



**HANDELSHØYSKOLEN
I TRONDHEIM**

**Management Accounting and Control :
Perspectives on Public Sector Governance**

Edited by

Kjersti Strømme

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HANDELSHØYSKOLEN I TRONDHEIM

Workshop Management Accounting & Control

*- Perspectives on Public
Sector Governance*

Papers to the workshop at Værnes
14 - 16 October 2014

Handelshøyskolen i Trondheim /
Trondheim Business School

This Trondheim Business School Report contains papers presented at the workshop 14 – 16 October at Værnes. The workshop had the following theme *“Management accounting and control –Perspectives on Public Sector Governance”*.

The workshop was hosted by HiST Handelshøyskolen i Trondheim, and finance by The National Research School in Business Economics and Administration and HiST Handelshøyskolen i Trondheim. The conference proceedings are edited by Kjersti Strømme, Senior Executive Officer at Handelshøyskolen I Trondheim.

Trondheim, November 10 2014

Professor Inger Johanne Pettersen

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13.30 – 14.30	Professor Irvine Lapsley , University of Edinburg, Business School <i>Performance Management in the Public Sector: The Ultimate Challenge</i>

14.30 – 15.00 Coffee and fruit

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09.00 – 10.00	Professor Hanne Nørreklit , Århus University/ Business School <i>Research for practice – the role of generalisation</i>
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16.45 – 17.30	Miguel Perez, discussant: Inger Johanne Pettersen The role of accreditation as as quality control mechanism
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20.00 -- Dinner

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09.00 – 10.00	Professor John Burns, Exeter University <i>Financialisation in UK universities: old wine in new (screw-topped) bottles</i>
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PERFORMANCE MANAGEMENT IN THE PUBLIC SECTOR: THE ULTIMATE CHALLENGE

Michela ARNABOLDI¹, Irvine LAPSLEY², Ileana STECCOLINI³

ABSTRACT

Performance Management is **the** challenge confronting public service managers. However, the enduring research focus on performance *measurement* in public services, without resolution, does not offer neat solutions to performance *management* in public services. This drawback of measurement difficulties has not abated interest in performance management. But there are significant adverse outcomes associated with the clumsy use of performance management systems in public services, particularly negative effects on staff morale. The lack of ready-made answers to performance management makes this task complex and demanding for public service managers. This paper identifies critical dimensions of effectiveness in performance management systems.

Keywords: Performance Management; Complexity; Public Services; Employee Impacts; Management Challenges

INTRODUCTION

There are relentless pressures on managers in public services to act on the quality of their services. The idea of ‘more with less’ has become a slogan, as managers seek to maintain or improve the quality of service delivery. This phenomenon is pervasive – an international trend from which there is no escape for public service managers. This global interest has attracted the attention of key world institutions such as the OECD (see Perrin (2003) and Currstine (2005, 2007, 2008) on the fostering of performance budgeting and monitoring systems) and the World Bank (see the Talbot (2010) study of UK performance management for the World Bank as the promulgation of best practice). And yet there is no single solution as the public sector has many variations in scope and features in the 196 countries of the world, all shaped by economic performance, political philosophy, the involvement of external agencies and demands for public services (CIMA, 2011). These layers of complexity complicate, but do not lessen the interest in, and need for, performance management systems in public services.

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The financial crisis of 2007–2008 is still unfolding and we do not yet know its outcome. The fiscal pressures have intensified the need for making best of use of reduced resources in public services. This is in the midst of an uncertain environment in which traditional paradigms for public policy have experienced policy reverses (Coen and Roberts, 2012). However, the genesis of performance management systems is the global impact of three decades of the new public management (NPM) phenomenon which drives the focus on results oriented public services. The global financial crisis has *accentuated* the longstanding need for effective performance management of public services. There has been considerable research activity on performance management systems across a range of services to the extent that we may have a performance measurement industry (Johnsen, 2005). Nevertheless, that research effort is diffuse and has not been consolidated into a coherent body of thought (Broadbent and Guthrie, 2008). Indeed, the activity of performance management has been characterised as risky for public service managers (Cuganesan et al., 2014).

This paper contributes to the debate on performance management by offering a nuanced interpretation of the nature of this activity in public services. First, this paper discusses how complexity in public services may be theorised. Then it addresses the topic of performance management in public services by examining three dimensions of processes and impacts: (1) The key pitfall of performance management (2) Performance technologies: An accounting problematic and (3) Performance management in a complex setting. The paper concludes with closing comments on the challenges facing performance management in public services and with a future research agenda.

THEORISING COMPLEXITY

The public sector is widely recognised as a complex setting for study. The public sector has been described as an area of *inherent* complexity (Lapsley and Skærbæk, 2012), stemming from the location of managerial culture in a sector which experiences many political influences. This, in turn, may confound managerial discretion and complicate levels of accountability, especially in a sector which is repeatedly reformed, with uncertain outcomes, and where expectations are high on the delivery of social justice, social responsibility, equity in society, democratic entitlements and pressures for social change.

So, the concept of complexity abounds in the public sector. But how can we study this phenomenon for public services? There is now an increasing focus on the idea of the development of complexity theory which has captured the imagination of many researchers in public policy settings. The early work of Axelrod (1997) seeks to build a theory of complexity of cooperation based on the classic case of the Prisoner's Dilemma. In this work, Axelrod stresses its difference from conventional inductive or deductive theorising, in which he describes his work as a modelling to 'aid intuition' (Axelrod, 1997, p.4). Fundamentally, the Axelrod approach is based on simulation and attempts to study the actions and interactions of individual agents in society and then observe patterns which occur at the total society level (Axelrod, 1997, p.3). In subsequent work, Axelrod collaborated with a public policy specialist, Cohen, to

address how ideas of complexity could be harnessed by organisations (Axelrod and Cohen, 1999). They saw diversity of effort in the study of complexity, but also identified recurring themes which informed their framework which they describe as a unified view of complexity studies for the analysis of complexity in organisations (Axelrod and Cohen, 1999, p.18). In this elaboration of their approach they made the following observation (Axelrod and Cohen, 1999, p.19):

‘...complexity research does not make detailed predictions. Rather it is a framework that suggests new kinds of questions and possible actions’.

