Living in ”Transparency”:
Exploring the Interface of Management Accounting and the Operational at Rautaruukki Plc.

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Abstract

This field study explores how management accounting knowledge became intertwined with operational knowledge within Rautaruukki, a large Finnish steel-producer. It illustrates first how management accounting professionals operate in conditions where a “transparency” of operational detail met growing frustration with “information overload” and “dead figures.” Second, it casts light into how management accounting knowledge becomes verbally mobilized in these conditions - into how management accounting professionals appear as “sensegivers” in the micro-settings where the operationally relevant is elaborated into organizational action. The paper also discusses the problematic aspects of this increasing domination of management accounting knowledge, as an expression of the further quantification of organizational life.

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1. INTRODUCTION

Management accounting is not an insulated organizational phenomenon. Instead of standing as a clearly demarcated and rigid domain, management accounting knowledge gets now intertwined with other organizational knowledges, appearing increasingly as a complex situated practice which defies functionalist definitions and stable causalities. Moreover, whilst seeking to mobilize and articulate management accounting knowledge in conjunction with other knowledges, management accounting professionals are taking distance to their conventional identities and roles, as well as rewriting those of other organizational actors - in ways which are not well understood. A reshaping of what management accounting suggests in organizational settings is taking place.

In this reshaping, how management accounting actually meets the operational stands out as a critical interface which is not immune to considerations of organizational power: How management accounting succeeds in “taming” and directing operational interests, in establishing its own frame of reference – crafting agendas, suppressing something as trivial, raising specific issues, legitimizing the urgent and suggesting a compelling direction for shared organizational action - is reflective of the relative weight and significance of management accounting. The contest with the operational tells us something fundamental about how management accounting is used in managerial work and how its representatives are de facto implicated in the management of the contemporary organization (Hall, 2009, Hales, 1999). In our view, more should be known

In this study, building on empirical field insight from management accounting professionals and acting managers, we first suggest that on this critical interface contemporary management accounting professionals base their organizational initiative on an improved visibility into operational business units, and into the specifics of their productive processes and activities. This “transparency” of functional, technical and market-related detail, maintained largely by non-financial measurements, offers inroads into central pockets of operational knowledge. And this “transparency” is necessary for developing a valuable pre-understanding of the intricate operational issues which later emerge, or can be made to emerge, within specific micro-settings - within the routines and practices where management accounting professionals and operational actors are to identify, negotiate, and finally manage the urgently relevant.

Second, we portray management accounting professionals as powerful “sensegivers” (Maitlis & Lawrence, 2007, Maitlis, 2005, Gioia & Chittipeddi, 1991). They take managerial roles instead of being distanced accounting experts. With reference to management accounting knowledge, and by discursively mobilizing numbers-related expertise, these professionals selectively punctuate the often capricious ebbs and flows of organizational events with meaning. They talk selected management accounting figures into cognitive relevance. They endow “hard numbers” with attention, pragmatic significance and legitimacy – distilling these figures from otherwise confusing masses of
mere numerical data. Third, our study problematizes the notion of this powerful management accounting knowledge. Whilst constructing and maintaining a financially driven “dominant frame” that guides organizational action, and by making the operational subservient to management accounting representations, accounting professionals are contributing to the increasing quantification of organizational life. This development can suppress alternative ways of interpretation and other logics of action, glossing over important distinctions between accounting and operational expertise.

The paper is organized as follows. In the next section, it lays out its theoretical foundations, the perspectives and organizing concepts which guided the interpretation of the insights that emerged from our empirical work. In section three the study’s method and empirical fieldwork are laid out. The fourth section introduces voices from the explored field: Our case description lets management accounting professionals and business unit managers explain, with as little sanitation as possible, how they conceive the management accounting phenomenon in the day-to-day management of a Finnish specialized steel producer, Rautaruukki Plc. The final section discusses a theoretical interpretation, offering a set of conclusions.

2. THE STUDY’S THEORETICAL FRAMEWORK

In this study, we approach management accounting knowledge as something that becomes integrated with management processes through talk. Management accounting
thus appears as a phenomenon which manifests itself in discussion and gets intertwined with other knowledges that reside within the organization. Doing so, it offers multiple possibilities for flexible mobilization, combination and representation. In the mundane settings of everyday work, formal management accounting “information” becomes verbally interpreted and coupled with other forms of knowing in different and often quite particular ways - ordering and rearranging organizational reality within interactive micro-contexts. The organizational orders, operationally critical priorities and conceptions of the “relevant” or the “strategic” that take shape in this talk then become enacted, implicating certain courses of action (Ahrens, 1997).

Management accounting knowledge can also be conceived as structures of intentionality, arising from the rules and understandings which organize interconnected activities (Ahrens & Chapman, 2007). Management controls practices, like various financial and non-financial performance indicators, establish motivations and connect diverse operational arrangements or segmentations. They construct purposeful future lines of action. These practices can be reflective of powerful managerial imperatives or broader societal agendas (Miller & O’Leary, 1994, 1987). Whilst engaging with each other and certain management accounting controls, organizational actors carry different intensions and provide contextually dependent motivations. Hence, management accounting measurements are closely interwoven with their particular situational and organizational settings. The “numbers at hand” can set the timing and the wider parameters of the talk in the operationally urgent - shaping and being shaped by bundles of the material, the political and the practical.
In the dissemination and selective mobilization of management accounting knowledge in the presence and vis-à-vis the operational, we see management accounting professionals as occupying the central stage. Chief Financial Officers, Business Controllers and management accountants are closely involved in processes that translate the strategic into the operational, and the operational into the strategic (Simons, 1991, 1990). They become involved with the detailed enactment of strategic intentions on the level of operations, and are capable of intervening in the tempo of day-to-day action (Ahrens, 1997). Organizational decentralization, new systems, conceptual innovations, recruiting policies, storytelling and role modeling can be seen as driving management accounting professionals and their working culture towards “business orientation”, towards a positioning where they get implicated, intervene regularly into, and eventually manage the operational – becoming tightly connected with managerial work (Järvenpää, 2007, Hall 2009). Although the occupational identities of these professionals are far from being unproblematic, they seem to share a contemporary concern of driving economic pressure and strategic rationales into the texture of the operational, distancing themselves from the imagery of a narrow “bean counter” stereotype (Ahrens & Chapman, 2000, Vaivio & Kokko 2006, Granlund & Lukka, 1998, Friedman & Lyne, 2001, 1997).

