduced to him by Mary Douglas. Wildavsky was absolutely positive and fascinated by what AOS was doing, because by then he had finished The Politics of the Budgetary Process, his reflections on the experiences he had gained while working with Kennedy in the White House. That was one of the few political science studies of a key aspect of accounting: budgeting. Not only did Aaron become involved with AOS but he also became a real enthusiast for what we were trying to do.

How do you see the current role of AOS, within accounting and outside accounting in disciplines like economic sociology?

It has a complex role, in both those areas. Even in accounting its role is still complex, because of the current pressures in the academic world. I am constantly aware of worrying tendencies, almost more so in a continental European setting, where people are anxious of rankings and ratings and evaluations. AOS has very different positioning in different countries. In Australia it is ranked as the top journal of all accounting journals. In North America it has a complex and unstable positioning. But there are encouraging signs of slowly growing interest in AOS in non-accounting areas, and I think the current financial crisis will facilitate that, because it will do more both to problematize financial practices, including accounting, and to give people more confidence that their inclinations about the problems with financial practices that they may have had before, but never fully articulated, are not only right but actually useful to investigate. AOS has one of the largest bodies of work in looking at aspects of financial practice and economic calculation from social-political, anthropological and organizational views. I don’t think it’s going to be a stampede, but there are signs of slowly emerging interest.

What are areas where you wish more cooperation between accounting researchers and economic sociologists?

Can you envisage particular areas, research themes or projects?

My initial response would be almost to broaden your question. I strongly feel that there is not enough cooperation even in accounting. The academic world has become increasingly fragmented in business areas like accounting. People do their own thing. There are very few areas of intense cooperation. In that sense it’s different from the natural sciences, where you have whole teams of people engaging in cumulative research. In accounting, but I think in many other social sciences as well, there is nowhere near enough cumulative research. Everybody wants to do their different thing. There is almost a desire to differentiate yourself from what has been done before, rather than build on it. And I would like to see people say: “Right, this is a really big and important problem. What can we do to get together, and study various aspects, and yes, we found out that, so what do we do next?” There is very little work of that done. You could say Mike Power opened the door with the audit society (Power 1997), but then who has followed that? He opened doors but there are very few specific studies of the functioning of audits and the institutionalization of audit and the consequences of it. Those don’t exist, and I think it is in areas like that where you could have cooperation between the theoreticians in sociology, the institutional experts in sociology, people who have knowledge of a wide range of institutional structures, and their functioning, that are not conventionally available to accountants. But there is very little of that occurring. Social scientists have not got a longstanding tradition of being very sociable.

What do you think needs to be in place or happening for more cooperation to be occurring?

Some of the conditions have been moving in the opposite direction, because there is much more emphasis on individual performance assessment for careers and promotions and various things like that. So, those conditions have got worse in most countries in the last few decades or so. I suppose increased consciousness of problems and what is at stake in getting new knowledge. And who knows – the present financial situation might help in that. Funding would help, if somebody would pump major funding behind collaborative projects. And we also need people willing to sacrifice their short-term careers for the medium and longer term to gain more knowledge. At present, I am increasingly
involved, still at the margins as I see myself, in accounting for sustainability or environmental accounting. It is a difficult area: it spreads across a lot of the social sciences, but equally applies to the natural sciences. Understanding the state of knowledge in an area with so many diverse elements is very difficult, particularly if you are not only interested in accounting per se but also in other modes of counting and carbon emission counting. To further that seriously is way beyond the role of individuals because it requires collaboration between environmental scientists, natural scientists, social scientists and accountants. The world is going to need much more awareness of carbon counting and accounting and new mechanisms for responsibility and accountability in the environmental area. That is something that would need real collaboration across a range of interesting knowledge bases.

You have already touched on the future of accounting research. Apart from sustainability issues, what other areas do you think are important areas where more research is needed?

There are so many areas that I can think of. One I mention from time to time concerns the organization of information flows. We have the original 1968/69 Ball and Brown article which showed that if you look at very conventional share price movements, then the release of annual reports of accounts isn’t a particularly important information source. Quarterly reports and annual reports are only explaining about 3% of price variation. Yet we know virtually nothing of the wider information environment of present day corporations, and how information moves around, of which conventional accounting information may well be a rather minor. Yet all the policy discussion of increasing the transparency of corporate affairs is always focused on conventional accounting. Related issues come up in the context of the invention of the web. The initial expectation was this would diffuse possibilities for access to information, corporate and otherwise. One implication of this would be that you could then disperse financial expertise and financial dealing. But exactly the opposite has happened. The concentration of financial employment has increased. The number, the percentage of financiers working in London and New York is higher than what it was without. It may well be that because the more conventional information is more readily accessible, the higher the premium is on tacit, different, informal sources of information, which you pick up in bars and restaurants and clubs by physical proximity. And so again, we know very little about movements of information in markets. Clearly there are alternatives to accounting that we don’t consider. The study of information and calculative processes in a much broader institutional context than what we have at present is a rich area for further inquiry.

