ABSTRACT

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MANAGEMENT ACCOUNTING AND THE INSTITUTIONALISATION OF TRUST

Bearing in mind the important features of accounting figures with regard to performance evaluation, the value of the way accounting figures are experienced as trustworthy and fair cannot be stressed enough. Surprisingly, with the overall focus on efficiency in today’s companies and the intensified use of performance evaluation measurements, the question of trust has been somewhat neglected within accounting research. The overall research question for this thesis is therefore: How can accounting contribute to the development of trust? The aim of the thesis is to illuminate if and how accounting can be seen as a trust-developing device. The thesis is based on following papers: (1) Hybrids: The changing roles of accountants in STAM PLC (Burns & Baldvinsdottir, 2001), (2) Accounting for trust (Johanson & Baldvinsdottir, 2001) and (3) Trust within the context of management accounting (Baldvinsdottir, 2001). The first paper deals with the question of how the accountant influences accounting practice; the second paper looks at how the use of accounting information affects trust relations; and the third paper links trust theoretically to the accounting context.

The conclusions drawn in the thesis are three-fold. Firstly, an active and jointly responsible accountant, who steps out of the passive and objective role, has greater a chance to contribute to a ‘better’ use of the accounting figures, and also to contribute to building sustainable relations among organisational members where control is not seen as a substitute for trust, but as a complement. The accountant has therefore a major role when it comes to the development and change of accounting practices. Secondly, accounting information can be used both to develop trust and to violate trust. The prospects for creating trust in the accounting figures are intertwined with the trust that the accountant/accounting department has won from the others. When there is no mutual trust between the evaluator and the evaluated, the accountant can help to compensate for the lack of trust by imbuing the figures with 'objectivity'. The evaluated must accept being object of control until s/he has been found trustworthy. When trust has been proven, the control must cease. Continued control will lead to a damaged relationship, dysfunctional behaviour and trust violation. Finally, somewhat paradoxically, to be able to exercise control, trust is needed. Control has traditionally been seen as one of the most important functions of accounting, and control can not been seen as a trust mechanism, per se. On the contrary, control is only needed when trust is insufficient. To be able to approach this paradox in a nuanced way, it is essential to differ between cognitive- and affection-based trust. Accounting information can be seen as an important device to develop cognitive-based trust, which is needed to increase financial efficiency.

Key words: trust, management accounting practice, management accountant, performance evaluation, institutionalisation

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