ACADEMIC PRESS

Management Accounting Research 14 (2003) 255–279

Management Accounting Research

www.elsevier.com/locate/mar

In search of strategic management accounting: theoretical and field study perspectives

Robin Roslender[a,*], Susan J. Hart[b]

[a] *Department of Accounting, Finance and Law, Faculty of Management, University of Stirling, Stirling FK9 4LA, UK*
[b] *Department of Marketing, University of Strathclyde, Strathclyde, UK*

Abstract

Despite being introduced into the literature as a potentially exciting development over 20 years ago, there is still little or no agreement about what constitutes strategic management accounting (SMA). The term itself is open to a number of interpretations, something that is reflected in the varied nature of the research associated with it. In our view, however, SMA is best understood as a generic approach to accounting for strategic positioning. It is defined by an attempt to integrate insights from management accounting and marketing management within a strategic management framework. To date, the attribute costing technique has been the most compelling development within SMA. Its focus on costing the benefits associated with products and their attributes necessitates contributions from both disciplines. The findings of an exploratory field study of practices at the interface between management accounting and marketing management affirm SMA's limited impact on practice in the UK. In those cases where interfunctional cooperation is most advanced, there are indications that a new subset of SMA developments may be emerging as accountants and marketers begin to measure the performance of brands.

Keywords: Strategic management accounting; Marketing management; Attribute costing; Marketing accountability; Interfunctional cooperation

1. Introduction

The objective of this paper is to contribute to the growing literature on the topic of strategic management accounting (SMA). It reports the findings of an *exploratory* field study of UK companies that was designed primarily to gather insights on the present extent of implementation of SMA practices. Throughout the research project a particular interpretation of SMA was embraced. SMA is identified as a generic approach to accounting for strategic positioning, defined by an attempt to integrate insights from management accounting and marketing management within a strategic management framework. Examples of SMA

* Corresponding author. Tel.: +44-1786-467296; fax: +44-1786-467308.
E-mail addresses: robin.roslender@stir.ac.uk (R. Roslender), susan.hart@strath.ac.uk (S.J. Hart).

doi:10.1016/S1044-5005(03)00048-9

techniques include target costing, life-cycle costing and some forms of strategic cost analysis, with attribute costing as the most compelling development to date.

As a consequence of the way in which SMA is interpreted in the study, it is assumed to be underpinned by well-established patterns of interfunctional cooperation between management accountants and marketing managers. These patterns of cooperation, and the relationships they embody, are regarded as acting as critical facilitators for practices such as SMA. Although examples of such cooperation were widely evident within the sample of companies, and in some instances in their most advanced or synergistic form, there was little evidence that these companies were currently implementing SMA practices such as target costing, life-cycle costing, attribute costing, etc. At the same time, a strong cross-functional interest in brands and their management evident in some companies was, however, accompanied by a number of developments that might be termed *brand management accounting*. In our view, such developments may constitute an additional subset of techniques to be included within the generic SMA approach.

The paper is structured as follows. In the next section the evolution of SMA is briefly chronicled, with the attribute costing technique identified as its most compelling development to date. In Section 3, SMA's links with marketing management are identified in order to differentiate SMA both from the earlier tradition of marketing accounting, and from concurrent attempts to integrate elements of strategy theory into management accounting. Section 4 provides an overview of a number of recent developments within the marketing management literature, including calls for the pursuit of a greater extent of interfunctional co-ordination, and for the promotion of increased marketing accountability. Details of the field study of the implementation of SMA practices in the UK are presented in Section 5. In Section 6 we outline some of the principal findings of this study. The concluding discussion section initially summarises the main points of the paper before identifying a number of future lines of research enquiry.

2. The evolution of strategic management accounting

SMA came to prominence in the late 1980s as one of the range of new techniques and approaches designed to restore the lost relevance of management accounting. It did so principally in the UK, with Bromwich as one of its main academic advocates at that time (Bromwich, 1988, 1990, 1991, 1992; Bromwich and Bhimani, 1989, 1994). What differentiated SMA from many parallel developments was its external orientation, hence Bromwich and Bhimani's observation that it provided a means of releasing management accounting from the factory floor (Bromwich and Bhimani, 1989). Using the term strategic to name the approach was also intended to convey that SMA incorporated a longer term outlook, as well as a broader emphasis than the greater part of management accounting. This was consistent with Bromwich's initial identification of SMA as offering a higher order of management accounting (Bromwich, 1988). For these reasons it was not difficult to recognise in SMA a potentially important departure for the practice of accounting to management.

The term SMA has a longer history, however, having been introduced into management accounting some years earlier by Simmonds (1981, 1982). It was again used to identify an externally oriented approach that entailed collecting and analysing data on costs, prices, sales volumes, market shares, cash flows and resource utilisation, for both a business and its competitors. What was being sought was some indication of the relative competitive position of a business in an industry. Within this competitor position analysis framework, less importance was placed on financial accuracy than upon deriving insights that might inform the future strategy of a business.

In reformulating SMA, Bromwich was able to draw on a wider range of relevant insights. Porter's work on business strategy identified three generic strategies: cost leadership; product differentiation; and focus, each of which had different implications for both management and accounting (Porter, 1980, 1985). Like SMA, target costing also exhibited a strong external emphasis, not simply on competitors but also on customers and the marketplace (Hiromoto, 1988; Sakurai, 1989; Monden and Sakurai, 1989). In addition, the economic theories of Lancaster, on product attributes (Lancaster, 1966, 1979), and Baumol, on contestable markets (Baumol, 1982; Baumol et al., 1988), enriched the mix, something that was evident in Bromwich's (1990) definition of SMA as:

> The provision and analysis of financial information on the firm's product markets and competitors' costs and cost structures and the monitoring of the enterprise's strategies and those of its competitors in these markets over a number of periods. (p. 28)

Underlying this definition is a SMA concept that also exhibits a close affinity to what Ohmae (1982) terms the strategic triangle.

At the heart of Bromwich's SMA approach is the attribute costing technique based on a strategic cost analysis matrix (Bromwich, 1991, p. 12; Bromwich and Bhimani, 1994, p. 143). The objective of attribute costing is to cost the benefits that products provide for customers. In Bromwich's view, it is these benefits that products provide for customers that constitute the ultimate cost drivers. This is quite different from the reasoning underlying activity-based costing where it is the costs of the activities that the product consumes that are seen to drive the costs of products. To understand the benefits sought by customers it is necessary to look outside of the business, whereas information on activities and cost drivers is available internally. Using a strategic cost analysis matrix it is possible to interface the set of benefit producing attributes sought by customers, with the costs associated with providing these benefits. It is important to provide these benefits as cost effectively as possible, since:

> Only efficient products, each of which yield the *maximum* amount of a *specific* bundle of characteristics for the amount of money the customer wishes to spend, will survive in a well organised market. (Bromwich, 1991, p. 9, emphasis as in the original)

Attribute costing, therefore, constitutes an additional approach to cost management, but one that is quite distinct from either activity-based costing or strategic cost management (Shank, 1989; Shank and Govindarajan, 1992, 1993). Bromwich highlights this distinction identifying:

> [T]wo dominant approaches to strategic management accounting. One seeks to cost the product attributes provided by a company's products. It is these which are seen as attracting customers. The other approach is to cost the functions in the value chain which provide value to the customer. (Bromwich and Bhimani, 1994, p. 128)

What all three approaches share, however, is the pursuit of cost reduction for strategic purposes (Cooper and Kaplan, 1991; Shields and Young, 1992). In this way, cost management is fundamentally different to the traditional focus of costing, i.e. the determination of the amount of resource attributable to some cost object deemed to be of interest to management.

In contrast to Simmonds' earlier contribution, and despite its promise, Bromwich's reformulation of SMA has failed to make a significant impact on practice (Guilding, 1999; Guilding et al., 2000). A major factor in explaining this outcome is that to a very large extent attribute costing and the associated strategic cost analysis matrix were principally conceptual developments. Beyond an illustrative case of a fast food supplier, there was no attempt to detail how attribute costing might be operationalised. This observation applies equally in the case of the strategic investment appraisal approach developed in parallel by Bromwich and Bhimani (1989, 1994), and viewed by them as a constituent of SMA. It is also interesting to note that Bromwich has made no attempt to address this situation in later expositions of SMA, e.g. Bromwich (1996, 2000). Bhimani has similarly elected to focus on more general considerations in his own later writing on SMA, e.g. Bhimani and Keshtvarz (1999) and Horngren et al. (2002).

In an editorial to a special issue of *Management Accounting Research* on SMA, Tomkins and Carr (1996a) observed that no agreed and well specified framework for SMA currently existed, something that was also evident in the set of papers selected for publication. Although three are on the topic of strategic investment appraisal, none attempts to develop Bromwich and Bhimani's work in the area. Cooper's contribution provides a review of the potential of a range of Japanese cost management practices, including target costing but with no reference to SMA (Cooper, 1996). Dent (1996) focuses on the changing nature of global competition and the challenge this has for management accounting. In their concluding commentary, the editors establish a link between Bromwich's attribute costing technique and strategic investment appraisal (Tomkins and Carr, 1996b). They argue that strategic investment appraisal is concerned with determining the potential viability of a commercial opportunity in the marketplace. This differs markedly from a focus on the financial viability of investing in a piece of capital as in the conventional capital budgeting model. Tomkins and Carr remind us that a necessary prior step is to look at the market, at customer requirements in the form of product attributes and prices, and at the capacity of rivals to deliver on these, i.e. to engage in some form of attribute costing exercise.