How would you like the kind of social and institutional accounting research that you started to be taken forward? What would you like to see in the future?

As I said before, I would like to see much greater tolerance for diversity of research. I don’t want my research to monopolize the research field. There are other strands of research which I never have done, and never will do, but which equally can give insight. At present I think there is too much intolerance of difference in the academic world. So I’d want to see much more inter-disciplinary research. If you are tolerant of differences, it is easier to put difference together and to construct new understandings. It seems to me that social scientists have got too interested in their own theories. They defend their theories rather than the phenomena which they are exploring. And that’s why accounting has been quite good. The phenomenon is out there. You are seeking to understand accounting. So the theory is a means to an end, rather than the end in itself. So, I would like to see more intermingling. Furthermore, I would like to see more involvement with practice, in a critical sense. Increasingly, I have the feeling that in business schools we have finance academics who don’t know much about finance. They know about finance research but they don’t know about finance practice. Marketing academics are the same. And you are seeing more accounting academics who don’t know much accounting. I have always seen myself as trying to understand accounting to make the world a better place, not necessarily to make accounting better – make accounting less influential if that is appropriate. And I don’t see enough people doing that at the present. And that’s why I had this new series of involvements in the sustainability area. I think this is an important area to understand. Even if it is wrong, then we need to know it and understand it even more. I think in that area, for better or for worse, we are going to see much more calculation.

In this context, how do you see the relationship between accounting and economics?

I have always said that, bizarrely, in some sense, economics has never invested in understanding praxis. If you
are taking a degree in economics, you don’t have a course on doing economics, implementing economics. Yet economics does make the world more economical. But that area of economic praxis is unexplored by economists, unproblematized and untaught by them. Yet accounting has had to get more involved with understanding the world of practices. And I think that this can open doors and raise interesting issues. In some sense this would also be the challenge to economic sociology, that it could provide a basis for a better understanding of economic praxis, both from a critical and a facilitative stance.

References


The financial landscape fundamentally changed in the late 1990s, as ordinary people began to invest in the stock market in much larger numbers than ever before. Yet despite its magnitude, this change has received scant serious attention, according to a new book by Brooke Harrington. *Pop Finance* explores how ordinary individuals sought to become better investors by joining investment clubs, and asks what their collective experience can tell us both about the changing contemporary stock market, and about markets in general. A combination of observation, interviews and survey research offers a valuable insight into the workings of investment clubs both before and after the dot com bubble burst.

The book begins by situating stock market populism within a wider history of speculation that goes back at least as far as the seventeenth century, and by contextualising it relative to the economic challenges which, Harrington believes, have pushed people towards the stock market as an increasingly important source of wealth. The substance of the book, however, consists of a close analysis of how investment decisions are collectively made in investment clubs by amateur investors. Harrington finds that stock purchasing patterns are linked to narratives of identity, social status, and success. This being the case, different people consider different stocks as potential purchases, and also evaluate them differently. There is therefore a financial advantage (or *diversity premium*) to be gained by more socially diverse investment clubs – and particularly, Harrington suggests, by those of mixed gender – so long as the groups’ dynamics enable a wide range of opinions to feed into their decision-making processes.

Harrington conducted most of her research in the late 1990s. She conducted follow-up research in 2004, and found that although many of her case study investment clubs had folded, former members were still investing as individuals. Moreover, they remembered their experience of the clubs positively, despite the clubs’ variable financial performance. Harrington relates individuals’ continued involvement in the stock market to their declining incomes and worries about supporting themselves in retirement. As well as alluding to the broader political questions this raises, she concludes by exploring the implications of her study for theoretical issues concerning exchange and rationality. In particular, the book offers some interesting reflections on the idea of value, and raises questions over whether a straightforwardly financial concept of *shareholder value* is really meaningful.