It is essential to relate our appreciation of the identities, roles and aspirations of more active management accounting professionals with the notion of “sensegiving” (see e.g. Maitlis & Lawrence, 2007, Maitlis, 2005, Gioia & Chittipeddi, 1991). In our view, a “sensegiving” perspective can provide us more penetrating theoretical insight, illuminating the detail of the mechanisms of how these professionals actually become
intertwined with the “business” where they are embedded - with the discursive processes where accounting is combined with the operational. “Sensegiving” is an interpretive process. It is an attempt to affect how others perceive and understand organizational reality and the “world” around the organization. It involves evocative language, attention-directing, propagation and the “selling” of issues to key organizational actors. The “hard facts” and the presumed legitimacy in the economic logic of management accounting knowledge, in our reasoning, provide key resources, persuasive devices in “sensegiving” efforts – in efforts which are aimed at influencing and directing the “sensemaking” activity of participants in specific micro-settings (Tillman & Goddard, 2008). Management accounting professionals provide authoritative, even unitary accounts of the operational. They create facticity, define discrepant sets of cues and trigger pressing questions. They author the pattern which becomes recognized as puzzling or uncertain - as something problematic. And they convey a compelling feeling of order, clarity and rationality in the negotiation where plausible courses of action become elaborated (Weick, 1995). Hence, in this “sensegiving” within the confines of the operational, we are again reminded of those aspects in the mobilization of management accounting knowledge which relate to considerations of organizational power and politics (Bariff & Galbraith, 1978, Markus & Pfeffer, 1983).

Therefore, this study also explores the interface of management accounting and the operational as an expression of the increasing quantification of organizational life, for instance through various non-financial measurements (Kaplan & Norton, 1996, 1992). This advancing quantification may relocate initiative and influence from the operational
domain towards accounting professionals. If organizational “sensegiving” and argumentation revolve predominantly around what can be expressed in financial terms, or in terms of quantified operational performance measures, organizational reality can be fundamentally recast. The dominance of quantification inevitably marginalizes alternative perceptions of the urgent and the problematic, “soft” observations or more intuitive experience-based reference points, less formalized decision-rules as well as personal, often tacit and judgment-based scripts of sensible action (Vaivio, 2006).

3. METHOD AND FIELDWORK

This study theorizes in the interpretive genre (see e.g. Lukka & Modell, 2009). It aims at a balance between a priori theoretical conceptions and emergent empirical insight (Ahrens & Dent, 1998, Dyer & Wilkins, 1991). In our view, the empirical cannot become captured without the guidance of a focused theoretical interest, theoretically generated concepts and a theory-based understanding of what entities and relationships could become encountered whilst approaching a class of social and organizational phenomena. But we distance ourselves from too structured and narrow theoretical preconceptions, which can reduce a field study into an effort of mere corroboration or verification. A well-executed field study has the potential to produce “rich accounts”, where emergent, perhaps surprising empirical insights take our theorizing to new alleys.
Thus, the study seeks fresh empirical insights from the intersection of management accounting and the operational through ten semi-structured field interviews, of division heads, CFOs and controllers, conducted between March – May 2009, at Rautaruukki Plc., a large Finnish steel producer, amounting to more than nine interview hours. Because of the study’s intensive focus and carefully measured design, this interview data provided us with sufficient evidence, yielding plenty of valuable empirical material wherefrom to theorize. In order to gain more understanding of the nuances and the real significance of this primary empirical stock, several informal meetings with the Head of Corporate Control and Finance were arranged during the interview-phase of the study, guiding the direction of the fieldwork.

All interviews were tape-recorded, at the company’s headquarters in Helsinki, which remained the natural professional setting of the interviewed actors. The interview situation was kept as informal as possible. In a more casual setting, where the independence and “neutrality” of the researcher was emphasized from the outset, we believe, the ever-present biases and threats to reliability and validity can be more effectively minimized (McKinnon, 1988). The interviewees were also able to speak “off the record”, without being taped. None of them used this option, however, indicating that they perceived their conversation with the interviewer as non-disturbing and relaxed. During the interviews, “probing” questions, emerging on the spot, were used – as one technique for avoiding surface observations and sanitized accounts of organizational events.
In the interpretation of the gathered empirical observations, the investigation adopted something that we label as a “temperate” approach. The entire “raw” interview data was examined thoroughly before organizing it into a preliminary structure, wherefrom clusters of evidence that pointed to a certain direction, and illuminating descriptive patterns, would gradually surface. No theoretical frames were linked with these observations too hastily. Also, we genuinely considered whether our initial theoretical understanding would appear as misplaced, which would have forced us to seek other theoretical frames for interpreting the empirical material, or to conclude that the field effort had been in vain. However, after several iterative rounds between theory and the field insight, we were able to construct an informed, illuminating but also plausible description - which led us to a set of conclusions concerning the theoretical interests we initially took, contributing to our understanding of the addressed phenomena.