In the subsequent issue of *Management Accounting Research*, Lord (1996) concludes that despite the interest it had attracted in recent years, SMA is "but a figment of academic imagination" (p. 364). Echoing Tomkins and Carr's observation on the lack of an agreed framework for SMA, Lord integrates contributions from a number of writers, including Simmonds, Bromwich, Shank and Govindarajan and Simons, to identify a four element SMA framework. Her case materials indicate that while practices akin to SMA were evident at Cyclemakers, they were largely the province of marketing, and did not involve management accountants or much financial quantification work. More recently, Guilding et al. (2000) reports survey evidence that while some companies have adopted techniques that the researchers recognise as SMA, the term SMA itself had limited meaning for their respondents.

3. Refining the strategic management accounting concept

Lord's observation that practices akin to SMA were being pursued by Cyclemakers' marketing function, but did not appear to have much involvement by management accountants, might be compared with those of Rickwood et al. (1990). At Stapylton there was evidence that the two functions had cooperated successfully to develop a SMA approach similar to that commended by Simmonds. The necessity for establishing a robust pattern of cooperation between management accountants and their counterparts is also implicit throughout Bromwich's SMA work. Explicit advocacy of such cooperation is evident in the following quotation:

> Strategic management accounting requires that accountants embrace new skills extending beyond their usual areas and co-operate much more with general management, corporate strategists, marketing and product development, who may not have a good image of accountants. (Bromwich and Bhimani, 1994, p. 130)

Further evidence that SMA is intimately associated with both management accounting and marketing management can be gleaned from Simmond's founding thesis that management accountants were better placed than their colleagues in marketing (and business policy) to develop such an approach.

It was in this light that Roslender (1995) identified SMA as a generic approach to accounting for strategic positioning, characterised by the attempt to integrate insights from the marketing literature into management accounting. In addition to the work of both Simmonds and Bromwich, Roslender argues that the generic SMA approach encompasses Porter's competitive advantage theory, and in particular, his strategic cost analysis technique (Porter, 1985), together with both target costing and life-cycle costing. All are viewed as exhibiting a strong marketing management emphasis.

The extension of the SMA designation to include Shank and Govindarajan's strategic cost management framework (Shank, 1989; Shank and Govindarajan, 1992, 1993) would now seem unwarranted, however. Despite being heavily informed by Porter's earlier work on value chain analysis, it lacks SMA's defining marketing management interface. In common with Simons (1987, 1990), Shank and Govindarajan focus on the interface between strategy theory and management accounting, a perspective also evident in Kaplan and Norton's later work on the balanced scorecard (Kaplan and Norton, 1996, 2001). For these authors 'strategic management accounting' amounts to integrating elements of strategy theory into management accounting, while for us, being externally focused on the marketplace, SMA seeks to integrate insights from management accounting and marketing management within a strategic management framework (see Roslender and Hart, 2002a for further details).

Work at the interface between management accounting and marketing management dates back to the late 1920s, with marketing cost analysis being extensively developed over the next two decades (Harrison, 1982). The advent of the "Marketing Era" was accompanied by the development of a broadly based tradition of *marketing accounting*, with contributions by Schiff and Sevin being particularly influential (Ratnatunga, 1988; Wilson, 1981a,b, 1999). Foster and Gupta's (1994) review paper on the state of the integration between managerial accounting and marketing concluded that the financial planning and control of marketing activities, or marketing controllership, and the provision of cost information for product pricing purposes, continue to be the principal foci for development. Their paper also provides evidence that marketing managers are increasingly dissatisfied with the nature of the pricing information made available to them by their management accounting colleagues.

From the mid-1980s two techniques, customer profitability analysis (Anandarajan and Christopher, 1987; Shapiro et al., 1987; Bellis-Jones, 1989; Howell and Soucy, 1990; Ward, 1992), and direct product profitability (Pinnock, 1989; Dew and Salmon, 1990; Coulthurst, 1992) were widely diffused. Both had precursors in the marketing accounting literature, and in combination with the broader activity-based management philosophy provided the means of extending a cost management or strategic cost reduction emphasis to the sales and marketing function.

There is a fundamental distinction between the various examples of SMA identified in the introduction to this paper and those associated with the longer established marketing accounting tradition. Ultimately, the latter tradition entails the application of the (management) accounting paradigm *within* the marketing management function, i.e. the application of financial management disciplines within the sales and marketing function. Irrespective of the desirability of such practices, and their resultant benefits for the continued profitability of the business, they provide a reaffirmation of the pre-eminence of the accountancy profession within the organisational hierarchy (Armstrong, 1985, 1986, 1987). By contrast, the pursuit of SMA requires that the two parties involved begin to dismantle traditional functional boundaries and to engage in cooperative activities. It entails more than simply integrating insights from two literatures in the search for a more 'relevant' approach to management accounting (cf. Roslender, 1995). SMA, therefore, commends itself as a thoroughgoing interdisciplinary development consistent with the necessity of providing the more organic insights required for the successful accomplishment of strategic management. *It is in this way that SMA is viewed throughout this paper as an attempt to integrate insights from management accounting and marketing management within a strategic management framework.*

4. Enhancing the marketing content of strategic management accounting

In the mid-1990s we encountered SMA as simultaneously a genuinely interdisciplinary concept, and faltering management accounting development. Given how we had come to view SMA, we concluded that one means of rejuvenating it was to explore the possibilities for extending its marketing content, thereby rediscovering and reinforcing its links with marketing management. It was quickly apparent that much of interest was already happening within the marketing management literature, with a number of initiatives for measuring marketing performance being canvassed, by both academics and their practitioner colleagues.

In common with management accounting, in the early 1980s marketing had faced growing questioning about its relevance as a vital management function. Having been touted in the 1950s as providing the foundation for business philosophy (Drucker, 1954), it enjoyed significant growth and influence in the following years. As the terms of trade changed in the mid-1970s, with the West in general, and the US in particular losing out, marketing was suddenly subjected to extensive criticism (Hayes and Abernathy, 1980; Bennet and Cooper, 1981). In response to these criticisms, and predating the situation within management accounting by a couple of years, several new approaches emerged, including those identified as strategic marketing. Day and Wensley (1983) describe the emergence of strategic marketing as:

> [A]n integrated organizational emphasis on securing and sustaining a competitive advantage within the markets served by the individual business units. (Day and Wensley, 1983, p. 80)

They identify the necessity for marketing management to extend is traditional concern with customers to competitors. In a later paper, heavily influenced by Porter's work on business strategy, they develop a conceptual framework for assessing competitive advantage (Day and Wensley, 1988). Here they call for a balance of customer-focused and competitor-centred perspectives on competitive positioning, of necessity informed by contributions from the other management functions.

In a similar vein, marketing management was urged to explore the contribution of embracing a *market orientation*. Kohli and Jaworski (1990) define market orientation as:

> [T]he organizationwide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organizationwide *responsiveness* to it. (Kohli and Jaworski, 1990, p. 6, italics as in the original)

In their view, commending a market orientation is not intended to inflate the importance of the marketing function. By definition a market orientation makes marketing the responsibility of all departments in the organisation. The formulation of the market orientation concept advanced by Narver and Slater (1990) reinforces the inclusive nature of strategic marketing, identifying interfunctional co-ordination, along with a competitor orientation and a customer orientation, as its defining behavioural components. The following quotation captures strategic marketing's foundation in a preparedness to pursue interdisciplinary alliances in the pursuit of superior business performance:

> Creating value for buyers is much more than a "marketing function"; rather a seller's creation of value for buyers is analogous to a symphony orchestra in which the contribution of each subgroup is tailored and integrated by a conductor ... Achieving effective interfunctional co-ordination requires, among other things, an alignment so that each perceives its own advantage in co-operating closely with others. (Narver and Slater, 1990, p. 22)

Despite its conceptual elegance, later empirical evidence on the relationship between embracing a market orientation and attaining superior business performance remains inconclusive (Jaworski and Kohli, 1993; Kohli et al., 1993; Diamantopoulos and Hart, 1993; Slater and Narver, 1994; Hart and Diamantopoulos, 1994; Greenley, 1995; Liu, 1995; Avlonitis and Gounaris, 1997; Han et al., 1998; Harris, 2001).

Within the sphere of marketing practice, interest in measuring marketing performance was associated with the search for greater *marketing accountability*. A number of reports on the work of the marketing function produced by influential consultancy organisations such as Coopers and Lybrand (1994), McKinsey and Co. (1994) and KPMG (1996) had raised the question of a lack of marketing accountability. Among the shortcomings identified in these reports were that marketing comprised an ill-defined mixture of activities; had become characterised by a lack of specific responsibilities and accountabilities; rarely led the drive to enhance business performance; was often shortsighted in outlook; and was increasingly becoming marginalised from other parts of the business. Shaw (1998) reports that research by The Marketing Council found that three quarters of organisations were actively reviewing the future role of their marketing staff. As the term itself suggests, marketing accountability offers a mechanism for demonstrating that the marketing management function continues to add significant value to the business. The task facing the profession was to develop a stock of marketing performance metrics commensurate with the wider currency of business performance measurement that simultaneously illustrate marketing management's continued contribution to the overall performance of businesses.