I enjoyed reading this book. It raises some important issues, and deals with them in a sophisticated way. It would undoubtedly have been easy for Harrington to look at the uninspiring financial performance of most investment clubs, for instance, and simply ask how they might have made more financially rewarding, or rational, decisions. Yet to her credit she doesn’t do that, but instead develops a concept of dual rationality to describe how investment decisions are not merely economic, but concern personal identity as well as financial returns. Rather than concluding that people are foolish to invest in stocks congruent with their self-image, or to secure a story of success by taking a profit too quickly when a stock has further to rise, she validates these as rational objectives alongside profit itself. The result is a subtle analysis of the role of competing narratives in decision-making, through which Harrington is able to explain what might superficially appear as *irrational* behaviour. Harrington rightly warns us not to dismiss this behaviour as the naivety of amateurs, both by emphasising private individuals’ increasing significance as a source of invested capital, and by reminding us that professional investors are not so different: they, too, deviate from straightforward economic rationality to preserve their status and social networks, and they, too, generally underperform relative to Standard & Poor’s 500 index.

Harrington’s inductive approach enables her to not only observe bounded rationality in action, but to describe just how individual investors bound rationality when faced with the complexities of the stock market. I found the discussion of rationality persuasive and engaging, and it raised several follow-up questions that might deserve further research. How, for instance, are we to interpret those occasions when investors use contextual information, such as their positive experience as customers of a company, to
make a case for its financial prospects that goes against their statistical analysis? Are these investors to be understood as investing in businesses they identify with, and constructing an identity narrative by doing so, even when they claim to be using their experience to inform a strictly financial judgement? The distinction between competing rationalities and irrationality, in such cases, is complex. Similarly, Harrington’s distinction between instrumental and affective relationships in investment clubs is, as one would expect, found to be reflected in her data. But how are we to understand such a distinction, without reinforcing the restricted view of rationality that Harrington’s empirical work undermines? If participants are working with competing rationalities, some of which relate to the construction of their identities and social positions, then the distinction between instrumentality and affect becomes problematic. Would it even be fair to say that joining an investment club is, for some, an attempt to overcome the distinction between their social and economic lives?

Harrington’s discussion of the differences between male and female investors also raises some interesting questions. I was persuaded that there might be a diversity premium associated with having both men and women in an investment club, although I would be keen to know whether this was of a different order of magnitude to that associated with other kinds of diversity (race, class, occupation etc.). In any case, it was intriguing to read that all-male and all-female investment clubs achieved comparable portfolio performance, despite their gender differences. Was this coincidence, or is there an implication that gender only becomes salient when men and women work together, rather than in isolation? I was also curious whether there was more to be said about the relationship between the reasons why Harrington finds that people make specific investments (profit, identity formation, status etc.) and the reasons why she finds that they invest in general (financial necessity, speculative mania, anxieties about retirement etc.): some of these connections are obvious, of course, but others are less so.

In more general terms, Pop Finance is lucid and accessible, and does an excellent job of introducing the lay reader to its empirical field. The book sometimes seemed overly concerned with positioning itself relative to a range of existing work, which tended to obscure Harrington’s own line of argument somewhat. But her stated aim was to open up a new and valuable field of empirical research, and she has certainly achieved this. The issues she raises are timely, and her analysis of them is frequently original and insightful. In her conclusion, for instance, she compares investment clubs in the first world to microfinance in the third world, as an analogous means by which individuals respond to financial pressures by capitalising on the value of their interpersonal networks. It is in such ways that Harrington’s combination of broad sociological theory and detailed empirical research really pays off. Overall, I found the book engaging and provocative, and would recommend it as a good read for anyone interested in understanding investment decisions from the emerging perspective of empirical economic sociology.


**Reviewer:** Armin Schäfer, Max Planck Institute for the Study of Societies, Cologne, as@mpifg.de.

European leaders are struggling to come to terms with the popular rejections of both the Constitutional Treaty of the European Union, then later the revised Lisbon Treaty. Reading Euroclash helps clarify why many EU citizens seem unwilling to follow the course of ever deeper integration. In his latest book, Neil Fligstein traces the origins of the clash, identifying three groups of people with quite different attitudes towards European unity. First, there are those who positively assess European integration: educated, wealthy, mobile, and multilingual people who, having benefitted a great deal from integration, have developed a European identity in addition to their respective national allegiances. In contrast, people who belong to the second group rarely travel or work abroad, speak only their mother tongue, and are vested in national culture; many are low-skilled workers bound to lose from market integration and increasing international competition. In between these two is a third group that sometimes benefits from the opportunities of open borders: they generally support European integration but might at times object to specific projects. These are the swing voters most relevant for the outcome of referendums.

