

IN SEARCH FOR INSTITUTIONAL CHANGE IN THE MANAGEMENT CONTROL OF MID-SIZED PUBLIC SERVICE ORGANISATIONS

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Abstract

This research draws on a far-reaching programme of reforms imposed on the Flemish Public Centres for Social Welfare to examine the implementation and the dynamics of change in the management control system of three mid-sized public service organisations. Two major changes involve the replacement of cash-based accounting with accrual accounting and the introduction of businesslike elements of management control. Based on the old institutional economics (OIE) and the new institutional sociology (NIS) a broad institutional framework is invoked to delineate and understand the founded patterning of changes. Data reveal a gradual approach to organisational change and advance the importance of the prevailing institutions in reshaping the existing institutional logic. Within the domain of public service organisations, the paper illuminates some barriers and unfulfilled conditions to change that more conventional approaches would likely ignore.

Keywords: regulatory reforms; organisational change; institutional logic; combined institutional framework

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Introduction

Since the beginning of the 1990s an ongoing set of reform initiatives has been introduced in governmental organisations across Belgium. This has led to the introduction of businesslike management instruments and styles and a more ‘managerial’ way of thinking in the public sector. This article draws on the succession of changes enacted in relation to three Public Centres for Social Welfare (OCMWs¹), which represent local authorities connected to the municipalities. These organisations are parallel structures at the local level aimed at providing diverse social services mostly for relatively deprived societal groups, hereinafter denoted as public service organisations. Over the last decade the economic and financial management of these organisations has been subject to various changes going from a shift in the accounting system to the adoption of several new managerial instruments. This spectrum of changes implies a shift in management control as the introduction of these instruments mainly is intended to improve the control and management of the organisations. By observing the implementation of some of these elements, this paper examines the challenge of effecting an organisational transformation in the management control structure of mid-sized public service organisations. In the remainder of the article these examined changes and innovations will be indicated as changes in the management control structure.

A broad institutional framework is developed to examine the implementation and the dynamics of change in the organisations’ management control system using a change perspective within the context of the pre-existing ‘archetype’ (Greenwood and Hinings 1996). Both insights from the old institutional economics (Scapens 1994) and from the new institutional sociology (DiMaggio and Powell 1991) are invoked to expand the levels of analysis in examining and explaining the patterning of changes (Ribeiro and Scapens 2006; Yazdifar 2006). For this purpose, the focus is laid on the institutionalised character of management control within the individual organisations and the changes therein (Hyvönen and Järvinen 2006). As such, this paper aims to make both a theoretical and empirical contribution. The paper’s theoretical approach brings together different strands of institutional theorising, public sector renewal and regulatory change in a novel way. The argument is made that regulatory reforms advocated in a top-down fashion may remain more contained in scope than usually believed if a necessary set of accompanying change dynamics (both at the local level and the wider institutional context) has not been put into place. In such a case, a more gradual approach to organisational change may be expected, through which the pre-existing institutions may remain largely dominant. The result may be a more ‘sedimented’ and instrumental form of change rather than a radical and institutional shift in organisational practice. The empirical research offers a contribution to the limited knowledge about results and dynamics of management control change when imposed top-down through regulatory reform.

As a form of triangulation and completion, this research combines the use of archival data, internal documents and interviews to address multiple dimensions of change in time and space to three comparable local authorities. Firstly, a survey is put together on the extent of instrumental change in the management control structures using a quantitative approach. Secondly, insights are obtained on the implementation and actual use of the new management control elements within the particular context of the selected entities. The ongoing changes in the management control practices as well as a set of related organisational changes are explored, quantified and discussed in their dynamic context. Then, interpretative data analyses are performed to examine the institutionalisation of new styles and practices through a focus upon the interaction of newly imposed institutional rules, pre-existing organisational arrangements and routines and extra-organisational influences more generally. Finally, attention is devoted to critical factors and conditions that have surrounded the enactment and

reproduction of the new ways of thinking and doing. The main intention is to provide clear insights on important enabling and constraining factors in the change process that more static approaches would likely ignore.

The article is further organised as follows. Following this introduction, the next section relates the debate about conceptualizing change, and presents a broad research framework with explicit attention for the processes and dynamics of management control change. The third section presents the elements of the management control system in which important changes have been prescribed and the research approach adopted in this study. In the fourth section the findings and results from the quantitative analyses and the conducted case research are presented. In addition, it contains a discussion of the founded patterning of changes in management control practice. In the final section the main conclusions from this research are summarized.

A Broad Institutional Framework

Literature Review

In recent developments in change theorizing excessively deterministic or voluntaristic conceptions of change are being replaced with more dynamic perspectives focussing on the interdependence of structure and agency, and at multiple levels of analysis (McNulty and Ferlie 2004). The complex of dynamics and processes involved in effecting organisational transformation has been addressed by (co-) evolutionary (Nelson and Winter 1982; Lewin and Volberda 1999), structurationist (Giddens 1984) and contextualist (Pettigrew 1987) theorists. Central to all of these theories comes the assumption that stability and change are not mutually exclusive processes as they occur simultaneously. However, while many of these theories are dealing with the interplay between actions and institutions, few of them measure the institutionalisation process in the real world or only briefly address why a particular diffusion process emerges (Barley and Tolbert 1997). Recently, institutional theorists have been pushing the envelope to shift the template towards a more process-driven account of institutional analysis. Dynamic models of change and practical devise methodologies have been developed to address the process of adoption. In these models attention is not merely devoted to the interdependence of actions and institutions, and the contextual nature of change, but also to the evolutionary character of organisational life. In this way, a broad set of organisational aspects and conditions in time and space become incorporated when investigating change.

In general, institutions can be defined as normative patterns which delineate what are felt to be, in the given group or society, proper, legitimate, or expected modes of action or social relationship (Parsons 1940: 190). As this definition makes no assumption about the identity of the relevant social actors, it seems applicable to various levels of analysis. In this context institutions can be understood as the settled ways of thinking common to the members of an organisation. Organisational practices, on the other hand, comprise an organisation's routine use of knowledge for conducting a particular function, for example accounting or budgeting (Kostova and Roth 2002). Practices or 'routines' evolve over time under the influence of the organisation's history, people, interests and actions and can be seen as the components of institutions (Hodgson 1993). When these practices and routines eventually become widely accepted in the organisation and as such unquestionable, they are said to be institutionalised (Burns 2000). Both the local organisational culture and the wider environment play an important role in the institutionalisation of new practices and behavioural patterns. Hence, institutional research is concerned with exploring ongoing processes, teasing out how and

why things have evolved over time. In this respect, management control change can be interpreted as a change in the accounting and management routines that may or may not be embodied in the taken for granted assumptions of an organisation.