The complexity theory framework as elaborated by Axelrod and Cohen (1999, passim) had the following elements:

1. Complex adaptive systems
2. Co-evolution (*and self organization?*)
3. Dynamic systems
4. Non-linear relationships
5. Emergent properties
6. Edge of chaos (*and strange attractors?*)

The concepts in italics refer to common elements in contemporary complexity theory which were not explicitly mentioned by Axelrod and Cohen (1999). The *complex adaptive systems* are those in which agents and or populations actively seek to make adaptations (Axelrod and Cohen, 1999, p.7). This is a building block in their analysis. The idea of *co-evolution* is the way in which the actions of some change agents may spill over and affect the practices of other agents. This is a process which may never settle down (Axelrod and Cohen, 1999, p.8). The related concept of *self organisation* refers to the manner in which agents within organisations can shape the nature of the organisation by their actions and interactions. While this concept was not explicitly included in the Axelrod and Cohen framework, it is entirely consistent with their elaboration of dynamic agents in systems. The *dynamic systems* feature of complexity often arises because of the varieties of agents at work in organisations and in total systems (Axelrod and Cohen, op.cit., p.32). The *non-linearity* of systems means that small actions can lead to disproportionate larger differences in subsequent actions (Axelrod and Cohen, op.cit. p.36). The idea of *emergent properties* is that systems may exhibit traits which are distinct to the system and which are not a characteristic of the individual parts of the system (Axelrod and Cohen, op.cit. p15). The idea of the *edge of chaos* refers to interactions between organisations and their environment, which exist in a delicate balance between order and chaos. This phenomenon occurs as evolutionary systems structure interaction patterns to achieve a balance between exploration and exploitation (Axelrod and Cohen, op.cit. p.72). A related idea which features in current thinking on complexity theory is the *strange attractor*. This idea is often attributed to the work of Lorenz (1995). In complex systems the initial starting conditions can influence the dynamics of interactions, but as systems evolve they may be attracted to other properties (or attractors). The strange attractor is particularly complex: chaos may be present, but strange non-chaotic properties may also coexist at the same time and point.

This set of concepts in complexity theory underlines its systemic approach to the study of phenomena. This approach to the study of complexity is an endeavour to take

a holistic look, not only at the system dynamics, but also at the constituent parts of systems. This systems thinking is a distinctive feature of modern complexity theory. While this theorising originated in the natural sciences and has been used in, for example, forecasting weather patterns, there is a movement recommending its use in the social sciences. This use includes public administration (Klijn, 2008), public management (Teisman et al., 2009; Rhodes et al., 2011) and public policy (Geyer and Rihani, 2010; Room, 2011; Haynes, 2012).

While there are advocates of the merits of complexity theory in the investigation of the management of public services (Lin and Lee, 2011), reservations can be expressed over its mobilisation in this study setting. In the first instance, this thinking originated in the natural sciences and there remain questions over the applicability of models derived from natural to social sciences. The translation of ideas from different disciplines introduces the likelihood of misrepresentation or misinterpretation or ambiguity. This seems particularly likely with a theory which introduces concepts with names like edge of chaos, strange attractors, co-evolution, all of which look particularly susceptible to managerial capture and reinterpretation. Another dimension of this is whether there is indeed a unified theory of complexity theory. Klijn (2008) identified complexity theory as a collection of different theories: complex adaptive systems; dissipative structures; autopoiesis theory; chaos theory; path dependencies. However, Klijn did acknowledge the commonalities of systems thinking and non-linearity. The significance of Klijn's observations is that they intensify the potential for misrepresentation or misinterpretation of complexity theory. The Klijn critique has attracted observations that the underlying model of complexity theory offers a theory which needs to be tested empirically and which does not lend itself to such testing (Pollitt, 2009). There are proponents of complexity theory who see the idea of self organisation as a basis for enhanced democracy in public organisations (Blackman, 2001), but this does not sit well with the realpolitik of centralised control and a results focus in many governmental settings. There is also concern over the tensions between complexity theory and the need for evidence-based policy to inform policy making in public services (Parsons, 2002). More importantly, there is a deterministic tendency within systems thinking which does not sit well with the highly influential view of postmodernism, which emphasises social construction, the frailty of causality, the importance of power relationships, stresses the relational and interpretive nature of human activity, the proliferation of the contested nature of knowledge and ideas (see Best and Kellner, 1991, *passim*).

Therefore the application of complexity theory is not so self-evident or straightforward as it might appear. While complexity theory has not been advocated specifically to examine performance management in public services, it has been recommended for the study of the closely related phenomenon of NPM (Lin and Lee, 2011). This is an important area of research which we mobilise to test it out below in the challenges facing performance management in a complex public service setting and which we reflect on in our conclusion.

THE KEY PITFALL OF PERFORMANCE MANAGEMENT

The single largest pitfall for performance management systems in public service organisations is a negative side-effect which undermines the motivation, morale and

behaviour of human resources. The key resource in many public services is their human capital – the staff employed, their expertise, their capacity for problem solving and policy implementation. There are distinct, adverse outcomes for the human dimension of performance management. This paper examines research on this facet of performance management, which traces human resource issues arising from its implementation. The most trenchant critique of the adverse impact of NPM on public service staff is made by Diefenbach (2009). Diefenbach (2009, p.905) made the following observation:

‘NPM’s impact on employees and corporate culture of public sector organizations comprises a whole range of negative psycho-sociological and organisational effects, such as: increase in occupational stress, illness, low morale, decline in job satisfaction and motivation, alienation, fear, resentment, the distorting intellectual effects of writing for audit, a competitive, adversarial and punitive ethos, as well as wasteful, stressful, over-bureaucratic, and expensive audit procedures, increased tensions, more distrust between people, forms of symbolic violence and institutional bullying, a rougher working climate, an invisible net of managerial power and domination.’

There is a body of literature which supports this critique of NPM impacts on employees. The primacy accorded to audit in the NPM world has led to Power’s famous observation that we now live in an audit society (1997) in which the need to respond to audit controls, procedures and practices can shape the day-to-day life of organisations. This has the deleterious consequences of additional work and the subsequent displacement of the primary purpose of organisations so affected. In this NPM world, organisations grapple with the bureaucracy of the audit society, in which boxes must be ticked to demonstrate compliance with diktats whether this compliance is for real or merely legitimating activity (Arnaboldi and Lapsley, 2008; Lapsley, 2009). The roles and expectations of performance auditors continue to grow (Funnell, 2015).

Within a variety of public services there is evidence of the adverse impact of NPM reforms on employee welfare. One such service is policing where new managerialism has increased workload and pressure on officers (Butterfield et al, 2004, p.176). This has led to a significant majority of UK police officers reporting stress and overwork (UNISON, 2014). The corporate language of mission, commitment and strategy in public services is claimed to sit uneasily with, and promote disillusion in, public services which experience cost reductions with increased job insecurity, larger class sizes, fewer nurses (Hoggett, 1996). In health and social services, NPM reforms have resulted in increased intensity of work practices, with fewer staff, increasing levels of stress, demoralised staff, high absenteeism and labour turnover (Kirkpatrick et al., 2005, p.98, p.120). Although Kirkpatrick et al. (2005, p.150) do report that workers within social housing have more readily embraced the managerialism (its language, its logic) of NPM.

Within universities, the advent of NPM has resulted in a more adversarial working environment (Newton, 2003, p.434) in which tolerance for independent thinking by academics and collegiality is marginalised by management agendas (Saunders, 2006). The NPM focus on quantification and results has spawned a wide range of metrics within universities including measures of quality (Pettersen, 2015). It has been suggested that these are mobilised to manage and control academics (Burrows, 2012).