To validate these categories, Fligstein presents an impressive amount of empirical data, following Karl W. Deutsch in focusing on how economic, political, and social fields have emerged in Europe through cross-border transactions and horizontal linkages. The basic argument is that the more involved people are in these fields, the more likely they are to favour European integration and, eventually, to
foster a European identity – but only if “organized individuals or groups routinely interact under a set of shared understandings about the nature of the goals of the field, the rules governing social interaction, who has power and why, and how actors make sense of one another’s actions” (p. 8). However, the backdrop is that the opportunities to participate in cross-border transactions are unevenly distributed, which explains the different degree of support for the EU.

The first chapter introduces the book’s analytical tools and theoretical perspective. We learn how European integration is shaped by and also creates a group of people who transcend national boundaries to become true Europeans – and how small a group this is. The clash referred to in the title of the book takes place between these winners of European integration and those who pin their hopes on and largely depend on the nation-state. The second and the third chapter show how far market integration in Europe has advanced since 1958. The European Community by now is the largest trading block in the world, and as a result of European integration, economic exchanges among member states have continuously intensified. Large firms make ample use of this opportunity to invest throughout the unified market. Moving from the macro level to case studies, the fourth chapter looks at three industries in more detail. Fligstein chooses the defence, telecommunications, and football industries to demonstrate how firms become Europeanized and Europe-wide economic fields emerge.

The fifth chapter, Who Are the Europeans? is the core of the book. Using Eurobarometer data, Fligstein seeks to substantiate his central hypothesis: those most strongly in favour of European integration “are going to be people who have the opportunity and inclination to travel to other countries, speak other languages, and routinely interact with people in other societies in Europe-wide economic, social, and political fields” (p. 126). The empirical analysis confirms that among the EU-15, the most privileged socio-economic groups are also the most European-minded. However, they are a minority: only about 13 percent of all citizens think of themselves predominantly as Europeans, whereas a majority put their national identity first (p. 156). In Luxembourg, Italy, France, Spain, and Germany most people at least sometimes think of themselves as Europeans, whereas people from Britain, Finland, Sweden, Greece, Austria, and Ireland cling to their national identity more fervently. The empirical analysis shows that cross-border interactions do create post-national identities – but only for those regularly involved.

Chapter six looks more closely at patterns of interaction. It presents data on intra-European migration and Europe-wide associations. Much attention is devoted to the emergence of an education field and to European popular culture. In all cases, we can see the seeds of European society. The seventh chapter puts European politics at its centre, focusing on the complex political system operating in Brussels, which also influences politics within member nations. While there is no genuine Europe-wide public sphere, national publics have become Europeanized: that is, most mainstream parties are in favour of European integration, though fringe parties remain sceptical. Politics in the European Union can only be analysed if we take both levels into account. Finally, chapter eight reiterates core arguments and summarizes the main findings of the book.

As this brief overview indicates, Euroclash is a rich book and worthwhile reading. It is to my knowledge the most systematic study of European identity to date, and it strikes a fine balance between theoretical ideas and empirical work. Of course, it also invites some questions, of which I will focus on three. First, inasmuch as transactions cross national borders, they also transcend the European Union, creating world-wide fields of economic, scientific and even pop culture activity. The most privileged European socio-economic groups also travel, study, and work outside Europe. And as Fligstein notes himself, Europeans more frequently watch US movies and television programmes than emissions from other EU states. If all of this is the case, what does it mean for the emergence of a European identity?

Second, there is a tendency in Euroclash to idealise European integration. Neil Fligstein clearly is fond of the project. While this is not a problem in itself, it does sometimes lead to far-fetched interpretations. For example, he portrays the Erasmus student exchange programme and the Bologna process, which aims to create a unified European Higher Education Area, as a means of educated elites to push the Enlightenment project forward (pp. 178-179). Most Europeans probably take a more mundane view of these programmes; in fact, the case study in chapter six shows that the French education minister started the Bologna process for less noble reasons: it helped him to gain leverage for domestic reforms in France (pp. 187-188).
Third, despite much empirical work on European identity, it remains somewhat unclear what this term means. Do the Europeans support integration for selfish reasons (because they have benefitted), or does European identity commit to cross-border solidarity? Which policies does the most European-minded group favour? Would they still support more integration if it meant they had to pay higher taxes to finance Europe-wide redistribution? Euroclash does not tackle these questions. Yet, some discussion of these and similar issues seems important to explain what European identity means and what its implications are.