While the marketing accountability literature is still in its embryonic stage (Shaw, 2001), a number of important characteristics is already apparent (Ambler and Kokkinaki, 1997, 1998; Clark, 1999; Shaw and White, 1999). There is a move away from 'hard' financial measures such as profit, sales revenues and cash flow, with their traditional accounting resonances. Greater importance is now being placed on non-financial measures including effectiveness of sales performance, customer satisfaction, customer loyalty, brand strength and brand equity. These 'softer' metrics have also replaced earlier 'harder' marketing (volume) measures such as market share and market growth. There is also a greater interest in reporting input as well as output measures. Such input measures range from the rather crude determination of the stock of marketing assets through to measures of marketing capability that attempt to operationalise the market orientation concept described above. Finally, there is a recognition that it is necessary to provide multiple measures of marketing performance, since it is not possible to capture the overall picture using only one or a small number of metrics. In this light, it is also instructive to note that Shaw and Mazur's (1997) review of marketing accountability concludes with a discussion of the balanced scorecard model of business reporting as a mechanism for communicating the key indicators of successful marketing performance.

5. The field study

In order to explore the present extent of implementation of SMA, as identified earlier in the paper, we conducted a field study of company practices at the interface between management accounting and marketing management. By a field study we mean a research design that embraces a relatively small number of companies, as opposed to a wide-ranging survey or intensive case enquiries in two or three companies (Kaplan, 1986; Scapens, 1990; Ryan et al., 1992). Developing and administering a questionnaire was rejected as unlikely to produce the necessary level of detail or depth of insight required about developments involving both management accountants and their marketing management counterparts. Intensive case research focusing on two or three companies was also rejected on the grounds that, despite its demonstrated capacity to provide rich accounts of practice and provocative insights, it may not capture the range of such practices and insights. In addition, since the present study was regarded as *exploratory*, the opportunity to pursue either or both survey and intensive case work at a later stage was open to us. This said, it was important that the 10 companies that constituted our sample could, with some justification, be regarded as at the leading edge in their various fields.

Four of the 10 companies included in the field study are engaged in manufacturing. Company A[1] was the largest independent UK public company engaged in printed circuit board manufacture, with a turnover in excess of £40 million for the year ending August 1997. Company B is a strategic business unit of a multinational corporation based in Switzerland, and has for many years been a major provider of floor coverings for both the domestic and institutional markets. Company F is a confectionery manufacturer, part of a group whose global turnover for the year to January 1999 exceeded £2 billion, of which 43% was in the UK. The fourth company, Company H, is a subsidiary of a multinational healthcare products manufacturer. It specialises in single-patient use surgical instruments for minimally-invasive techniques as well as more traditional surgical instruments. Two companies are primarily engaged in retailing. Company C describes itself as a specialty retailer with over 100 high street outlets selling ladies and menswear, together with gifts and accessories. In the year to January 1999, the company's turnover was £146 million, representing almost two-thirds of group turnover. The second retailer, Company J, has in excess of 400 stores, most sited some distance from its traditional high street location. As well as increasing the number of such outlets, the company plans to develop a small number of upmarket specialist stores to capitalise on its established reputation.

A further two companies are engaged in the pharmaceuticals business. The larger Company D had sales of almost £3 billion in the year to December 1998, accounting for marginally over half of group turnover during the year. Heavily committed to both research and development and manufacturing, its products are sold in over 100 countries. The second company, Company E, operates as the UK division of a global healthcare product development and marketing business. Its three core product categories of analgesics, skincare and cough and cold treatments contributed a turnover of £308 million to its parent company in the year to March 1999. Company I is a financial services company founded almost two centuries ago. At the time of the study, it numbered approximately two million members and a total of £28 billion worth of assets under management. This company has subsequently merged with one of the major UK banking groups to create the second largest provider of pensions and insurance products. The parent of the final company in the sample, Company G, refers to itself as a professional services business, with total revenues of £9 billion in 1997. As one of the Big 5 accounting firms, UK turnover for the year to September 1998 was £867 million, the greater part of which came from the provision of assurance services.

Initially, we employed a fairly detailed semi-structured interview schedule that was piloted in Companies A and B. In keeping with the exploratory nature of the research project, over time this schedule evolved into a checklist of topics on which information was sought. As we normally interviewed participants from

[1] The alphabetic sequence of the 10 companies indicates the chronological order in which the interviews were conducted.

both the management accounting and marketing management functions, a pair of matching checklists was developed. Interviews were divided into four segments, varying in length according to the pattern of discussion. Initially, the interviewee was asked to describe his/her function within the company, and how it related to the broader company accounting and finance, or marketing and sales function. Within this segment, particular attention was paid to the company's approach to performance measurement, and to the metrics used for this purpose. The second segment involved discussing the nature of the interviewee's involvement with the complementary function, i.e. management accounting with marketing management, and vice versa. This was followed by a segment during which experience of, and thoughts about specific marketing oriented management accounting techniques were explored in some detail. These ranged from rudimentary budgetary control practices, through developments such as customer profitability analysis and benchmarking, to those more closely associated with SMA itself. The final segment of interviews usually focused on questions about projected developments involving cooperation between the management accounting and marketing management functions. It also provided the opportunity for interviewees to highlight issues that had not been covered during the interview. The interviews were carried out during 1998 and 1999, each normally lasting for between 60 and 90 minutes, with all subjects agreeing to recording the discussions, most of which were professionally transcribed (further details are can be found in Roslender and Hart, 2002b).

6. Findings

The analysis of the interview materials collected within the 10 companies in our sample reveals that a broad range of practices is presently being pursued at the interface between the management accounting and marketing management functions. It is possible to understand these practices as forming a continuum of relationships between the two functions, relationships that manifest themselves as patterns of cooperation. We identify three relationships: those of a *traditional* nature, a *transitional* nature and a *synergistic* nature.

In the case of a *traditional* relationship, the pattern of cooperation between the two functions is based on a relatively narrow range of practices. From a management accounting perspective this entails the pursuit of the controllership function, with the installation of the most rudimentary forms of financial management within the business by means of some form of budgetary control system. For their part, marketing managers are receptive to the necessity of embracing such controls on their activities in the best interests of the business, and in turn to engage in a measure of responsibility accounting. Such relationships can be considered as being largely one-dimensional since they involve only limited management accounting content. This content is also long-established and widely practised, and can reasonably be considered as constituting management accounting's minimum contribution to the business. It is necessary, however, not to understate the importance of such practices. Although they may represent a much reduced variant of accounting for management, they have (traditionally) provided significant credibility for the management accounting function.

Transitional relationships between management accountants and their marketing management colleagues are based on the existence and success of traditional patterns of cooperation. Having identified the positive consequences of embracing budgetary control and responsibility accounting practices, the two functions now move on to jointly explore a wider range of management accounting practices. Of particular significance in the context of the current research project are those practices that might be identified as constituting parts of the "new" management accounting. These range from activity-based costing, and in particular its sales and marketing derivatives, customer profitability analysis and direct product profitability, through such activities as benchmarking and scorecarding, to the strongly marketing-oriented SMA practices identified at the beginning of the paper, including attribute costing, strategic cost analysis and target costing. The objective of such joint collaborations is to determine how the rapidly expanding stock of management accounting techniques can be harnessed by the business in the quest for competitive advantage. Similar initiatives might also be pursued in association with the other management functions.

Synergistic relations and cooperation lie at the opposite end of the continuum from traditional relationships, and as the term itself implies, a transitional relationship can be viewed as a stage in the process of a business becoming more synergistic in emphasis. Synergistic relationships, however, are fundamentally different from the traditional and transitional forms. Critically they involve functions cooperating in ways that require their practitioners to abandon their former function or discipline-based practices in favour of greater interfunctional co-ordination. In the case of traditional relationships, management accounting can be viewed as imposing its disciplines on marketing, while in transitional relationships a more equal and constructive joint exploration of the potentialities of management accounting practice is evident. Synergistic relationships, however, do not entail marketing management taking over management accounting's former dominance. Instead, both functions secure in their experiences of budgetary control and responsibility accounting, and using a wider range of management accounting practices, embrace a joint agenda designed to construct a fully interdisciplinary form of marketing accounting, one that might be identified as *strategic marketing management accounting*. It is no longer simply a matter of exploring what management accounting has to offer marketing management, as in transitional patterns of cooperation. Instead, management accountants are now called upon to investigate what marketing management has to offer, or more provocatively, the challenges entailed in the pursuit of greater levels of marketing accountability (Shaw and Mazur, 1997; Ambler and Kokkinaki, 1997, 1998; Clark, 1999; Shaw and White, 1999; Shaw, 2001). Disciplinary or functional pre-eminence is rejected in the interfunctional or interdisciplinary pursuit of accounting and marketing for strategic management.