These metrics include citations, workload models, research assessments, teaching quality assessments and league tables for university activities and performances, including commercial activities. Gill (2010, p.228) has observed that the impact of this managerial regime has had wide ranging adverse effects:

“Many academics are exhausted, stressed, overloaded, suffering from insomnia, feeling anxious, experiencing feelings of shame, aggression, guilt, hurt and ‘out of placeness’.”

It has been suggested that this state of affairs is widespread in universities as part of a ‘deep, affective somatic crisis which threatens to overwhelm us’ (Burrows, 2012, p.355). It has been observed that the strength of this phenomenon is such that academics have been unable to challenge a universal focus on calculative practice and audit culture in universities stemming from NPM practices (Shore, 2008). This primacy accorded to performance management systems is attributed to NPM thinking, in which managerial elites have a vested interest in legitimising an audit culture focussed on constant assessment at the expense of collegiality and scholarship (Craig et al., 2014).

The above observations demonstrate the potential negative outcomes when public organisations implement clumsy performance management systems which are not geared to the key human actors engaged in the delivery of services. On balance it should be noted that the policy design and implementation intensity of NPM varies between countries, and that much of the literature and research is scarce when it comes to studies of net effects of NPM reforms including performance management (Bouckaert and Halligan 2008; Helden, Johnsen and Vakkuri 2012; Pollitt and Bouckaert 2011). Next we comment on the range and quality of tools available to public service managers.

TECHNOLOGIES OF PERFORMANCE MANAGEMENT: AN ACCOUNTING PROBLEMATIC

For the managers there are significant problems in the selection of management tools to mobilise in the name of performance management (see for example, Hope and Player (2012)). The quality of available techniques is a particular problem for public service managers. There have been various attempts at devising models of performance management. These include the idea of global measure of performance. The failure to achieve this and the difficulties of operationalising the resultant partial performance indicators are discussed below. The classic Anglo-American NPM approach of seeking appropriate private sector models has led to the introduction of Benchmarking, the Balanced Scorecard and Lean Management into many public services, with mixed results. These initiatives resonate with the classic phenomenon of following the latest managerial fads and fashions (Abrahamson, 1996). The early attempted solution of managerial checklists as a reductionist treatment of complexity is revived here and considered as a potential way forward for public services. The range of commonly used tools in public services performance management is set out in Table 1. We identify 5 such possibilities for public service managers and as Table 1 shows there is no obvious choice from the set of available technologies. Each of these approaches to performance management is discussed, next

Table 1: Performance Management Technologies

	Technology	Key Attributes	Comment
1.	Budgetary Control	Traditional Accounting	Crude, limited
2.	KPIs & Benchmarking	Partial performance indicators in comparable settings	What gets measured gets included
3.	Balanced Scorecard	The Harvard model of performance management	Identifies multiple dimensions but is over specified
4.	Lean Management	The Toyota Production model	Negative side effects
5.	Managerial Checklists	An exercise in reductionism	Susceptible to box ticking legitimisation

1. Budgetary Control as a Performance Tool

The first technology identified in Table 1 is budgeting. This inclusion is recognition of the significance of the accounting function within public service organisations. It is also recognition of the longstanding centrality of the budgetary process in public sector organisations (Henley et al., 1992, p.56). However, while tradition, the size of public sector organisations and the level of sophistication in financial management may lead public service organisations to rely on budgets for performance control, this option has many disadvantages. This technology ignores non-financial performance indicators and can therefore be seen as very narrowly focussed on financials. In this way, the budget can be seen as offering crude cost control. However, the reluctance to refine the historical budget setting practices of public sector organisations by adopting activity-based measures undermines the rigour of budgets. Furthermore the achievement of budgetary equilibrium may be seen as a kind of success, but it is limited. The achievement of balancing the books does not equate to meeting all service demands nor does it mean the organisation has operated efficiently. However, the downside of all this is that whatever performance management system is implemented within any public sector organisation, it will have to relate to the budget system given its centrality in the life of the public sector organisation, a facet of performance management which is often overlooked and is neither simple nor straightforward.

2. Private Sector Technologies for Performance Management

The next three technologies in Table 1 all fit the ‘fads and fashions’ (Abrahamson, 1995) idea of management diffusion. All of them have private sector origins: Benchmarking came from Rank Xerox (Cross and Iqbal, 1995); the Balanced Scorecard came from Analog Devices, an electronics company (Schneiderman, undated); and Lean Management came from Toyota, the Japanese car manufacturer (Womack et al., 1990). The practice of looking to the private sector for management ideas is a fundamental element of NPM. The appropriateness of this practice is

contestable, given the difficulties of translation from the private to the public sector. In the following sections each of these private sector imports is discussed and then we revisit the idea of managerial checklists.

In this paper we link Key Performance Indicators (KPIs) and Benchmarking as technologies of a similar vintage, which are used in concert. They can both be seen as technologies which have emerged in response to the lack of the commercial bottom line for performance assessment in public services. Efforts to mobilise value for money or the 3Es of economy, efficiency and effectiveness as a bottom line have failed to deliver a global model of performance measurement (see, for example, National Audit Office (1988), FEE (undated), Mayston (1985)). Efforts to devise a public sector bottom line have degenerated into the generation of many partial performance indicators (Lapsley and Pong, 2000). The relationship of these partial indicators is not self-evident in many cases, without a hierarchy of performance indicators which form an articulate statement of performance. The decision to identify KPIs for performance assessment focuses on what can be measured rather than necessarily capturing key dimensions of organisational performance (Bevan and Hood, 2006). The forced nature of this selection process and the arbitrary manner of choices made is captured by the following statement by an elected member of a legislative assembly (cited in Ezzamel et al., 2007):

‘We are fabulous at firing arrows at walls, drawing targets around them and then saying it was a brilliant shot.’

The shift from organisations devising their own KPIs to a benchmarking arrangement in which comparable organisations are identified in which performance information is exchanged creates further complexity. While public service organisations are not in competition and therefore open, in principle, to sharing performance information, there have been difficulties from the beginning in identifying appropriate comparators, focussing on performance and embracing the concept of benchmarking (Bowerman et al., 2000; Bowerman et al., 2001). This concept of the contested field in which actors’ own interests prevail over a common or shared purpose remains a major obstacle to effective benchmarking (Siverbo, 2014).

The *Balanced Scorecard* has achieved widespread interest in the public sector in the last decade of the 20th century and the first decade of the 21st century. This technology was claimed to be first devised in the electronics firm, Analog Devices, by Schneiderman (Schneiderman undated) and subsequently developed by Kaplan and Norton (1992, 1993). The attraction of this technology was its focus which was broader than narrow financials by including consideration of financials, internal processes, customers and learning. This configuration appeared to offer a comprehensive basis for linking corporate financial planning and strategic planning, unlike the proliferation of partial and so called key performance indicators. However, this particular management fashion has started to encounter considerable criticism. Notably, the Balanced Scorecard has been criticised because its four dimensions understate the complexity of many organisations (especially in public services) and it offers little more than lists of metrics (Norreklit, 2000). Also it has been argued that the key dimensions in the Balanced Scorecard are not as tightly coupled as they appear in the writings of Kaplan and Norton (Modell, 2004). A scrutiny of 20 years of research studies of Balanced Scorecard systems reveals implementation difficulties

with little integration with accounting information systems (Hoque, 2014). While the Balanced Scorecard has had immense popular appeal, it looks like this management fad is now, or may be becoming, out of fashion.

