

## GUEST EDITORIAL

# Introduction to Management Accounting Change in Japan

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Published in *Journal of Accounting & Organizational Change*  
Volume 9, No 4 pages 376-379, 2013

### Abstract

**Purpose** – The purpose of this paper is to introduce this special issue on management accounting change in Japan.

**Design/methodology/approach** – This paper provides a summary to the papers in this special issue and reflects on the themes and findings raised.

**Findings** – The review shows that management accounting change in Japan has been complex and dynamic, responding to both local economic and social conditions as well as changes brought about by globalization.

**Originality/value** – This paper provides a context for the topic of management accounting change in Japan and seeks to show the significance of management accounting research in Japan.

**Keywords** Japanese Management Accounting, Management Accounting Change

**Paper type** General review

## **Introduction**

From its peak in the mid 1990's the number of articles written about Japanese management accounting has steadily declined in recent years (Okano & Suzuki, 2006). The initial interest in Japanese management accounting has been attributed to the competitiveness of Japanese manufacturing firms – with the aim of understanding what management accounting techniques helped make these firms successful (Wijewardena & De Zoysa, 1999). With the decline of the Japanese economy and the financial issues faced by many of its largest firms the number of articles about Japanese management accounting has steadily declined.

This special issue of the *Journal of Accounting & Organizational Change* seeks to contribute to the Japanese management accounting literature and to encourage more research which examines the changing conditions in which Japanese firms operate and the effect these conditions have on management accounting practice in Japan. The papers contained in this issue show how Japanese firms have/are changing their management accounting systems – not always successfully it should be noted – to meet the demands of economic and social conditions both within Japan and in relation to globalization. We believe that this focus will further our understanding of the context in which management accounting is practiced in Japan.

To examine this theme the authors have adopted various methodological approaches – two papers are based on in-depth longitudinal case studies (Ushio & Kazusa and Yasukata, Yoshida, Yamada & Oura), two are based on surveys (Kawai, Sakagushi & Shimizu and Arai, Kitada & Oura) and one is based on archival text mining (Sawanobori). The issues these papers explore ranges from traditional Japanese management accounting themes such as target cost management and buyer-supplier relationships to a more recent area of interest “amoeba management” (Adler & Hiromoto, 2012; Miya, 1998).

The remainder of this paper is set out as follows. The next section outlines the methods used to attract potential papers for this special issue. This is followed by a brief outline of the key features of Japanese management accounting. Finally we summarize the papers and present concluding remarks.

## **Method**

The papers appearing in this special issue originated from special sessions held at two leading conferences in Japan in 2009. The Japan Cost Association Annual Meeting hosted by Hitotsubashi University and the Japanese Association of Management Accounting Annual Meeting hosted by Asia University. The editors would like to thank the organizing committees of both these conferences for their assistance in setting up these special sessions as well as all the authors who presented papers. Also special thanks to Professor Rob Chenhall who was the Guest Speaker for the special session at the 2009 Japan Cost Association Annual Meeting (sponsored by the Melco Foundation).

The aim of this process was to get Japanese academics writing papers in English about management accounting change in Japan from a Japanese perspective. For this reason all of the authors in this special issue are Japanese academics. Four of the papers are about the changes taking place in Japan while the final paper is about a Japanese academics view of changes that took place in the UK railway system in the 1800's. What is important about all these papers is that they offer new insights into the changing practice of Japanese management accounting from a Japanese perspective.

## **Japanese management accounting**

The term “Japanese management accounting” has been popular in both business magazines and academic research (Okano & Suzuki, 2007). Many reasons have been put forward as to why Japanese manufacturing firms performed better than their international counterparts. A number of writers have argued that Japanese management accounting practices have been one of the reasons for the success of Japanese firms’ ability to gain dominance in many manufacturing sectors (Hiromoto, 1988; Howell, 1989). In their comparative analysis of management accounting practices in Japan and Australia Wigwardena & De Zoysa (1999:66) show that Australian firms “place an emphasis on cost control tools such as budgeting, standard costing and variance analysis at the manufacturing stage” while Japanese firms “devote a much greater attention to cost planning and cost reduction tools based on target costing at the product planning and design stage.” It has also been argued that Japanese firms “seem to use accounting systems more to motivate employees to act in accordance with long-term manufacturing strategies than to

prove senior management with precise data on costs, variances, and profits” (Hiromoto, 1988:22).