Let me finish on a personal note. The present reviewer has been part of the Erasmus programme, has travelled many EU countries, speaks more than one language, and benefits from cheaper and better products and services that result from market integration. Reading Euroclash is a strong reminder that many fellow-Europeans have been less fortunate and that the current crisis of European integration can only be solved if their worries are taken seriously. In addition to all the scientific merit of the book, this in itself makes it a recommendable read.

**Book:** Biondi, Yuri, Arnaldo Canziani and Thierry Kirat, 2007: *The Firm as an Entity: Implications for Economics, Accounting and Law*. Routledge,

**Reviewer:** Michael Dietrich, Department of Economics, University of Sheffield, UK., m.dietrich@sheffield.ac.uk

This multi-author volume edited by Yuri Biondi et al. is a useful and thought-provoking contribution to the analysis and understanding of the firm. The 18 chapters include an interesting blend of original writing and established contributions. The structure is divided into four parts: an introduction followed by three thematic segments. Part two covers the economic theory of the firm with one original essay on the current state of the debate, and four reproduced contributions by Simon, Shubik, Coase, and Berle. Part three sets out three original and three reproduced essays on historical perspectives on accounting, law and economics and what they offer for theories of the firm (I personally found this section very interesting). Finally, part four presents five essays that set out more recent thinking on a unified economic, legal and accounting approach to the firm, or the firm as an entity; the term *entity* is used throughout the volume to emphasise the holistic nature of the firm rather in contrast to perspectives that derive the firm from individual decisions.

Given that the volume covers 374 pages of text, it is not possible to examine each chapter separately; instead my comments develop themes common to all of the chapters. The volume as a whole takes issue with two characteristic features of the orthodox economic analysis of the firm: its methodological individualism, and its reduction of the firm to a legal personality or governance device. A major feature of the discussion is that economics characteristically bolts non-economic inputs onto economic frameworks, using concepts and theories from law and accounting in ways quite different from their legal and accounting uses. There is no real attempt to analyse the *inner core* of accounting and legal knowledge, or to use this core to inform economic understanding–creating an *ontological failure*, as Gindis' chapter puts it.

One of the strengths of this volume is that it does some of this hard work by taking law and accounting on their own merits and using them to develop a new economic approach to the firm. This task is facilitated by the specialists in this volume straddling the economics and law/accounting divide. This volume, therefore, acknowledges the interconnections among the three disciplines, and asserts that recognising the real core of law and accounting compromises the individualism and reductionism of orthodox economic writing. This claim is not new, but it is something that we should keep saying.

The volume's contributors use the intellectual tradition established by Veblen and Commons to buttress their claims. But the discussion is also linked to the sociological tradition of Durkheim. His distinction between mechanical and organic societies was based on a transition from collective to individual consciousness; with the development of this consciousness, individual action can lead to the evolution of legal structures, even if we incorporate some idea of historical determination and path dependency. In short, Durkheimian sociology analytically distinguishes the origins of legal institutions and the division of labour from the role of individual agency in the evolution of existing institutions. Many writers lose sight of this distinction between the emergence of a structure and its evolution once it exists. The same methodological principles need not apply in both situations.

Just as Durkheim emphasized the distinction between law-as-institution and law-as-activity, Biondi and his co-editors...
make a similar point about accounting: the chapters in The Firm as Entity treat accounting primarily as a practice — a necessary activity required by the division of labour in society. They argue against the new institutionalist logic that would derive accounting from pre-existing transactions and efficiency-seeking behaviour. But this causal order is not possible: to have any view of efficiency in transactions requires some sort of accounting method, no matter how primitive. Accounting activity is a necessary precursor for the effective development of individual economic agency. But once accounting activity exists, individual agency can explain the development of accountancy as a formal institution; the institution can in turn impact intra-firm practices. It is important in this connection to remember that accounting practices existed centuries before the development of institutions like double-entry book keeping in medieval Italy.

Thus, the firm as an entity appears to require some external reference points to explain its historical development. While I like this volume and believe it makes an important contribution to our understanding of the functioning and nature of firms, one thing about it remains unclear: whether the contribution is a substitute for or complement to other economic theories, like new institutionalism. In my view, an entity view of the firm does not preclude a new institutional logic, but is a requirement for it.