In this study a broad institutional framework is employed for examining and interpreting the implementation and the dynamics of change in management control through regulatory reform. Drawing on the old institutional economical theory (OIE) and the new institutional sociology (NIS) a combined research framework is adopted to obtain a more dynamic view on the implementation of management control change by expanding the levels of analysis. On the one hand, the study is interested in the particular ways in which the newly introduced instruments have been implemented and are used in daily practice. Especially, the study aims to provide more comprehensive insights on the actual reproduction and/or resistance to innovations when imposed regulatory. For this purpose, the study draws on the OIE which explicitly turns its attention on the ongoing processes of change from a micro perspective, i.e. focusing on specific change aspects within organisations (Ribeiro and Scapens, 2006). On the other hand, the study aims to delineate important enabling and constraining factors that have surrounded the process of implementation within a broader institutional context. To this end, the framework for studying the dynamics of organisational change as provided by Greenwood and Hinings (1996) is used. This framework draws on the NIS and stresses the importance of both local and wider contextual factors in effectuating radical organisational change.

Some arguments of OIE join in with certain assumptions of NIS (Scott 1987: 504; DiMaggio and Powell 1991: 33, 73, 82). Like institutional economists, organisational sociologists acknowledge that human action is not completely determined by cultural constraints (Beckert 1999: 778). However, while institutional sociologists lay a great emphasis on norms and belief systems rationalizing action in a given context, institutional economists rather put a stress on the self-enforcing nature of institutionalised behaviour (Nelson 1995). As institutionalisation may not always be readily achieved, it is important to examine the new practices in relation to other organisational routines. The two theoretical angles also diverge in another important respect. While NIS can be outlined in a typology of varying approaches based on level of analysis (Lounsbury 1997), OIE pleads for a holistic orientation. However, Scapens (1994: 317) argues that a holistic focus is often impractical, and forces the analysis towards certain parts of the process. Overcoming the pitfall of either abstract individualism or crude holism requires a framework that treats individual agency and social context as equally relevant for analysis (Hodgson 1989). By drawing on different strands of institutional theorising, this paper adopts a micro-organisational approach with attention for both the process of institutionalisation and its important dynamics.

An Institutional Perspective on Management Control Change

Institutional research has typically explored the extent to which wider institutional contexts have influenced the development of management and accounting practices (Lapsley and Pallot 2000; Newman et al. 2001; Pollit 2001). Much less attention has been paid to the role of the pre-existing organisational arrangements and local determinants in reshaping the taken-for-granted parts of organisational activity. An alternative approach is provided by the OIE that focuses on the routine and institutionalised character of organisational practices. OIE states that the actions of individuals and organisations are best understood on the basis of habits or rules or beliefs that take form through time. In line with a more 'bounded' form of economic rationality the formation of these rules and the enactment of them not always needs to be rational or logical. Next to economically rational or functional considerations purposeful decision-making and organisational action can be driven by a wide spectrum of other motives. In this way, OIE focuses both on organisational phenomena, and on efficiency, as well as on

other aspects within a reasonable framework of institutional rules (Van de Ven 1993: 150; ter Bogt 2005: 4). From this perspective, the implementation of changes in management control can be regarded as an ongoing reproduction and assimilation process, rather than the creation of optimal behaviour.

Burns and Scapens (2000) propose a dynamic model for conceptualising the institutionalisation process of new practices and behavioural patterns over time. In this framework the institutional realm and the realm of action both are presented as cumulative processes of change through time. Generally, institutions refer to culturally embedded aspects that enable and constrain individual and organisational action. However, as institutions influence individual action, individuals build and change institutions (Van de Ven 1993). Thus, institutions can be seen as both a product and a constraint of human action. The organisational rules and routines, likewise subjected to change, act as the modalities which link the realm of institutions and the realm of action through different phases of institutionalisation. In the first phase of the model, the existing rules and routines are seen as the embodiments of the prevailing institutions, i.e. the taken-for-granted assumptions about the nature of the organisational activities. The second phase occurs when actors consciously enact the new rules and routines that represent the institutional principles. Generally, implementation difficulties are expected when the rules and routines challenge the existing meanings and values in the organisation. In the third phase, the routines are repeatedly enacted through conscious or unconscious forms of reproduction. The final phase takes place as the adopted patterns of behaviour become dissociated from their historical context, and the existing interests of the different actors. The rules and routines have become the unquestionable, taken-for-granted way of doing things.

Burns and Scapens' (2000) model of institutional change, as briefly elucidated above, offers a useful perspective to examine how emerging practices become widely accepted within the existing routines and institutions of the organisation. Using this model, this study is concerned with exploring the ongoing implementation of the management control elements, to find out how and why the implementation has evolved as it did. Consistent with contemporary assumptions in institutionalism the importance of accident, evolution and intention is recognized in constituting institutional change (see, for instance, Goodin 1996; Lowndes and Leach 2004). Using this as a baseline, the study will further focus on dynamics of enactment and reproduction of new practices within the established institutional context.

Important Dynamics of Change Processes

Until recently, NIS has been concerned mostly with institutions at the macro level of organisational fields focussing on isomorphic and convergent change. From such a perspective, organisational renewal traditionally is viewed as the elaboration of the expectations and requirements of the wider institutional context in order to comply and appear legitimate. Although NIS has received abundant attention in organisational analysis, the theory has been criticised for its static character and rather simplistic view of the role of agency (Hensmans 2003). Lately, new ideas have been advanced in which institutional theory and organisational fields bring important insights into both convergent and radical change processes (Dacin et al. 2002; Reay and Hinings 2005). Particularly, the model of Greenwood and Hinings (1996) provides a compelling perspective as it is more accommodating of agency than earlier institutional theory while having sufficient attention for the wider organisational context. In this study this model of radical change is used to analyse important endogenous and exogenous dynamics in the implementation of a large-scale regulatory reform. The analysis of change dynamics seems particularly interesting as the management control

elements in the Flemish reform are regulatory prescribed and subsequently imposed in a top-down fashion.

Greenwood and Hinings (1996) offer a model of radical organisational change or 'frame bending' in which an organisation abandons an existing orientation for a completely new way of organizing, denoted as a new 'archetype'. It analyses the shift in organisational practice by stressing the political dynamics of intra-organisational behaviour (interests, values, power dependencies and capacity for action) and the normative embeddedness of the organisation within its institutional and market context. Providing the source and direction for change the model makes the importance of two precipitating dynamics explicit: interest dissatisfaction with the prevailing archetype and the pattern of value commitments accommodated with a desire for change to an alternative template. The intensity of these pressures will vary from one organisation to another as it results from the interaction with wider institutional and market pressures. Furthermore, supportive power dependencies and an appropriate capacity for action are brought about as enabling dynamics in order to effect radical change. The operation of interests and values is to be understood in relation to the differential power of groups, i.e. organisational change is either enabled or suppressed by groups with different beliefs and interests. Institutional and/or market pressures might shift power dependencies in favour of groups that prefer an alternative template to the existing one. However, radical change will only occur if the dominant coalition recognizes the weakness of the existing *modus operandi* and is aware of potential alternatives. Capacity for action refers to the ability to manage the process from one template to another. According to Greenwood and Hinings (1996: 1040) this comprises a sufficient understanding of the new conceptual designation, the skills and the competencies required to function in that new designation and the ability to manage how to get to that designation. The place of the organization in the institutional context and the relation with the market, for instance to attract new employees, will influence the capacity for action and, as such, the speed by which radical change is accomplished. All in all, interests, values, power dependencies and capacity for action have to be seen as important enablers and constraints rather than sufficient conditions for radical organisational change.