4. ON THE INTERFACE OF MANAGEMENT ACCOUNTING AND THE OPERATIONAL: THE CASE OF RAUTARUUKKI PLC.

The Case Company and its Business Context

Rautaruukki Plc. (hereafter referred to as Ruukki) is a steel producer which was established in 1960, as a state-owned company. After several acquisitions and mergers, Ruukki became a publicly listed company in 1989, and the Finnish state gave up its position as a majority shareholder in 1997. Today, it operates in 26 countries, but mostly in Europe. Its core markets are in Finland, in the other Nordic countries, in Central and
Eastern Europe, as well as in Russia and Ukraine. Ruukki employs some 14,300 people, of which 7,000 are in Finland. In 2009, with its net sales amounting to over 3.8 billion €, Ruukki stands amongst the twenty largest companies in Finland.

In 2003, after the current CEO had been appointed, Ruukki embarked on a major strategic turnaround program: From being a traditional manufacturer of steel, the company would become more customer-oriented, developing a solutions-based approach to its business. Today, the company aims at providing metal-based components and integrated systems for the construction and engineering industries. The main customer segments are residential construction, industrial construction as well as companies operating in material handling and transportation businesses. In line with the strategic reform, the organization of the company is structured along three customer-focused divisions: Ruukki Construction and Ruukki Engineering are responsible for the solutions business. Ruukki Metals, reflecting the company’s history, operates in more traditional steel production, focusing now on special steels. The strategic transformation of the company aims at protecting it against strong fluctuations in steel prices. More customized products are improving Ruukki’s competitive edge. In 2008, the solutions business already accounted for 48% of net sales. In the beginning of 2008, the outlook for the company remained good – the company continued on a steady path of growth. This changed, however, dramatically in the fourth quarter: The global credit crunch affected all of Ruukki’s customer industries. Production was rapidly scaled back.
Transformation in Management Accounting

The strategic reorientation has brought along changes in the company’s accounting functions. Structuring into customer divisions placed new demands for customer–focused accounting data, leading to more complicated systems. The usefulness and reliability of the management accounting measurements became questioned, as the Head of Corporate Control and Finance stated:

“We sort of got into some problems with it...We’ve had some problems with the credibility of the numbers, which resulted from the entire turnaround of the system. We have reallocated numbers criss-cross, so the ownership of the numbers has been lost.”

In his view, in the restructuring the accounting systems changed “too radically”:

“All too radically, I would say. When the customer divisions were established, for example all the steel factories – their net sales and costs – are divided according to customers. So we had to go through all customers and name the division they belonged to. And then costs were divided accordingly – using all kinds of allocation formulas and so on. So it became a bit too complicated, you could say.”

Hence, streamlining the complexities of the internal accounting system has been a priority in recent years.

But as a consequence of the strategic reorientation and the organizational reform, the roles and actual functioning of management accounting have been re-evaluated. The finance and accounting background of Ruukki’s current CEO has contributed to this. “The numbers” are perceived as a central element in the management of this business, as an interviewed Business Controller, for his part, explained:

“We have a pretty strong culture in managing through the accounting numbers. We have a CEO, a former finance guy, and the CFO of course as a partner...So we have quite a lot of that kind of culture in the house – that things are looked upon in the light of the numbers. And they do have a role in decision-making.” (Business Controller B)

The role of the Business Controllers has changed significantly, towards a more “challenging” posture, in a more decentralized setting. This stands as a contrast to earlier hierarchical arrangements, where “it was the CEO who challenged the whole company”,
as the Head of Division C observed. Increasing the initiative of Business Controllers, within a broader set of activities, is essential for the corporate management’s commitment to “leading by numbers”. “The culture is there. And there is a demand and place for it” [active control], the Head of Corporate Control and Finance stated, continuing:

“…It is the culture of the firm. If it is a kind of result and profit oriented culture – and “management by numbers” – then there is a call [for accounting professionals] to be prominent and active. Then there are organizations which are sales or engineering –driven. And they are like ‘Yeah, I guess the profit must also be calculated’. So they have a totally different kind of management philosophy.”

In order to enhance the influence of the management accounting expertise, and Business Controllers in particular, within Ruukki’s organization, structural arrangements have been made. Business Controllers, which cannot be characterized as distant “bean counters”, have been located within the multiple business units within each division, pairing with their respective unit managers. It appears as if they have been given real prominence and authority in the management process. The logic of this, it seems, stems from the need to achieve closer physical proximity to operations, as the Head of Division A underlined:

“That is why they have been placed into business units. So that they would not have the whole market-area’s numbers to figure out and make sense of…Ever since 2005 we have been trying to build up a ‘partner’ system. So that each and every business unit had its own controller function. The idea was that it would form a ‘partner’ with the business…That the controller would strongly participate in the management of the business unit. In that way the information from the customer, industry, markets and so on would emerge.”

Instead of remaining remote accountants, Business Controllers were perceived as “being where the business is”, Divisional Controller A assured. Their “mental accountability” and their responsibilities now leaned towards the business unit manager instead of higher superiors. Business Controller B commented:
“My official superior is the CFO of the division. But I speak less to him than with the business manager of my business unit!”

The CFO of Ruukki went as far as speaking of the Business Controller’s more prominent role as being that of “a substitute business manager.” This trusted position was also embraced at the divisional level, as conveyed by the Head of Division C, who emphasized the role of his own, divisional CFO as the “right hand” in certain situations:

“I do use the CFO of my division as filling my shoes pretty often – when I cannot be in two places at the same time, and he has gotten into full speed. So I send him alone there [to the business unit]. And he does a hell of a good job.”