Lean Management, however, has become the choice of performance management technology of many public services. This is somewhat surprising as Lean Management is an earlier technology than both Benchmarking and the Balanced Scorecard as it was developed by Toyota in the 1960s (Womack et al., 1990) as the Toyota Performance System (TPS). Within the UK the pressure of ‘more with less’ has led to widespread attempts at Lean Management in universities, hospitals and health care, and local government. At the centre of the TPS are the concepts of the standardisation of work into repeatable processes and the elimination of unnecessary stages in the production process to eliminate waste and reduce costs in a process of continuous improvement. A report commissioned by the Scottish Government argued that Lean Management was applicable to the public sector (Radnor et al., 2006). Government ministers have identified the potential of Lean Thinking in reducing public sector waste (Murden, 2006). Universities UK (2011, p.37) has acknowledged what it regards as the successful use of Lean Management in universities and advocates its wider use. Health care has been at the forefront as a suitable case for Lean Management. It has been argued that there is no lack of resources in health care and the core issue is the uniform application of best practices to reduce costs and increase quality. The TPS is ideal for this purpose and the UK NHS Institute for Innovation and Improvement has developed guidance on Lean Thinking for health care managers (NHS Institute for Innovation and Improvement, 2013).

However, the rapid spread of Lean Management has been questioned on a number of levels. There have been reservations about the efficacy of Lean Management at Toyota. In particular concerns have been expressed that the constant focus on cost reduction has affected the safety of their vehicles. On February 3 2010, Chris Lastrella, an off duty Highway Policeman in California was driving his Toyota Lexus with his family on board when the accelerator pedal jammed (Frean and Lee, 2010). All of the car occupants were killed in the ensuing crash. There were a further 30 reported deaths in the US from sudden unintended acceleration on Toyota vehicles at this time (Frean and Lewis, 2010). At a subsequent hearing of the US Congressional Oversight and Government Reform Committee, Roy LaHood, the US Transport Secretary said Toyota was ‘safety deaf’ and Akio Toyoda, the grandson of the Toyota company founder apologised for the accidents (Frean and Lewis, 2010). However, a senior US executive challenged Toyota’s handling of safety issues as it expanded its operations (Lewis, 2010). These outcomes undermine the application of Lean Thinking as a relentless driver for cost reduction without due consideration for other important issues such as safety.

There are other concerns over the application of Lean Management in public services. There are issues over the portability of lean – how many public services are like car factories? Also many public services exhibit high levels of interdependence in service delivery which may confound the standardisation of public services. By focussing on segments of public service organisations, local star optima may be devised which do not yield overall improvement. There is evidence of a high failure rate for Lean Management in the National Health Service (NHS) which may be attributed to the lack of supportive information systems at project level, inter-unit level and

organisational level (Kinder and Burgoyne, 2013). More fundamentally, it has been suggested that the Lean Management approach adopted within the UK public sector is doomed to failure, in theory and practice, given its piecemeal application without an overarching service model to inform its adoption and design (Radnor and Osborne, 2013).

3. Managerial Checklists

The final strand of performance technologies which we discuss here, is the use of managerial checklists. At one level this might be seen as a relatively unsophisticated management tool. For example, an early attempt at devising a managerial checklist for performance management was Jackson (1988). Jackson introduced 9 key concepts for managers to manage performance. Some of these are beyond criticism (consistency, comparability, clarity, controllability) but others are in contradiction (comprehensive versus bounded). While this contribution is well intended it lacks precision, is not readily operational and, most importantly, it looks susceptible to the tick box mentality of the Audit Society (Power, 1997).

A more promising offering is the managerial checklist from Likierman (1993). This is a somewhat neglected study. Likierman's work is based on a three year research project in which 500 middle and senior public services managers were interviewed. All of those interviewed were managers who used performance indicators. This paper looks at performance from multiple dimensions, looking at the trajectory of performance systems through the concepts underpinning the system, the preparation of the system, the implementation and the use of performance information. This study was not fully exploited as its completion coincided with the author becoming a senior member of the UK Government Civil Service. However, this study offers a potential way forward. It points to the need for evidence based studies rather than the fragmented policy of snatching at the latest management fashion as the solution to performance management.

PERFORMANCE MANAGEMENT IN A COMPLEX SETTING

The complex setting analysed in this paper is the UK NHS. The NHS has an immense workforce of many different health care professionals and sits firmly within those public services which have human capital as a key resource, as outlined in the third section of this paper. In terms of technologies of performance management, budgetary control remains a central mechanism for the NHS. There has been some limited use of the Balanced Scorecard in the NHS, but there has been more sustained use of KPIs and benchmarking and for the past few years there has been a strong use of Lean Management. In terms of the NHS as a study setting, Lapsley and Schofield (2009) highlight the complexity of the UK's NHS, which makes it of particular interest for public service performance management. This includes the distinctive origins and ethos of the NHS and their financial implications. The density of NHS organisation and the scope of the services which it delivers, also present difficult challenges for financial planning and control. The sheer scale of NHS operations, with it often being considered one of, if not the, largest organisation in the world, presents significant challenges for financial accountability and control. There is also the fundamental issue of the efficacy of a national health care system funded from general taxation. These general contextual issues heighten the complexity of the NHS but other factors

at work impinge directly on NHS performance management, as Lapsley and Schofield (op.cit. p.367) express it:

‘Furthermore, and particularly in times of financial restraint, the existence or otherwise of formal or informal rationing systems in health care presents significant ethical and financial dilemmas. Most importantly, the enhanced visibility and significance of accounting numbers and performance measures in NHS management processes and accountability mechanisms over the course of its life continues to attract the attention of researchers.’

This is the context which we use to illustrate the challenges confronting performance management in public services. It is interesting to note that a number of complexity theory advocates have identified health care as a suitable context for study (Arndt and Bigelow, 2000; Geyer and Rihani, 2010; Rhodes et al., 2011) and performance management in health care is as complex and elusive as ever (Chang, 2015; Kelly et al., 2015).

It was noted above that in many public services, what can get measured gets counted (Bevan and Hood, 2006) and this can form the basis of performance management systems and this is the case with the NHS. The key performance measure in recent years has been the use of waiting lists for patients in need of health care treatment. Successive governments have set targets for achieving reductions in waiting lists. The waiting list is a capacity utilisation indicator, which may appear sensible in a service which is free at the point of use and for which there is an excess demand in the absence of a pricing system. However, there is a longstanding critique of waiting list indicators as soft performance targets which are easy to manipulate. In his critique, Williams (1985) raised questions over the criteria by which patients are admitted to lists, the uniformity of such criteria across the NHS, the frequency with which they are updated, the discretion in the alteration and admission of patients in targets.