Reviewer: Keith Hart, Department of Anthropology, Goldsmiths, University of London and School of Development Studies, University of KwaZulu-Natal, johnkeithhart@gmail.com

These two volumes are the nearest thing to a universal history of money that one is likely to find. The chapters range over examples from the Peloponnesian War and the late Roman Empire, through the development of national currencies in Britain and the United States, to hyperinflation in contemporary Brazil and Argentina. Their explorations of German and Russian monetary history after the revolutions of 1917-20, 1945-48 and 1989-91 constitute comparative sociology of the highest order. The volumes treat the study of money under three headings: metallic, convertible and self-referential currencies. These correspond roughly to what Keynes (1930) referred to as commodity-money (market-based), managed-money (a compromise between state and market) and fiat-money (issued by states on their own say-so). There are twenty substantive chapters grouped into sections, each with a helpful short introduction. In his long introduction to both volumes, Bruno Théret — who has an unusual interest in anthropology for an economist — builds on the previous work of this group of French scholars in his own richly distinctive way. Money is a total social fact best understood through the conceptual triad of debt, sovereignty and trust: these refer to society in its triple guise as nation, state and community (including market networks). Théret develops this analytical framework to classify the institutional processes involved in monetary crises in ways that are at once complex and lucid.

In the last year or so, after three decades of neoliberal globalization, the possibility that capitalism had reached a new stage beyond the boom/bust cycle has been rudely shattered. The publication of two volumes about how money’s true nature is revealed by economic crises might therefore be considered opportunistic, except that the seminar series on which the books are based was launched in 1999. (The first seminar series was held in 1993, while a successor program on intellectual history starting now will include Locke, Law, Müller, Knapp, Commons, Schumpeter and Hayek.) Michel Aglietta and André Orléan have edited two publications from this extraordinarily long-lived collaboration, Souveraineté, légitimité de la monnaie (1995) and La monnaie souveraine (1998), plus their own follow-up, La monnaie entre violence et confiance (2002). Their questions about sovereignty in relation to money relates to recent history, in which national currency was a state monopoly. If economic democracy requires sovereignty to be returned to the people, this long-term collaborative project asks what the people then means. Now Bruno Théret has assembled these remarkable volumes, beautifully produced by EHESS and 800 pages in all, with essays by seventeen economists and five historians. (Aglietta and Orléan make an appearance in the second volume, the former reviewing his theoretical approach through the lens of monetary crises, the latter with a case study of the German hyperinflation of the 1920s.) In a short review I can only indicate the scope of this project, but it deserves the close attention of economic sociologists as a signal contribution to understanding world society today.
The *Maastricht Treaty* of 1991 launched the project of a single European currency which culminated in the Euro. Soon after, an interdisciplinary group, mainly economists of a political or institutionalist variety with some historians and anthropologists, established a seminar to investigate the relationship between money and sovereignty or legitimate authority. The link to the Euro – and indeed to the future detachment of money from the nation-state – was and remains explicit. The Euro has had an easy ride since its launch in 1999, as the only obvious alternative to a Dollar in free fall, but the strains of imposing a single currency and monetary policy on so many different countries and regions is likely to be felt more acutely as the global economic crisis deepens. Then perhaps the veil will truly be lifted from our monetary institutions, and the political and intellectual significance of these French deliberations will become even more apparent.

The problem is that money today is issued by a distributed network of institutions owing scant allegiance to any central bank; they are often not even banks. Like the internet, money now assumes exceedingly plural and decentralized forms. Our collective task is to bring a measure of order to this proliferating social universe. *La monnaie dévoilée par ses crises* should be indispensable to that project. But because it is published in French, its audience is likely to be restricted to an underfunded network of academics living in and around Paris. There has to be a way out of this impasse. Money and language have escaped from their national straitjackets. Perhaps social theory will follow in time.
PhD Projects in Economic Sociology

Making Economies Visible: Global Scopic Systems and Transnational Debt Management

**Institution:** Department of Sociology, University of Constance, Germany

**Author:** Barbara Grimpe, Barbara.Grimpe@uni-konstanz.de

How can we see the nature of national economies, if at all? A government’s debt portfolio is usually one of the largest financial portfolios in a country. It is globally dispersed, with credit disbursements, principal and interest payments often stretching over decades. Moreover, macroeconomic variables such as changing inflation and exchange rates or interest rates permanently change the value of national debt. Thus, a country’s debt portfolio is complex and fluctuating. It is difficult to survey at a glance, and its future nature is also difficult to predict. Yet, the unsustainability of national debt is considered an important factor of financial crises, and better practices in debt management have repeatedly been promoted in order to prevent such crises. So is there a way to make national debt more easily visible through space and time, and hence more manageable?

