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Transmitting Knowledge Across Generations: The Role of Management Accounting Practices

Elena Giovannoni¹, Maria Pia Maraghini¹, and Angelo Riccaboni¹

Abstract
This article aims to shed light on the distinguishing features of management accounting in family firms in relation to processes of professionalization and succession. The study combines insights offered by the debate on family businesses and management accounting with the empirical findings of a longitudinal case study (Monnalisa). By exploring the evolution of management accounting practices within the company and the processes of succession and professionalization, this article shows that management accounting can affect the transfer of knowledge across generations and between the owner family and the management team, thus representing and reproducing the priorities, values, and vision of the entrepreneur.

Keywords
management accounting, family firms, professionalization, succession

Introduction
Although family firms have long played an important role in the economic and social development of many countries (see, e.g., Corbetta, 1995; Gallo, 1995; Klein, 2000), family business studies have only been viewed as an academic discipline in its own right since the early 1990s (Bird, Welsch, Astrachan, & Pistrui, 2002; Craig, Moores, Howorth, & Poutziouris, 2009; Moores, 2009). Since then, several scholars have explored and understood the peculiarities of such firms in terms of environmental opportunities and threats, performance priorities and dimensions, entrepreneurial activities, vision and control mechanisms, governance structures, decision-making processes, and managerial style (for a review, see Bird et al., 2002; Sharma, 2004). The issues of organizational change have mainly been explored in relation to professionalization processes (Chua, Chrisman, & Bergiel, 2009), intergenerational transitions (Sharma, Chrisman, & Chua, 2003), organizational growth, and life cycle (Moores & Mula, 2000).

Within this debate, considerable attention has been dedicated to the family and founders’ influence on firms’ performance and culture, whereas less emphasis has been placed on the accounting and measurement side of performance. Although some studies have explored financial accounting and auditing issues (e.g., Cascino, Pugliese, Mussolino, & Sansone, 2010; Prencipe, Markarian, & Pozza, 2008; Trotman & Trotman, 2010) and the technical characteristics and distinguishing features of management accounting systems (MAS) within family firms (Craig & Moores, 2005), the issues of changes in management accounting, as well as the interplay between management accounting practices and organizational transitions (e.g., processes of professionalization and succession), have been largely overlooked by the literature (for exceptions on management accounting change in family businesses, see Amat, Carmona, & Roberts, 1994). For this reason, Salvato and Moores (2010) call for more research on accounting

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within family businesses. This call also entails exploring management accounting beyond its technical characteristics and functions (Ahrens & Chapman, 2007; Hopwood, 1983; Scapens, 1990) to understand its role in the shaping of its own context within family businesses.

This study aims to contribute to the understanding of management accounting practices within family firms. Particular attention is paid to the interplay between management accounting practices and patterns of organizational transition (e.g., professionalization and succession processes) in family firms. To achieve this goal, we combine the insights offered by the debate on family businesses and management accounting with the empirical findings of a longitudinal case study concerning an Italian family firm, Monnalisa.

The article is structured as follows. First, we review some key studies on organizational transitions within family businesses and on management accounting change to identify the distinguishing features of family firms that may be interrelated with both organizational and accounting change. Second, we illustrate the methodology and the case study, which is analyzed and interpreted in light of the insights offered by the literature. By exploring the evolution of management accounting practices within Monnalisa, as well as the processes of succession and professionalization, this article shows that management accounting can affect the transfer of knowledge both across generations and between the family and the management team, thus representing and reproducing the priorities, values, and vision of the entrepreneur.

Exploring Management Accounting in Family Businesses: Insights From the Literature

In the following subsections, we review some key studies on organizational transitions within family businesses to identify the main features of professionalization and succession processes, as well as their relationships with the life cycle of family firms. These studies allow us to emphasize the relevance of knowledge transfer across generations and between the family and the management team over a firm’s life cycle. The insights from the debate on family businesses are then combined with the literature on management accounting practices to analyze their potential role in managing uncertainty and in transferring knowledge during organizational transitions (e.g., professionalization and succession processes) in family firms.

Professionalization and Succession in Family Businesses

Over the past decade, several scholars have identified the distinguishing features of the field of family business research (see Bird et al., 2002). One of these features has been recognized as the intertwined relationships between the family and business systems. In this context, a key role is played by the founders, who “exert considerable influence on the culture and performance of their firms during and beyond their tenure” (Sharma, 2004, p. 10). For example, Sorenson (2000) distinguished five main leadership styles of founders (participative, autocratic, laissez-faire, expert, and referent), which can influence both the culture and performance of their firms. These styles may, of course, evolve over the founders’ tenure and both affect and can be affected by organizational transitions, such as professionalization and succession processes.

The professionalization process implies changes in the firm’s authority relationships, norms of legitimacy, and incentives (Gedajlovic, Lubatkin, & Schulze, 2004). As argued by Daily and Dalton (1992), founder-managed firms (e.g., many family businesses in the early stages of development) are likely to face a threshold at which their resources become insufficient to support their growth opportunities. To surmount this threshold, they can decide to cede control to professional managers (see also Gedajlovic et al., 2004; Zahra & Filatotchev, 2004; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008): This process is regarded as professionalization.

Professionalization can be generally defined as the process through which professional managers become part of the family business at the management or ownership level. This process entails the adequate formal training and education of individuals (regarded as “professional managers”), but it may also result in an increasing adoption of formal mechanisms and systems inside the family firm to support the business (Songini, 2006). Most of the literature considers this process as mainly involving the entrance of outside nonfamily members into the business (see Hall & Nordqvist, 2008). As argued by Dyer (1989), it can also occur through the professionalization of family members and of employees already working in the firm.
This idea is also shared by Hall and Nordqvist (2008), according to whom both family and nonfamily members could qualify as professional managers as long as they are both formally and culturally competent in terms of managing the family business in question. They define professional management in family business as: “an in-depth enough understanding of the owner family’s dominant goals and meanings of being in business (i.e., cultural competence) to be able to make effective use of relevant education and experience (i.e., formal competence) in a particular family business” (Hall & Nordqvist, 2008, p. 63).

“Formal competence” implies formal education, training, and experience and can also be acquired outside the family firm. “Cultural competence” involves the “understanding of the family’s goals and meanings of being in business, that is, the values and norms underlying the reason for the family to be in business” (Hall & Nordqvist, 2008, p. 58). Such an understanding requires ongoing communication in both formal and informal arenas, where the values, goals, and meanings that key family members ascribe to the business need to be transferred to (family or nonfamily) professional managers during the professionalization process.

The idea of formal competence qualifying professional managers is shared by most of the studies on professionalized family businesses (see Hall & Nordqvist, 2008); in contrast, the concept of cultural competence as part of the professionalization process remains largely unexplored and deserves further investigation to better understand the mechanisms through which values, goals, and meanings can be transferred from key family members to (family or nonfamily) professional managers.

Whereas the professionalization process implies the presence of (family or nonfamily) professional managers at management and/or ownership level, the succession process typically involves the entrance of the next generation of (family or nonfamily) members at management and/or ownership level. More in general, the succession process is defined as the set of “actions, events, and organizational mechanisms by which leadership at the top of the firm, and often ownership, are transferred” (Le Breton-Miller, Miller, & Steier, 2004). This process may happen suddenly, as in case of the incumbent’s death or unexpected retirement, or (more often) can be anticipated. In this case the incumbent’s retirement is preceded by a period of preparation (succession preparation) during which succession needs to be managed as a planned process. Effective planning is crucial to ensure the successful entrance of the new generation. As argued by Le Breton-Miller et al. (2004), ensuring competent family leadership across generations represents one of the most critical challenges facing family firms, which often do not survive into the third generation also because of poor succession (preparation) processes (Birley, 1986; Miller, Steier, & Le Breton-Miller, 2003).