In this section of this paper we examine the experiences of two health care organisations in the NHS: (1) Lothian Health, and (2) Mid Staffordshire NHS Foundation Trust. The experiences of these health care bodies resonate with the Diefenbach (2009) critique of NPM type performance management systems.

(1) Lothian Health

In the National Health Service in Scotland, Health Boards have targets that specify that 90% of their patients must be treated within 18 weeks of referral by their general practitioner. At Lothian Health, there was a major inquiry initiated by the Cabinet Secretary for Health over claims in the press from a whistleblower that Lothian Health was routinely manipulating its waiting list numbers. This report was prepared by PWC for the Scottish Government (Scottish Government Directorate, 2012). Its findings confirmed the systematic manipulation of waiting list information. As a public entity the governance mechanisms at Lothian Health included both a management and a board (with lay persons appointed by the Cabinet Secretary) to oversee its activities. The Board also had a Finance and Performance Review Committee (FPRC) drawn from its membership, which reported to the board. Within the management team there was an Executive Management Team (EMT) at the highest level, which reported to the Board and this top management tier had a Senior

Management Team which reported to EMT. Beneath the Senior Management Group there are the departments and hospital specialties. Each month a Performance Management Report was prepared by NHS Lothian as a standard agenda item for all four parts of Lothian Health governance structure as outlined above. This report stated (op.cit, p.17) that:

‘The EMT, the Board and the FPRC were not presented with a comprehensive picture of waiting time management or data, for example, as there is an absence of any detail on periods of unavailability data or full waiting list size. In addition there is no trend analysis of performance.’

The absence of this information hindered the EMT and the FPRC in making informed decisions on waiting list issues and the Board may not have been able to identify that there was an issue (op.cit, p.17).

The lack of information presented to the top was based on routine manipulation of waiting list figures. The PWC investigation (Scottish Government Directorate, 2012, p.5) highlighted this:

‘...highlighted excessive and inappropriate use (and apparent misuse) of periods of patient unavailability, in particular retrospective creations and changes, which removed patients from waiting times breach (i.e. missing target) reports. This inappropriate use has masked the number of breaches (failures to meet targets) reported at a number of month ends and has resulted in certain patient journeys being longer than have been formally reported.’

These inappropriate adjustments involved offering patients treatment in England at short notice and if they refused they were removed from waiting lists. There was also lots of retrospective alteration, manually, of patient records. For example, this report (Scottish Government Directorate, 2012, p.6) identified examples of this:

‘On 30 May 2011 (just before breach or target failure reporting) a member of staff made 124 amendments to periods of unavailability, retrospectively, and then on 1 July 2011 (just before target failure reporting) another member of staff made 154 amendments to periods of unavailability, retrospectively, between 0800am and 0900am.’

It is also noteworthy that many managers in Lothian Health received detailed waiting list information from weekly waiting time position reports but this information was not included in formal reports to the EMT, the FPRC or the Board.

How did this happen? Interestingly, given the Diefenbach (2009) critique of bullying resonates with other findings in this report. It observed that many of these staff members were put under unacceptable pressure to manipulate waiting list figures in a culture of ‘no bad news’ about waiting list figures (Scottish Government Health Directorate, 2012, p.21).

However, senior figures within Lothian responded strongly to these suggestions (Lothian Health, 2012):

‘Bullying and harassment have never been tolerated in NHS Lothian and we will be following up immediately any claims of this through our own internal inquiry, which is already far advanced’ (Chief Executive), and:

‘We do not tolerate any form of bullying and harassment and this is monitored by annual surveys. This is a message sent out to all employees when they join us and any time such behaviour is proven we are robust in tackling it’ (Director of Human Resources).

However, despite such protestations, the Cabinet Secretary for Health initiated a further report into the management culture at Lothian. This report confirmed a bullying management culture at Lothian which manifested itself in an extreme form around the performance management of waiting list targets (D.J. Bowles and Associates, 2012). In this report there are comments by members of staff which illustrate the nature of this bullying culture (D.J. Bowles and Associates, *op. cit.*, p.19, p.23):

‘Some senior managers bully us with constant targets, targets, targets... shouting and relentless pressure’

‘A macho culture that has lasted for some time’

‘Shocking... an atmosphere of fear’

‘There is a blame culture, particularly for senior managers and I see it cascade and leak out to the lower graded staff’

‘If you don’t reach your targets, you can collect your P45’ (i.e. lose your job)

‘Those of you with mortgages and career aspirations had better be afraid’.

The report by Bowles and Associates (*op.cit.*) described this as a dominant culture (p.21) in which the general leadership and management style is based on ‘command and control’ (p.19) in which there is an almost total concentration on targets and the tasks required to achieve them (p.19) and in which there is an ‘emphasis on targets and predominantly autocratic leadership’. This report also observed that the ‘obsessive focus’ on targets for performance management meant that the organisation had lost sight of policy objectives (*op.cit.*, p36).

Despite these reports, Lothian Health has just reported yet more difficulties over waiting list targets (Pickles, 2014). Indeed, Lothian Health has longstanding difficulties over the achievement of waiting list targets for many years. There are distinct circumstances which accentuate this problem. There are the general issues of a system which is stretched by no pricing or rationing systems. There are the increasing numbers of elderly patients with multiple medical conditions. Perhaps most importantly Lothian Health is a regional centre of excellence with world leading medical specialists which always seem to attract more referrals than they can handle. The major issue here is the way complex systems are reduced to simple performance systems with all manner of deleterious consequences, particularly for staff implementing them.

(2) Mid Staffordshire NHS Foundation Trust

There have been two major, highly critical reports published on Mid Staffordshire NHS Foundation Trust, the report of an Independent Inquiry (Francis, 2010) and the report of a public inquiry (Francis, 2013). These follow other critical reports by oversight bodies in health care. The initial concerns over the management and quality of care at Mid Staffordshire were aroused by mortality rates which were significantly worse than at other hospitals (Health Care Commission, 2009), which observed (p.137):

‘In this report, we have drawn together the different strands of numerous, wide-ranging and serious findings about the trust which, when brought together, we consider amount to significant failings in the provision of emergency healthcare and in the leadership and management of the trust.’

Concerns expressed by patients and patients families led to the Secretary of State for Health establishing the first Independent Inquiry (Francis, 2010). A subsequent Secretary of State for Health commissioned a second, public inquiry to be led by Robert Francis (Francis, 2013). In addition to the concerns over mortality rates, these reports were extremely critical of the poor quality of patient care. The following instances (Francis, 2013, para 23, p.13) illustrate the woeful standards of patient care:

1. Patients were left in excrement in soiled bed clothes for lengthy periods
2. Assistance was not provided with feeding for patients who could not eat without help
3. Water was left out of reach
4. In spite of persistent requests for help, patients were not assisted in their toileting
5. Wards and toilet facilities were left in a filthy condition
6. Privacy and dignity, even in death, were denied
7. Triage in A&E was undertaken by untrained staff
8. Staff treated patients and those close to them with what appeared to be callous indifference

How did an NHS hospital ever sink to such low standards of care? The Francis Reports (2010, 2013) identify a culture in which the needs of patients were, at best marginalised, and in which the management of this hospital gave primacy to performance targets and to good news stories. The following extract illustrates this point (Francis, 2013, p.43):

‘Those with the most clear and close responsibility for ensuring that a safe and good standard of care was provided to patients in Stafford, namely the Board and other leaders in the Trust, failed to appreciate the enormity of what was happening, reacted too slowly, if at all, to some matters of concern of which they were aware, and downplayed the significance of others. In the first report, this was attributed in large part to an engrained culture of tolerance of poor standards, a focus on finance and targets, denial of concerns, and isolation from practice, elsewhere. Nothing I have heard in this Inquiry (i.e. the Public Inquiry) suggests that this analysis was wrong. Indeed the evidence (from the Public Inquiry) has only reinforced it.’

