current controversy surrounding the acquired rights and collective redundancy directives together with continued litigation under Article 119 of the Treaty of Rome would appear to call this conclusion into some doubt.

Despite the reservations outlined above, at a time when many writers are compiling obituary notices for the traditional British system of industrial relations, Kessler and Bayliss’s book provides a balanced evaluation of recent trends and their implications. For the increasing number of students who have grown up knowing little of industrial relations before the last decade and a half of continuous conservative administrations, this text will prove very valuable as a cheap, clear and concise account of industrial relations within the context of post-war economic developments. In short, this book should feature on the recommended reading lists of undergraduate and postgraduate industrial relations courses.

REFERENCE


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Most readers will associate the name of H. Thomas Johnson with the book Relevance Lost: The Rise and Fall of Management Accounting, which he coauthored with Robert S. Kaplan. Relevance Lost turned out to be a very important accounting book in the 1980s. Relevance Regained apparently builds on the previous book.

In Relevance Lost, attention is paid to the historical development of management accounting systems. A comparison is made between the use of management information in the period before the Second World War and the accounting practices in the uncertain business environment during the decades from the 1950s to the 1980s. Apparently, numerous companies still use the accounting systems that were developed before 1925. These systems do not satisfy the information needs of operational managers anymore, because of several implications of the changed competitive environment. In Relevance Lost, the problems with the accounting systems of that time are clearly explained. Solutions, however, are not presented.

Relevance Regained also critiques the accounting systems that have dominated western companies since the 1950s. It especially regards the top-down hierarchical character of these accounting systems and focuses on the ‘managing by remote control’ aspect of these systems. A key theme of this book is that management accounting information does not and cannot address the requirements of competition in today’s global economy. The author argues
that businesses will not discover the pathway to competitiveness simply by reforming their existing management accounting systems. What they need is a new way of thinking, not improved management accounting information.

*Relevance Regained* contains three parts: 1. Relevance lost in top-down control, 2. Relevance regained by bottom-up empowerment, and 3. Information, empowerment, and society.

**Relevance lost in top-down control.** Johnson clearly criticizes top-down hierarchical accounting systems, sustained in the following way. Businesses use information to communicate activities in one part of an organization to decision-makers in another part. But information does more than just communicate. The type of information communicated triggers actions that determine a company's performance. American businesses have experienced a sharp discontinuity in the terms of competition. In contrast to the marketplace of the 1970s with its familiar competitors and captive customers, new and unprecedented global competitive forces arose in the 1980s. Unfortunately, the management information in most American companies today still triggers actions that are not relevant to this new competitive environment. Here, Johnson refers to *Relevance Lost* with the remark that it was evident in the mid-1980s that management accounting information is too late, too aggregated and too distorted to be relevant for managers' planning and control decisions. It is stated that management *accounting* information, in particular, is not relevant to today's new terms of competition.

Until the 1950s managers generally used accounting information only to plan the extent and financing of the firm as a whole. To control the work of individuals and subordinate production units, businesses tended to use non-accounting information, both financial and non-financial. Using accounting information after the 1950s to control business operations and to evaluate marketing and sourcing decisions caused American business to overlook two developments: (1) the cost of complexity implicit in organizing people and work in unbalanced, decoupled systems, and (2) the savings in cost and improvement in flexibility and reliability resulting from Japanese efforts to remove constraints. Failure to understand the costs of complexity and the benefits of flexibility caused American companies to lose market share and profitability to more focused and flexible competitors.

**Relevance regained by bottom-up empowerment.** New information technologies caused information to be the basis of competitive opportunity in the business world. The tremendous availability of information has increased the power of the customer by revealing new opportunities for choice. Companies find more often that they must adapt to people in the information-based global economy. Hence, a business performs adequately in the long run only if its goals and the actions of its personnel address relevant imperatives of competition.