Other research has stressed the role of the founder in affecting the succession (and succession preparation) process. García-Álvarez, López-Sintas, and Saldaña-Gonzalvo (2002) demonstrated that the founder’s vision of the role of the business in the family can affect the culture and performance of the firm, depending on the extent to which the business is regarded as a means to support the family or as an end in itself. In the first case, (family member) successors are encouraged to join the firm at a younger age, with a low level of formal education. In the second case, the successors are encouraged to achieve a higher level of education and join the firm at a more senior age. Along these lines, Kelly, Athanassiou, and Crittenden (2000) found that the power of the founder and his or her ability to continue to exert a strong influence within the organization after his or her tenure are dependent on three main dimensions: his or her centrality to the flow of information, direct linkages with top management, and ability to influence the most connected members.

Without neglecting the crucial role of founders during processes of succession, other studies have emphasized that such processes are affected by the extent to which knowledge and capabilities are transferred across generations (Cabrera-Suárez, De Saa-Pérez, & García-Almeida, 2001; Steier, 2001). Cabrera-Suárez et al. (2001) highlighted that the firm’s specific knowledge and the ability to transfer it are key strategic assets that may be positively associated with higher levels of performance. From this point of view, the concept of knowledge includes contextual information, framed experience, beliefs, values, and expert insight, as well as know–how and skills to perform tasks (see Cabrera-Suárez et al., 2001).

As argued by Mazzola, Marchisio, and Astrachan (2008), there are still some gaps in the identification of specific training tools to support the transfer of knowledge during processes of succession. Importantly, these authors showed that involving next-generation members...
in the strategic planning process provides them with tacit business knowledge and skills, thereby supporting the succession process. To achieve a better understanding of this issue, Sharma (2004) called for more research on the transfer of knowledge from one generation to the next as well as on the mechanisms by which to develop, communicate and reinforce the leaders’ vision and organizational culture across generations.

This process has been regarded by Le Breton-Miller et al. (2004, p. 310) as the transfer of a “shared vision,” that is, “sharing views about the ultimate goals of the business,” which also entails shared values, priorities, and aspirations for the future. In addition to the transfer of equity, the transmission of this shared vision is crucial and needs to be adequately managed from the preparation phase. Leaving the transmission of a shared vision until after the incumbents have handed over leadership may be far too problematic.

Based on previous studies of family businesses, we can argue that both professionalization and succession (including succession preparation as part of the succession process) involve critical issues related to the transfer of knowledge across generations or between family and nonfamily members (at management or ownership level). As addressed by Sharma (2004) and by Mazzola et al. (2008), such critical issues need to be further explored (see also Hall & Nordqvist, 2008). Moreover, in the two contexts of professionalization and succession (preparation), the potential involvement of management accounting in the processes through which knowledge is transferred has been largely ignored by the literature and demands further research. This entails an exploration of how management accounting is put into practice, in the light of its specific organizational context and beyond its mere technical characteristics (Ahrens & Chapman, 2007).

As family firms grow, different degrees of professionalization and succession may occur simultaneously. Succession may happen inside or outside the family (see Massis, Chua, & Chrisman, 2008) and can therefore involve family and nonfamily professional managers to different extents. Similarly, professionalization process may occur inside the family, through the professionalization of family members (and, as such, of family successors), or outside the family, through the professionalization of nonfamily members (some of whom may take part in the succession process). Succession can also provide the family firm with an opportunity to change and to open up to professionalization processes. At the same time, professionalization (if adequately managed) can support succession processes. Such intertwined relations between the two processes deserve further investigation.

More generally, processes of both professionalization and succession cannot be regarded as discrete events but as parts of a multiphased evolutionary process that takes place over many years and that is strongly related to the patterns defining the firm’s life cycle. These patterns in turn affect management accounting change.

Understanding Organizational Transitions in Family Businesses

According to Moores and Mula (2000), the study of organizational transitions (e.g., professionalization and succession) is grounded in the understanding of organizational life cycles (OLCs). OLC theory suggests that organizations develop according to a predictable pattern, characterized by various stages (Adizes, 1979; Greiner, 1972). One of the most well-known classifications of these stages distinguishes between birth, growth, maturity, revival, and decline, each of which is characterized by different patterns of strategies, structural characteristics, and leadership and decision-making styles (see Miller & Friesen, 1984). As argued by Lester, Parnell, and Carraher (2003), the aforementioned classification has mainly been developed to describe large organizations. These authors propose a different classification, which is more suitable for small and medium sized enterprises and distinguishes between existence, survival, success, renewal, and decline. Professionalization and succession processes may occur during (and interfere with) the various phases of the OLC.

Greiner (1972) provides the basis for exploring the evolution of management control systems (and, as such, of management accounting) throughout a firm’s life cycle. In particular, he argues that the emergence of these systems is related to a leadership crisis that may occur as the company grows and informal mechanisms cease to function. Along these lines, and relying on OLC theory, Davila, Foster, and Li (2009) explore the reasons for the adoption of management control within companies in the early stages of the life cycle.

More specifically, Moores and Yuen (2001) apply OLC theory to MAS to show that the level of formality of
these systems (in terms of the selection and presentation of information) changes through the various stages of the life cycle (and increases during the growth stage in particular). Such findings are consistent with the four-stage life cycle model proposed by Quinn and Cameron (1983), who suggest that the level of formalization of practices and procedures increases as organizations develop from an entrepreneurial stage (characterized by limited planning and control), through a collectivity stage (characterized by informal communication and structure), to the formalization and control stage (characterized by the formalization of rules, conservatism, and institutionalized procedures). Finally, the fourth stage is characterized by the creation of structures, adaptation, and decentralization. Similarly, Kallunki and Silvola (2008) apply OLC theory to activity-based costing to show that the use of this system is more common among firms in the maturity and revival phases than in the growth phase.

Other studies have adapted the work on OLC to the distinctive features of family businesses and to the family’s generational progression in particular as well as to relationships between family and nonfamily members (see Moores & Mula, 2000). Relying on Quinn and Cameron (1983), Moores and Mula (2000) explore how formal and informal controls develop within family businesses through the different life cycle stages. Importantly, they show that, although the family provides stability over generations, nonformal controls tend to lose their potency as family firms experience transitions between different stages of the life cycle, especially if threatened by the timing of succession-related transitions. In this context, the authors call for more longitudinal studies on the combinations of management controls that family businesses adopt during particular types of transitions.

We argue that management accounting can play a key role in managing uncertainty during processes of professionalization and succession throughout the firm’s life cycle. This entails exploring and interpreting accounting practices in the light of the organizational contexts in which they are implemented. The literature on management accounting may contribute to achieving this goal by providing some key insights.

Exploring Management Accounting Change “In Situ”

As argued by Salvato and Moores (2010), scholars in the field of family business have yet to dedicate adequate attention to the accounting and measurement side of performance within this kind of firm, looking beyond the technical characteristics of accounting systems and exploring their role during processes of change and transition (e.g., the processes described in the previous sections). Over the past two decades, a number of scholars have described accounting practices as organizational routines. Given the influence that management accounting routines may have on shaping organizational and social affairs, several studies (on management accounting in nonfamily firms) have suggested that management accounting change needs to be explored “in situ,” that is, in the light of the specific context in which it occurs (see, among others, Ahrens & Chapman, 2002, 2007; Burns & Scapens, 2000; Catturi & Riccaboni, 1996; Hopwood, 1983; Roberts & Scapens, 1990). Hopwood (1990) describes accounting practices as being able to “influence perceptions, change language and infuse dialogue, thereby permeating the way in which priorities, concerns and worries, and new possibilities for action are expressed” (p. 9).

By investigating management accounting in the context in which it occurs, Amat et al. (1994) explore management accounting change in a Spanish company that developed from a family small business to a professionally managed medium-sized firm. They show that both internal (span of control, profitability, and authority) and external (competition and social control) factors affected the design, implementation, and changes in management accounting and control systems, which underwent increasing formalization. They also call for more research in this area.

Given their very nature, family firms may represent the ideal setting in which to explore the role of accounting routines and practices in shaping organizational activities and affairs. The significant influence exerted by the family (and, in particular, by the founders) on the culture and performance of their firms (Sharma, 2004) may generate various subtle mechanisms that can interfere with accounting rules and practices, as well as with their institutionalization within the firm. On the other hand, institutionalized accounting practices can themselves interfere with processes of knowledge transfer among family members or between the family and the management team.