Businesses exhibiting synergistic relations will normally have evolved those forms of cooperation after having passed through the two previous stages. An alternative way of conceptualising this process is to view it as one of consolidation, with the successive stages enriching the existing pattern of cooperation within a company (see Fig. 1). In this way a business exhibiting synergistic relations will usually continue to practice budgetary control and responsibility accounting, and subsequently have incorporated elements of the "new" management accounting into its procedures. The continuum of relationships might be represented as a wedge shape rather than a simple line or bar format. As a business moves along the continuum, its stock of cooperative practices increases in scale, complexity and potency. As a consequence, it will not be possible to move from one extreme to the other, in either direction, overnight. While individuals who have previous experience of synergistic relations might be appointed to senior positions in more traditional companies, it will take significant time and endeavour for them to move the business along the continuum. Equally, there is likely to be considerable resistance to those who set out to move a business backwards, once more progressive modes of cooperation have been experienced by organisational participants.

Employing the above framework, we now report some of the principal findings of our fieldwork.

6.1. The traditionalists

Two of the companies provided evidence of a predominantly traditional relationship between their management accounting and marketing management functions. The close identification between management accounting and the operation of a budgetary control system is evident in the following observation:

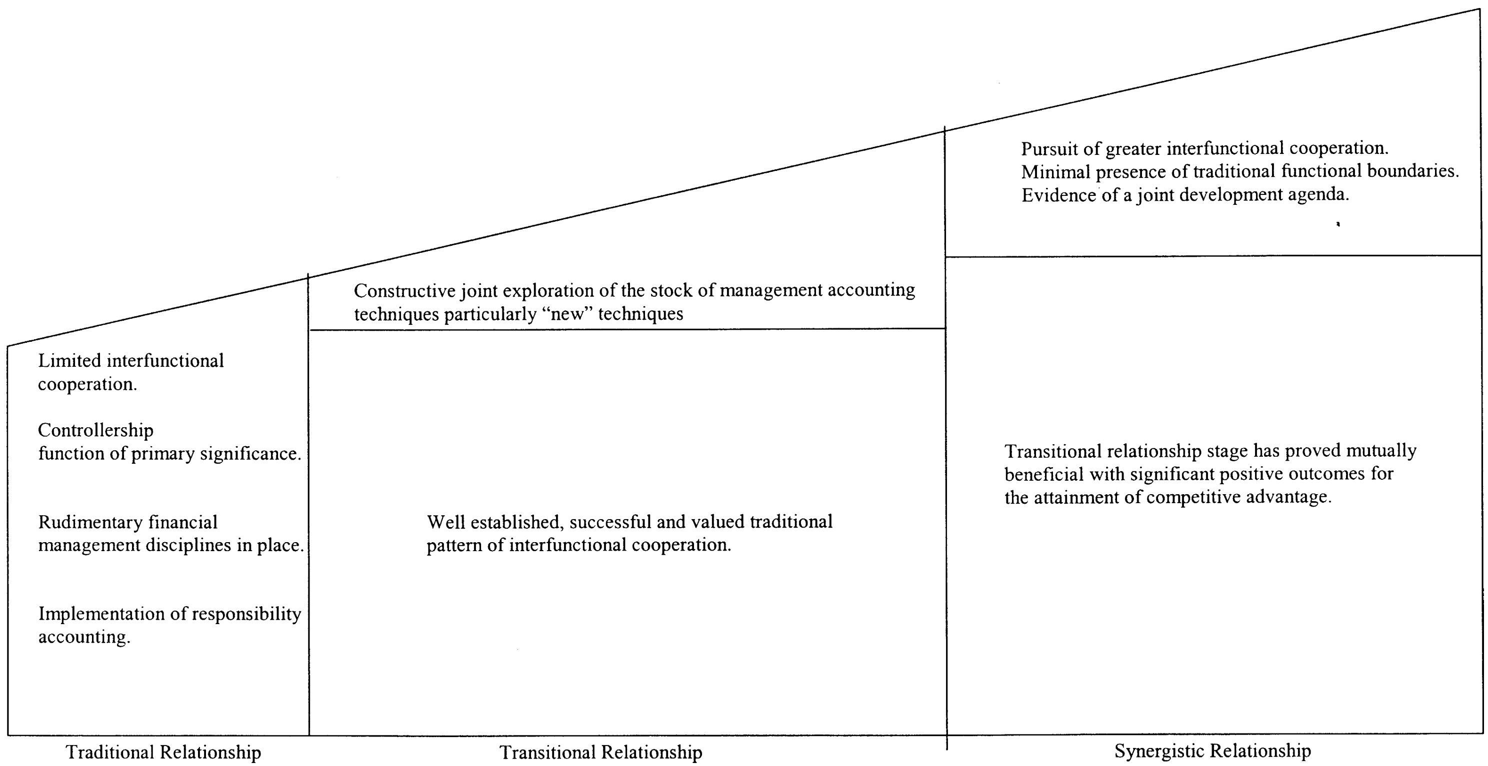

Fig. 1. A typology of relationships between management accounting and marketing management functions.

> Basically the management accounting function is the accounting procedure or accounting system that applies to every month's results where we ascertain the company's performance in various aspects, but basically how we do in profitability terms each month. The management accounting function is driven by standard management accounting principles. Everything is compared to budget, or to forecast . . . This applies right throughout the business whether it be marketing or sales. [Deputy Finance Director, Company C]

A colleague from the marketing function commented favourably on his own experience of management accounting:

> There are probably three areas. One is setting budgets for the next financial year, how much you have got to spend. The next one is seeing how we have spent against those budgets on a regular basis, quarterly. The other one is also from time to time saying we need a little bit more or a little bit less to spend on our activities. [Marketing Manager, Company C]

In the second company, relations between the two functions appeared less harmonious. Responsibility for the marketing function currently resided with the managing director who took the view that:

> Accountants are very good at being wise historically. They are historians. I have found very few accountants who are visionary and who are forward looking because it is not the way they are trained. They are trained to tell you what you did in the past. Okay you talk about budgets and we take the budgeting process very seriously but of course all the analysing is effectively what the sales department said they were going to do and you break it down all the way through. Now if the top line is wrong all the rest of it is wrong. So a machine can do that. [Managing Director, Company A]

What he required from his management accounting team was a reliable costing system, one capable of producing the information necessary to offer accurate quotations in a highly competitive marketplace. The on-going attempt to introduce this as part of an enterprise resource planning (ERP) system was not going well at the time of the interviews, the Finance Director being skeptical about whether this was what was needed:

> Where you are going to make money in this industry is by yield and productivity. If we can move our yield 1% we will add half a million pounds to our bottom line. Yield and productivity is what drives this business. [Finance Director, Company A]

A similar outlook was evident when articulating his personal financial philosophy:

> I must admit I come from a "cash is king" school. I tend to monitor cash firstly because I think anyone can make a P&L account look attractive, a balance sheet look reasonably sensible for a time. But a cash flow tends to tell the whole story relatively quickly. I've always been a firm believer in monitoring your cash daily in as much detail as resources permit. [Finance Director, Company A]

Less than a year after visiting this company, and following a trading loss in the period to August 1998, trading in its shares was suspended, pending finalisation of a takeover bid.

6.2. The transitionalists

The largest sub group in the sample can be identified as transitionalists, their management accountants and marketing managers actively investigating the benefits of adopting a range of recent management accounting developments. Customer profitability analysis was seen as holding out considerable promise in a number of companies:

> [The parent company] are very, very worried at the centre at the moment because of the nature of the industry in Europe where most of its companies are. We are engaged in an exercise to try to analyse the activity base. First we are doing it by customer. We know the product take by customer, so we are in the process of putting filters in with people to see what we are doing special with them. It is very, very interesting because some of the gross margins we have got are disappearing when you go to the bottom line. So you can find you are losing money with these customers. [Management Accountant, Company B]

> For the first time we are trying to look at the profitability of our various customers, but again it's not foolproof. There's a long way to go but we actually believe that this is the way we have to go. We have got to understand our customers and whether they are really profitable. [Sales and Marketing Director, Company H]

A third company was currently thinking about how to determine customer profitabilities across two of its sales channels:

> Ultimately we would want to do it down to channel services, the way we sell to IFAs [independent financial advisers], as well as direct customers. The ultimate customer is an individual or a company. We sell 85 to 90% of the business through IFAs at the moment. So we want to understand the profitability of that. [Financial Controller (Marketing), Company I]

One of the synergistic companies was also experimenting with a more on-line form of customer profitability analysis, having first embraced the concept in the late 1980s:

> Customer profitability, don't get me wrong, was a useful tool but the underlying data systems meant it was always historic. It was a month after the event and what does that tell you? We have now structured our underlying information system to be able to give us that information on a regular basis. The period will close and a day later we have effectively got a statement of customer profitability which allows us to start to take decisions. As I say, traditionally customer profitability analysis tended to be historic and only really confirmed what you gut felt. [Finance Manager (Sales), Company F]

Direct product profitability, often portrayed as the complement to customer profitability analysis, was discussed in two interviews. In the case of Company C, previously characterised as evidencing traditional relationships, it was regarded as being firmly a part of the buying and merchandising function, rather than management accounting. In the case of Company J, its marketing origins were warmly acknowledged.

