

Firm viability through viable management accounting system

Purpose

The firm can conveniently be observed as a complex organization of people, physical structures and knowledge, whose main objective is the survival in the environment of reference.

Design/methodology/approach

Starting from the Ashby's Law of Requisite Variety, the study analyses assumptions concerning the efficiency and the effectiveness of traditional management accounting systems in dealing with internal and external firm complexity.

The paper proposes the Viable System Approach for an effective management accounting system design. This approach provides some advantages both to the measurement and to the management of firms:

- the analysis of the systemic relationships and the "synergetic effects" in overall firm performance;
- the enhancement of the effectiveness of the decision-making process favoured by the systemic and viable view, which overcomes the *knowing-doing gap* (Pfeffer & Sutton 1999);
- an effective strategic implementation at every organizational level (corporate, functional and organizational unit levels) due to the recursive architecture that constitutes the Viable System Model.

The theoretical analysis of the implementation of the Viable System Approach to the management accounting system of service firms has been tested by an empirical case study.

Findings

The more complexity is involved in the firm operations and environment, the more the management accounting system should possess variety attenuators and amplificatory devices in order to achieve long-term viability.

Originality/value

The systemic view of the Viable System Approach provides more operational, decisional and strategic effectiveness if compared to traditional management accounting approaches.

Keywords: management accounting, VSA, survivability