As highlighted by Burns and Scapens (2000), management accounting comprises procedures and practices that are likely to be institutionalized, that is, become widely accepted and taken for granted within an
organization (Burns, 2000). Roberts and Scapens (1985) also discuss the concept of management accounting as a “language” that provides organizations with a set of categories to make sense of activities, anticipate the future, and assess and plan actions. They affirm that accounting practices involve the production and reproduction of meanings used by the management to interpret past results, take actions, and make plans, as well as of values and ideals concerning expected behaviour and what is approved or disapproved. Accounting practices even embody a moral order by institutionalizing reciprocal rights and obligations. As such, they are viewed as carriers of the knowledge that allows the coordination and integration of different practices. Based on this interpretation, Macintosh and Scapens (1990) argue that the “institutionalized language of accounting” becomes part of the framework of meaning used “to make sense” of activities. This language sets and records values and ideals concerning what ought to count, what ought to happen, and what is thought to be important, while providing the moral underpinnings for power structures and relationships of dependence and autonomy within the organization. As argued by Dent (1991), management accounting can also be used to communicate expectations and world views, thereby participating in the development of a new set of subjective meanings.

More recent studies have interpreted management accounting as a language that is capable (as it becomes practiced) of transferring organizational knowledge during processes of coordination and integration within and across the firm’s boundaries (see, e.g., Busco, Giovannoni, & Scapens, 2008; Busco, Quattrone, & Riccaboni, 2007; Catturi, 2003). Busco, Riccaboni, and Scapens (2006) combine institutional perspectives on accounting change with practice-based theory to interpret management accounting as a set of socially constructed and institutionalised practices. Relying on Gherardi and Nicolini (2000), they define a practice as “a system of activities in which ‘knowing’ is not separate from ‘doing’... Participation in a practice provides individuals with ‘know-how’, i.e., the tacit knowledge embedded in that practice” (Busco et al., 2006, p. 16). Through participation in a practice, knowledge can be transferred to newcomers as the appropriate way to act, think and feel. From this perspective, management accounting practices are capable of acting as carriers of knowledge (through time and space), by providing the managers participating in these practices with a shared language of socially constructed meanings with which to make sense of the organizational reality and cope with the uncertainty associated with periods of transition (Busco et al., 2006; see also Catturi & Riccaboni, 1996; Quattrone & Hopper, 2005). Importantly, MAS become practiced (and, as such, become sets of practices) through a process of social interaction.

Although the debate on management accounting practices has called for more research to investigate management accounting in its natural context (Hopwood, 1983), the ability of these practices to transfer knowledge between different groups of people in the context of family businesses has not yet been addressed. Based on the studies reviewed in this section and with the aim of exploring if and how management accounting practices interact with processes of succession and professionalization in family firms, the following subsection looks at the case of the Italian family firm Monnalisa.

The Case of Monnalisa

Method

We decided to adopt a single-case research design, which is suitable to investigate complex processes involving several actors over the different life cycles of the focal organizational entity (Cooper & Morgan, 2008; Ditillo, 2004; Moores & Yuen, 2001). This study focuses on Monnalisa S.p.A. (a joint-stock company), an Italian family firm based in Arezzo, Tuscany.

Italian family firms represent an ideal setting in which to explore the role of management accounting during transition processes such as succession or professionalization. Several studies have shown that in Italian family firms, the family tends to invest a large part of its wealth in such firms (Corbetta & Minichilli, 2005; Montemerlo, 2000; Prencipe et al., 2008). As a consequence, family members usually play a significant role in the activities of the company, tend to keep control in the long term, and are reluctant to share ownership and leadership with nonfamily members. For these reasons, succession and professionalization processes are particularly critical in this kind of firm (Prencipe et al., 2008).

Monnalisa was founded in 1968 and has developed constantly since then. The company has been experiencing a phase of significant growth since the late 1980s, during which it has moved from the birth to the growth stage. Over the past 20 years, also in light of the
evolving environmental conditions (see Table 1), Monnalisa has undergone significant changes in its strategies, organizational structures, and management roles and systems. These changes have included the progressive entrance and training of both family and nonfamily professional managers, as well as the increasing sophistication and formalization of management systems (including management accounting). Such factors are part of the professionalization process (Songini, 2006).

Confirming that professionalization should not be regarded as a discrete event but as an ongoing process that needs to be studied over time, during the data collection period (2007-2010) this process accelerated within Monnalisa because of changing external conditions, the patterns of the firm’s life cycle, and the need of the founder to prepare for his retirement. As we will see in more detail in the following subsections, professionalization and succession (preparation) in Monnalisa have turned out to be two interrelated processes.

Similarly to professionalization, succession is a multiphased evolutionary process that needs to take place over many years and is characterized by various stages of preparation, culminating in the final phasewave of the incumbent (Cabrera-Suárez et al., 2001; Le Breton-Miller et al., 2004). In the case of Monnalisa, the process of handing over to the successors was completed in February 2010. Our analysis focuses on the succession preparation phase, which has entirely unfolded at the period of data collection (and which is indeed a relevant part of the succession process; see Le Breton-Miller et al., 2004).

For all the aforementioned reasons, the company is particularly suited to the purposes of this study.

Data collection. The research relies on two types of data collection: semistructured one-to-one interviews and documentary material, including internal reports, company history, and other published material. The interviews represent the main source of data. The documentation served mostly for triangulation and as a supplementary source to aid understanding of the main events.

The interviews were mainly conducted over a period of 4 years (2007-2010) at the firm’s headquarters. Each one typically lasted 3 hours. Certain individuals were interviewed more than once to clarify key issues that emerged as the study progressed. In particular, we conducted 29 interviews with 10 different informants (see Appendix A). The last series of interviews was conducted during the autumn of 2010.

For data collection and examination purposes, we focused the interviews and the subsequent analysis on the themes of professionalization, succession, and management accounting change in Monnalisa. Appendix A details the interviews performed, divided according to the main topic of each discussion.

The research began with preliminary meetings with Monnalisa’s founder, Piero Iacomoni, his wife, and their children. These meetings provided background information about the company and allowed us to collect various forms of documentation. Subsequently, the head of the Quality and Social Responsibility Unit, the product manager, finance manager and EDP (electronic data processing) manager were also interviewed to collect further information about the company, its management, and their evolution through time, focusing on the professionalization and succession processes. The second series of interviews focused on the main features of the MAS and on the patterns of management accounting change in the period 1989 to 2010. The period analyzed was mainly from 1989 onward, as the management accounting function was formally introduced in that year.

All the interviews were transcribed into electronic files. All files were checked by the various informants to ensure the trustworthiness of our data.

Data analysis. We began the analysis of the data collected with a preliminary understanding of the main organizational changes that have characterized the company over its life cycle and of the family members’ involvement in Monnalisa’s governance and management systems. In performing the analysis, we adopted a longitudinal perspective to explore all organizational transformations since the company’s foundation, as well as to identify any eventual patterns of succession and professionalization within the company. These aspects are illustrated in the subsections Professionalization and Succession in Monnalisa and the Management Accounting Change in Monnalisa.

We analyzed the material by grouping it according to the main topics of the study (professionalization, succession, and management accounting change), then sought to identify possible relationships between the topics (see Appendix B). As the study progressed, we combined the emerging picture with our theoretical perspective. The results of this analysis are discussed in
Table 1. Main Changes in Monnalisa

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<td>“Golden age” of the textile and clothing sector</td>
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<td>Informal but beginning of formalization</td>
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<td><strong>Creativity and quality</strong></td>
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<td>Product innovation, creativity, and quality (growing importance)</td>
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<td>Process efficiency (growing importance), innovation, and quality</td>
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<td>Teamwork, employees’ and (international) customers’ satisfaction</td>
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<td><strong>Entrance of Piero’s wife into the business</strong></td>
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<td>Growing empowerment of professional managers</td>
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<td>Training of Piero’s children and of nonfamily professional managers inside the company</td>
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After each phase, draft papers containing the results of the analysis were produced and sent to the various managers interviewed to verify our understanding. Our case study can be classified as explanatory (Scapens, 1990), as the empirical evidence is used to understand the role played by management accounting within a family business (and to contribute to the debate described in the section Exploring Management Accounting . . .). This interplay is analyzed and discussed in the section The Role of Management Accounting Practices . . ., which combines evidence from the case study with theoretical insights from the management accounting literature and from the debate on family businesses (reviewed in the section Exploring Management Accounting . . .).