Following the above line of reasoning, the local governmental reform of the traditional accounting and control structure towards a more businesslike archetype of accrual accounting and management control is to be interpreted as a form of radical change. For a start, the traditional mode of cameralistic cash accounting has been in place for decennia in these organisations. When looking at the preceding and comparable reform in the municipalities, various conceptual and implementation problems can be expected, which suggest a significant shift in the existing mode of organizing (Christiaens 1999). Furthermore, the strong normative embeddedness of the public service organisations within their institutional context is supposed to have a significant effect on the enactment and the reproduction of the new accounting practices. Lastly, the existing power dependencies and political structure are assumed to exert a strong influence on the implementation process.

Examining Changes in Management Control System

Diverging Changes at Different Levels

The contemporary logic of organizing in western local government has been described as the New Public Management (NPM). NPM is seen as the wave of restructuring that swamped governmental organisations with businesslike instruments and styles during the last two decades. As a start in 1997, in various Public Centres for Social Welfare, the traditional budgetary accounting system, which can be called a cameralistic accounting system, is

reformed towards a businesslike accrual accounting system. As an extension, business administration tools and techniques are adopted, such as divisionalisation, accrual budgeting, long-range planning, cost accounting, management reporting and budget controllership. This initiative has become known as NOB (in Dutch: 'Nieuwe OCMW Beleids- en beheersinstrumenten'), which may be translated as New Policy and Management Instruments for the OCMWs. The application of these different kinds of tools is intended to make the public service organisations more effective and efficient.

When examining the implementation of these changes in particular organisations different organisational levels can be taken in account (e.g. Pollitt 2001). Apart from the introduction of diverse new management control instruments the local entities are confronted with the use of these technologies and with a new 'institutional logic' in the processes of management control (Broadbent and Laughlin 2002). This new 'businesslike' logic seems particularly pervasive as it is related to the institutionalisation of new technologies of accounting and control in reformed organisational processes and activities. Accordingly, professionals, when performing their altered managerial tasks, not only are confronted with new instruments and activities but also with a seriously affected control environment in which they are unaccustomed to work. From this perspective it seems particularly useful to make a distinction between the extent of adoption and the actual usage of the new management control instruments. Through this distinction a careful analysis can be made for each case on the extent to which the institutional realm (encoded in the 1997 Decree) is transferred by the members of the organisation in actual practice, through the process of enacting and reproducing new rules and routines. Furthermore, this analytical approach allows to obtain clear insights on the degree and the way in which the examined organisations articulate 'ceremonial behaviour'. Empirical research in the field of NIS sometimes suggests that changes are purely ceremonial, i.e. formal changes are sometimes introduced only for reasons of 'external legitimation', whilst warrant actions are in place to preserve the status quo (ter Bogt 2005). Such regressive change practices may be particularly tactful in the case of an imposed regulatory reform when the required changes are in the interests of only a powerful minority, such as top management (Clegg 1989).

On the basis of the founded patterns of change attention then turns to the implementation scenario's to examine why the changes actually have taken place as they did. By use of the institutional perspective the particular responses organisations give when adopting novel ways of working and thinking are analysed. The existing organisational setting with deeply ingrained habits, routines and taken-for-granted styles of thinking and doing is taken as a baseline, i.e. the pre-existing archetype. From this point of view change dynamics are delineated that have caused a shift in the existing organisational template and, as such, strongly affected the realm of action. In short, the current research is interested how public service organisations implement new management control practices under regulative pressure, and why some pre-existing styles and practices still prevail. For this purpose, a gradual and profound research approach is taken focussing on the following aspects of management control change:

- management control instruments (i.e. the adoption of the accrual accounting system and related budgeting and control structures);
- management control activities (i.e. changes in planning and budgeting, accountability, reporting and control, financial and cost accounting);
- institutionalisation of new styles and practices (i.e. the acceptance and routinization of a new logic of management control)
- change dynamics (i.e. local contextual and wider institutional enablers and constraints of change processes)

Research Methodology

Three Public Centres for Social Welfare in Flanders (denoted as centre X, Y and Z) are selected for investigation, representing comparable authorities in terms of political constitution, political culture and control, size and types of services rendering. Unlike many other organisations the selected cases have embarked soon on the recent reform programme. As such, they allow a profound assessment of the changes that have taken place in the management control system. The data are individually presented for each case and contain both quantitative and qualitative elements, carefully assembled and 'triangulated'. While the former data are extracted from a related large-scale research (Windels and Christiaens forthcoming), the latter findings are collected through recent in-depth case research that together yield valuable information on the implementation processes. By using a stepwise method of investigation and independent sources of data to build the analysis, the credibility gained from their corroborating support for the research findings is sought to significantly increase (Hoffman 1999).

The case study starts with a preliminary exploration of the instrumental changes in the management control system for each case. The main purpose of this analysis is to obtain a clear idea of the extent to which new elements of management control have been established as prescribed in the reform legislation. To this end the 'index construction methodology' is invoked, an approach that has been used in a number of studies for the disclosure of accounting and management practices (Giroux and McLelland 2003, Coy and Dixon 2004). An 'instrumental control index' (IC index) is constructed to give a quantitative impression of the extent of formal instrumental change. In total the IC index consists of 7 components and 94 elements, for which the information is obtained from an extensive survey drawn in 2004. Additionally, a copy of the first balance sheet and the annual report for 2001 are used for assessing the adoption of the accrual accounting system (see Appendix 1).

After the preliminary analysis, insights are obtained on the actual management control practices and changes therein. The main purpose is to bring into picture the way in which prescribed changes actually take root and have altered daily activities and practices. For this purpose, a subsequent set of data is collected for each case as gathered from multiple sources. In a first phase, a set of semi-structured interviews is conducted in each organisation. A total of 16 interviews are made, generally lasting about 2 hours, supplemented with 3 additional interviews by telephone. The interviewees mainly consisted of appointed managers responsible for the implementation process and employees who are executing the altered management control activities. Moreover, 3 elected officials are interviewed to examine the involvement of the local council with respect to the change project. All the interviews are transcribed verbatim in order to allow a profound analysis. In a second phase, several sources of documentary information are tapped including archival data, internal planning and control documents, cost accounting information, internal directives on the use of the new instruments and policy notes on planned changes in the management control structures. Based on this second round of analysis a 'management control index' (MC index) is set up constituting of 6 broad categories of changes and 83 elements (see Appendix 2). This index quantitatively portrays the actual changes in the activities and practices and, as such, allows a comparison with the IC index.