Culture and management philosophy has been given as a possible reason for the differences between Japanese and Western management accounting. Okano & Suzuki (2007), through their analysis of the history of Japanese management accounting, note that a concern for the wider community has been a common feature of Japanese management. Thus the development of management accounting “was pursued not for the sake of individual managements or companies, but for wider groups of companies, industries and even Japanese society as a whole” (Okano & Suzuki, 2007: 1132).

### **The contributions to the special issue**

In this special issue we present five papers which are summarized below. We also link these papers to current management accounting themes and reflect on the findings raised.

The paper by Ushio & Kazusa is a case study of a Japanese manufacturing firm informed by actor-network theory. It examines the development of accounting calculations in amoeba management. According to Mouritsen et al. (2009) management accounting calculations are not used to describe the properties of a particular area (in their case innovation) but to mediate between local area and firm-wide issues. In their paper Ushio & Kazusa examine the processes through which accounting calculations were developed in the production department of a manufacturing firm. They show that accounting calculations were developed to represent different interests within the firm and helped them manage the changing social and economic contexts faced by the firm.

Arai, Kitada & Oura’s paper examines the use of cost, profit and non-financial measures of performance through a survey of factory managers to explore the effects of interdependence and multi-tasking. This is an important issue given the increase in the use of micro-profit centers (MPC) - as part of amoeba management – in Japan (Yoshida et al., 2009). The authors show that there is a positive association between interdependence and the use of profit measures of

performance while is negatively associated with the use of profit information in performance evaluation.

The paper by Kawai, Sakaguchi & Shimizu reports on a survey of Japanese manufacturing firms in the early 2000's. According to Okano & Suzuki (2007) the idea of collectivism and close ties between buyers and suppliers may be changing. In this paper the authors examine the changing buyer-supplier relationships as Japanese firms struggle to remain profitable. This paper shows that firms that do not perceive a benefit from buyer-supplier relationships are changing the way in which they do business – leading to more short term Western style relationships.

The paper by Yasukata, Yoshida, Yamada & Oura, presents a case study of a target cost management implementation at a shipbuilding firm. Target cost management has been one of the most studied areas by Japanese academics. Most papers, though, have been written post implementation with the aim of showing why target cost management was successful. This study differs in that the researchers were able to follow the implementation of target cost management from its introduction in the firm. They use diffusion theory to show that a lack of control over the implementation was a major cause of failure.

The final paper in this special issue by Sawanobori uses archival text mining to better understand the changes taking place in nineteenth century British railway accounting. This paper examines a single firm – the London and Birmingham Railway Company – and shows that the difficulties they had in raising adequate funds may have influenced changes in the way they accounted for depreciation.

### **Concluding remarks**

The papers in this special issue have explored various types of management accounting change much of which has not been examined in previous management accounting studies. The papers have shed new light on traditional areas of research such as the implementation of target cost management and the changing relationship between buyers and suppliers as well as highlighting new issues around the use of micro-profit centers, amoeba management and their influence on performance measures and accounting calculations. We believe that the findings from the papers

in this special issue provide new insights into management accounting change in Japan and have raised important issues that warrant future research.

In closing, we would like to thank the Editor of *JAOC*, Professor Zahirul Hoque for providing us the opportunity to act as joint editors for this special issue. In addition, we would like to thank Paul Andon, David Brown, Suresh Cuganesan, Aldonio Ferreira, Bianca Groen, Julie Harrison, Ralph Kober, Kim Langfield-Smith, Beverley Lord, Habib Mahama, Steve New, Sandy Qu, Paul Shantapriyan, Umesh Sharma, VG Sridharan and Ted Watts, for their reviews of the papers submitted.

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