### Professionalization and succession in Monnalisa

Monnalisa is a leading Italian company in the higher quality segment of the children’s wear market (49.96% of the relative market share worldwide). Monnalisa currently has 51 employees, an equity of €2,064,000, a turnover of more than €30 million and a profit of €2,151,524. The company sells in more than 50 countries and 47% of its turnover comes from “extra EU-12” markets. The company was established in Arezzo (Tuscany, Italy) in 1968 by Piero Iacomoni, who had previously worked as a product consultant in the clothing sector for many years. The clothing sector has always played an important role in the economy of the province of Arezzo.1 This brought significant opportunities for Piero in terms of networking and available know-how. To distinguish his company from competitors, Piero decided to focus on the higher quality segment of the market, offering coordinated articles of clothing (the so-called total look concept). Thanks to this strategy, the business grew during the 1970s, as the diverse lines of business were progressively divided up and assigned to different companies, which now form the “Monnalisa Group” (see Figure 1). Importantly, in 1978 Piero Iacomoni’s wife (Barbara Bertocci) started work at Monnalisa as a designer.

The business continued to grow, gradually but constantly, throughout the 1980s. In this period, Monnalisa also entered various foreign markets, in line with the general growth in world exports of clothing products.2 Also thanks to its internationalization strategies, Monnalisa continued to expand during the 1980s. The growth of the business, and its consequent increasing complexity, made Piero aware of the necessity for a greater formalization of its organizational structure. Moreover, he decided to convert the company from a sole proprietorship to a limited partnership. This change also allowed Barbara to join the company as an owner. From 1980 to 1985, Piero and Barbara owned equal shares of the company. In 1985, their two children (aged 12 and 13 years at the time) both acquired 5% of the company’s shares (since then the portion of shares belonging to each child has progressively increased).

In 1991, Monnalisa was converted into a joint-stock company. Despite this change, it has continued to

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### Table 1. (continued)

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<td>Targets and results are discussed within interfunctional work groups</td>
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1. This brought significant opportunities for Piero in terms of networking and available know-how.
2. Also thanks to its internationalization strategies.
3. A joint-stock company is a type of company in which shares of ownership are sold to the public and held by shareholders. The company's shareholders have limited liability, meaning they are only liable for the amount of money they have invested in the company, and not for the company's debts. This is in contrast to a sole proprietorship or partnership, where the liability of the owner(s) is unlimited.
be—and is still run as—a family business. Currently, Monnalisa is totally owned by Piero Iacomoni’s family, as are all the other companies in the “Monnalisa Group” (with the only exception of Penta Service s.r.l., which is also owned by a former Monnalisa employee, who is not a member of the family—see Figure 1).

Although Piero’s children acquired company shares in 1985, they only began to be involved in the business in 1995, when they had completed their education and training outside the company. The daughter, who specialized in fashion design, started work in the design department with her mother. The son, who studied as a tour operator, started to manage a different company belonging to the group, which is in charge of running accommodation facilities for Monnalisa. The training of Piero’s children outside the company and their experience inside the company can be regarded as part of the professionalization process involving family members (Hall & Nordqvist, 2008).

Despite the whole family’s involvement in the business (albeit with very different roles), its founder, Piero Iacomoni, has always been the actual head of the group: Until February 2010 he was the sole administrator and managing director. However, as explained by the product manager: “Piero has always been willing to be supported by other members of his staff. In fact, he started to delegate his decision-making authority at the beginning of the 90s. Since then, each manager has reported directly to him”.

Until 2010, although Barbara and Piero Iacomoni’s children (as owners and as members of the family) had
the right to participate in the process of defining the company’s policies, they did not take an active part in the general management of Monnalisa. As confirmed by Piero,

Barbara has always taken care of the company’s creativity, by managing the design department. Our children, instead [until 2010], have decided not to take an active part in the management of the company, preferring to commit themselves to specific duties which are more in line with their capabilities.

This situation changed in 2010 when the founder’s tenure came to an end. As testified by Piero: “I started planning my retirement many years ago—on a permanent basis in 2007—and, ever since, I have worked a lot to prepare the company to continue without me, on its own.” In effect, as underlined by Piero before his retirement: “I don’t want to go on setting rules when I am no longer working here.” In line with this, in July 2008 the family drew up an agreement in which they defined and formalized the company’s governance structure for the future. In particular, the agreement stated that all family members would join the board following the founder’s retirement from his position as sole administrator and managing director. Within the new governance structure, the management of the company was planned to be delegated to a staff guided by a professional managing director, appointed by the board, who (according to the agreement) “must have an undergraduate degree, at least a 2-year master’s degree and knowledge of at least two foreign languages . . .”

As acknowledged by Piero before the end of his tenure,

When I retire, all of us will have to learn something new! I will have to learn something new myself: how to guide my company at a distance, without being directly involved in its management. Besides continuing with their current tasks and activities (which they are already good at), my children will need to learn how to act as members of the board. In particular they, along with the managing director, will have to fully understand and assimilate the priorities, values and vision of the company . . . which are also mine.

From 2007, Piero was conscious of needing to prepare for his succession. For this purpose, he decided to be joined in his function of managing director by a specialized professional manager who would become the new managing director after his retirement. In 2009, he selected a former external consultant for this role, who was also a lecturer in economics at the University of Florence. From that point, the new professional manager started to assist Piero in his role as managing director, and all employees and managers were required to interact with him too. At the same time, Piero increased the decision-making authority of the managers to relieve the future managing director of some particular duties previously managed by the founder.

As illustrated in this section, the whole succession preparation phase took place during the data collection period (2007-2010): The transfer of ownership to Piero’s children has already taken place, as well as the transfer of leadership, which was formally completed with Piero’s retirement in February 2010 (Table 1 summarizes the main changes in Monnalisa mentioned earlier). From an ownership point of view, the succession took place inside the family and did not involve external professional managers. From a leadership point of view, the succession preparation involved both family and nonfamily members, including an external professional manager who was trained to gradually take on a leadership role in the management. The transfer of leadership to family members (as part of the board of directors) and to a nonfamily professional manager (as the new managing director) formally took place in February 2010 but was substantially prepared by Piero throughout the succession preparation phase (2007-2010).

Similarly to succession, professionalization in Monnalisa has taken place both inside and outside the family. Family members (Piero’s children) were fully trained outside the company before entering the family business, where they started to gain a situated experience of the business. Moreover, especially during the data collection period, a qualified nonfamily member entered the business as a professional manager and acquired management and leadership experience. As has emerged in this section, professionalization and succession in Monnalisa have been strongly intertwined. On one hand, the succession preparation has seen the significant involvement of professional managers; on the other hand, the professionalization processes have been
stimulated by the need to prepare the succession within and beyond the family.

**Management accounting change in Monnalisa**

Moores and Yuen (2001) argue that firms at the birth stage are expected to present information in the least aggregated and integrated manner. This is mainly related to their simple and highly centralized structures and their intuitive decision-making style. Consistently with this position, during the 1970s, Monnalisa did not rely on a formalized MAS. As Piero explains, “At that time I preferred to act without planning or measuring. Soon I started to realize that it was better to think, share ideas, and plan before acting.” Moreover, according to Moores and Yuen (2001), when moving from the birth to the growth stage, characterized by an increasingly analytical decision-making style, growing market share, product complexity, and decentralized structures, firms are expected to present information in a more aggregated and integrated manner (see also Davila et al., 2009; Greiner, 1972). Thus, in 1989 a formal MAS was finally set up, and a controller with strong financial skills was put in charge of the system, becoming the head of an ad hoc “Management Accounting and Control” unit.

At first, the management accounting practices relied heavily on the annual budget, which was based on financial targets and measures, mainly expressed in terms of costs and revenues, contribution margins and cash flows. As acknowledged by Barbara,

> This system guided Monnalisa’s growth from the end of the 80s, when we had only 10 employees and a turnover of about €2,500,000, to the end of the 90s, when we had 30 employees and a turnover of about €10,000,000. Planning financial targets proved to be really helpful to guide our staff and to encourage constant growth of the turnover.