“In the same clock frequency”, when “the camera never lies” – in a “transparency”

In our investigation, we first approached the above pieces of evidence with some skepticism – as programmatic aspirations and stylized accounts which should not be taken at face value. But during the further exploration of the field at Ruukki, more indications soon appeared, suggesting that divisional as well as the lower-level Business Controllers actually were positioned relatively close to the detail of operational management. In an interview, the following illustration was captured concerning the “mental presence” and temporal orientation of Business Controllers, as explained by their superior, Divisional Controller A:

“It is the kind of thing that you [as a Business Controller] are either in or out. It is a kind of clock frequency. If they make a deal, or some changes, you keep the wheels turning. So you have to be there in the same clock frequency – and swim along when decisions are made.” (Italics added)

He was echoed by Divisional Controller B:

“I’m trying to keep up with the pulse of the business.”

This “hands on” approach was also underlined by the Head of Division C:

“Oh, yes. My guys [business controllers] at least are totally hands on! That is what I expect from them. The accounting function cannot be barricaded into corner offices. They must travel to business units and challenge people – it’s like they are ‘partners’ with the business. And they must have ‘hands on’
information, so that they can make the right moves…And also evaluate afterwards if it was the right move to make, or if we still need to change course.”

Many of the interviewed actors brought up pieces of evidence, however, which gradually enabled us to understand better on what knowledge elements, systems and procedures this “hand on approach” and synchronized temporal behavior, indicating a real proximity to the company’s operational level, was built upon. Here, the study finally uncovered something which can be rendered comprehensive by the notion of a kind of “transparency” of the operational developments, incidents and practical challenges at Ruukki. A rich everyday flow of operational knowledge - regarding for instance markets, logistics, support functions, production processes and customers - was fully accessible to management accounting professionals. From a distance, and before intervening into organizational events, they were able to monitor various streams of formalized operational information. They were able to build a valuable “pre-understanding” of operational matters which they deemed critical from a financial and economic perspective. A sufficiently thorough operational “pre-understanding”, making the operational much more visible and “transparent”, would later become essential in the verbal mobilization and advancement of management accounting considerations - in critical organizational negotiations around the urgently relevant and problematic.

In the construction of this “transparency”, which extended deep into Ruukki’s ongoing business processes, various systematized and “forward looking” non-financial “KPI” measures played a central part. These divisional Key Performance Indicators included measures of delivery accuracy, production and production safety measures, inventory
measures as well customer-related measurements. In addition to these divisional measures, the business units had their own, even more detailed operative measurements. Together, these operational indicators – collected on a monthly basis - formed a quantitative but non-financial information “pyramid”, as Ruukki’s CFO explained:

“Well, of course [the same measures are used on all organizational levels]…And in addition they have their own measures which they follow on a more detailed level. So it is a kind of hierarchic system in a way…Management accounting is primarily the language with which we can get the whole company behind collective goals.”

The Head of Division C, for instance, obviously seemed to enjoy this open operational “transparency”. “Of yes – I can dig from here…I can grab the guys in Hungary [where Ruukki has a production facility] by the scruff of the neck if they don’t do their jobs!” But Divisional Controller A told us more about the informative powers of these particular operational measures in his own “investigations”, which probed into the specific concerns he held about the operational domain:

“I look for example if net sales in some unit is something. I check from the KPI side how many tons were delivered, or what the order backlog was the previous month. Has the order backlog given us the prior information that this is the amount that we are going to deliver? Then I check how many hours they have worked, how many order lines there is, how many overtime hours they have possibly done and so on…For these purposes it is a pretty easy set of measures – where you can always go into details and check all the indicators.”

He went on, however, to describe the potential of this “transparency” in revealing operational interconnections and in focusing his attention. The meticulous examination of “transparency” preceded the verbal interactions that later took place with the representatives of the operational domain. These verbal exchanges usually started by some things predominating over others and being “lifted up” in the dialogue, as a consequence of the “transparency”: 
“And then, when I next time give the guys a call, when I have the discussion with the person who is accountable, I have directly all the information about what they have done – what the numbers tell me. And therefore it allows me to easily have a very in-depth discussion…Have they been on three shifts? Four shifts? A thing other people would not have a clue of. But I mean you can see it directly from the numbers! …So you know immediately that some things need to be lifted up. (Italics added)

In a similar vein, Business Controller A reflected about his role:

“An active controller is a person lifting up an important issue, and being like ‘Tell me a little about this.’” (Italics added)

One of the division’s Business Controllers, for her part, gave us even more insight into how these systematic, sufficiently detailed and reliable measurements reveal intriguing operational incidents, causalities, trends and changes to the management accounting professional – offering us an illustrative analogy of how “the camera never lies”:

“I’m always totally excited over how you can see so many things by looking at the numbers! When you chew them a little, and when you have a business unit you are familiar with, you see sort of immediately that…Ahaa! Okay, now there is something going on! And then you look that, okay, this and this has now happened here. And when you then give them a call to that business unit, they are totally like ‘Damn! Where did she see that?’…And then when they don’t understand that the numbers show so obviously the things there, they might even dare to object. But the camera never lies. And in a similar way, assuming that there are no [typing errors] and no systems failures, the numbers do reveal the truth. (Italics added)

Divisional controller C’s comment about the analytical and inquisitive examination of various KPI information flows was, however, perhaps most representative of the rationale and the en ante disciplinary potential behind this operationally grounded reporting system – leading our study to the notion of an ever-present “transparency”, as an empirical concept the emerged from the field at Ruukki:

“We do probe behind, and ask questions concerning the factors behind the numbers. We do it a lot. We have a very good transparency. We can follow and check numbers criss-cross and then we ask for the reasons behind them. But the guys know that…And you have got to do your job well because your actions will show up in the numbers anyway. They know that they would be revealed in any case.”