This PhD project analyzes collective and technological attempts to solve this basic management problem: scopic systems and a global monitoring culture. It captures the real-time and quotidian efforts of national debt officers and transnational debt experts, such as of the UN, the IMF and the World Bank, to turn national debt into an epistemic object that can be surveyed and tracked on screen. Between August 2004 and April 2006, a multi-sited ethnography was carried out, including approximately six months of participant observation in a debt management unit of UNCTAD (United Nations Conference on Trade and Development) in Geneva. This unit has developed debt management software called DMFAS (Debt Management and Financial Analysis System) currently used in sixty-six countries. Furthermore, the national debt management in Argentina, Burkina Faso and Indonesia, where DMFAS is used, was studied for three and a half months.

UNCTAD debt experts coordinate many of their activities with IMF and World Bank debt experts. This PhD project focuses on DMFAS and three other technologies utilised by this transnational collaboration. These four technologies can be called scopic systems. Scopic systems are information and communication technologies that collect dispersed and dynamic data in one central location. They often process this data and project the results to economic actors and places far away, often worldwide. Scopic systems concentrate functions of classification, calculation, projection and statistical representation that allow debt experts to constantly observe the debt of a national economy on screen. I argue that these systems are part of a global monitoring culture: developing and using different kinds of computer monitors and related software functions is intertwined with monitoring practices shared and propagated by a transnational epistemic community of debt experts. This techno-cultural nexus is analyzed as follows:

First, I introduce the problem of surveying and tracking national debt. My principal argument is that transnational debt management is confronted with a basic dilemma: in order to compare the debt situation of different economies, national particularities must be erased. Yet, the gains thus made in comparability mean that the specific character of any single economy is lost.

Second, the DMFAS technology is portrayed as a structural solution to this dilemma. It is a culturally deep system including both nationally specific and transnational debt reporting features. Within a country, DMFAS supports a scopic form of social coordination: Instead of face-to-face interaction, network relationships or personal hierarchies, distributed governmental actions may be coordinated impersonally through this system. This happens when debt officers take the epistemically dense reality projected onto their screens for the top-priority reality, and concentrate on processing this specific reality further, rather than other possible realities.

Third, I analyze those DMFAS functions that enable the permanent re-calculation of prospects of future indebtedness. DMFAS is like an economic time machine that offers various functions to render a dynamic view of the future when current conditions or assumptions change.
Fourth, I investigate the interplay of DMFAS with three other scopic systems, shifting my attention more explicitly to the distribution of monitoring over different actors, technologies and documents worldwide. My principal argument here is that some systems are built to constitute the reality of the global economy, for example, through certain temporal structures.

Finally, I examine the limits of the global monitoring culture. Global scopic coordination does not run smoothly. A global monitoring culture in transnational debt management does exist, but it is permanently contested in many ways. For example, national debt officers also fulfill their particular historical mandates, and UN experts defend their political and technical convictions against their IMF and World Bank colleagues.

The Others in Corporate Governance: The Case of the Activism of Sell-Side Financial Analysts

Institution: Department of Accounting, London School of Economics and Political Science, UK

Author: Zhiyuan Simon Tan, z.s.tan@lse.ac.uk

Research in corporate governance has devoted much space to studying others – those viewed as the key counterparts and stakeholders of the corporation. The recent activism of sell-side financial analysts towards corporate governance represents a new phenomenon that merits study within this overall line of enquiry. Sell-side financial analysts (analysts thereafter), who are mostly employed by brokerage firms, study companies and industries, write research reports, and make public investment recommendations. Traditionally, they have concentrated mainly on the financial and operational aspects of corporations. Recently, however, analysts in the US and the UK have shown interest in governance issues, and have brought corporate governance within the boundaries of their work jurisdiction. Activism is the term that has been used to describe this recent activism of sell-side financial analysts towards corporate governance. Activism consists of four aspects: first, analysts have undertaken stand-alone evaluations of the governance procedures of companies; second, they have documented their assessments in corporate governance reports; third, they have sought to link governance more closely to the financials in their investment analysis; and fourth, they have established research teams to study governance-related issues. Together, these four dimensions represent an important shift in the work of analysts and in the domain of corporate governance more generally, and it is one that should be of significant interest to economic sociology.