As testified by the controller,

> While the meetings to define and review the financial targets initially involved more difficulties, due to the limited financial skills of many managers and employees, it was also—and above all—thanks to these meetings that common knowledge was progressively generated. This has allowed the development of the managers’ capacity to define the objectives to be achieved and to communicate and share them with the staff, as well as to identify the most effective actions to reach the goals identified.

However, the controller and the founder soon recognized the limits of relying exclusively on the budget (and, as such, on financial measures and a predominantly short-term perspective). As a result, in 1997 the controller suggested integrating the MAS in use with certain key nonfinancial indicators (mainly concerning quality, process efficiency, and customer satisfaction). In this respect, the controller recounts: “the family gave much support to the initiative, being aware that relying on financial measures alone may be insufficient.” Thus, a set of new nonfinancial indicators (e.g., measures related to consignment, laboratory supplies, lean reduction, clients, number of defects) was progressively developed from the late 1990s and gradually affected the activities of managers inside the organization.

> As acknowledged by the product manager,

> The continuous assessment of the new nonfinancial indicators keeps me thinking every day that Piero cares about quality and customer satisfaction. For example, when we only had the budget to refer to, I focused on how to limit the stock of products exceeding the orders. As a result, we were not able to completely satisfy any unplanned extra orders from clients. The new nonfinancial measures made me realize that my decisions were not actually aligned with company’s priorities.

In 2004, Monnalisa’s MAS changed, with the introduction of the balanced scorecard (BSC). As explained by the finance manager,

> The introduction of the balanced scorecard responded to a need to reduce and systematize the number of indicators that managers and employees were required to use and to refer to. Moreover, with the aid of the strategy map, the links between performance measures and strategies were made more visible. Exploring such links helped to select and identify the most appropriate measures.

In 2005, the MAS changed again, with the introduction, along with the BSC measures, of intellectual
capital measures. Similar to the BSC, the framework was suggested by the controller. Piero was enthusiastic about this, as, in his opinion, such measures could strengthen the visibility of core strategic assets for his company, such as creativity, vision, reliability, and partnership with its clients and suppliers: “My wife was particularly happy about this set of measures as they gave prominence to the creativity of the designers. I was also enthusiastic.”

Importantly, the processes of designing the BSC measures as well as the intellectual capital measures were formalized in a set of procedures that involved the participation of all managers of the company through ad hoc interfunctional work groups that had to meet regularly (with Piero and with the controller) to discuss performance indicators and targets. As illustrated by the sales and marketing manager,

By participating in the definition and use of the new performance measures, each of us gained a better understanding of the company’s strategy. Furthermore, the importance that Piero and the controller assigned, year after year, to the various measures gradually allowed us to appreciate the changing priorities of Piero’s family.

In 2005 the BSC measures and the intellectual capital measures (along with a set of social and environmental measures) were integrated with the financial statement into a single document, labeled the “integrated balance sheet”. The introduction of the integrated balance sheet helped to systematize all the performance measures in use into a single formal report. In fact, according to Piero: “on the one hand, having a single document is crucial to systematize all the reports concerning company performance. On the other hand, integrating the formal financial statement with strategic non-financial indicators helps to give authority and visibility to non-financial measures”. Furthermore, “The report [integrated balance sheet] helped to provide a single vision of the company ... and to diffuse this vision outside, but most importantly inside, the organization”.

“We [Piero and the controller] did not seek to merely put the measures together,” explains Piero.

We were aware that people are less comfortable with new practices such as the balanced scorecard or intellectual capital measures. They are more comfortable with the budget or the financial statement. As such, we decided to incorporate the balanced scorecard measures and the intellectual capital measures into the financial statement. In this way, nonfinancial practices become more visible and gain credibility.

Importantly, in 2009 the designated future managing director began to participate in the design of the BSC measures and the intellectual capital measures, attending (along with Piero and the controller) all interfunctional meetings and work groups scheduled to set performance indicators and targets.

The Role of Management Accounting Practices Within the Processes of Professionalization and Succession (Preparation) in Monnalisa

Monnalisa has grown significantly over the past 20 years, moving from the birth to the growth stage (Moores & Yuen, 2001). As a consequence of this growth (and similarly to other family and nonfamily firms; see Amat et al., 1994; Daily & Dalton, 1992; Moores & Yuen, 2001), the founder has gradually been stimulated to delegate a growing part of his decision-making authority to his staff, who have begun to play a more active role in the management of the company. Importantly, on one hand, the professionalization process was prompted by the move from the birth to the growth stage (Moores & Yuen, 2001) and, on the other hand, it also affected (and was affected by) the succession preparation. As we will discuss in greater detail in this section, both professionalization and succession are strongly intertwined with the management accounting change described above.

Management Accounting as a “Language” for Knowledge Transfer

Within Monnalisa, management accounting change was affected by Piero’s need to provide the organization with more comprehensive decision support systems, both because he considered the business not only as a means to support the family but as an end in itself (García-Álvarez et al., 2002) and because the business
was growing and becoming more complex. In this context, as he needed to decentralize an increasing amount of decision-making authority, new MAS were gradually adopted inside the company.

As emphasized by Piero,

When Monnalisa was smaller, my staff were perfectly aware of our company’s strategy. We did not need a balanced scorecard to know where we were going. I used to speak with them on a daily basis. I could control their activities myself and share ideas and projects for further improvements with them. As Monnalisa grew, I soon became aware that I needed help to communicate and share ideas and to control their implementation. I realized that the MAS could be of help. This does not mean that the MAS takes on my role, but that it is of help as we grow.

Importantly, although new tools and frameworks (e.g., the BSC and intellectual capital measures) were suggested by professional managers, as they started to be practiced within Monnalisa they strongly reflected Piero’s participative leadership style and his (and Barbara’s) vision of the business. For example, as explained by Piero,

Intellectual capital measures have given prominence to issues related to creativity and innovation, which are crucial for designers and essential for me and for my wife [. . .] With the formal introduction of the new measures, my staff became more aware of the need to achieve specific targets also in terms of creativity and innovation.

In line with Piero’s participative management style, the definition of financial and nonfinancial indicators, targets, and forecasts has always taken place with the involvement of interfunctional work groups, with the active participation of both Piero and the controller. During these work groups, Piero’s ideas and expectations concerning the business could be illustrated and discussed with the other managers to help set the most appropriate measures and targets. The results of such discussions could then be formalized into the BSC measures and the intellectual capital measures.

As emphasized by Busco et al. (2006), management accounting, if widely accepted and practiced within the organization, can act as a carrier of organizational knowledge, transmitting values and ideas of expected behavior, through the process of social interaction that takes place around the same practice (where “knowing” is not separate from “doing”; see also Ahrens & Chapman, 2002). In the case of Monnalisa, the high level of interaction involved in the definition of financial and nonfinancial measures helped the process of knowledge transfer between the family and the management team. This is confirmed by the EDP manager, who states,

We are periodically required to meet and discuss performance measures, indicators and targets. During these meetings I can discuss the meanings and the intent beyond the measures with Piero and my colleagues. I have had the opportunity to learn a lot from Piero and my colleagues in the different business units, and so have my colleagues. Everyone can contribute his or her experience to the discussion of performance measures. I think that Piero, as he often admits, has also had the chance to learn something new. Discussing measures helps us to clarify the strategic directions of our company and, as such, Piero’s ideas. This is of great help to us in carrying out our jobs and using the measures in the right way.

By interacting around the BSC measures and the intellectual capital measures, managers and employees have become more conscious of the company’s changing priorities. As illustrated by the product manager,

I know Piero well and I have always been aware that he cares about quality, teamwork and creativity, but at the end of the day, when I only had to perform the budget, I was mainly concerned with financial figures. When we first started to work with the new non-financial measures, they did not seem to tell us anything new. However, my staff and I soon realized that we were actually behaving in a different manner . . .

Then, he added,
Our company was growing fast and we had to innovate to be competitive in both national and foreign markets. To this end, the creativity of our stylists was even more crucial and had to be further encouraged. It was not just an idea of Piero but a real need of the company [. . .] This need was stated in the performance measures that we were using, which were the same for all of us.