But the Head of Division C took our exploration of “transparency” further. In his view, the operational domain was no longer trying to “cover” any mistakes in their daily
management, as these would inevitably become visible. The underlying organization had accepted that the multidimensional management accounting “numbers”, now combining non-financial operational measurements and financial figures, had considerable powers to expose and lay bare what prevailed within a local reality. It also appeared that Ruukki’s controllers were satisfied with this intensive visibility. Focusing into any part of the organization was possible at any moment - and number-twisting “window-dressers” were “carried by the ear”. On this, the Head of Division C went on as follows:

“They [the controllers] are far more satisfied at the moment, throughout the organization. And the transparency in the numbers, that is also one factor. So we can suddenly probe all the way to the lower levels and their numbers. And there has been a big development in the past year…that they do not cover any mistakes here [at the business unit level]. In the way like ‘Okay, here is a mistake. But if I move some money around like this, it will not show up there’. So that has totally stopped, because they always got caught - and they got carried by the ear!”

The company’s integrated information architecture and IT systems were, of course, of substantial importance in Ruukki’s “transparency”. Accounting data and different financial and non-financial performance measures were widely and easily accessible online, making them more significant to different organizational actors. On the divisional level, top management indicated that management accounting knowledge now had more pragmatic relevance to them. These managers were able to enter these systems and “dig in”, without the mediation of management accounting professionals. The Head of Division C had this to say about his self-reliance in “the numbers”:

“Actually the reason why I have learned to use these accounting systems, even if I’m not a controller, is that it is so convenient. If I have a question, I don’t need to bother people – call my controller or the CFO and tell them that I need that or that number. I can dig it out of the system myself…Or then, in a meeting, if somebody asks, I can say that ‘Give me a minute. I’ll dig it up for you.’ So, you kind of have online information all the time.”

The divisional controller continued, praising the smooth functioning of IT systems, as a precondition of the “transparency”:
“I can see all the units. How they are doing. What seems to be the problem. So that is a big difference compared to what I was used to do in my ‘Old Life’…Information is so much more accessible these days.”

The Dark Side of “Transparency”: “Information Overload” and “Dead Information”

Our field exploration gradually uncovered, however, that the increasing “transparency” had another, less sanguine side to it. Somewhat ironically, it appeared that “transparency” had also produced some disorientation and confusion within the case organization. A multitude of quantitative measurements were widely available to organizational actors, on the operational as well as on higher managerial levels. But our investigation also brought to the surface comments where the “information overload” was always a recurrent theme. Too much complexity and ambiguity, it appeared, had been creeping into the formal “flood” of management accounting knowledge. In a closer examination, “transparency” seemed to be also a problematic, almost double-edged resource. The Chief of Corporate Control and Finance confessed:

“It is complicated. There is a lot of information. And that is just the thing that places demands on the substance know-how of the controller – so that s/he really understands what is essential and what is not. The information overload has really multiplied, so you need to have business understanding…So in that sense I do think that the demands on the role of the controller are emphasized when the flood of information is so much larger these days.” (Italics added)

Business Controller A, from a much lower organizational level, shared this more problematic view of the “transparency”, which was both extensive as well as intensive:

“The set of all the measures, it is a pretty huge net. Sort of covering all the operations and activities.”

And he moved ahead, to explain how the “inflation”, the uninterrupted production of formal performance reports had introduced a certain fatigue and irrelevance into the perceptions that organizational actors related with management accounting knowledge:
“When you produce things on a daily basis, then that suffers inflation in a way. When people get mails every day, then they might not even open them every day. Because they know that they will receive it next week again, and think ‘Maybe I’ll be interested then.’ So we kind of waste our time and energy on something which does not directly have an effect on anything. Which is not a tool for decision-making.” (Italics added)

In practical terms, “transparency” also meant a multitude of formal reports which were regularly crafted from the numerical data supplied by the comprehensive management accounting information systems. These abundant reports would not, however, necessarily preoccupy or motivate organizational agents. They would not affect behavior - or would produce the wrong kind of organizational actions. Speaking about this, Business Controller A labeled such reports, which would not become discussed and jointly elaborated, as “dead information”:

“No, I don’t believe that they do affect behavior. My opinion is that data produced on paper is dead information – in the sense that if you don’t go through it and discuss them – and discuss them in a way that you analyze the factors behind the numbers – then the numbers are interpreted wrongly. They don’t lead to any actions. Or they lead to wrong actions.” (Italics added)

His frustration with “dead information” also reflected the fact that he had to be personally involved in its production and continuous supply:

“And I do, even at the moment, make huge amounts of reports which are not actively used. And that is something I really find frustrating and upsetting!...So they [the operational managers] do get the information, but because it is ‘dead’ information they do not use if for anything”.