The above critique of the negative impact of performance management on the central mission of this hospital trust is accentuated by its ‘good news’ culture which sought to negate or play down setbacks and celebrate whatever minor successes were experienced. A further extract from the Francis Report (2013, p.44) underlines the insensitivity of management in its handling of challenges:

‘The Trust culture was one of self promotion rather than critical analysis and openness. This can be seen from the way the Trust approached its Foundation Trust application, its approach to high Hospital Standardised Mortality Rates and its inaccurate self declaration of its own performance. It took false assurance from good news, and yet tolerated or sought to explain away bad news.’

Despite the management preoccupation with financial matters to the exclusion of standards of patient care, this hospital trust managed to survive numerous reports from a variety of oversight bodies (Francis 2013, pp48-64), which challenged its fundamental practices of health care. Yet this hospital trust managed to stagger on like a zombie organisation, still focussing on its performance targets, before it was closed. This adverse impact of performance management systems goes beyond the Diefenbach (2009) critique which identifies adverse impacts on staff rather than the totality of the organisation and those it has a duty of care for. It could be discussed whether the adverse effects were the results of a flawed performance management system designed and used too much for financial matters and too little for performance, an incompetent management, a dysfunctional organisational culture, or a combination of all these issues. Using the lenses of complexity theory one could describe this case as a complex adaptive system organising itself top-down into a system with emerging properties crossing the edge of chaos. In effect, the Mid Staffordshire NHS Foundation Trust may have had too little performance management rather than too much.

The initial starting point in this section was the implicit reference by Lapsley and Schofield (2009) to health care as a complex adaptive system. Rhodes et al. (2011, p.112) deploy complexity theory to demonstrate how health care information systems *can* be modelled as a complex adaptive system. Also, Geyer and Rihani (2010, pp101–103) see the above kinds of adverse outcomes as an inevitable consequence of policy makers viewing the complex NHS as a mechanistic system which can be controlled from the centre. This approach fails to recognise the modernisers proposing cycled and recycled reforms through a single attractor, which limits the organisation in self organisation and co-evolution.

CONCLUSION

There is a clear need for effective performance management systems in public services. The NPM modernisers see this as a way of providing public services more efficiently. The era of austerity has reinforced the need for more effective management of performance. Yet, despite the very significant efforts by key actors within public services and by related agencies and experts, there is no unanimity on what constitutes best practice. Indeed, this paper has documented significant failures of existing practices when managers become so obsessed with managerial targets and

appearance that they lose sight of the more fundamental issues of organisational mission and performance. This paper suggests that the underlying dimension which makes performance management so difficult is the sheer complexity of, and the often over-simplistic approach to performance management in the public sector.

This paper has elaborated upon the potential of complexity theory to be mobilised by researchers within public services management to address the nature of public sector complexity and its impact on performance management. This conclusion is not without caveats as the origins, aims and expectations of complexity theorists may differ from the realities of policy making in everyday life. However, this perspective offers a definite research agenda for empirical studies of performance management practice, as set out below.

1. For performance management to be effective it must mitigate or eliminate the negative side effects on the key resource of human capital. There is scope for exploratory research in study settings where successful performance managements appear to operate to determine where and how this advance might be made.
2. Much of the extant literature on performance management tools and technologies seems to be based on specific applications of particular practices. There is much to be gained from closely grained case studies of practice. But it would be interesting to see studies which undertook a more holistic evaluation of performance management by paying attention to the details and instability of systems. Such investigation potentially opens the way for developing a new, specific, framework for examining performance management in the public sector.
3. In their writing Axelrod and Cohen (1999) refer to complexity theory as an aid to thinking. It would be interesting to see if managers of public services can relate to and make sense of the ideas in complexity theory in their everyday tasks. There is scope for experimental work in this area.
4. Within an era of rapid technological development the role of social media which gives free access to global web communication to every individual thereby opening opportunities and risks for the public sector. The role of social media in enlisting, enrolling and mobilising different perspectives on how public services are delivered and performance managed offers a fruitful area of research.
5. There is a longstanding issue within public services of remuneration, reward and incentives for exceptional performance. This is an important element of performance management and needs careful evaluation in work on public services.
6. Within many public services there are many short-term pressures to deliver. There is scope for the receptivity and feasibility of longer planning horizons in future performance management modelling.
7. Within performance management in public services there is silence on 'management' – what it is and what it means. This paper suggests that performance management in public services is more complex than in other settings such as non-profit or private sector activities. Yet there is a presumption within existing literature that the 'effective public manager'

exists and will deliver. This is a key part of performance management which merits careful research and analysis.

In addition to the above agenda focussed on performance management practices, there is scope for further theoretical research in this area. In particular we suggest the following issues:

1. Complexity theory builds on the idea of agents within systems who detect the need for change and cluster to make change happen. Within this thinking the idea of the agent appears to presume homogeneity. Research on the manner in which agents act in complex adaptive systems merits careful evaluation.
2. The *raison d'être* of complex adaptive systems in complexity theory is an aversion to what is perceived as a mechanistic concept of how organisations function. However, the top down, command and control model reflects the need to deliver successful policy outcomes. It may be argued that this does not achieve its objective. But the self organisation, bottom up thinking in complexity theory needs to be reconciled with *realpolitik* for policy makers to endorse its use.
3. There are strands of complexity theory which resonate with other ideas within the social sciences which have been used widely in the public sphere. This includes the idea of the street level bureaucrat which mirrors the purposeful agents depicted in complexity theory. Another example is isomorphism which has parallels with ideas of co-evolution. The idea of unintended consequences features too. There is scope for the study of this phenomenon to see if a melding of different approaches may be feasible.

This paper suggests that performance management is a big challenge facing public services. It is the intention of this paper not only to encourage a rethink of existing practices to avoid the negative side effects documented in this paper, but to encourage researchers to undertake more nuanced research in this most difficult, complex, testing area for researchers and practitioners alike.