Roberts and Scapens (1985) argue that management accounting practices, if widely diffused and accepted within the organization, can be interpreted as a “language” that provides managers with a set of categories to make sense of activities, anticipate the future, and assess and plan actions, thereby improving communication and knowledge transfer. Within Monnalisa, the new management accounting practices complemented informal communication mechanisms (“I know Piero well and I have always been aware that he cares about quality, teamwork and creativity . . .”—Product Manager, cited above) in transmitting Piero’s priorities, experience, and expectations on the company strategy and employees’ behaviors (“It was not just an idea of Piero but a real need of the company . . .”—cited above; “My staff and I soon realized that we were actually behaving in a different manner . . .”—cited above). This transfer of knowledge (on both expected behaviors and outcomes; see Turner & Makhija, 2006) is crucial in the professionalization process, which entails the transfer of both formal competence (formal experience and education) and cultural competence (Hall & Nordqvist, 2008).

Management Accounting Within the Professionalization Process

In line with the increasing decision-making authority delegated to managers and Piero’s participative leadership style (see Sorenson, 2000), the process of management accounting change both influenced and was influenced by the patterns of professionalization. On one hand, professional managers’ formal competence (as well as Piero’s knowledge of the business) played a relevant role in the definition of new management accounting practices; on the other hand, by reflecting and transmitting Piero’s knowledge of the business, the new management accounting practices prompted the professionalization process (by diffusing both “formal” and “cultural” competence).

A significant role in affecting management accounting change was also played by the controller (a professional manager with a formal education in business and economics and highly specialized financial skills), who recounts,

When I started my job here I soon realized that Piero had great ideas on how to run the business and, most importantly, on how to manage and guide people, emphasizing their creativity and potentials. Thanks to my education and training, I was able to propose frameworks and tools, such as the balanced scorecard or the intellectual capital measures, that could incorporate Piero’s ideas, formalizing them into a concrete report and measures that everybody within the organization could read and understand. Piero has always been enthusiastic about my proposals, which he has supported financially . . .

Moreover, through the process of social interaction that took place in relation to the new management accounting practices, both formal and cultural competence could be exchanged and transferred among the different groups of people engaging in the same practice. As argued by the EDP manager,

For example, during the meetings to set targets for the balanced scorecard, I learnt that “stakeholders’ satisfaction,” “process efficiency,” and “innovation” are very important to Piero. I realized that the information system that I was managing could be improved to provide more timely information to the marketing and sales manager. I understood that this was a strategic priority for Piero. Moreover, well-timed information on market trends was also relevant for the product manager, to make appropriate decisions concerning the stocks of products, and for the stylists, to have an idea of the degree of product innovation needed. I thought that I could help the three managers to perform better by providing more timely information to them through the information system. This also happened because of the cause and effect relationships between “process efficiency,” “innovation,” and “customer satisfaction,” which are all very important to Piero. Therefore I proposed
a measure and a target for the information system, showing that it could be relevant to achieve other targets and Piero, not surprisingly, agreed immediately.

Through the practice of management accounting (Ahrens & Chapman, 2002, 2007; Busco et al., 2006), Piero’s knowledge of the business and the managers’ specific expertise could be transferred to the different groups of people engaging in the same practice. Thus, management accounting helped the professionalization process through the transfer of both “formal” and “cultural” competence (Hall & Nordqvist, 2008).

This process also increased the founder’s confidence in the work of his staff. He explained,

I realized that the managers and employees were fully conscious of what was (and still is) important for me and for Monnalisa; as a consequence, my trust in their work increased and I was happier to delegate more decisions to them.

He added, “I also know that I can monitor their activities more precisely through the new systems.”

Relying on the case of a Spanish family business, Amat et al. (1994) showed that processes of professionalization and decentralization were accompanied by an increasing formalization of management accounting. As argued by Songini (2006), the formalization of decision support systems can be regarded as part of the professionalization process. In the case of Monnalisa, the increasing formalization that characterized the move into the growth stage, along with the increasing level of professionalization (see also Moores & Yuen, 2001), did not substitute but complemented the role of the founder within the company and the informal mechanisms (e.g., trust and informal control) associated with his participative decision-making style. Different combinations of formal and informal controls coexisted (see Moores & Mula, 2000).

Management Accounting Within the Succession (Preparation) Process

Although patterns of professionalization both affected and were affected by management accounting change, they were also strongly intertwined with the succession preparation. As Piero explained concerning the end of his tenure,

As new frameworks and measures were proposed, I needed to adapt them to my ideas. I realized that I could use the measures to record my ideas, making them visible and readable in a document that could circulate within the organization and that would remain in time. As you know, I am approaching retirement . . .

As recognized by Sharma (2004), founders “exert considerable influence on the culture and performance of their firms during and beyond their tenure” (p. 10). The case of Monnalisa shows that management accounting practices are also capable of playing a key role in reinforcing the founder’s influence, by communicating his or her vision, values, and priorities both throughout the organization and across generations, thereby affecting the process of succession (see also Kelly et al., 2000). In Monnalisa, the Iacomoni children have become members of the board (after Piero’s retirement), but the business will be managed by a managing director. This is consistent with Zahra et al. (2008) who argued that the empowerment of other organizational actors can balance the commitment of the family to support strategic flexibility.

Since Monnalisa’s succession occurred beyond the boundary of the family and included professional managers, this process was strongly intertwined with the firm’s professionalization. By contributing to the professionalization process, management accounting practices de facto started to facilitate the succession process in Monnalisa by transmitting values from the founder to the managers.

As argued by Kelly et al. (2000), the influence of the founder beyond his or her tenure depends on the flow of information, as well as on his or her direct links with the top management group and ability to influence the most connected members. In the case of Monnalisa, by providing the family and managers with a common language, management accounting practices facilitated internal communication and interaction, as well as the diffusion of a common vision of the business, thereby providing the basis to support the influence of the founder beyond his tenure. As argued by the new managing director,
As I started to participate in the design and implementation of the management accounting system, I realized how much Piero cares about people’s involvement and participation in the definition of the measures. I am learning about this process and I think that it needs to remain highly participative. The performance indicators are not just a set of measures decided by the controller but contain Piero’s vision and everybody here seems to have understood this.

The succession process also entails the transmission of knowledge within the family (Mazzola et al., 2008). In this context, management accounting practices already started to play an active role by transferring values and knowledge from Piero to his children. As recognized by one of the Iacomoni children,

My father has always taught me the importance of teamwork, employees’ satisfaction, customer satisfaction, innovation, and creativity. However, I was not really aware of how such issues could be related to the company’s strategies or be effectively implemented. Reading the new reports, I started to realize that creativity, for instance, has a financial impact and can be effectively implemented through a business strategy. Moreover, the balanced scorecard framework gives a very clear idea of the company’s strategies. I was able to understand them very well and could see my father’s ideas formalized in such documents.

Whereas Mazzola et al. (2008) emphasize the importance of involving next-generation members in the strategic planning process (to provide them with tacit business knowledge and skills, thereby supporting the succession process), in the case of Monnalisa the weak involvement of the children in the strategic planning process was compensated by a greater formalization of the founder’s values, ideals, experience, and vision through the management accounting practices, and by the communication (through management accounting practices) of such principles to different groups of people inside the organization (professionalization process). In this respect, Piero added,

Today’s MAS incorporates, formalizes, and systematizes the current “beliefs” of Monnalisa [. . .] Such systems will help myself and my children, as future members of the board, to guide the company in the near future, and will be used to assess the work of managers and employees.