The Head of Corporate Control and Finance was aware of these problems, providing the following rather blunt comment:

“You can forget about the measures if you don’t use them in management. I have said about finance and management accounting, that those reports which management does not use, we should stop making them. If they don’t use it, why the hell do we produce these numbers?
Ruukki’s CFO would not disagree with the above. Within the increasing confusion and complexity, recognizing the abundance and sophistication in “the numbers” - and with the prevailing weariness in them that could be felt - he was calling for simplicity:

“These days you have more and more elaborate systems which are supposedly really sophisticated. And then nobody really understands them...But people need like very simple information. I have always considered accounting as a kind of simple thing. And the operative accounting should be kept simple, so that the person responsible for the operations understands that ‘this’ has an effect on ‘that’, and so on. It should be kept so simple that everybody who has profit accountability understands the numbers.” (Italics added)

“What Gets Discussed Gets Done”

Against the above background of both “transparency” and “information overload”, the study’s empirical observations on how management accounting became discursively mobilized – how it was being “talked about” and actually put to serve specific purposes and ends in Ruukki’s day-to-day management - took the central stage. In spontaneous comments from the company’s acting management, and from the field of practical management accounting work, a more nuanced understanding emerged about how voluminous categories of management accounting knowledge were narrowed down and focused into becoming “relevant” - into becoming something that really mattered in the construction of organizational reality: Management accounting gained significance by intermingling with the specificity of operational arguments and acute preoccupations, through interactive verbal exchanges where its relevance, and corresponding organizational “action”, became crafted into existence. Here, for instance an illustrative comment by the company’s Head of Division B on the pre-eminence of verbal elaboration, took our empirical journey further:

“It is no hocus-pocus trick. But it is the only trick. It is the only way...It is still true that what gets measured gets done – what gets discussed gets done! People get aware and alert of issues which are constantly ‘on the table’.” (Italics added)
He continued about how important it was to connect formal management accounting knowledge with a negotiation about its underpinnings and about its consequences in the operational domain. To him, this was a necessary precondition for elevating any "number" into organizational relevance:

"The measure itself is like only the ‘data’ about the issue or the action, or the business component, which is agreed to become measured. The relevance does not come until the ‘data’ has been analyzed through discussion, and when it leads to action...So it is funny to talk about discussing a measure. The discussion should go one or two steps further: Why this value? What is the reason behind it? What are we going to do about it? Only then it gets essential!"

In the production of relevance, several interviewed actors emphasized the importance of linking management accounting knowledge with a negotiated agreement, with a kind of consensus that pointed out the coming, concrete operational actions that would soon materialize. "Talking" management accounting knowledge merely in analytical terms would not suffice. The prospect of acting upon them, in a specified way, would be necessary to give them significance, as the Head of Division B pointed out:

"The question is about accepting the facts, discussing the actions and finally arriving at a commonly accepted agenda – which will get implemented. Because at the end of the day, the only thing that matters is that we start making the right things and really start to take actions."

Another comment, from the Head of Corporate Control and Finance, resonated with this almost impatient view underlining the relationship between operational action and management accounting knowledge:

"The meaning and value of the measure is not the actual measurement, but instead that it leads to action. And that we can develop our operations to the right direction...There is no point in measuring unless it leads to action."

Verbalized operational and management accounting knowledges, to his experience, would merge into shared understandings, forming a common ground for dealing with different uncertainties and risks. Within the contingencies of a particular situation, this would enable the creation of suitable paths of action at Ruukki:
“The discussion is important in order to comprehend and understand what the factors really affecting the outcome are. For example delivery accuracy: We go through. We discuss what the components are to arrive at 100%. So yes, it does demand the discussion in order to create the actions. And to get to an agreement that ‘Okay, these are the actions by which we will get there’.”

Division controller A offered yet another perspective. For his part, he emphasized how critical it was that controllers would not remain too distant from operations, as somewhat analytical but authoritarian actors that relied merely on “management by exception”, at the higher levels of an organizational hierarchy. Moreover, a contemporary controller should be prepared to discuss and explain the rationale in the management accounting knowledge, on the level of often mundane operational activities in the steel-business:

“In order to achieve actions, you need to ‘descend’. You need to be ready to have the discussion. And you need to communicate. You cannot get actions by shouting from your distant chamber.”

A number of formal organizational routines, as especially the divisional “monthly management meetings”, were emphasized by Ruukki’s CFO as key arenas where management accounting knowledge, as a shared informational “field” within Ruukki, would regularly get intertwined with operational concerns at the level of top management. In these instances divisional operational perspectives, from the sales and production of Ruukki’s steel-based offerings, would become voiced. And the logic of these systematized platforms of discussion and interaction, he assured, would become reproduced in the same format at lower hierarchical levels, in a way “cloning themselves” down the organizational structure:

“The monthly performance report will be always systematically reviewed in the monthly management meetings. Market situation, costs, sales, investments…We will go through them all with a certain agenda every month – for about two or three hours – with all the divisions. There is usually one person from the division…And in a similar manner they will then hold similar meetings with their own people one step below. They will cover the same issues. So that it goes in a way hierarchically a few steps below in the organization. So we are in the same field – the control system [the performance reports] is the foundation, and all essential information should then emerge from there.” (Italics added)
The Head of Division C seemed to corroborate the notion of this formalized and sufficiently integrated discussion process, which is based on comprehensive “KPI” measurements:

“If we take a look at how I run my division…So, I have here 13 smaller units. They have their Key Performance Indicators, according to which they are measured. And then I have here two [larger] business units. So these two business units have their monthly meetings, where the smaller units report how they were doing. And then I have a similar kind of meeting with them – as soon as they have gone through the report with the smaller units…Then we (the Head and the Divisional Controller) go and report to the management of the corporation, the CEO and the CFO.”

From the business-unit level, Business Controller A suggested that these monthly meetings were, at least in their initial steps, dominated by management accounting professionals. On these arenas management accounting knowledge became reviewed and explained by operational actors, continuously testing the insight and intuition – the “pre-understanding” that the Business Controller had already built within the “transparency”.