Only one of the respondents in the transitionalist companies identified activity-based costing as a current area of interest. A management accountant at the floor coverings company indicated that the parent company had recently become aware of activity-based costing, and was in the process of encouraging group companies to consider its merits. The benefits of adopting a broadly-based, activity-based management philosophy were well understood in the case of the financial services company. The marketing communications manager initially identified the initiative:

> You may or may not be aware we went through what is referred to as a "change programme" in 1995 and 1996, with the objective of taking about 30% out of our fixed costs. That was really the point at which our finance function asserted control over the company's costs. I think activity-based management was

> first applied in the run up to that programme. The thing about the change programme was that it wasn't simply about cutting costs. It was about re-engineering. I mean anyone in the organisation could take a slice out of costs, but to do it and then look at growth, because that was what we were trying to do, you have to look at your processes, you have to look at what you are doing and that is definitely the way it was driven here. [Marketing Communications Manager, Company I]

His management accounting colleague subsequently described the first phase of the programme in the following terms:

> The first time we did it, we were looking for excess activities like getting things checked three times. We mapped all the activities then tried to cut them back using ABM to work out the costing side of it. [Financial Controller (Marketing), Company I]

Phase two of the project focused on the company's products:

> Defining our product is actually a challenge to us. First there is the actuarial side of things and you have to tie that up to enable you to do some comparisons ... We have been able to get some quite good information and reasonable understanding of how we assign activities to products as well where it wasn't apparently obvious. [Financial Controller (Marketing), Company I]

On the basis of these exercises, the company was about to pursue the customer profitability study mentioned earlier.

Three of the companies were engaged in benchmarking activities. In one case these entailed comparing such things as pay rates and staffing levels. In a second company, the initiative reflected the parent company's on-going programme of sharing information between constituent business units. A third company had taken advantage of the concentration of similar businesses in the same geographical area to institute a set of cooperative benchmarking activities, an initiative that also involved contributions from external consultants, particularly their industry databases. This company also practised a measure of competitor data analysis, an activity for which the marketing department was primarily responsible:

> We look at what our competitors prices are, that is done in marketing, on the market research side. They consider them and then compare that against what we do. There is actually a system, I think it's the A-cost system. We can get access to competitors' prices on the computer, and from that they can pull up the same products through different competitors and see what the different terms are. [Financial Controller (Marketing), Company I]

A novel perspective on gaining insights on competitors' costs was offered by a long time employee of a leading accountancy firm:

> I suspect that a lot of people move between the Big 5 [at all levels]. They will bring with them their knowledge of what practices are elsewhere. Obviously they are going to bring paperwork and manuals with them, but if you go somewhere else you will start doing things the way you're used to. I think we have to accept that they will take this sort of thing with them but it's also a situation of swings and roundabouts with people moving in different directions. [Senior Manager, Company G]

The difficulties that adopting a competitor cost perspective poses for many trained in accounting were outlined by a senior finance manager:

> It is quite a challenging exercise for everyone in the business but particularly for accountants, most of whom come from a background of having much more complete information and the ability to complete

exercises rather than to get 80% through and say that is absolutely acceptable for the purposes of the exercise we are approaching at the time. [Head of Finance, Company J]

In his company, however, such difficulties were now being confronted, with a range of management functions, including finance and marketing, exploring the contribution that the balanced scorecard concept might offer to performance measurement and business reporting.

The exploration of the stock of new management accounting techniques did not extend to the constituents of SMA such as attribute costing, life-cycle costing and strategic cost analysis, however. Despite direct questioning about such techniques, there was only a single reference to a variant of target costing. This was practised in a pharmaceuticals company where the price of products is dictated by governments, with the result that intending providers are challenged to manage their research and development activities in a cost effective way. Consequently, irrespective of its considerable theoretical and conceptual merits, SMA as it evolved in the late 1980s and early 1990s appears to have failed to capture the attention of this sample of management accountants and their marketing management counterparts. For this reason, we concur with the finding of Guilding et al. (2000) that the term SMA presently has limited meaning for practitioners.

6.3. *The synergists*

The remaining three companies in the sample were identified as exhibiting synergistic relations between their management accounting and marketing management functions. They provided extensive evidence of a high degree of interfunctional co-ordination, with well-founded patterns of cooperation that transcended traditional functional boundaries. All three had long established budgetary control and responsibility accounting systems in place, and had successfully incorporated elements of the new management accounting into their joint activities. In common with the transitionalist companies, however, there appeared to be little evidence that SMA practices played a major role in their operations. Instead, it was quickly apparent that a shared commitment to the value-based management (VBM) philosophy developed by the management consultants Marakon Associates (McTaggart et al., 1994) played a key role in promoting the interfunctional co-ordination evident here.

The central concept within VBM is economic profit, a variant of the longer established performance measure known as residual income. The economic profit concept is similar to the economic value added (EVA) concept developed in parallel by the Stern Stewart consulting organisation (Stewart, 1994; Stern et al., 1995). The link between economic profit, EVA and residual income has resulted in such ideas being viewed as part of the development of the new management accounting (Kaplan and Atkinson, 1998; Horngren et al., 1999; Drury, 2000). Equally, however, they evidence a strong finance underpinning through their association with the singular pursuit of increased shareholder value (O'Hanlon and Peasnell, 1998; Mouritsen, 1998).

As a managerial philosophy, VBM is inculcated, reinforced and reproduced throughout an organisation, initially from the top downwards. The principal objective is to encourage all staff to think in terms of economic profit, irrespective of whether they are engaged in management accounting, marketing management, human resource management, new product development, etc. VBM, like alternative managerial philosophies such as total quality management, activity-based management or target cost management, is by definition an inclusive philosophy. This inclusivity, and its implications for relations between management accounting and marketing management, was identified by a senior accountant in one of the synergistic companies:

> Members of the marketing team have been working closely with Marakon. It has not been a finance initiative. Four or five very senior people have been working alongside Marakon, one from finance, one from marketing and sales. Much of the work that has come out of Marakon has been to the marketing director's benefit. It has very much driven the marketing strategy that they are taking forward into next year. [Finance Manager (Marketing), Company F]

The general applicability of VBM was outlined by the Head of Finance in a second company with a longer experience of the philosophy:

> It provides a framework for evaluation that can be applied on many levels. At the strategic level it is fairly clear what you do because you establish a range of alternatives, and then pursue the most value maximising one. We are applying value-based management on what you regard the tactical level as well. So we are assessing range extensions, using some of the feeds from DPP to undertake cash flow projections, saying well is a range extension more value maximising or adding more value than running on with the existing range . . . If we are looking at some operational initiative, then again we would go back to the principle of value-based management, to look for the cash flows that arise from alternatives and identify the one which maximises value. [Head of Finance, Company J]

There was some skepticism, however, about VBM's operational relevance and its day-to-day applicability:

> I have to say though that I am very, very cynical about economic profit because it is a buzz word and I have every brand manager in the sun saying that I have to have an economic profit of x pounds. That has really lost the plot for me because economic profit is not an ongoing day to day management tool. It is a strategic direction. [Finance Manager (Sales), Company F]

One such brand manager was highly positive about the VBM initiative, something that was particularly evident in her response to a question about VBM promoting better interaction with the accounting function:

> It will be coming through on the value-based management side of things definitely. I mean that is something that is here to stay and there is less about trying to think of everything you can wrap in chocolate and put out in the market place, and more about concentrating on brands that we know are important to the business, make us money and we should try to sell more of those brands. [Brand Manager, Company F]

On the basis of these and many similar endorsements, it would seem that regardless of its 'technical' limitations (Mouritsen, 1998; Brewer et al., 1999; O'Hanlon and Peasnell, 2000), the generic VBM approach holds out considerable promise in promoting cooperation and co-ordination among the different management functions within a business. Consequently, it might also be regarded as providing an enabling context for the future development of SMA practices.

More detailed analysis of the interview transcripts for the three synegistic companies revealed a further significant commonality among them. While respondents from some of the transitionalist companies used the term *brand* during our discussions, it became very apparent that brands and successful brand management were of crucial importance in all three synergistic companies. This was clearly evident in the interview with a senior accountant in a pharmaceuticals company. He described the general structure of the company by making reference to a series of well-known branded products, before identifying the link between the overall strategy of the business and the success of its brands:

> We want to grow our brands. Whether this is fairly standard marketing stuff I'm not sure, but as a manufacturer of branded products we have obviously got to launch innovative products and market them, get them big enough, and manage the tail of the ones where the generics start to eat away at us. If we don't launch innovative products we'll die. [Finance Manager, Company E]

A senior marketing manager identified growing the business with growing the brand, principally because in his view, the company's name and the associations customers make with it, are its greatest assets:

> We are going through the process of defining what we believe our brand values are. What does the customer perceive, and what do we want them to perceive about the J brand. We've identified a series of words, so if I tell you that probably three or four positives peoples have are: we are a trusted brand; we are friendly and approachable; and most people see us as good quality. Those sort of words, quite middle of the road, is the way we are perceived. How would we like to be perceived? I would assign other words like: modern; inventive; expert. Those are the things we are working at. [Head of Marketing, Company J]

The centrality of brands for his company was reinforced by a sales accountant who began to outline his responsibilities as follows:

> For a company like [Company F], the brands Booker, Belmont, Sainsbury, are as big as the brand F. So we have to not only market for the shopper, the consumer or whatever you want to call them. In order to get these goods to the market you have to go through the major grocers who will now account for 40% of [company] throughput. [Finance Manager (Sales), Company F]

A brand manager colleague reinforced the strategic significance of particular brands, contrasting this with their financial health:

> There are those brands that are strategically important in the business, F being one of them. That's the flagship brand of the business. Although it is not as profitable as [brands] A or B it will always get more spend. T is another brand that is strategically important, it leads the sector and [again] is very much the flagship in [this sector]. [Brand Manager, Company F]

Given their coincidence in the case of the three synergistic companies in this study, it is tempting to link the shared focus on brands with Marakon's VBM philosophy. Such an association was made by two interviewees at Company F:

> Marakon have done a lot of work exploding all our brands. Where we were just looking for the contribution of each brand, they have been looking at the overhead levels associated with them, the capital involved and the capital charges. They have produced charts that show the relative economic profit of each brand. Now we can cut it by brand, as well as by customer, by distribution channel or whatever. [Finance Manager (Marketing), Company F]

> It is done by brand, and by the sectors that the brands work in. We split it into children and adults, and into treat and snacking. So A would be a treat brand, S a snacking brand, and then it would be split into self purchase and donor purchase. D are donor purchase, B is self purchase. Then those sectors would split down further, so that we can identify the brands that are performing better within the sectors. These are the ones that are now getting the support. [Brand Manager, Company F]

As we observed earlier, what VBM provides is a means of promoting greater interfunctional co-ordination, in the case of this study between management accountants and marketing managers. All are required to become familiar with the measurement metrics associated with the economic profit concept, and to apply these to the benefit of the business. Given the significance that brands have in the case of a growing number of companies, it might be expected that the economic profit concept and its associated metrics would be applied, jointly, to branded products.