While the first and second layers of analysis focus on the adoption and usage of the imposed management control instruments, the third layer of data analysis concentrates on the institutionalisation of the new techniques. Here, the decision is made to invoke Burns and Scapens' (2000) model of institutional change to analyse and interpret the gathered data of the

selected cases. The offered conceptual variables and theoretical propositions of the framework are used to guide the investigations. As such, interpretative data analyses are made, which illustrate some strong differences between the cases in terms of institutionalisation. As a result, an additional round of data analysis is performed to focus on important dynamics which could have led to differences in institutionalisation. For this purpose, the study additionally draws on the theoretical framework of Greenwood and Hinings (1996) to disentangle enablers and constraints within processes of institutionalisation. Eventually, the assembled data of each case are studied iteratively in four layers. The idea of the idiographic investigations is to go beyond that of mere description towards explanation and ultimately to assist in the generation of theoretical statements from observations and descriptions (Otley and Berry 1998). The logic of the adopted case study method is presented in Figure 1.

INSERT FIGURE 1 ABOUT HERE

Exploring the Case Study Evidence

The Adoption of Management Control Instruments

By use of the instrumental control index a first impression is gained of the extent to which the selected cases have adopted new instruments of management control. The main figures related to the IC index and its 7 constituting components are shown in Table 1.

INSERT TABLE 1 ABOUT HERE

The total extent of index scores ranges from 67 per cent of the maximum possible score to a high of 81 per cent. The results indicate that the organisations signal a reasonable general level of compliance with the prescribed reform legislation: each organisation seems to have introduced a system of accrual accounting along with a divisionalisation in responsibility centres, a long-range plan, an output budget and a hierarchical planning and reporting system. However, when looking closer at the category cost accounting strongly varying compliance scores can be observed. Moreover, the implementation of budget controllership appears to be of a relatively poor quality. These findings suggest that each organisation apparently has put an emphasis on some particular components of the reform while neglecting some others. As this research is largely based on archival data and a survey drawn in 2004, little information is obtained about the actual use and the real impact of the control instruments in practice. As such, it remains doubtful whether the claims initially made for these changes, such as a movement towards enhanced transparency, increased efficiency and effectiveness, have been realized.

The Implementation and Usage of the New Instruments

The percentage scores in Table 1 indicate a rather high degree of instrumental adoption of the changes. However, to which extent has the enactment of new management and control practices

taken place in the real world? To this end a combined research approach has been adopted and a management control index is set up to frame and quantify the results, as shown in Table 2.

INSERT TABLE 2 ABOUT HERE

At a glance it becomes clear that the actual changes in management practice are far less pronounced than previously claimed. The results show substantial lower scores for the management control index (compared with the IC index), varying from a high of 59,4 per cent of the maximum possible score to a low of 47,2 per cent. For two categories (i.e. changes in cost accounting and economic management and changes in financial reporting practice) general positive scores are found. For the other components of the MC index diverging scores can be observed (e.g. changes in planning and budgeting, changes in the use of financial information). While the cases substantially differ in the application of new management styles and practices positive trends and initiatives have been diagnosed in each organisation. The alteration of the existing accounting instruments and techniques has proven to be a time-consuming and difficult process in each case. On the whole, the interpretation of a rather slow movement to the new archetype is reinforced by the fragmentary implementation courses.

In all cases, redesign interventions have started on the financial departments with the establishment of the accrual accounting system. On the one hand, a new accounting and cost structure had to be set up in harmony with the stipulations of the Decree. On the other hand, the accounting and reporting structure were constrained and framed by the organisational form and activities as well as by the technical system requirements. As a result, the organisations not only were hampered with conversion and implementation difficulties, but also had to tackle technical design issues. Nevertheless, considering the huge amount of information provided in the financial statements, the budget reports or the detailed long-term plans, a new style of working could be suspected. For example, large annual reports are being produced including financial and performance information, horizontal and vertical analyses, activity reports and cost accounting information. In all organisations, an analytic accounting structure is set up which adequately reflects the organisational structure, reengineered (centre Z) or adapted (centres X and Y) to the recent changes in the processes and activities. Throughout the reporting process a clear division in responsibility centres has been established with detailed information on the individual budgets, investments and performance for each activity centre.

Some remarks can be placed upon the retrieved developments. Firstly, when examining the quality and content of the information in the financial statements it appears that some principal qualitative characteristics, such as comprehensibility (e.g. the statement of cash flows), relevance (e.g. timeliness of reporting) and comparability (e.g. the balance sheets for the activity centres), are not met. The financial statements appear to be 'unreadable books' rather than efficient management instruments. Secondly, the overall impression is obtained that most efforts are put into the formal change of the accounting and financial reporting system, and far less into the related set of planning and control instruments. Lastly, considering the large efforts made by introducing and preparing new types of information (mostly by financial and budgeting departments), it could be expected that professional managers and executives would make intensive use of these. Yet, the case studies reveal mixed results concerning this assumption.

Examining practices: disentangling institutional determinants

In all cases, long-term financial plans were introduced determining the annual budgets apportioned for each division and reflecting the expected changes in operations, finance and investments (see IC index). However, whereas centre X formulated a detailed 6-year financial plan with detailed budgets and sub-budgets, the other two organisations refused to commit themselves to predetermined long-term budgets (see MC index). The financial manager of centre Z explained this as follows:

It never has happened that the municipality asks us to accomplish certain objectives on the long run. Solely, the [yearly] amount of municipal subsidies is of their interest... However, the [stated] principle is to make a long-term financial plan and from that plan to deduce a budget. Does this happens? [No.] To make a budget for the year 2006, we take the annual accounts of 2004 so we can make the necessitated adaptations. I prefer to rely on the annual accounts of 2004 rather than on the long-term plan of 2006.

In centres Y and Z the financial plan mainly functions as an authorisation instrument indicating the allowed budget dimensions rather than a long-range planning instrument. As such, a financial plan is drafted for a minimum period of three years with comfortable estimations of the anticipated municipal contributions for the coming years. As municipalities are not eager for changing or increasing annually approved contributions, the public service organisations are accustomed to build up reserves through a process of over-budgeting (budgetary slack). This example clearly demonstrates the impact of wider institutional influences on the routinization of the planning and budgeting process. The new rules and routines represent an encoding of the accrual-based going concern assumption, and these challenge the existing cameralistic-based accounting routines at the local level. Partly due to a lack of experience and to a 'mental allegiance' to established ways of thinking and doing (i.e. cash-based annual budgeting) the new planning and budgeting process has been largely shaped by the existing routines and institutions. The largely incremental budgeting approach has become dissociated from its historical context and seems to be a sedimented practice. These findings, corroborated in related field research, reveal a strong inflationary force on the long-term planning process, which could explain why these organisations are very concerned with budgeting but not with planning.

A central aspect of the reform has been the replacement of the traditional centralised organisational structure by decentralised organisational devices and a move towards hands-on management. By lessening the immediate hierarchical relationship and increasing a more process-based approach budget controllers should receive more discretionary power and should be more visible to their senior political superiors (Hood 1995). The research findings indicate that the actual transition towards more hands-on management appears to be one of the most difficult concepts. Despite the formal claims made by centre Y in the 2004 survey (see IC index), none of the centres then had made a real shift towards a more autonomous and client-based form of management. However, recently, centres Y and Z have taken steps to implement the concept of budget controllership (see MC index). A restricted number of divisional managers have been appointed as budget controllers with clearly defined targets coupled to an increase in their operational and financial autonomy. According to the financial manager of centre Z:

The implementation of budget controllership was of secondary importance as we wanted a sound installation of the new accounting system firstly. That seemed logical... It [budget controllership] is a complete change of attitude. Firstly, for the employees themselves who are puzzled about the change in expectations, but also for the policymakers who have to hand over budgets on which they lose control.