The controller, it appeared to us, was taking argumentation and collective reasoning to a certain predetermined direction. Then, operational knowledge would test management accounting conceptions – confirming them at times, attributing field insight to them, adding new perspectives, or rejecting these suggested patterns in the unfolding dialogue:

“The controller collects all the Key Performance Indicators. But the thing that the controller does not have is all the explanations to all the numbers…S/he only gives the analysis – what could be interpreted from it. And then the operative organization must explain the business rationale behind it. Of course when the controller develops and knows better his own area s/he can interpret the numbers better. But that is a kind of co-operation with the operative organization”. (Business Controller A)

Typically, the controller would take a critical measurement as a starting point for discussion, and then seek further operational insight into it. This would, for instance, concern the selling prices of some special steels:

“You sort of are like ‘OK – our price level has dropped. Is it because we have priced our products lower? Or have we sold a batch of second quality, which pulls the average price lower?’ So you need to discuss
Moreover, Business Controller A spoke to us about the value of the interaction with the operational organization in understanding the interrelationships and effects of seemingly isolated decisions on the business’ “big picture”. He praised his own experiences of suddenly realizing how a particular choice affects another discrete part of the managed process. Sometimes, he admits, he has to say: “Oh my God. I had no idea it affects this way!” Nevertheless, he was underlining his own resources in guiding these usually mundane instances where a shared understanding is being talked and elaborated. In his own words, he connects management accounting knowledge to the “everyday life” of operational actors:

“So it does not change direction, unless you really invest resources there. And these [operational] people are not used to reading reports and calculating things. So just showing the report to them or sending it by e-mail…That is not enough. You have got to explicitly connect it with their everyday life.” (Italics added)

“Now there is Some Problem on the Way”: Giving Sense with “The Numbers”

This ability to “connect” management accounting knowledge to “everyday life” led our investigation, and our interpretation of what we observed at Ruukki, to a key theme which also surfaced from the study’s empirical material: Management accounting professionals were powerful “sensegivers” within the situational contexts where they were present – “talking accounting”. The ability of management accounting professionals to “lift up” and selectively problematize specific issues, in conditions of “transparency” and “information overload”, as highlighted earlier in our description, took a deeper significance. Field observations about how management accounting knowledge is mobilized in authoring the problematic, in introducing a specific order as well as in
forcing the cognition of operational actors into specific alleys, became valuable pieces of evidence in our theorizing.

In his illustrative explanation of the company’s management practices, the Head of Division C remarked the following about how the intentions of controllers were driving the orientation of operational action - with reference to the unquestionable “facts” that stemmed from management accounting knowledge, for instance with segment-specific sales volumes of some steel products:

“Pretty often, they [the controllers] see that ‘Okay – now there is some problem on the way.’ If you look at the sales volumes, they see that ‘Okay – that area has dropped.’ And they know that we need to make some operational changes. If nobody has already taken any action regarding that, s/he starts asking if something should be done about it. So yes, it is a role for them that has to be recognized! And the more experienced they are, the more they start to understand the business.” (Italics added)

But also on the top levels of the company, management accounting knowledge seemed to be predominating. It infused the ways these managers interpreted and verbalized the problematic “through” their discussion, and identified which open issues deserved further inspection or “analysis”. And it guided the search and “filtering” of the operational, often tacit knowledge which was necessary for the construction of managerial judgment, becoming combined with the standing measurements. On this, when asked whether numbers were good at “opening up discussion”, the Head of Division C offered the following reply:

“Oh yes! The thing is that at the same time we discuss all the investments and everything. So the number data goes through and gets discussed – and then all this sort of informal information goes through as well. So you get the informal issues all the way up here. It of course gets filtered all the time. You cannot know everything.” (Italics added)
The Head of Division C moved on, explaining about how critical some formal measurements were in sensitizing managerial preoccupation, in testing particular assumptions and in exploring further specific operational questions:

“So, for instance, if the number of customers goes down, then we need to also track that they have not made a deal with anybody else. So we try to analyze it. For example, if prices fall and volumes drop, and that is pretty drastic, then you could assume that the customer has made a deal with another company. But actually that has not necessarily happened – it can be that the customer’s own business has dropped. So these are the kind of things we analyze constantly.”

As cognitive schemata that operated and created meaning “at a distance”, management accounting knowledge triggered the search for operational explanations – as for instance in his account of how Ruukki’s Norway facilities, or some other locations, had become probed:

“I have to know what has really happened there – let’s say the factory in Norway. If ship deliveries are late there, then I need to be able to report it here. I need to know why their delivery accuracy has dropped 20%...or why China has not been able to deliver to us all that they should have.” (Head of Division C)

He continued about how much organizational influence Ruukki’s controllers “in the field” had gained, lifting the problematic to the management agenda by “raising flags”, and by prioritizing certain operationally grounded cues over others:

“The controllers here, in the different units, feel that they have [more power]. And I have myself told them that ‘Hey, you are the flag-raisers in these things!’…So they have the right to raise a flag. And these business unit controllers have liked it.” (Italics added)

The controllers themselves were in accord with the above. But they would also reveal their considerable negotiation skills, their ability to verbalize management accounting representations in a way that was to knit together different operational interests and motivations. Being able to “challenge” in a constructive sense, trying to bridge different functional “angles”, was essential. In this organizational work, between management accounting and the operational, the involved actors would finally “conform” to a fresh agenda which was “lifted up” - avoiding conflict and mobilizing behind a seemingly
“neutral”, common purpose. This was explained by Divisional Controller A in the following terms:

“In a ‘normal’ management team, people do not really agree on everything…The end result is that people *conform* and a decision is made. But you need to be able to test if the decision is right there…not being a smartass making up why this and that will not work. No – instead *‘real challenging’* is needed…And if you think of the angles – you need to have different angles on the table – the business angle, what is happening on the market, the production angle how to manufacture things… Accounting’s angle, how to calculate things…There is a certain freshness in it when they consider each other’s angles – so it is possible to *lift up* the kind of issues that people who do them in their everyday work do not necessarily see. And every businessman likes that you lift up issues on the table, because everybody wants to do better.” (Italics added)