7. Discussion

In the early sections of the paper we argued for a specific interpretation of the increasingly popular SMA term. Instead of viewing it as a development intended to interface strategy and management accounting in some way, i.e. making management accounting (more) strategic, SMA was identified as a generic approach to accounting for strategic positioning. This particular conceptualisation views SMA as being characterised by attempts to integrate insights from management accounting and marketing management, and to do so within a strategic management framework, itself viewed as a more inclusive approach to the task of management. The work of Bromwich, and prior to this Simmonds, was argued to exemplify this conceptualisation of SMA, as opposed to a range of alternative contributions to the literature including those of Simons, Shank and Govindarajan, and more recently Kaplan and Norton. Attribute costing, as the most compelling development within the SMA literature, embodies this conceptualisation of SMA, necessitating a high degree of cooperation between management accounting and marketing management practitioners. Target costing and life-cycle costing, together with some variants of strategic cost analysis also qualify as examples of SMA techniques.

SMA was also distinguished from a range of sometimes long standing efforts to integrate insights from the two disciplines, and sometimes referred to as marketing accounting (Ratnatunga, 1988; Wilson, 1981a,b, 1999). The objective of marketing accounting, and the techniques it embraces, is to extend the disciplines of financial management to the sales and marketing function. Contemporary approaches such as customer profitability analysis and direct product profitability can be seen to have similar intentions, irrespective of their 'strategic' cost reduction associations. By contrast, recent developments within the marketing literature, including the market orientation concept (Kohli and Jaworski, 1990; Narver and Slater, 1990), and the emergence of the marketing accountability project (Shaw and Mazur, 1997; Ambler and Kokkinaki, 1997, 1998; Clark, 1999; Shaw and White, 1999; Shaw, 2001), were argued to share similar emphases as the SMA concept, including the necessity for developing a high degree of interfunctional co-ordination. The market orientation concept commends the decentralisation of the marketing function within the business enterprise in an attempt to establish the provision of customer satisfaction as an inclusive process. The marketing accountability project identifies the necessity to employ multiple performance measures, a range of different types of metrics and reporting formats such as the balanced scorecard.

Having identified the parameters of our preferred SMA concept, we went in search of examples of its current implementation in the UK, by means of a field study, the principal findings of which were outlined in the previous sections. In common with Guilding et al. (2000), we concluded that the term SMA presently has a very limited significance for the great majority of practitioners we interviewed. A minority of companies appeared to be firmly wedded to a marketing accounting mode, as set out in Section 3 above, with most encounters between management accountants and marketing managers being heavily routinised, although not without their (mutual) benefits. In the case of the five transitional and three synergistic companies, there was very little evidence to suggest that SMA techniques such as attribute costing, strategic cost analysis or life-cycle costing were being implemented or were widely understood. This would tend to lend support to Lord's (1996) contention that SMA is a figment of the academic imagination, despite the many merits outlined in this paper and elsewhere, and its growing presence in both the research and textbook literatures.

Two things argue against such a negative assessment, however. First, irrespective of the apparent lack of familiarity with the SMA term, or the minimal level of implementation of its constituent techniques, there was a substantial amount of evidence that within the sample, the majority of respondents were positive about the benefits of exploring the potential of greater cooperation at the interface between management accounting and marketing management, itself a critical facilitator of SMA practices. In the five transitionalist companies there were many signs of enthusiasm about several recent developments within management accounting that, although not recognisable as SMA, nevertheless required a departure from a traditional relationship between the two functions. The necessity for management accountants to begin to rethink certain aspects of their own pursuit of financial management was complemented by a growing willingness among their marketing management colleagues to be more open about their own practices, thereby providing the conditions for a spirit of greater cooperation and collaboration to emerge. It is possible to recognise in such moves towards increased cooperation between the two functions, the necessary attitudinal shift that has to occur prior to any detailed exploration of the potential of the various SMA techniques. As the term transitional itself suggests, this is a stage that needs to be passed through on the way to greater interfunctional co-ordination.

Second, although the respondents engaged in synergistic relationships did not provide evidence of either practising or being any more familiar with SMA techniques such as target costing, life-cycle costing, strategic cost analysis and attribute costing, they did exhibit a good deal of enthusiasm for VBM-based measurements of the performance of their respective brands. This should not come as a great surprise, however. Brands have become an increasingly important feature of everyday life during the past 20 years (Kapferer, 1998; Keller, 1998). They exist as an additional feature of the competitive marketplace, a phenomenon about which management accountants might be expected to provide information. This information will be rather different from the provision of brand asset valuations required for financial reporting purposes. At the same time, VBM is founded on close integration between the various management functions, including management accounting and marketing management, something again evident in the previous section. Consequently, it might be possible to see in these and similar attempts to measure such things as brand economic profit, the first examples of an *additional* subset of SMA techniques. These techniques would constitute an exercise in the provision of accounting-based information in the pursuit of strategic brand management, and would complement that already provided by marketing management (Feldwick, 1996). Higher order, fully cross-functional metrics can also be envisaged, with the term *brand management accounting* being appropriate to identify this new departure in the portfolio of SMA techniques (see Roslender and Hart, 2002b, 2003 for further details).

To conclude the paper, a number of future research enquiries can be identified. First, there is a very strong case for replicating the study. The limited familiarity with and implementation of SMA techniques encountered within this sample of companies is at odds with their significance for researchers, and came as some surprise to us. Since the study was begun, however, the term SMA has become more visible in both the research and textbook literatures, and to a lesser extent in the practitioner literature.[2] Although SMA

[2] This observation does not extend to the US literature, however. Here the term 'strategic management accounting' has never been widely used, although a number of its constituent techniques are represented as being well-established. It is also interesting to observe that whereas the European editions of Horngren et al., and more recently Garrison and Noreen have included chapters on strategic management accounting, these chapters remain absent from the corresponding US volumes.

is by no means as familiar to management accountants as activity-based costing, the balanced scorecard or benchmarking, it can no longer be regarded as an esoteric notion. As it is not possible to go back and recreate the environment in which the present study was carried out, the question therefore arises as to whether the passage of time has resulted in greater levels of familiarity with and implementation of the various SMA techniques? In order to pursue such enquiries, a similar research design would seem to be appropriate. Although not quite as exploratory as the present study, the various lines of enquiry to be pursued form part of a complex whole, and do not lend themselves to the formulation of the relatively simple questions required in survey instruments. This said, there is an equally strong case for increasing the sample size in any such replicatory studies, both in terms of companies and respondents.

A second element of a future research agenda might be to determine whether brand management accounting itself is anything more than a figment of the academic imagination? On the evidence of the present study, some companies are beginning to consider how they might 'account' for brands, and in ways that are distinct from the sort of brand valuation exercises that aroused interest in the late 1980s and early 1990s (Barwise et al., 1989; Guilding and Moorhouse, 1992). Marketing managers have also been active in developing their own brand performance measurement metrics, as a contribution to increasing marketing accountability. There is now a case for carrying out studies of companies with portfolios of successful brands, in order to document the progress actually made by their management accountants and marketing managers, working both independently and cooperatively, in developing what might be regarded as brand management accounting. In contrast to replicatory studies, the research design for any brand management accounting studies should be that of a small number of detailed, longitudinal case studies, which might also incorporate opportunities for a degree of consultancy. An additional attraction of such 'depth' enquiries is that they could also provide insights on *further* forms of cooperation between the management accounting and marketing management functions, and on the fuller potentialities of the generic SMA perspective.

The coincidence of a strong interest in brands and experience of the VBM philosophy of Marakon Associates among the three synergistic companies in the sample is the basis for further research. Initially there is the question of whether this simply is a coincidence, or whether it is a more general feature of the Marakon experience? Many of the respondents in the three synergistic companies suggested that one of the central attributes of Marakon's VBM philosophy was that it required the various management functions to move away from their exclusive or silo approaches to managing the organisation in favour of a more inclusive perspective. As we observed in discussing our interview materials, this could result in the creation of the sort of enabling environment that would encourage increased cooperation between groups such as management accountants and marketing managers and, in turn, an interest in SMA-type practices.