To be competitive in the global economy, companies must build long-term, mutually dependent relationships with customers. To develop this kind of relationships, organizations must commit themselves to building customer loyalty, directing every process in the company toward that goal, and

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mobilizing each employee to concentrate on that goal. Another global imperative is to be flexible. Therefore, conditions have to be created that make it economically feasible to produce only what the customer wants and no more. Eliminating constraints, simplifying work, and creating resource redundancies are all steps to a strategy which creates flexibility. By eliminating constraints rather than optimizing within them, managers effectively eliminate trade-offs among sources of customer satisfaction such as quality, flexibility, service, and price.

In order to explain the role of accounting information in companies that develop appropriate management information, Johnson distinguishes between (1) information used to control operations, and (2) information to plan and to track overall financial results. He argues that the most urgent need is to eliminate all management information that encourages people to manipulate processes in order to achieve accounting results. Therefore, companies can maintain accounting systems to check results of operations, but not to control operations. But, a company can become globally competitive only when it uses cost accounting information to check results while simultaneously tracking real-time outcomes of processes to control process results. In that case, using accounting information would not impede competitive excellence. Yet, the author sees no positive contribution accounting reports make to operations that would justify their continued production. They provide no control information that is not otherwise better supplied by real-time charting of information from processes and customers. This is not to deny that accounting still has a role to play in planning and checking results. Moreover, financial non-accounting information may sometimes be useful to operations managers. This would reflect an exemplary transition from accounting-generated control information to process-generated financial information, which indicates that an improvement process is beginning to take place.

Information, empowerment, and society. Why did American businesses start to use accounting numbers to control operations after the 1950s? Johnson traces this development to two conditions: one is the rapid and pervasive spread of the multidivisional form of business organization; the other is the teaching that arose in American business schools after the 1950s. Business education itself reinforced and justified the practice of managing through the accounting numbers. The author observes that no one in university business schools stopped to ask if economic models, designed for studying price behaviour in market settings, were relevant to understanding the workings of a managed enterprise. He states that neoclassical economic theory provides the main rationale for cost-focused remote-control management by financial results.

Relevance Regained concludes that the information revolution that makes it imperative to replace top-down control with bottom-up empowerment in businesses is the same force driving the collapse of centrally-controlled state economies in Eastern Europe and the Soviet Union. And underlying the new thinking required by these changes in business and in governments is a pervasive theme in modern history - how to balance the tension between the dignity and rights of the individual and the power of the community.
Reading the title of the book *Relevance Regained*, one might expect that in this book all the solutions are offered for dealing with the problems caused by the accounting practices of the last decades. Everybody in the field will finally understand what kinds of information should be used in which circumstances in order to manage an organisation. Relevance is regained, isn't it?

The book shows several interesting directions for improvement of management principles. The importance of customer responsiveness and flexibility has been addressed. Also the negative consequences of managing through the accounting numbers have been explained. Nevertheless, the book fails to live up to the expectations imposed by its title.

The first problem is that an elaboration of terms and ideas is lacking. Questions still open are: (1) what is the desired flexibility? and (2) how should this flexibility be realized? The second problem relates to the validation of the statements. Recommendations are made, but these are not supported by research results. It is argued, for example, that information technology's developments demand a bottom-up management approach. This one way of thinking undoubtedly can be supported by a line of reasoning. However, the opposite claim can also be made: information technology gives a company the opportunity to form a central database which enables a central and more top-down management approach. So, the problem is how to determine which assertion is more valid in which circumstances.

Summarizing, the book offers interesting ideas. However, the fundamental critique is as follows: (1) The ideas are not elaborated into practicable concepts, and (2) The foundations of the ideas are not very solid. Hence, the suggestion of the author to build new theory, based on careful research in managed organizations, has to be supported.

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As I began to read this book for review, the preface and opening chapters made me wonder if I were a suitable person for this task. For several reasons I was uneasy: my original background in experimental psychology made me wary about both claims of reliability and validity, and those of adherence to objective procedures; my experiences in teaching and examining make me sceptical about the accuracy of claims that personal characteristics may be readily assessed; the preface suggested that 'the best approach to obtaining top employees is . . . to determine and select the kind of employee the business needs while the employee is still an applicant' – training and development seemed to be 'out'; my lack of experience of business, except as a low-paid worker and vicariously through the media, probably make me dubious about the ethics of many of their practices; and, finally, there was the culture shock