Contributions and Further Developments

Our article responds to the call of Salvato and Moores (2010) for more research on the distinguishing features of (management) accounting in family businesses by providing novel insights into the intertwined relationships between the processes of professionalization, succession and management accounting change within a family firm. We have also contributed to the debate on management accounting change by shedding light on the patterns through which management accounting practices evolve during the different stages of a firm’s life cycle. As Monnalisa moved from the birth to the growth stage, management accounting practices were increasingly formalized. This evidence is consistent with the findings of Amat et al. (1994) and with those of OLC studies, which suggest that informal controls and structures tend to lose their original potency as firms grow, giving way to a greater level of formalization of rules and structures and more highly institutionalized procedures (Miller & Friesen, 1984; Quinn & Cameron, 1983). Consistently with Moores and Mula (2000), we have demonstrated that informal controls are not enough during processes of transition but need to be complemented by formal systems. In this respect, we have contributed to the literature on management accounting within small- and medium-sized enterprises by showing that formal management accounting practices are also relevant in small businesses, as they help managers and employees reduce the complexity involved in processes of change, such as professionalization and succession.

Our article also shows, in the specific context of family businesses, that management accounting practices can be formalized to reproduce the founder’s knowledge of the business, acting as a shared language that is capable of transferring knowledge across the different groups of individuals that engage in the same practices. Such findings are consistent with previous works on the formality of management accounting at different life cycle stages (see Moores & Yuen, 2001; Quinn & Cameron, 1983) and on the practice of management accounting...
within organizations (see Aherns & Chapman, 2002, 2007; Busco et al., 2006).

More specifically, whereas previous studies on non-family firms have demonstrated that management accounting practices are capable of providing the various organizational participants with a common language with which to improve internal communication, interpret actions in a coherent manner, and diffuse values and ideas concerning what ought to count, what ought to happen, and what is thought to be important (Busco et al., 2006, 2008; Macintosh & Scapens, 1990), we have extended these insights to the specific context of a family business. Within Monnalisa, management accounting practices have embodied the entrepreneur’s knowledge of the business, allowing it to be communicated and understood throughout the organization and establishing values and ideals of expected behavior.

As argued by Ditillo (2004), management control systems (and, as such, management accounting as part of a wider control framework) need to be designed and implemented both to coordinate activities and to integrate knowledge, especially when dealing with uncertainty. Through our focus on the specific context of family firms, we have shown that management accounting practices can play a crucial role in the process of knowledge transfer across generations and between the family and the management team, thereby playing a key role in dealing with uncertainty during processes of transition, such as professionalization and succession.

By demonstrating that management accounting practices both affect and are affected by such processes, our study contributes to the literature on professionalization and succession within family firms (Chua et al., 2009; Daily & Dalton, 1992; Gedajlovic et al., 2004; Mazzola et al., 2008; Zahra et al., 2008). In particular, we have responded to the call of some scholars (see Sharma, 2004) who have emphasized the need for more research on the processes of knowledge transfer across generations and the means for supporting succession. Further to the findings of Kelly et al. (2000), we have shown that management accounting practices are capable of playing a key role in reinforcing the influence of the founder, transferring his knowledge of the business across generations and to the family and nonfamily professional managers, who also play a role in affecting management accounting change. Whereas most of the studies on professionalization focus on the concept of “formal competence” (i.e., formal education, training and experience), we have responded to the call of Hall and Nordqvist (2008) for more research on the concept of “cultural competence” in qualifying managers by showing that the family’s knowledge of the business can also be transferred to professional managers through (the practice of) management accounting, thereby contributing to the professionalization process.

Transfer of the founder’s knowledge though the practice of management accounting (and through the formal and informal social interactions related to such practice) improved the founder’s trust in his staff, supporting the processes of delegation and professionalization during the growth stage. These findings are consistent with the idea that formal and informal controls need to coexist to manage change over the firm’s life cycle, and they partially respond to the call of Moores and Mula (2000) for more longitudinal studies on the combinations of formal and informal controls during particular transitions.

By combining key theoretical insights offered by the literature on family businesses and on management accounting with empirical findings from the case of Monnalisa, our article provides guidelines for future research on management accounting change within family businesses (these guidelines are summarized and exemplified in Table 1). In particular, we suggest that, to explore the distinguishing features of management accounting (change) within family firms, their intertwined relationships with patterns of professionalization and succession need to be considered. We have also shown that these two processes should not be explored as if they were separate, since they are (often) inextricably linked through the patterns of knowledge transfer across generations and to both family and nonfamily members. In this context, professionalization should be regarded not as a mere diffusion of formal competence but also in terms of the transfer of cultural competence. This understanding of the notions of succession and professionalization provides the basis for an exploration of their relationship with management accounting, which can be interpreted as a set of practices capable of transmitting knowledge to the different groups of people involved in the practices.

The process of knowledge transfer involves both tacit and explicit knowledge. In this article, we focused on more codifiable knowledge and we did not address specifically the problems concerning the transmission of more tacit and uncodifiable knowledge (see Hansen,
2002). This issue lives room for further developments from future studies. As argued by Turner and Makhija (2006), particular controls differ in their ability to transfer different kinds of knowledge. Another area for future investigation concerns the relations between various control mechanisms (Simons, 1994) and the process of knowledge transfer within family business.

Naturally, the main findings of this article are limited to the company analyzed and cannot be generalized uncritically. However, this study offers suggestions and guidelines for the analysis and exploration of the evolution of management accounting practices in situ in family businesses, providing a basis for further empirical research on their role, features, and functions in such organizations.

**Appendix A**

*Number of Interviews and Main Topics*

<table>
<thead>
<tr>
<th>Informant</th>
<th>Professionalization and succession</th>
<th>Management accounting change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Founder’s wife</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Founder’s child 1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Founder’s child 2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Quality and social responsibility manager</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Finance manager</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Product manager</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Sales and marketing manager</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>EDP (electronic data processing) manager</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>New managing director</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total: 22</td>
<td>16</td>
<td>13</td>
</tr>
</tbody>
</table>

**Appendix B**

*Support for Our Interpretations From the Interviews*

<table>
<thead>
<tr>
<th>Topic</th>
<th>Relevant Quotes</th>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management accounting change and knowledge transfer</td>
<td>“When Monnalisa was smaller, my staff were perfectly aware of our company’s strategy. We did not need a balanced scorecard to know where we were going. I used to speak with them on a daily basis. I could control their activities myself and share ideas and projects for further improvements with them. As Monnalisa grew, I soon became aware that I needed help to communicate and share ideas and to control their implementation. I realized that the MAS could be of help. This does not mean that the MAS takes on my role, but that it is of help as we grow . . .” (Founder)</td>
<td>Management accounting practices have changed over the life cycle</td>
</tr>
<tr>
<td></td>
<td>“Intellectual capital measures have given prominence to issues related to creativity and innovation, which are crucial for designers and essential for me and for my wife […] With the formal introduction of the new measures, my staff became more aware of the need to achieve specific targets also in terms of creativity and innovation.” (Founder)</td>
<td>Need for formal control as the company was moving into the growth stage</td>
</tr>
<tr>
<td></td>
<td>Need for more comprehensive decision support systems</td>
<td></td>
</tr>
</tbody>
</table>