At times, these diplomatic capacities would not, however, suffice. Giving a specific sense to management accounting knowledge would, instead of bridging and uniting, initiate conflict and criticism towards management accounting professionals. The meanings they suggested would become fiercely contested:

“Do people get upset? Oh yeah, you bet! This is actually a good question…People do get agitated. And if the controller – if s/he goes along with it and starts to think about what other people think – then s/he cannot really do this job.” (Divisional Controller A)

Hence, this field investigation also highlighted the interface of management accounting and the operational as an arena where a strong professional identity, it appears, was needed. This was reflected in what Business Controller A expressed in the following words, in our concluding empirical illustration:

“But businessmen are businessmen. And as such I do understand them. They have their own agenda. But the controller, s/he should be able to see beyond it and measure the real ‘heartbeat’ of the business…It is the kind of thing that you just need to take your own role. Nobody does anything for you in the business world. There is no red carpet you could walk on. It is a flock of wolfs. They will eat you alive…”
Our interpretation of the described empirical evidence is, of course, still tentative and preliminary. And we readily acknowledge the limitations of the study. The interface between management accounting knowledge and the operational is a context-bound and shifting phenomenon, which cannot be reduced to simplistic explanations and spurious generalizations. Although we refuse to introduce our empirical context as being so idiosyncratic and so specific as not to share any commonalities with broadly similar empirical contexts, our fieldwork has been carried out within a certain cultural, institutional, industrial and organizational setting. Hence, our interpretations should not become uncritically transported to other settings. And our field interviews focused on top and senior level managers and management accounting professionals; other voices from the organization could not be directly heard. Nevertheless, with these reservations, this study puts forth the case of Rautaruukki as offering a number of theoretically intriguing suggestions.

The study’s observations on the detailed mechanisms of how management accounting professionals interlace management accounting knowledge with the domain of the operational add to our understanding of how management accounting operates in managerial work (Hall, 2009). The study also bridges the conceptualization of management accounting as something that becomes mobilized through “talk” (Ahrens, 1997) with the notion of management accounting as an intentional, purposeful practice which guides organizational “sensemaking”, becoming a powerful situated practice of
“sensegiving” (Ahrens & Chapman, 2007. Gioia & Chittipeddi, 1991, Weick, 1995). This theoretical integration, we believe, offers an important avenue in exploring further the phenomena which is in our focus.

Moreover, the case of Rautaruukki develops our appreciation of the roles and identities of controllers, and management accounting professionals more widely, in contemporary organizational settings (Ahrens, 2000, Granlund and Lukka, 1998, Järvenpää, 2007). Again, the “bean counter” notion appeared as being non-descriptive of what management accounting professionals engage with and of how they operate in an organizational context (Vaivio & Kokko, 2006). Instead of remaining an isolated or marginalized expertise, management accounting professionals were deeply implicated in understanding, interpreting, directing and, at times, managing the operational. In this investigation, in the deployment of their knowledge within the operational, they appeared to have amassed a considerable amount of organizational influence (Bariff & Galbraith, 1978, Markus & Pfeffer, 1983).

This influence, the study suggests, rested on several conditions. It was built upon the established organizational positions of divisional and business controllers in particular, within a management culture that emphasized “management by numbers”. But its fundamentals can also become traced to the illuminating notions of “transparency”, “information overload” and “dead information” which surfaced from the explored interface between management accounting and the operational.
The access into operational detail and the “pre-understanding” that management accounting professional gained by “transparency” became reinforced by the abundant production and dissemination of management accounting knowledge. In conditions where “information overload” prevailed, and where formal management accounting practices were perceived as providing “dead information”, the verbal mobilization of a much narrower set of measurements became critical. In these conditions - which may characterize many contemporary organizations operating both extensive and intensive integrated information systems - “giving sense” and attributing meaning to management accounting knowledge is increasingly called for.

And management accounting professionals, as key “sensegivers”, are taking up this initiative. They define how the operational is approached, structured, filtered, labeled and chopped into intelligible, organizationally “digestible” pieces which become acknowledged, and around which organizational actors can conform (Weick, 1995, Gioia & Chittipeddi, 1991, Tillman & Goddard, 2008). They provide a seemingly “neutral” space where competing interests can be reconciled. They fix a “dominant frame”: The perspectives, starting points, perceived interrelations and causal patterns, as well as the alleys and boundaries of the organizational discussion and debate – many of the elements that precondition, often in subtle and unobtrusive ways, what is popularly known as operational “decision-making” (Mintzberg & Westley, 2001, Brunsson, 1990, 1982).

Here, we wish to take our theorizing further, because these findings on the “dominant frame”, within the contest between management accounting and the operational, can be
seen as contributing to the increasing quantification of organizational life (Vaivio, 2006). Therefore, the study’s empirically grounded insights can also be interpreted in a more problematic light. If the interface of management accounting and operational knowledge becomes dominated by management accounting professionals, this may have far-reaching consequences to the enactment of organizational reality, and to the management of contemporary organizations. A monolithic financial and economic rationale, abstracting the complexities of organizational life into a quantified dimension, can marginalize other rationales. Other ways of acknowledging or passing judgment on operationally meaningful issues may become discredited. In the extreme, alternative perceptions of the problematic, and the articulation of tacit cues which cannot be formally documented and measured, become expelled from those micro-settings where key organizational action is being elaborated. The quantification of organizations - and the dominance of the professionals mobilizing management accounting knowledge in conjunction with the operational – can put into question the continuing presence, legitimacy and influence of the diverse, often informative operationally grounded knowledges that reside within the organization.