This PhD project takes the emerging activism of analysts towards corporate governance as its central object of enquiry, and offers an initial examination of this phenomenon. As defined above, the phenomenon seems to have emerged subsequent to the outbreak of a series of corporate scandals in the early 21st century, such as Enron and WorldCom, but it coincided with a series of regulatory initiatives that go beyond these much-cited events. These new regulatory initiatives sought to formulate, enact and revise governance standards in various geographical jurisdictions of the world. The thesis seeks to investigate the emergence of this phenomenon in a variety of locales, and by reference to the interrelations among the rationales, discourses, institutions, practices and events that made it possible for such activism to achieve a degree of coherence and stability as an externally recognized phenomenon.

The thesis focuses initially on the mechanisms and devices that analysts employ in their corporate governance evaluations, and considers how these mechanisms and devices contribute to the governing of corporate governance. Through a qualitative study of corporate governance reports produced by analysts, two main mechanisms are identified: direct benchmarking of governance procedures of companies against best practices as contained in formal regulations; and comparative evaluation, which comprises a mixture of narrative comparison, tabular comparison, and rankings. The direct benchmarking by analysts constitutes a further layer of checking on the governance procedures of companies against formal requirements. This can be viewed as a checking of checking, where the governance practices of corporations are monitored and scrutinized by a third party, in this case analysts.

The comparative evaluation is undertaken by making use of the various inscription devices in the corporate governance reports, such as narratives, lists, and ranking tables. In deploying such devices, analysts add a further layer of visibility to the originally available information, by representing it in new forms (e.g. in tabular forms) to financial market participants, such as institutional investors. By creating a new visibility of the governance of corporations in the financial markets, analysts contribute to the operationalization of a particular programme of corporate gov-
ernance reform, one that places transparency in a central position. The mechanisms and devices analysts create and deploy in seeking to make governance practices more visible and transparent provide a set of technologies that make this particular programme of corporate governance reform operational. Analysts, that is to say, can be viewed as agents of transparency in the financial markets.

Analysts also seek to link corporate governance more closely to the financials in sell-side research – the other aspect of their activism. The manner in which analysts experiment, validate, and legitimate the link between corporate governance and the financials is to be examined in the rest of the thesis. Special attention is again paid to the mechanisms and inscription devices that analysts employ in their experiments, and to the various discourses that seek to establish a link between corporate governance and the financials. The thesis will examine the extent to which the claims made by analysts are supported and reinforced by a diverse range of participants in the investment community, including other analysts, institutional investors, corporations, academics, and other constituents of the investing public.
Editors of the Economic Sociology European Electronic Newsletter

1999-2000 Richard Swedberg*
2000-2001 Johan Hellbron
2001-2002 Jens Beckert
2002-2003 Frederic Lebaron
2003-2004 Patrik Aspers
2004-2005 Olav Velthuis
2005-2006 Olav Velthuis

2006-2007 Nina Bandelj
2007-2008 Patrik Aspers
2008- Andrea Mennicken

* Founder of the Newsletter
economic sociology_the european electronic newsletter
http://econsoc.mpifg.de | ISSN 1871-3351

editor
Andrea Mennicken, London School of Economics and Political Science | a.m.mennicken@lse.ac.uk

teditorial board
Patrik Aspers, Max Planck Institute for the Study of Societies, Cologne, and Stockholm University | aspers@mpifg.de
Jens Beckert, Max Planck Institute for the Study of Societies, Cologne | beckert@mpifg.de
Johan Heilbron, Centre de Sociologie Européenne, Paris | johan.heilbron@wxs.nl
Richard Swedberg, Cornell University, Ithaca | rs328@cornell.edu

aim of the newsletter
economic sociology_the european electronic newsletter provides information for scholars interested in economic sociology, with an emphasis on events and developments in Europe. The newsletter is driven by the idea of free access to information and open communication.

contributions
Please send contributions, suggestions and input to the editor.

publishing information
economic sociology_the european electronic newsletter is part of economic sociology_the european website, which is maintained by researchers and staff of the Max Planck Institute for the Study of Societies in Cologne. The newsletter is published three times a year as a PDF and an HTML document. The PDF can be downloaded free of charge. Back issues are available on the website.

subscription
You can receive economic sociology_the european electronic newsletter via email. Please subscribe at http://econsoc.mpifg.de -> Newsletter -> Subscription

editorial office
Max Planck Institute for the Study of Societies | Paulstr. 3 | 50676 Cologne | Germany

© by the authors