*(continued)*
### Appendix B (continued)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Relevant Quotes</th>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“I know Piero well and I have always been aware that he cares about quality, teamwork and creativity, but at the end of the day, when I only had to perform the budget, I was mainly concerned with financial figures. When we first started to work with the new non-financial measures, they did not seem to tell us anything new. However, my staff and I soon realized that we were actually behaving in a different manner […] For example, when we only had the budget to refer to, I focused on how to limit the stock of products exceeding the orders. As a result, we were not able to completely satisfy any unplanned extra orders from clients. The new nonfinancial measures made me realize that my decisions were not actually aligned with company’s priorities.” (Product Manager)</td>
<td>Learning processes related to the new practices Coexistence of formal and informal controls Strong influence of the family</td>
</tr>
<tr>
<td></td>
<td>“By participating in the definition and use of the new performance measures, each of us gained a better understanding of the company’s strategy. Furthermore, the importance that Piero and the controller assigned, year after year, to the various measures gradually allowed us to appreciate the changing priorities of Piero’s family.” (Sales and Marketing Manager)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“We are periodically required to meet and discuss performance measures, indicators and targets. During these meetings I can discuss the meanings and the intent beyond the measures with Piero and my colleagues. I have had the opportunity to learn a lot from Piero and my colleagues in the different business units, and so have my colleagues. Everyone can contribute his or her experience to the discussion of performance measures. I think that Piero, as he often admits, has also had the chance to learn something new. Discussing measures helps us to clarify the strategic directions of our company and, as such, Piero’s ideas. This is of great help to us in carrying out our jobs and using the measures in the right way.” (EDP [electronic data processing] Manager)</td>
<td></td>
</tr>
<tr>
<td>Professionalization</td>
<td>“Piero has always been willing to be supported by other members of his staff. In fact, he started to delegate his decision-making authority at the beginning of the 90s. Since then, each manager has reported directly to him.” (Product Manager)</td>
<td>Delegation of decision-making authority during the growth stage Empowerment of managers Strong role of the family</td>
</tr>
<tr>
<td></td>
<td>“I realized that the managers and employees were fully conscious of what was (and still is) important for me and for Monnalisa; as a consequence, my trust in their work increased and I was happier to delegate more decisions to them … I also know that I can monitor their activities more precisely through the new systems.” (Founder)</td>
<td>Relationship with management accounting practices: • Formal management accounting supported informal mechanisms (management accounting practices improved the founder’s trust in his staff, internal interaction, and the diffusion of a shared vision of the business among managers)</td>
</tr>
<tr>
<td></td>
<td>“When I started my job here I soon realized that Piero had great ideas on how to run the business and, most importantly, on how to manage and guide people, emphasizing their creativity and potentials. Thanks to my education and training, I was able to propose frameworks and tools, such as the balanced scorecard or the intellectual capital measures, that could incorporate Piero’s ideas, formalizing them into a concrete report and measures that everybody within the organization could read and understand. Piero has always been enthusiastic about my proposals, which he has supported financially …” (Controller)</td>
<td></td>
</tr>
</tbody>
</table>

(continued)
“[... for example, during the meetings to set targets for the balanced scorecard, I learnt that ‘stakeholders’ satisfaction,’ ‘process efficiency,’ and ‘innovation’ are very important to Piero. I realized that the information system that I was managing could be improved to provide more timely information to the marketing and sales manager. I understood that this was a strategic priority for Piero. Moreover, well-timed information on market trends was also relevant for the product manager, to make appropriate decisions on the stocks of products, and for the stylists, to have an idea of the degree of product innovation needed. I thought that I could help the three managers to perform better by providing more timely information to them through the information system. This also happened because of the cause and effect relationships between ‘process efficiency,’ ‘innovation,’ and ‘customer satisfaction,’ which are all very important to Piero. Therefore I proposed a measure and a target for the information system, showing that it could be relevant to achieve other targets, and Piero, not surprisingly, agreed immediately.” (EDP Manager)

- In so doing, management accounting practices supported the delegation process and the empowerment of managers
- Knowledge transfer during social interaction related to the management accounting practices
- Strong role of the family (formal management accounting mainly reproduced the family’s vision)

Succession (preparation)

“I started planning my retirement many years ago—on a permanent basis in 2007—and, ever since, I have worked a lot to prepare the company to continue without me, on its own [...] I don’t want to go on setting rules when I am no longer working here.” (Founder)

The managing director “must have an undergraduate degree, at least a 2-year master’s degree and knowledge of at least two foreign languages [...]” (Family agreement)

“[...] and, since then, I have worked a lot to prepare the company to continue without me, on its own [...].” (Founder)

“[...] I don’t want to go on setting rules when I am no longer working here.” (Founder)

“Retirement of the founder in 2010
Founder’s need to record his priorities for future generations and to preserve his influence beyond his tenure

- Relationship with professionalization:
- The new managing director is a professional manager

Today’s MAS incorporates, formalizes and systematizes the current ‘beliefs’ of Monnalisa. [...] Such systems will help myself and my children, as future members of the board, to guide the company in the near future, and will be used to assess the work of managers and employees.” (Founder)

“My father has always taught me the importance of teamwork, employees’ satisfaction, customer satisfaction, innovation, and creativity. However, I was not really aware of how such issues could be related to the company’s strategies or be effectively implemented. Reading the new reports, I started to realize that creativity, for instance, has a financial impact and can be effectively implemented through a business strategy. Moreover, the balanced scorecard framework gives a very clear idea of the company’s strategies. I was able to understand them very well and could see my father’s ideas formalized in such documents.” (One of the founder’s children)

“As I started to participate in the design and implementation of the management accounting system, I realized how much Piero cares about people’s involvement and participation in the definition of the measures. I am learning about this process and I think that it needs to remain highly participative. The performance indicators are not just a set of measures decided by the controller, but contains Piero’s vision, and everybody here seems to have understood this.” (Managing Director)
Acknowledgement

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Notes

1. Based on the literature reviewed in this section, in this article we will regard “values” and “knowledge” as two inextricably linked concepts. More specifically, we will regard knowledge as a set of contextual information, framed experience, beliefs, values, and expert insight, as well as know-how and skills. This concept includes both the information necessary to understand the family business (information on goals, strategy, structures, and systems), as well as the values, meanings, aspirations, and expectations ascribed to the business by the family (Cabrera-Suárez et al., 2001; Hall & Norqvist, 2008; Le Breton-Miller et al., 2004; Mazzola et al., 2008; Sharma, 2004). Moreover, the concept of knowledge used in this article encompasses both the means, behaviors, or processes by which organizational goals are accomplished as well as the outcomes of these processes (Turner & Makhija, 2006).

2. In this article, we refer to management accounting (planning, budgeting, and performance appraisal) as a dimension of management control (Merchant, 1982).

3. Italy manufactures 44% of the total production of the EU-12 textile and clothing sector. If we consider the clothing sector alone, this percentage changes to 42% (see Eurostat data, January 2009). Tuscany is the leading region in the Italian textile and clothing sector and accounts for about 19% of national production. If we consider the clothing sector alone, this percentage changes to 17%. With its 2,625 companies working in the textile and clothing sector in 2006, the province of Arezzo (located in Tuscany) was among the first 10 Italian provinces for the number of companies in this sector (see ITF - Italian Textile Fashion, & Guglielmo Tagliacarne Institute, Osservatorio sul sistema moda in Italia [Observatory on the Italian textile and clothing sector], Rome, June 2007).

4. As stated by the United Nations Conference on Trading and Development (2004), between the 1980s and the beginning of the current century, textiles and apparel were the second most dynamic product in world trade, with an annual export growth rate of 13%, surpassed only by electronic and electrical goods, whose exports increased by 16% annually (Tronconi, 2005).

5. Monnalisa’s current organizational structure consists of six main functions: Design, Production, Sales and Marketing, EDP, Finance and Human Resources, Quality and Social Responsibility. All business units are cost centers with the only exception of the sales and marketing division, which is a profit center. They are all managed by nonfamily members with the only exception of the design division, which is managed by Piero’s wife. This division has recently become part of another company in the Monnalisa Group (Babalai s.r.l.; see Figure 1).

6. In line with the growing attention paid to nonfinancial dimensions of performance, Monnalisa obtained the SA 8000 certification standard in 2002. In this context, a specific social and environmental reporting system was also implemented. The “Management Accounting and Control” unit was consequently renamed as the “Quality and Social Responsibility” unit. Importantly, the controller became the head of the new unit and was therefore in charge of both the MAS and measurement of social and environmental performance.

7. The BSC was structured into the four traditional perspectives (financial, customer, processes, learning, and growth), combining both financial and nonfinancial measures (in addition to traditional financial indicators such as Δ Turnover, % Variable—or Fixed—Costs/Turnover, etc., the BSC comprised measures such as No. of Defects, Workforce/Workforce Needed, IT and Process efficiency, Quality and Styling Index, etc.).

8. The intellectual capital measures were divided into the three main conventional categories: human, relational, and structural capital. Each category was then split into two levels of key factors. For example, the assessment of human capital was based on four key factors: “training,” “firm’s attractiveness,” “company social climate,” and “professionalization.” Each of them was then broken down into a second level of groups of key factors: For example, “training” was broken down into training investment (measured by the indicators Training Investment Pro-capita and Turnover Invested in Training) and specialized training...
(measured by No. of Employees Interested and No. of Activities Conducted). Other relevant (first-level) key factors were “visibility,” “reliability” (for relational capital), “technological development,” and “creativity” (for structural capital).

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**Bios**

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