The question remains, however, why has an interest in brand economic profit evolved, rather than in the other SMA techniques, e.g. target costing, strategic cost analysis or attribute costing? One way of investigating this issue is to carry out a more focused field study of SMA practices in VBM companies. The sample should include companies that are not as brand-oriented as the three synergistic companies in the present study. In addition, the sample should include companies with a commitment to alternative VBM approaches, including the EVA approach normally associated with Stern Stewart & Co., 'shareholder value added' and 'cash flow return on investment' approaches (Cooper et al., 2000). Research enquiries of this sort may also have the further benefit of generating insights that will allow the VBM philosophy to be represented in a more holistic way, and thereby as being comparable with a range of contemporary developments including activity-based management, target cost management and intellectual capital management.

Finally, the typology of relationships between the management accounting and marketing management functions developed during the present study should also be subjected to scrutiny. The three relationships, and the patterns of cooperation that characterise them, are largely uncontentious in themselves. In identifying these three relationships we initially sought to be descriptive. In the case of a traditional relationship we had in mind the situation of management accountants being principally interested in imposing their financial management disciplines on their colleagues elsewhere in the organisation, inter alia those involved in marketing management. By contrast, a synergistic relationship involves a high degree of interfunctional cooperation and co-ordination. The exclusivity that characterises traditional organisational arrangements is now replaced by a more organic form of inclusivity, and one consistent with the precepts of strategic management. Synergistic relationships require functions such as management accounting and marketing management to have largely (if not fully) abandoned their more traditional patterns of (limited) cooperation. Transitional relationships are those that characterise the patterns of cooperation that would evolve as two functions such as management accounting and marketing management became involved in the process of creating synergistic relationships.

It is the idea of a continuum of relationships and, in turn, the process of moving along this continuum that adds a normative dimension to this typology of relationships. While from the perspective of management accountancy, a willingness to abandon traditional financial management disciplines may be viewed negatively, in our view, management accountancy has much to gain from taking this step, and to be prepared to work together with other management functions, again including marketing management. We took the view that working towards a synergistic relationship with marketing management practitioners promised many benefits for management accountants, principally because of the resultant external focus on the marketplace, and thereby on both customers and competitors, together with products and their various attributes. This view extends to a much wider range of possible interfunctional alliances, however, and consequently SMA, in whatever guise, is neither the only nor indeed the most attractive outcome possible.

The typology of relationships itself therefore becomes a legitimate subject to research. Studies might be carried out to determine whether it is possible to identify a general process of management accountants becoming willing to abandon financial management, and to engage in joint explorations of the broader prospectus of new management accounting techniques with their managerial colleagues? Does this normally result in the emergence of the sort of synergistic relationships that have been used to understand the findings of the present study? What do management accountants and their various collaborators find particularly valuable about this process, i.e. why would they commend it to others? And where synergistic relationships can be identified, what is their nature and how do they manifest themselves?

Acknowledgements

The authors wish to acknowledge the many helpful comments they received on previous versions of this paper from participants at the British Accounting Association Annual Conference, held at the East Midlands Conference Centre in March 2001, the Scottish Conference, held at the University of Stirling in September 2001, and from Falconer Mitchell, Joanna Stevenson, Dick Wilson, Bob Scapens and two anonymous referees of this journal. They are also greatly appreciative of the financial support provided by the Research Foundation of the Chartered Institute of Management Accountants for the work reported here.

References

Ambler, T., Kokkinaki, F., 1997. Measures of marketing success. J. Market. Manage. 13 (7), 665–678.

Ambler, T., Kokkinaki, F., 1998. Marketing performance measurement: which way is up? In: Neely, A.D., Waggoner, D.B. (Eds.), Performance Measurement—Theory and Practice, vol. I. Centre for Business Performance, Cambridge.

Anandarajan, A., Christopher, M.G., 1987. A mission approach to customer profitablity analysis. Int. J. Phys. Distrib. Mater. Manage. 17 (7), 55–68.

Armstrong, P., 1985. Competition between the organizational professions and the evolution of management control strategies. Account. Organ. Soc. 10 (2), 129–148.

Armstrong, P., 1986. Management control strategies and interprofessional conflict: the case of accountancy and personnel management. In: Knights, D., Willmott, H.C. (Eds.), Managing the Labour Process. Gower, London.

Armstrong, P., 1987. The rise of accounting controls in British capitalist enterprises. Account. Organ. Soc. 12 (5), 415–436.

Avlonitis, G.J., Gounaris, S.P., 1997. Marketing orientation and company performance: industrial versus consumer goods companies. Ind. Market. Manage. 26 (5), 385–402.

Barwise, P., Higson, C., Likierman, A., Marsh, P., 1989. Accounting for Brands. London Business School and the Institute of Chartered Accountants in England and Wales.

Baumol, W.J., 1982. Contestable markets: an uprising in the theory of industry structures. Am. Econ. Rev. 72 (1), 1–15.

Baumol, W.J., Panzar, J.C., Willig, R.D., 1988. Contestable Markets and the Theory of Industry Structures, revised edition. Harcourt, Brace and Jovanovich, San Diego, CA.

Bellis-Jones, R., 1989. Customer profitability analysis. Manage. Account. (UK) 67 (2), 26–28.

Bennet, R.C., Cooper, R.G., 1981. The misuse of marketing: an American tragedy. Business Horizons 24 (May–June), 51–61.

Bhimani, A., Keshtvarz, M.A., 1999. British management accountants: strategically oriented. J. Cost Manage. Spring, 25–31.

Brewer, P.C., Chandra, G., Hock, C.A., 1999. Economic value added (EVA): its uses and limitations. SAM Adv. Manage. J. 64 (2), 4–12.

Bromwich, M., 1988. Managerial accounting definition and scope—from a managerial view. Manage. Account. (UK) 66 (8), 26–27.

Bromwich, M., 1990. The case for strategic management accounting: the role of accounting information for strategy in competitive markets. Account. Organ. Soc. 15 (1), 27–46.

Bromwich, M., 1991. Accounting for strategic excellence. Working paper, Department of Accounting and Finance, London School of Economics and Political Science.

Bromwich, M., 1992. Strategic management accounting. In: Drury, C. (Ed.), Management Accounting Handbook. Butterworth-Heinemann, London.

Bromwich, M., 1996. Strategic management accounting. In: Drury, C. (Ed.), Management Accounting Handbook. Butterworth-Heinemann, Oxford.

Bromwich, M., 2000. Thoughts on management accounting and strategy. Pacific Account. Rev. 11 (2), 41–48.

Bromwich, M., Bhimani, A., 1989. Management Accounting: Evolution not Revolution. CIMA Publications, London.

Bromwich, M., Bhimani, A., 1994. Management Accounting: Pathways to Progress. CIMA Publications, London.

Clark, B.H., 1999. Marketing performance measures: history and interrelationships. J. Market. Manage. 15 (8), 711–732.

Cooper, R., 1996. Costing techniques to support corporate strategy. Manage. Account. Res. 7 (2), 219–246.

Cooper, R., Kaplan, R.S., 1991. Profit priorities from activity-based costing. Harvard Business Rev. 69 (3), 130–135.

Cooper, S., Crowther, D., Davis, T., Davies, M., 2000. Return on investment: value-based management. Manage. Account. (UK) 78 (6), 38–39.

Coopers and Lybrand, 1994. Marketing at the Crossroads. Coopers and Lybrand, London.

Coulthurst, N., 1992. Accounting in retail organisations. In: Drury, C. (Ed.), Management Accounting Handbook. Butterworth-Heinemann, London.

Day, G.S., Wensley, R., 1983. Marketing theory with a strategic orientation. J. Market. 47 (October), 79–89.

Day, G.S., Wensley, R., 1988. Assessing advantage: a framework for diagnosing competitive superiority. J. Market. 52 (April), 1–20.

Dent, J.F., 1996. Global competition: challenges for management accounting and control. Manage. Account. Res. 7 (2), 247–269.

Dew, M.K., Salmon, W.J., 1990. Direct product profitability at Hannaford Bros. Co. Harvard Business School case.

Diamantopoulos, A., Hart, S.J., 1993. Linking market orientation and company performance: preliminary evidence on Kohli and Jaworski's framework. J. Strategic Market. 1 (1), 93–121.