Often cited reasons for a decentralisation are the wish to a more direct policy implementation and the promise of efficiency improvements (van Helden and Jansen 2003). In practice, many

councillors are not interested in these benefits as they consider the designation of budget controllers as a personal loss of power. Generally, the political executives seem little interested in the innovations except for the financial impact on the budget, which these would entail. In this connection the central manager of the budget department of centre Y said:

I have hold a discussion on the adoption of budget controllership. All the councillors were very delighted: 'wonderful', 'very good',... but I didn't receive a single question about it. Nothing.... The most important aspects for them still are the municipal subsidies and the budget: about this they will have questions and hold a profound discussion.

From the start, the reform project was considered primarily technical and directed to the top of the organisations. As such, the management styles and routines of the lower level managers and employees, including the political executives, have remained unaffected for a long time. Both in centres Y and Z senior management had to prepare and justify a solid case for budget controllership presented to the strategic constituencies and the council. Subsequently through a series of workshops the necessitated support and legitimacy for the change programme was further mobilized throughout the organisation.

The implementation of a sound reporting and control system complementing the new accounting system forms is presumably an essential link in the reform course towards a more strategic management. In all cases, the extent of interim reporting to the council remains restricted to the compulsory quarterly reports. A more profound analysis learns that despite the formal claims made (see IC index), the quality and content of these reports is questionable, especially for centres X and Y (see MC index). While centre Y strictly reports the required budgetary information including the bank account positions, centre X merely records some performance information. However, performance standards turned out to be rare and in terms of relevance the measurements were rather poor. The financial manager of centre X said:

We don't have real interim reporting on the budget as several adjustments to the software are required for this. The councillors receive a quarterly report, yet financial figures are not incorporated into it....The councillors don't desire large periodic reports but rather a summary on the follow-up of the stated objectives and important changes.

By contrast, centre Z has built up a tradition of more extensive periodic reporting on finance and operations to its council. Apart from the standard reporting on the budgetary positions additional disclosure is made of some heterogeneous indicators such as the level of services rendered by the divisions, the activity level, and the amount of subsidies received. However, from a performance-oriented perspective the number of indicators relating the number of services or their quality to an output budget is virtually non-existent. Despite minimal performance reporting, all organisations have maintained a sound financial control system. Largely centrally organised, a 'traditional' follow-up of all accounts and budgets takes place in each organisation. These findings again demonstrate that deeply ingrained reporting practices focusing on the accounts and budgets have been able to survive while the enacting of a more balanced system of performance measurement has not come about in any of the cases.

When discussing the relevancy and use of the financial management instruments with some senior managers and councillors generally positive opinions were noted for centre Y and Z. Several managers indicated that the information on the financial position and performance carefully is monitored each year and compared with previous years. However, several interviewees admitted that the added value of this new sort of financial information does not have to be exaggerated. In this connection the financial manager of centre Z said:

By contrast with budgetary information, financial information sooner is perceived as 'nice to know' than 'need to know'... While some managers show an interest in the periodic financial information, no one is using the information strategically.

According to the managers the added value of the new accounting system consists of the separate presentation of the divisional results (income statements), which provides more transparency on the income and expenses of the different operations. Next to this, the production of cost accounting information seems to be very appreciated because of the tangibility of the improvements. Alternatively, the relevance of the complex cash flow statements and separate balance sheets is strongly questioned by all financial managers. These documents are mainly produced to be in compliance while having a limited value for internal decision-making and control. Remarkably, in centre X both central management and the council maintained a rather sceptical attitude towards the usefulness of the accrual accounting information (see MC index). According to the financial manager of centre X:

The councillors have kept their traditional management style, largely based on revenues and expenditures, despite the imposition to use the new accrual accounting information. They are interested in the operations and the delivery of services but not in financial aspects, and certainly not in (unreadable) accrual accounting information.

In this connection the general manager of centre Y said:

Considerable effort has been put into the new accounting system, but for which purpose? What has actually happened with it? I have come to the conclusion that these policy instruments can provide relevant information, but that this information is hardly used, at the least by the policymakers.

The cases reveal that the interest of the political executives in the altered management and control instruments is clearly poor. In practice, only a handful of councillors in each organisation seems to read and interpret the mass of newly produced financial information profoundly. On the one hand, these findings point out that diverse practices and behavioural patterns are not equally institutionalised in each setting. On the other hand, there are clear signs that not all members strongly accept the underlying institutions. In terms of the Burns and Scapens' (2000) framework, the imposed set of rules and routines representing new institutional principles of management control only partly has been enacted within the cases. As a baseline for these conclusions, the contention is taken that the observed behaviours characteristic for each organisation only reflect the relevant institutions for that setting, as withhold from the generally diffused principles. As such, the displayed management control practices in each setting were interpreted against a wide institutional framework from which specific concepts and cognitive frames have been developed.

Analyses of changes in management control practices have shown that the existing institutions not entirely have been displaced by a new set of principles but in a varying degree have continued to exert influence. A strong influence from the existing institutions could be expected as these have been in place for decennia, and concordantly, have been widely accepted within the organisations (Tolbert and Zucker 1996). As a result, the emerging management control routines have been moulded by the encoding of the structural properties of new institutions and the reproduction of existing institutions (see Burns 2000). However, it remains unclear why some elements of the reform quickly opened ground while other related practices turned out as difficult to implement. Accordingly, it may be appropriate to ask why accounting-based assumptions had become institutionalised in centre Z, and to a lesser extent in centre Y. Whereas, in centre X, there was considerable resistance to the new accounting and control rules.

Explaining Progression: Analysing the Dynamics of Change

At this point attention turns to the precipitating and enabling factors and critical conditions that have surrounded the modification of the existing management control practices. Shortly after the Belgian Ministry of Home Affairs had initiated the reform initiative, centres X and Z embarked as ‘early adopters’ on the reform project, largely as part of a strategic response to opportunities to receive free implementation aid of a large outside consultant. Centre Y initially decided to wait with the adoption and to anticipate the possible growing pains of the newly developed instruments it wished to acquire. However, alarmed by the numerous technical system problems the early adopters had to cope with at the start, centre Z rapidly changed plans and embraced a reputable IT specialist to take off. While the organisations in total had 4 years of time to adopt the new forms of management control, every one of them struggled almost 2 years with the transition from the traditional accounting system towards the new form of accounting. In the financial departments – predominantly the driving forces for this project – all resources were mobilized for months to make the necessitated preparations and adjustments to the new system (e.g. the development of the analytic accounting structure, the first balance sheet and the individual accounts and budgets; the conversion and integration of modules). Particularly, ‘technical’ imperfections and related problems strongly affected the anticipated reform trajectories associated with the initial reform ideas. Eventually, huge sacrifices in terms of labour, money and time pushed the organisations into a more gradual change scenario. As clearly different patterns of institutionalisation have been unfolded across the cases, the most important enablers and constraints are outlined for each case.

