Management Accounting Research - Does it benefit Practice?

Plenary Debate
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Innovation

Strategy

95%

Performance

Increase

Audi A4

30%

Market

coverage

Strategy

Stock

Swapping out

Stock

Swapping out

Optimized

process

Innovation

Performance

Increase

Audi 80

30%

Market

coverage

Stock

Swapping out

Stock

Swapping out

Optimized

process

Innovation

Performance

Increase

Pd i 1

Stock

Transportation of pipes

(raw)

Float

Transportation of pipes

(raw)  to work place

Float at the work place

Swapping out

Swapping out

Stock

Transportation

Float

Transportation to the work place

Swapping in

Swapping in

Stock

Transportation

Float

Transportation to the stock

Swapping out

Swapping out

Stock

Transportation

Float

Assembly

Float

Scanning

Float

Transportation to the workplace

Float to the work place

Swapping out

Swapping out

Forming

Plasma welding

Probe welding

FIFO float

Assembly

Production step 1

Transportation of pipes

(raw) to the workplace

Float to the work place

Swapping out

Production step 2

Production step 3

Production step 4

FIFO float

Assembly

As-is process

Increase

Production step 1

Transportation of pipes

(final)

Float

Transportation to the stock

Float at work place

Scanning

Procuction step 2

Transportation

Float at the work place

Production step 3

Transportation

Float at the work place

Float

Transportation

Float

Assembly

Float

Scanning

Float

Transportation

Float

Production step 2

Production step 3

Production step 4

Float

Transportation

Float

Assembly

Leadership and corporate change
... in China, too.
Publications

Books ■ Value Papers ■ Articles
There are different types of managers

Discoverers  Explorers  Settlers  “Inflexibles”
Poles of research methods

Analytical research approaches

Research approaches with strict separation between researcher and practitioner

Descriptive research approaches

Innovation Action Research

Empirical research approaches

Research approaches based on the contribution of the researcher

Shaping research approaches

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Forerunner of the Innovation Action Research approach

Action research

Innovation Action Research = Action research + innovation

Scholarly Consulting Argyris (real-time conditions)

Original concept of Kurt Lewin ("practical theorist")

“If social scientists truly wish to understand certain phenomena, thy should try to change them. Creating, not predicting, is the most robust test of validity-actionability.”
Target of Innovation Action Research

To modify and enrich an emerging concept or an emerging theory in terms of knowledge-enlargement by increase in experience.
Innovation Action Research cycle

1. Observe and document innovative practice

2. Teach and speak about the innovation

3. Write articles and books

4. Implement concept in new organizations

Feedback and learning

Cases

Invitations

Management and organizational phenomena

Base case

Initial implementation

Intermediate

Advanced implementation

New practices

Create changes in practice

Source: Kaplan (1998)
According to common judgment, **Target Costing** is a concept for **integrating market- and customer-orientation** into **cost management**. Thereby, an early and comprehensive **market oriented design of products** and their **cost structure** can be ensured.
Target Costing: Simple core idea - difficult to put into practice

There is no longer the question ”How much will a product cost?”

rather

”How much is a product allowed to cost?”

and

“How much is a specific feature allowed to cost?”

Target Costing

Audi A4

Audi 80
Target Costing within Siemens: A. o. computer tomographs, automotive supply, operating panels, process optimization

“Target costing is the core of our market-oriented cost management and is based on the approach of Seidenschwarz, which nowadays is established in the company.”

Strategy and Target Costing for the Straight Acrylics USA Business of BASF: „Molecular and chemical recipes“

Working out of a corporate vision and its integration into the overall world market strategy

- constructing a world market vision
- creating an overall strategy for the world market
- creating organizational presuppositions

Product and process development for North America supported by market oriented cost management

- market research
- customer satisfaction strategy
- portfolios and road-maps
- reverse, price-oriented calculation
- evaluation of alternatives (products and processes)
- target cost controlling

Building a Balanced Scorecard

- building up the complete business for North America
- constructing SBUs
- planning the capturing project

Expanding the total system

- building Asia
- reengineering for Europe

Four Perspectives:
- financial, customer, business process and team perspective
- 26 measures
- connecting perspectives with supervisory information and control systems
- team agreement and commitment
- process drivers: project leadership, marketing and controlling
- development of suitable data processing systems and gradual implementation into daily business

Seidenschwarz, W. a. o.: Controlling und Marketing als Schwesterfunktionen, in: Reinecke, Tomczak, Dittrich (Hrsg.): Marketingcontrolling, St. Gallen 1998, S. 270
It always depends on the point of view... when you take a look at...
... your markets!
Localization needs Logistics
Chinese supplier “Foxconn”: “One million-strong workforce” – 200,000 people in Shenzhen
## Tata Nano

### Facts and Figures
- **Price**: from 1.700 Euro
- **Market launch**: 2008/2009 in India
- **Manufacturing base**: originally western Bengals, currently Sanand
- **Output**: 250.000 units p. a. (plan)
- **Market goal**: 1 million vehicles p. a.