Drucker, P., 1954. The Practice of Management. Harper & Row, New York.
Drury, C., 2000. Management and Cost Accounting, 5th ed. Thomson Learning Business Press, London.
Feldwick, P., 1996. What is brand equity anyway, and how do you measure it? J. Market Res. Soc. 38 (2), 85–104.
Foster, G., Gupta, M., 1994. Marketing, cost management and management accounting. J. Manage. Account. Res. 6, 43–77.
Greenley, G.E., 1995. Forms of market orientation in UK companies. J. Manage. Stud. 32 (1), 47–66.
Guilding, C., 1999. Competitor-focused accounting: an exploratory note. Account. Organ. Soc. 24 (7), 583–595.
Guilding, C., Moorhouse, M., 1992. The case for brand value budgeting. In: Drury, C. (Ed.), Management Accounting Handbook. Butterworth-Heinemann, London.
Guilding, C., Cravens, K.S., Tayles, M., 2000. An international comparison of strategic management accounting practices. Manage. Account. Res. 11 (1), 113–135.
Han, J.K., Kim, N., Srivastava, R.K., 1998. Marketing orientation and organisational performance: is innovation a missing link? J. Market. 62 (October), 30–45.
Harris, L.C., 2001. Market orientation and performance: objective and empirical evidence from UK companies. J. Manage. Stud. 38 (1), 17–43.
Harrison, G.L., 1982. The accountant's role in marketing: a bibliographic study and analysis of its origins and development. In: Wilson, R.M.S. (Ed.), Financial Dimensions of Marketing: A Source Book, vol. I. Macmillan in association with the Institute of Cost and Management Accountants, London.
Hart, S.J., Diamantopoulos, A., 1994. Marketing research activity and competitive performance. In: Saunders, J. (Ed.), The Marketing Initiative. Prentice-Hall, London.
Hayes, R.H., Abernathy, W.J., 1980. Managing our way to economic decline. Harvard Business Rev. 58 (4), 67–77.
Hiromoto, T., 1988. Another hidden edge—Japanese management accounting. Harvard Business Rev. 66 (4), 22–26.
Horngren, C.T., Bhimani, A., Foster, G., Datar, S.M., 1999. Management and Cost Accounting. Prentice-Hall, London.
Horngren, C.T., Bhimani, A., Datar, S.M., Foster, G., 2002. Management and Cost Accounting, 2nd ed. Financial Times/Prentice-Hall, London.
Howell, R.A., Soucy, S.R., 1990. Customer profitability: as critical as product profitability. Manage. Account. (US) 72 (4), 43–47.
Jaworski, B.J., Kohli, A.K., 1993. Market orientation: antecedents and consequences. J. Market. 57 (July), 53–70.
Kapferer, J.-N., 1998. Strategic Brand Management: Creating and Sustaining Brand Equity Long Term. Kogan Page Limited, London.
Kaplan, R.S., 1986. The role of empirical research in management accounting. Account. Organ. Soc. 11 (4/5), 429–452.
Kaplan, R.S., Atkinson, A.A., 1998. Advanced Management Accounting, 3rd ed. Prentice-Hall, Upper Saddle River, NJ.
Kaplan, R.S., Norton, D.P., 1996. The Balanced Scorecard: Translating Strategy into Action. Harvard Business School Press, Boston, MA.
Kaplan, R.S., Norton, D.P., 2001. The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment. Harvard Business School Press, Boston, MA.
Keller, K.L., 1998. Strategic Brand Management: Building, Measuring and Managing Brand Equity. Prentice-Hall, Upper Saddle River, NJ.
Kohli, A.K., Jaworski, B.J., 1990. Market orientation: the construct, research propositions and managerial implications. J. Market. 54 (April), 1–18.
Kohli, A.K., Jaworski, B.J., Kumar, A., 1993. MARKOR: a measure of market orientation. J. Market. Res. 30 (4), 467–477.
KPMG, 1996. Competitiveness White Paper: A Study on Outward Investment. Final Report. HMSO, London.
Lancaster, K.J., 1966. A new approach to consumer theory. J. Pol. Econ. 74 (2), 132–157.
Lancaster, K.J., 1979. Variety, Equity and Efficiency: Product Variety in an Industrial Society. Columbia University Press, New York.
Liu, H., 1995. Market orientation and firm size: an empirical examination. Eur. J. Market. 29 (1), 57–71.
Lord, B.R., 1996. Strategic management accounting: the emperor's new clothes? Manage. Account. Res. 7 (3), 347–366.
McKinsey and Co., 1994. Marketing Metamorphosis. McKinsey and Co., New York.
McTaggart, J.M., Kontes, P.W., Mankins, M.C., 1994. The Value Imperative: Managing for Superior Shareholder Returns. Free Press, New York.
Monden, Y., Sakurai, M. (Eds.), 1989. Japanese Management Accounting: A World Class Approach to Profit Management. Productivity Press, Cambridge, MA.

Mouritsen, J., 1998. Driving growth: economic value added versus intellectual capital. Manage. Account. Res. 9 (4), 461–482.

Narver, J.C., Slater, S.F., 1990. The effect of a market orientation on business profitability. J. Market. 54 (October), 20–35.

O'Hanlon, J., Peasnell, K., 1998. Wall Street's contribution to management accounting: the Stern Stewart EVA financial management system. Manage. Account. Res. 9 (4), 421–444.

O'Hanlon, J., Peasnell, K., 2000. Residual income and value creation: the missing link. Mimeo, University of Lancaster.

Ohmae, K., 1982. The Mind of the Strategist. McGraw-Hill, New York.

Pinnock, A., 1989. Direct product profitability. Manage. Account. (UK) 67 (9), 18–19.

Porter, M., 1980. Competitive Strategy: Techniques for Analysing Industries and Competitors. Free Press, New York.

Porter, M., 1985. Competitive Advantage: Creating and Sustaining Superior Performance. Free Press, New York.

Ratnatunga, J., 1988. Accounting for Competitive Marketing. CIMA Publications, London.

Rickwood, C.P., Coates, J.B., Stacey, R.J., 1990. Stapylton: strategic management accounting to gain competitive advantage. Manage. Account. Res. 1 (1), 37–49.

Roslender, R., 1995. Accounting for strategic positioning: responding to the crisis in management accounting. Br. J. Manage. 6 (1), 45–57.

Roslender, R., Hart, S.J., 2002a. Integrating management accounting and marketing in the pursuit of competitive advantage: the case for strategic management accounting. Crit. Perspect. Account. 13 (2), 255–277.

Roslender, R., Hart, S.J., 2002b. Marketing and Management Interfaces in the Enactment of Strategic Management Accounting Practices: An Exploratory Investigation. CIMA Publications, London.

Roslender, R., Hart, S.J., 2003. Brand management accounting. Mimeo, University of Stirling.

Ryan, B., Scapens, R.W., Theobald, M., 1992. Research Method and Methodology in Finance and Accounting. Academic Press, London.

Sakurai, M., 1989. Target costing and how to use it. J. Cost Manage. Summer, 39–50.

Scapens, R.W., 1990. Researching management accounting practice: the role of case methods. Br. Account. Rev. 22 (4), 259–281.

Shank, J.K., 1989. Strategic cost management: new wine or just new bottles? J. Manage. Account. Res. 1, 47–65.

Shank, J.K., Govindarajan, V., 1992. Strategic cost management: the value chain perspective. J. Manage. Account. Res. 4, 179–197.

Shank, J.K., Govindarajan, V., 1993. Strategic Cost Management: The New Tool for Competitive Advantage. Free Press, New York.

Shapiro, B.P., Rangan, V.K., Moriaty, R.T., Ross, E.B., 1987. Manage customers for profits (not just sales). Harvard Business Rev. 65 (5), 101–108.

Shaw, R., 1998. Improving Marketing Effectiveness: The Methods and the Tools that Work Best. Economist Books, London.

Shaw, R., 2001. Measuring marketing: the new frontline of competitive warfare. Account. Business 4 (2), 26–28.

Shaw, R., Mazur, L., 1997. Marketing Accountability: Improving Business Performance. Financial Times/Pearson International, London.

Shaw, R., White, C., 1999. Improving marketing accountability through better management of the market research process. J. Market. Manage. 15 (8), 857–880.

Shields, M.D., Young, S.M., 1992. Effective long-term cost reduction: a strategic perspective. J. Cost Manage. Spring, 16–30.

Simmonds, K., 1981. Strategic management accounting. Manage. Account. (UK) 59 (4), 26–29.

Simmonds, K., 1982. Strategic management accounting for pricing: a case example. Account. Business Res. 47, 206–214.

Simons, R., 1987. Accounting control systems and business strategy: an empirical analysis. Account. Organ. Soc. 12 (4), 357–374.

Simons, R., 1990. The role of management control systems in creating competitive advantage. Account. Organ. Soc. 15 (1/2), 127–143.

Slater, S.F., Narver, J.C., 1994. Does competitive environment moderate the market orientation-performance relationship? J. Market. 58 (January), 46–55.

Stern, J., Stewart, G., Chew, D., 1995. The EVA financial management system. J. Appl. Corporate Finance (Summer), 32–46.

Stewart, G., 1994. EVA: fact and fantasy. J. Appl. Corporate Finance (Summer) 71–84.

Tomkins, C., Carr, C. (Eds.), 1996a. Special issue on strategic management accounting. Manage. Account. Res. 7 (2).

Tomkins, C., Carr, C., 1996b. Reflections on . . . . Manage. Account. Res. 7 (2), 271–280.
Ward, K., 1992. Accounting for marketing strategies. In: Drury, C. (Ed.), Management Accounting Handbook. Butterworth-Heinemann, London.
Wilson, R.M.S. (Ed.), 1981a. Financial Dimensions of Marketing: A Source Book, vol. I. Macmillan in association with the Institute of Cost and Management Accountants, London.
Wilson, R.M.S. (Ed.), 1981b. Financial Dimensions of Marketing: A Source Book, vol. II. Macmillan in association with the Institute of Cost and Management Accountants, London.
Wilson, R.M.S., 1999. Accounting for Marketing. International Thomson Business Press in association with the Chartered Institute of Management Accountants, London.