In centre X, a subsequent initiation of management control changes remained forthcoming because the expensive accrual accounting system already had become a controversial issue. Apart from a new analytic structure and several particular changes, substantial changes in management control that spanned the entire organisation was hard to observe. It seemed that management had not been very concerned with the adoption process except for the set of formalistic requirements related to the annual reporting obligations. Moreover, it was difficult to explore the extent to which these innovations provided the institutional basis for decision-making and action. The analyses and interviews indicated that the management control activities did not receive an important place in the institutionalised organisational routines. Accounting, operations and management were still perceived as entirely different activities being performed by different actors. A major challenge to the proposed change agenda was the argument by central management that the added value of extensive accounting and reporting fundamentally remains limited as these present results of past events which cannot be changed anymore. Outside the financial department, the reform project clearly failed to gather sufficient interest and value commitment from other stakeholders throughout the organisation. There are multiple and related reasons for this shown lack of interest. First and foremost, the reform ideas were not accompanied with additional subsidies or guidance from central government to support the implementation process. As various innovations turned out to be expensive, the available means were limited and directed towards strictly necessary modifications in order to be compliant. Secondly, central management and council generally lacked sufficient knowledge or experience with the accrual-based mode of accounting and management control, which were considered to be the exclusive responsibility of the financial department. Lastly, the executives were strongly satisfied with the existing administration and organisational arrangements (i.e. the existing institutions). As a result, they did not develop any needs to mobilize a strong reformative and competitive-value commitment towards a new template of management control.

While some of these comments are likewise applicable to the developments in centre Y, a more proactive reform has been enacted in this case. Sufficient support and legitimacy was mobilized by financial and budgetary management throughout the organisation. Although the

council was not very concerned in the proposed changes, financial management received full autonomy to install new ways of working. Primarily, the organisational top was persuaded of the opportunities associated with a shift in management control as requiring radical change in responsibility and accountability. Subsequently, several workshops and information sessions were organised to convince the council and constituencies of the desirability and appropriateness of the planned institutional shift. Through these meetings some active efforts have been made to initiate and reshape some prevalent assumptions within the organisation. This 'educational' process was sustained through a reformative value-commitment of the managers at the key operating levels of the organisation along with supportive power dependencies from the top. Considerable change activities were introduced related to a new style of management and accountability. However, changes in management control practices did not occur radically or perfectly, but evolved gradually. Moreover, these alterations were not accompanied with a radical move to a new institutional logic. As mentioned before, the adopted patterns of behaviour have been shaped and transformed by the existing institutions in place. Through an evolutionary process, the enacted changes have been reproduced and modified towards commonly accepted routines, which, in time, may become institutionalised.

In centre Z, and especially within its activity centres, an accounting-based view of management relatively soon has penetrated the service delivery process. Against odds, the new rules were quite compatible with the established ways of thinking embedded in the existing routines. Consequently, the introduced management control practices were more inclined to follow an evolutionary, path-dependent process, shaped and challenged in part by the existing routines and institutions. An analysis of the specific context and the institutional setting of the organisation provided important understandings for the unfolded processes of change. To start with, the introduction of the redesign project was accompanied with a concurrent shift at the top of the organisation. Especially the replacement of the former general manager by a younger professional with notable experience in the private sector can be symbolised as the start of a great change process. In close consultation with the experienced financial manager and the president of the council, a number of distinctive decisions were taken at the start of the reform programme. The most important one was the organisational redesign towards a more process-based form of service delivery, in accordance with a new analytic structure. Furthermore, divisional management was renewed, partly through external recruiting, and formally incorporated into a new management team. Businesslike personnel management techniques were introduced which have led to a considerable inflow of experienced and skilled staff throughout the organisation. All in all, diverse organisational changes were enacted, more or less in accordance with the regulatory imposed changes. As such, the reengineering programme has functioned as an ideal platform to enact the new principles of management control. In contrast with the other cases, the reform project was not a single isolated event that could be easily targeted by opponents with pre-emptive measures. A diverse set of innovations took place amongst other reengineering interventions, spread over nearly a decennium. For diverse events additional support was received from outside consultants. Appropriate funding was planned and timely presented to the council and the municipality. Especially the council, strongly represented by its president, has taken up a supportive role towards all planned interventions. Thus, building on a rich tradition of renewal at the level of public service delivery, sufficient power dependencies and value commitment were generated to effectuate a broad institutional shift.

Conclusions and Implications

The study presents diverging results of three cases to current change efforts designed to shift the traditional 'budgetary' template of accounting and control towards a more efficiency-driven form of management control. Generally, a moderate pace of implementation

progression is retrieved over a time span of nearly a decade. Changes in management control practice have been enacted in different ways, but some institutionalised routines may seem hard to break with. Especially, technical difficulties have hampered and delayed the implementation trajectory, despite all good intentions. Currently, in each setting newly established rules and practices slowly but surely are getting habitually adopted by all staff members. While the adopted patterns of behaviour not entirely reflect the presupposed businesslike changes, a progressive process of institutionalisation is taking root. But unlike organisational restructuring, real institutional change is hard to achieve.

The combination of OIE and NIS offers a valuable approach to examine how and why existing and new practices gradually modify over time. This framework does not integrate incompatible or mutually exclusive theories but combines different perspectives to obtain more diverse and revealing insights. In this way, the different theories can be seen as different ‘gestalts’ that together provide a more complete impression of the change scenario. Through combining both theories a strong emphasis is put on the evolutionary character of institutional change over time. While contemporary research largely focuses on the pathways of change towards new ways of working, much less attention has been paid to the de-institutionalisation of traditional assumptions. However, the current research clearly points out that ‘the old ways’ often remain intact while neutering or subverting the intended changes in values or power relationships (Lowndes and Leach 2004). As such, further research should pay more explicit attention to processes and dynamics of institutional resistance unfolding over time.

Within Flemish public policy, nowadays, preparations are being made of diverse new reform initiatives at the local governmental level. Especially, a profound reorganising is being planned at the local political-administrative structure of the organisations under study vis-à-vis the municipalities. Often these various change programmes and continuing efforts are being put into place ‘quick and dirty’ while seriously affecting the management and control environment of the organisations. Based on the observations of the current study some closing comments are to be made.

Lack of a sound conceptual framework

The analysis of the stipulations in the NOB Decree suggests that the elected officials have been taking a businesslike accounting framework of the shelf, without any further attention for the needs of the stakeholders or the institutional arrangements in place. Remarkably, the accrual accounting system lacks a sound conceptual framework on which the production of the new accounting information should be based. Similarly, the related management and control instruments have been imposed without an underpinning output-oriented control framework. As a consequence, an intensive stress has been put on the production of time-consuming accrual information, which is hardly used for decision-making and control, at the detriment of more concrete performance information. Moreover, in this way the inherent risk is enhanced that organisations only partially adopt the innovations or formally fulfil the new requirements and expectations. In the latter cases, the formal change of the management instrumentation often is only ‘loosely coupled’ to a change in the internal routines and practices (Meyer and Rowan 1977). Adversely, related conceptual issues that received insufficient attention within the involved reform programme are the development of an independent assurance and control function and the related oversight bodies (internal/ external audit).