### Strategic vertices
- The vehicle aims at being **the cheapest** car in the world.
- Development of a successor model that will meet **European safety** and **emissions standards**
- **Main objective** is a fuel consumption under 3 litre (instead of 5 l/100 km)

| Kinetic (USA) (Two-wheeler manufacturer): gearing |
| Bosch (GER): fuel-injection technique, braking system, electronic parts |
| Freudenberg (GER): engine mounting |
| Behr (GER): ventilation |

**Continental** (GER): fuel pump, charging level sensor

**Samco** (CAN): body parts

**ZF Friedrichshafen** (GER): steering link

**Mahle** (GER): camshaft

**Sekurit** (GER): panes

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**Tata Group** was founded in **1945** and is **based** in Mumbai. **Ratan N. Tata** is the manager of the company with **approx. 350.000 members of staff** and a turnover of **62,5 billion USD** (2007/08).

In **2007/08**, **Tata Motors earned** a turnover of **8,8 billion USD** and employs **approx. 33.000 members of staff**.

Since **March 2008**, **Land Rover** and **Jaguar** have been a part of the concern.
Vertriebsstrategien in gesättigten Märkten

Mehrkonzepte oder Exklusivvertrieb

Neukonzeption eines zusätzlichen schlan-ken, markenexklusiven Vertriebskanals, integriert ins Vertriebsnetz

Monetäre Bewertung von Synergie- und Exklusivitätseffekten

Erstellung von Prozess-, Controlling- und Architekturkonzepten

Strategie Markenimage und Kundenloyalität deutlich ausbaue

Prozessanalyse: 10 Tage, 10 Handelsbetriebe, 50 Interviews

Steigender relativer Marktanteil im schrumpfenden Markt

Nutzen ausbaue

Leadership in gesättigten Märkten braucht Entdeckerfreude

Steigende Kundenattraktivität durch Markenerlebnisse abseits des Produktes
Approved Concepts face up to new challenges

2nd wave of Target Costing and Lean Management
# Challenges of the 2nd wave of Target Costing

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- Far-scattered markets over the world
- In-depth knowledge in target segments and regions (also across)

- Diversity of cultures and customers
- Complexity of the product definition
- Profiling trans-regional and trans-cultural

- Clearness about Target Profit
- Reflection of complex organizational structures and trans-regional process chains

Management of the complexity by
- Platform concepts
- Trans-regional network
- Local network
Advantages of and criticism on the Innovation Action Research approach

**Advantages**

- The research process enables a *stimulation* of *theory* and *practice*.
- Demand for *corporate change* requires direct *confrontation* between practice and new approaches.
- *Scientists* are able to *abstract* issues from their *daily business*.
- Due to an *iterative process* of *concept development* and testing, a fast enhancement of the concept is possible.

**Criticism**

- *Area of tension* between exclusive *knowledge* of the *researcher* and his role as an *advocate* for the concept.
- Danger of mixing up *search for solution* and the *solution* itself.
- Acceptance of *implementation work* as *prolongation* of the *research work* by the researchers.
- *Implementation competence* of the *researchers* is not ensured.
- *Public transfer* of *innovative findings* through innovative companies cannot be expected in every case.
- *Potential misinterpretation* caused by a *precipitate evaluation* by third parties.
- *Question of evaluation* of the *research concept* is still not clarified.
Conclusion

- The knowledge progress regarding Target Costing is realized through a combined usage of several scientific research approaches.
- Innovative concept developments in Target Costing are neither possible through formal analytical approaches, empirical surveys nor through explanation of case studies.
- The innovative component of the research process can be supported by the Innovation Action Research approach.
Main conclusions

- **Companies, very often, take up more ideas from consultants and from practice than from Management Accounting Research.**
  - E.g. Target Costing originally from Japanese Companies.
  - E.g. EVA from Stern Stewart.

- **Implementation of researchers´ results in practice**
  - Researchers´ results are mainly used to double-check the state-of-the-art and to position the own company's practices.
  - Main hurdles: Topics are maybe not close enough to practice.

- **Research innovations relevant for practice**
  - “Which innovations after the 90s?”

- **Interlocking theory and practice**
  - “Common three hour-events with speeches from both sides are not enough.”
  - “The adventure of practical experience is a fruitful bowl for understanding challenges.”

- **How to cause more benefit for practice**
  - There is not one way to create benefits …
  - Being authentic is key.
  - Innovation action research.
  - A-journals: “Almost no entrepreneur and almost no manager is reading an A-journal.”
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