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CHAPTER TITLE:

“Setting a performance audit agenda: the Danish National Audit Office and Public Accounts Committee tango”

Peter Skærbæk

Mark Christensen

Work-in-progress

Introduction

The Danish Public Accounts Committee (DPAC) is amongst the world’s oldest parliamentary account oversight committees, having been established in 1849. The longevity of the DPAC’s existence and the strength of its continued importance during that history are testaments to its significance in a society that now prides itself as being one with high levels of transparency (Williams, 2014). This chapter analyses how the DPAC and the National Audit Office of Denmark (NAOD) interrelate with each other in the acquittal of transparency of government in the performance audit regime¹. It is within this field that we find an intricate interface between political controversy and audit standard malleability forming a tango of relations and identities around the enduring complexity of how Supreme Audit Institutions (SAI) and oversight bodies behave in the intertwined flux of SAI independence, audit quality, and parliamentary oversight of the audit function. In providing this analysis, a contribution is made to understandings of institutional arrangements between parliamentary transparency mechanisms.

The singularly important concept in the discussion of the DPAC and NAOD (and indeed this book) is that of SAI independence. Since the INTOSAI ‘Mexico Declaration’ regarding independence, good practice has been prescribed by ISSAI 10 (INTOSAI, 2007). However, as noted in various studies, compliance to ISSAI 10 is

¹ The term ‘performance audit’ (‘forvaltningsrevision’ in Danish) is described by the NAOD’s website to include ‘large audits’ and ‘progressive audits’. We do not pursue that distinction but instead limit our enquiries to non-financial audits.

not uniform and at least 60 variables (Robertson, 2013) can be tested to assess compliance so achievement of absolute independence can be considered as a ‘holy grail’ for auditors, auditees and oversight bodies. Nevertheless, the degree of executive influence over exercise of audit powers is the core of independence and Thomas (2003, p. 297) identifies five structural features of independence in a parliamentary system that can assist to narrow our focus:

- The nature of the agency, including how it is defined initially and how it is updated periodically;
- The provisions respecting the appointment, tenure and removal of the leadership of the agency;
- The process for deciding budgets and staffing for the agency;
- Whether the agency is free to identify issues for study and whether it can compel the production of information; and
- The reporting requirements for the agency and whether its performance is monitored.”

For the purposes of assessing SAI independence, Thomas’ five features can be distilled into three primary issues, as are reflected in many Auditor-General Acts around the world. For example, these three features are captured in Section 7 of the Western Australia Auditor-General Act, 2007: “the Auditor General is not subject to direction from anyone in relation to whether a particular audit is conducted, how it is conducted or what is included in an audit report”. To those three aspects of independence can be added the issue of SAI conduct such that it avoids involvement in system change in order to be free of consequential bias for future audits. In the DPAC-NAOD relationship, we see institutional elements that are not in the normative prescription for SAI independence and as a result we set out to determine if public sector performance audit in Denmark is affected by issues related to the NAOD’s independence.

The chapter utilizes the following structure: first it presents an overview of the DPAC and its relationship with the NAOD; second, having identified potential reasons to question the independence of the NAOD, the chapter examines evidence relevant to that issue and does so using a macro-view of the performance audit portfolio before examining secondary sources in a form of meta-analysis of relevant literature; third, a

discussion is provided to better understand how the tango of relations impacts on the reality of practise within Danish performance audit; finally, the chapter concludes and provides some suggestions for fruitful further research.

A Danish conquest: an oversight capture of independence

“According to the Danish Constitution, Parliament appoints the members of the Public Accounts Committee (PAC) to carry out the audit of the Danish public accounts.” Statsrevisorerne, 2012, p. 3). This extract from the Preamble of the DPAC’s official English-language overview of itself provides a simple encapsulation of the DPAC’s vision that it is the ultimate auditor of the Danish public sector. Indeed, in contrast to other PACs where members are given the title of ‘Commissioner’ or ‘Member’, the DPAC is constituted of ‘State Auditors’ (in Danish: ‘Statsrevisor’); this title has been in place since the PAC’s inception in 1849 including when first incorporated under the Danish Constitution. The concept of the DPAC being an integral part of the Danish audit function is further elaborated by the DPAC:

“the Danish public audit organisation comprises 2 independent institutions under Parliament: the PAC and the Auditor-General’s Office. The Auditor-General’s Office carries out the majority of the audit work. The Auditor-General’s Office reports to the PAC in the form of reports and memoranda. The PAC is the only authority with the right to direct the Auditor General to carry out specific audit activities.” (Statsrevisorerne, 2012, p. 12, emphasis added).

The explicit inclusion of the DPAC in the singular ‘Danish public audit organisation’ is a characteristic that demands attention in this chapter. However, other elements of what makes up the DPAC are notable and explained below.

The DPAC consists of six State Auditors elected by Parliament with the six largest political parties each electing one State Auditor. These State Auditors do not need to be Members of Parliament and the present Chair who has served the DPAC for 22 years (16 years as Chair) is not a Member of Parliament. Each State Auditor is elected for a four-year term but can be re-elected without maximum term., The Chair is the State Auditor with the longest serving DPAC membership (Knudsen, 2001) and is

typically not a member of the main political party supporting the Government and perhaps this is related to two further interesting features of the DPAC's workings:

1. A principle of consensus: "Individual PAC members often express views on audit reports and upcoming investigations to the media and the public. However, such views are always based upon unanimous decisions in the PAC." (Statsrevisorerne, 2012, p. 12). The principle of consensus in particular "applies in cases where the PAC makes the request that specific investigations be carried out by the Auditor General" (Statsrevisorerne, 2012, p. 11).
2. *In camera* meetings with only associated staff (the DPAC has a staff of three) and the NAOD: during these meetings State Auditors have confidence that they will be heard on confidential matters before having to comply with the unanimous decisions of the DPAC (J.G. Christensen, 2009).

Holding meetings *in camera* and maintaining its principle of consensus may be seen as tactics to minimize political gamesmanship within the DPAC. As a result the DPAC argues that it has high credibility (Statsrevisorerne, 2012) and this claim is supported by J.G. Christensen (2009) The DPAC's credibility within the overall political process of Denmark is a fragile achievement belied by its more benign and uncontroversial four-part mission as stated in the 1849 Danish Constitution, viz:

1. "to verify that all revenue is correctly reflected in the accounts and that all expenditure has been paid in accordance with the legislation,
 2. to verify that the accounts are correct,
 3. to assess whether the public funds have been managed properly, and
 4. to submit the audited public accounts for parliamentary approval"
- (Statsrevisorerne, 2012, p. 1)

Notwithstanding the apparent account and accounting foci in that mission, the more politically contentious performance audits bring the DPAC into unavoidably controversial areas. Attached to those controversies come a range of consequential questions such as whether a performance audit is appropriate, whether the audit's scope and terms of reference are suitable, whether the conduct of the audit is professional, whether the audit of one matter eventuates in the omission of other matters from the performance audit portfolio (given constrained resources) and so on.

It is those questions and their ilk that potentially can lead to attacks on the functioning of the DPAC as well as the alleged independence of the NAOD.

