Management Control Systems for Material Flow Cost Accounting: A Case of Japanese Company

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Abstract
Material flow cost accounting (MFCA) has been developed worldwide as a major environmental management accounting tool. As indicated in ISO 14051, MFCA can contribute to the enhancement of resource efficiency. Companies can find more opportunities to improve resource efficiency when they apply MFCA as management control systems (MCS) than they could from one-shot projects. Although Rieckhof et al., (in press), examined the MFCA case research using Simons’s (1995) MCSs framework and pointed out the various examples for the diagnostic and interactive use of material flow-based information, only a few companies have applied MFCA at a company-wide level; for example, Canon, Sekisui Chemical and Tanabe Seiyaku (Kokubu & Kitada, in press). This paper analyses the longitudinal case study of implementing MFCA at Sanden Corporation, a Japanese automobile components manufacturer. This research focuses on three aspects of management structures to understand the relationship between MFCA and MCSs: (1) systems of accountability; (2) organizational structure of loss reduction; and (3) supports from headquarters. Case results suggest that to transfer MFCA resource efficiency targets to all corporate levels, MCSs are to be designed to have (1) flexibility in systems of accountability and (2) corporative relationship among different functional departments.

Keywords
Material Flow Cost Accounting(MFCA), Management Control Systems(MCS), Accountability, Organizational change, Cross-functional team

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Biography
Hirotsugu Kitada is Associate Professor of Management Accounting at Hosei University (Tokyo, Japan). His works focuses on how systems of accountability are constructed in sustainable management. He has served as member of the steering committees of MFCA Forum Japan, which is a joint effort between industry and academia. Recently, Kitada participates in the projects for energy managements with MFCA and accountability systems in elderly care services.
Akira Higashida is Associate Professor at Meijo University. His doctoral thesis is on the expansion of MFCA into supply chain. Since 2005, he has taught Environmental Accounting, Management Accounting. His research interests are mainly focused on the Environmental or Sustainable Management and the role of accounting to support this.