Insufficient guidance and ‘symbolic translation’

Within institutional theory a growing knowledge of legitimacy as well a dramatic shift in the institutional logics have been denoted as foundational elements in the change process towards new organisational practices, such as accounting (Suddaby and Greenwood 2005). In order to constitute an institutional shift in the institutional logic underpinning the actors' frameworks of assumptions, a symbolic translation, and consequently legitimation, of the new concepts can be seen as crucial (Creed et al. 2002). In the current case, central government's approach to institutional reform is characterized by a general lack of 'legitimizing accounts' in the form of interest and commitment to further guidance and implementation. A strong reliance on the public service organisations by itself seems to deliver poor foundations for establishing a profound shift in the behavioural and attitudinal aspects deeply embodied in the management control system. While in particular instances consultants may have played a supporting role in the interpretation and establishment of new forms and practices, the necessitated theorizing and persuasion by experienced 'entrepreneurs' (Beckert 1999) largely has remained forthcoming. As such, the change scenarios often have become dependent on management's ability, interest and motivation to actively reshape the dominant ideologies within their organisations. Taking into account the low levels of accountability and external monitoring, it is not surprising that these conditions in the main have proven to be insufficient for establishing a real institutional transformation.

Implicit assumptions and conflicting roles

In line with new organisational and managerial concepts, the implicit assumption is made that the council profoundly can concentrate on the strategy development, i.e. the political planning and control process. Whilst management is fully responsible for the operations and control of the divisions, largely being function of the council's strategic planning options and restrictions. In practice, many councillors do not confine themselves to strategic planning and control aspects, but are heavily involved in the service delivery process and daily operations. Moreover, political executives only slightly have incorporated the output-oriented attitudes and institutions as the new accounting practices often are found to be to technical. Presumably, councillors are not purely interested in outputs and efficiency aspects, but more often in specific details of policy execution, which may be politically sensitive (ter Bogt 2005). Considerable resistance has been found to the proposed changes by management, as these would challenge the existing values and power dependencies in place. In effect, many political executives have not assumed their new role, which can be described as steering instead of rowing. After all, the research findings have indicated once again that at the top of these organisations insufficient supervision is held on the financial management. Generally, inadequate assurance is obtained about the internal control system in place while an articulated strategic management towards different business units mostly is lacking.

Traditions and sedimented styles

As indicated by present and related research (see, for instance, McNulty and Ferlie 2004), existing institutional patterns often sedimented within the local setting inform a critical condition in the transformation and shaping of organisational processes and activities. Local institutional practices and taken-for-granted assumptions often support the preservation of existing organisational arrangements despite efforts made by management or external change agents. Deeply ingrained routines relating to traditional functions that have been installed for decades seem particularly difficult to break with. Also, the specific constitution of the workforce and the changes therein can be related to the stability and durability of sedimented conditions. Especially, organisations employing an older workforce of mostly lower educated

employees with a high seniority could be more inclined to develop a conservative stance towards new institutional arrangements. Adversely, the specific patterns of collaboration between management and the political executives help to explain why some organisations have developed a more reform-oriented attitude in contrast with others. In brief, the findings suggest that sufficient attention should be paid to the resilience of traditional assumptions in place when implementing radical change programmes.

Implications for policy development

During the last two years the local governmental sector in Flanders has been plagued by a mass of fraud scandals, which though in varying circumstances, are often related to the financial management of public service organisations. In the meanwhile, central government hopes to counter these problems with diverse and sequential reform initiatives in order to seriously enhance transparency and efficiency. However, this research indicates that the present efforts towards new forms of accounting and control form necessary but insufficient conditions to shift the template towards accepted forms of management control and corporate governance. By mainly imposing a large set of new instruments to be implemented with a time constraint, central government cannot wish to constitute real institutional change. A paramount risk exists that the local organisations are not sufficiently convinced or interested in the practical benefits of a new management control system. The study suggests that the policymakers and central government should devote explicit attention to the existing organisational and institutional arrangements in place when setting up a reform trajectory. A major challenge includes the organisation of a continuing guidance and monitoring process, which could be framed within the development of an independent internal audit activity. Finally, a strong warning should be made for successive change initiatives as previous research has indicated some continuing limitations of incremental reform strategies to achieve the desired changes (see, for instance, Lowndes and Wilson 2003).

Figure 1
The logic of the adopted case study method

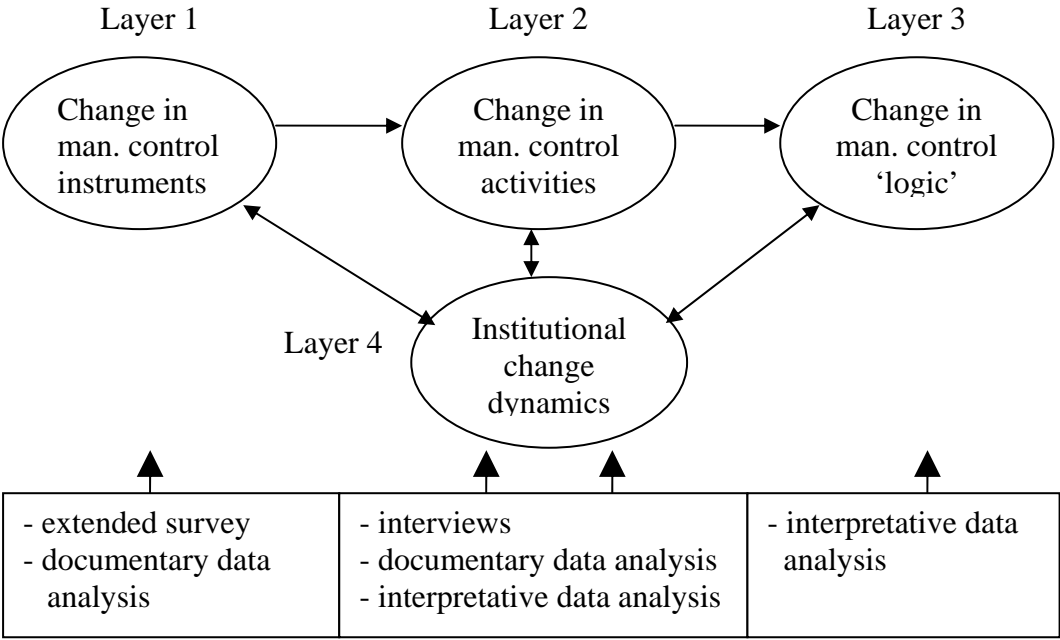


Table 1
Instrumental changes in management control

Components	Items	Centre X	Centre Y	Centre Z
Divisionalisation	6	4.5 (75%)	3.5 (58.3%)	4 (67%)
Accrual budgeting	12	12 (100%)	12 (100%)	9 (75%)
Long-range planning	10	8.5 (85%)	10 (100%)	8 (80%)
Cost accounting	5	5 (100%)	4 (80%)	2 (40%)
Budget controllership	12	2 (16.7%)	9 (75%)	3 (25%)
Management reporting	10	5 (50%)	7 (70%)	8 (80%)
Financial reporting	39	34.8 (89.2%)	31.1 (79.7%)	29 (74.3%)
<i>Instrumental change index</i>	94	72 (76%)	76.6 (81%)	63.8 (67%)

Table 2
Changes in management control practices

Components	Items	Centre X	Centre Y	Centre Z
Changes in accountability and budgetary power	15	7 (46.7%)	11 (73.3%)	11.5 (76.6%)
Changes in planning and budgeting	12	6.5 (54.2%)	5 (41.7%)	4.5 (37.5%)
Changes in management reporting and control	18	7.5 (41.7%)	7.5 (41.7%)	10.5 (58.3%)
Changes in cost accounting and economic management	13	8.5 (65.4%)	8 (61.5%)	8.5 (65.4%)
Changes in the use of financial information	13	3 (23.1%)	7.5 (57.7%)	8 (61.5%)
Changes in financial reporting practice	12	6.7 (55.8%)	7 (58.3%)	6.3 (52.5%)
<i>Management change index</i>	83	39.2 (47.2%)	46 (55.4%)	49.3 (59.4%)

Notes

¹ An OCMW (literally: Official Centre for Mutual Welfare) is a governmental entity providing a number of additional municipal services such as health care, care for the elderly, social support, etc. Each OCMW is related to just one municipality and vice versa. In Flanders, being the largest District in Belgium, there are 308 OCMWs. To improve the readability of the article the term OCMW is translated to 'Public Centre for Social Welfare'.

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Appendix 1
Instrumental changes in management control

Components/ concepts	Code	Measure	Source
A. Divisionalisation (6 items)			
1. Activity centres - Concept	ANALAC		
Number of activity centres		D	Balance sheet per AC
Clarification in notes		D	Notes
Division between service types		D	Balance sheet per AC
2. Activity centres - Practice	PRACTAC		
Number of zero-balance totals		D	Balance sheet per AC
Number of zero-result totals		D	P/L account per AC
Outliers balance total		D	Balance sheet per AC
Size general AC		D	Balance sheet per AC
B. Accrual budgeting (12 items)			
3. Swot-analysis	SWOTLRP		
Approach budgeting		QI	Query
4. Completeness budgeting	COMBUD		
Developed parts		QI	Query
Investment budget		QI	Query
Compliance schedules		D	Query
5. Participation	PARBUD		
Participation pre-design		D	Query
Budget commission		D	Query
C. Long-range planning (10 items)			
6. Time span	TIMELRP		
Time span most recent long-range plan		D	Query
7. Actualisation	ACTUALRP		
Frequency actualisation long-range plan		QI	Query
8. Completeness strategic note	COMPLSN		
Content mission		QI	Query
9. Completeness financial note	COMPLFN		
Developed parts		QI	Query
Compliance schedules		D	Query
D. Cost accounting (5 items)			
10. Calculation of costs	CACOST		
Calculation of costs		QI	Query
Implications of cost calculation		QI	Query
Details / allocation overheads in notes		D	Notes
Internal billing		D	Trial balance per AC

E. Budget controllership (12 items)			
11. Number of vertical budget responsibility areas	VERBUD		
Vertical budget responsibility areas		Qn	Query
12. Number of personal budget responsibility areas	CIVILBUD		
Civil servant budget responsibility areas		Qn	Query
13. Function description	FUNBUD		
Content function description		Ql	Query
Insertion in other documents		Ql	Query
14. Accountability	AGRBUD		
Individual task agreement		D	Query
Evaluation task agreement		D	Query
F. Management reporting (10 items)			
15. Completeness reporting	COMPLREP		
Completeness reporting		Ql	Query
16. Recipients of (written and/or oral) reports	RECREP		
Recipients written reports		Ql	Query
Recipients oral reports		Ql	Query
G. Financial reporting (39 items)			
17. Disclosure	DISCL		
Budgets		Ql	Annual accounts
Details of balance and P/L account		D	Notes
Valuation rules		Qt	Notes
Eliminations interco and consolidation		D	Annual accounts conso / Balance sheet conso / P/L account conso
Previous/ next year reportings		D	Annual accounts conso / P/L account conso
18. Completeness	COMPLACC		
Completeness recordings		Ql/ D	Balance sheet conso / Trial balance conso / P/L account conso
Completeness intercos		D	Trial balance per AC
19. Formalistic Requirements	FORMRE		
Annual report general/ financial/ descriptive		D	Annual accounts
Scheme of financial flows		D	Annual accounts
Enactment officially disclosed		D	Annual accounts conso
Classification activity centres		D	Annual accounts

Appendix 2
Changes in management control practices

Components/ concepts	Code	Type	Source
A. Changes in accountability and budgetary power (15 items)			
1. Budgetary control	BUDCON		
Budgetary power		D/ QI	Query/ interview
Agreements		D	Interview*
2. Delineation of responsibilities	RESPON		
Autonomy of divisions		D	Query
Responsibility and accountability		D/ QI	Query/ interview*
B. Changes in planning and budgeting (12 items)			
3. Focus on planning	FOPLAN		
Strategy and operational planning		D	Query/ interview*
Performance objectives		D/ QI	Interview*
Linking finance and operations		Q	Interview
4. Budget approach	BUDAPP		
Budget preparation		D/ QI	Interview*
Long-term investments		D	Interview
Output budgets		D	Interview*
C. Changes in management reporting and control (18 items)			
5. Internal reporting	INREP		
Lines of reporting		D	Query/ interview*
Reporting content		D	Interview*
Quality of reporting		D/ QI	Query/ interview
6. Monitoring and control	MONCON		
Budgets and deviations		D	Interview
Performance and results		D	Query/ interview*
Financial and accounting information		D/ QI	Interview*
D. Changes in cost accounting and economic management (13 items)			
7. Calculation of costs	CALCOST		
Analytic information		D	Query
Unit prices		D	Interview*
Cost allocation and billing		QI	Interview*
8. Economic management	ECMAN		
Measurement activities		D	Query
Standardization and procedures		D/ QI	Query/ interview*
Use of resources		D	Interview
Investment decisions		D	Query

E. Changes in the use of financial information (13 items)			
9. Perception of financial information	PERCINF		
Quality financial information		D/ QI	Query/ interview*
Quality operational information		D	Interview
Added value accounting instruments		D	Query
10. Use of financial information	USEINF		
By council		QI	Interview
By central and divisional management		QI	Interview*
Changes in management		D/ QI	Query
F. Changes in financial reporting practice (12 items)			
11. Timeliness	TIME		
		Qt	Query
12. Adequacy and Usefulness	ADEUSE		
Lay-out and presentation		D/ QI	Annual Accounts
Tables and comparisons		D	Annual Accounts
Diverse budgetary/ financial information		D	Annual Accounts
Trial balance		D	Trial balance conso

* Interview data are corroborated with documentary evidence