The DPAC relationship with the NAOD begins with its role in the appointment of the Auditor-General: the DPAC nominates an individual to the Speaker of Parliament for an indefinite appointment not beyond a mandatory retirement age of 70 years. In addition, the DPAC provides the NAOD with an outlet for its reports in that the NAOD is not empowered to release its reports to the public or media. Instead, the NAOD's reports are forwarded to the DPAC which is empowered to present the reports to Parliament and to do so with an accompanying commentary and recommendations for ministerial action. A further mode of significant DPAC influence with respect to performance audits is in the process determining the audit's terms of reference: the NAOD provides a draft for the DPAC to consider. These aspects of the DPAC-NAOD relationship, together with the power of the DPAC to mandate NAOD conduct of specific performance audits form some of the most important aspects of the DPAC-NAOD relationship. However, given the nuances of the relationship between an oversight committee and a SAI, it remains an empirical question as to whether the NAOD's independence is limited in the Danish pursuit of audit supervision. It is to that question that we turn next.

The empirical corpus of this chapter is captured in Table 1 as discussed in the remainder of the chapter.

Independence characteristic	Evidence drawn upon	Source
NAOD ability to determine its audit portfolio plan	Statistical analysis of the implementation of past audits	NAOD audit reports for 1998 to 2013
Freedom to determine an audit's Terms of Reference	Police reform audits (2008-2010)	Skærbæk and Christensen (forthcoming)
Audit report writing without external influence	Audits of Ministry of Foreign Affairs (2001-2002) and Ministry of Transport (1998-2004)	Justesen (2008); Justesen and Skærbæk (2005; 2010)
Impartiality: avoidance of decision making involvement	Audits of Defence (1989-2006) and Denmark's Radio controversy (2001-2008)	Skærbæk (2009); NAOD and DPAC public announcements

Table 1: Overview of empirical corpus

Dimensions of the NAOD's independence

In this section we assess if the NAOD is unfettered in its performance audit planning. We present an overview of the relative importance of DPAC-mandated performance audits compared to the remaining audits that are programmed by the NAOD. The importance of this is found in ISSAI10 Principle 3 requiring a broad mandate and full discretion for the SAI in its functions.

Relative importance of DPAC-mandated performance audits

It is a difficult empirical issue to determine relative importance of audits when they differ significantly in terms of size, impact or precedence. Since performance audits are by nature variable in their terms of reference, it is challenging to assess the significance of a specific collection of audits (for example, those audits not mandated by the NAOD in their portfolio of audits). However, it can be presumed that as the number of performance audits mandated by the DPAC increase as a proportion of the total number of performance audits, other things being equal, it is likely that the level of interference in the NAOD's independence may be higher. In accordance with this presumption we have extracted data (Table 2) showing the number of audits mandated by the DPAC under Section 8.1 of the Auditor General's Act (amended 2006).

Year	Audits mandated by DPAC	Audits not mandated by DPAC	% of annual audit programme mandated by DPAC
1998	5	8	38%
1999	4	13	24%
2000	7	8	47%
2001	5	12	29%
2002	6	11	35%
2003	6	8	43%
2004	6	12	33%
2005	6	11	35%
2006	5	10	33%
2007	7	11	39%
2008	7	11	39%
2009	5	5	50%
2010	7	17	29%
2011	5	18	22%
2012	6	15	29%
2013	5	15	20%

Table 2: Quantum of performance audits mandated by the DPAC, 1998-2013

From Table 2 it is notable that in 10 separate years, a third or more of the NAOD’s performance audit topics were chosen by the DPAC. On a simple measure of topics, it would seem that the NAOD cannot argue that the first simplified feature of independence (that is unfettered freedom to choose audit topic) is met. In no single year has the NAOD been able to determine more than 80% of its performance audit program² and so it can be concluded that a materially significant number of topics or devotion of audit resources are not of the choice of the NAOD. Clearly, Section 8.1 of the Auditor General’s Act which empowers the DPAC to interfere in the NAOD’s audit program, is not a hollow power but instead is operating to ensure that party political forces have an active say in what issues are subject to performance audit.

The NAOD’s unusual legislated framework has led to independent commentary of the NAOD on issues of independence (NAOD, 2006a) in a peer review conducted with the assistance of INTOSAI. That peer review noted that the legislative framework “makes the NAOD unique, compared to other SAIs” (NAOD, 2006a, p. 6). Further, the review noted that the NAOD has a need to enhance its “ability to set the correct

² 2013 seems to be an outlier in this data set in that it is the lowest proportion of DPAC-mandated audits; however, 2013 marked the first complete year under the current (new) Auditor-General. Below, we will return to the issue of impact from longevity of Auditor-General and Chair, DPAC.

long-term priorities in performance audit” (p. 9). These comments recognise the dual interference in audit planning quantum and timing that means the NAOD is significantly challenged in its ability to determine an audit portfolio plan on any timeframe.

Arising from oversight interference in the NAOD is its inability to follow its desired audit plan since it can be disrupted at any time and to any extent decided by the DPAC. The difficulty of this situation is noted by Knudsen (2001, p. 141): “The Auditor-General has to find a balance between requested audits and self-determined audit work. This requires that the resource consumption to the various tasks is made explicit. This also requires that the Auditor-General draws attention to circumstances where requested work becomes an impediment to other tasks”. However, to date there is no known public expression of dissatisfaction by the Auditor-General – including in the years 2000, 2003 and 2009 when the DPAC mandated 47%, 43% and 50% of the whole performance audit regime. It is difficult to contemplate how a planned program of performance audits can absorb such magnitudes of unplanned audits without destroying the audit plan in topic or depth. Thus the issue of priority setting in determining the program of performance audit is clearly an issue with which the NAOD must grapple given the annual and ad hoc mandated audits directed by the DPAC.

Whilst the Auditor General’s Act allows DPAC mandate of audit, there is evidence that the powerful Parliamentary Finance and Budget Committee also directs the NAOD to conduct audits. This evidence is found in a report by the consulting firm Rambøll (2009, p. 35) noting that “The Parliament’s Finance and Budget Committee is also requesting more reviews to be done” (p. 35). Although the magnitude of such requests is unknown, Skærbæk and Christensen (forthcoming) also document an instance of direction from the Finance and Budget Committee to the NAOD via the DPAC for conduct of a performance audit.

Given the NAOD’s inability to fully program its audit plan, it faces difficult choices in resource allocation and indications are that one choice is to lessen the depth of audits. That is, an observed tendency to compliance audit rather than performance

audit has been documented by peer review (NAOD, 2006a) and agreed by the NAOD (NAOD, 2013). This tendency means that the NAOD’s performance audit program has less emphasis on efficiency and effectiveness than would be expected of a truly independent SAI. Arising from this observation is an interest in the other aspects of independence to which we turn next.

Freedom to determine an audit’s Terms of Reference

Crucial to an independent SAI is the ability to focus planned performance audits on specific matters where justified by the Auditor’s-General judgement on materiality and risk without external pressure to include or exclude certain matters. The final expression of that judgement is the audit specification documented in Terms of Reference defining the scope of the audit. Implicit in good performance audit practice is the understanding that the auditor will determine the audit’s Terms of Reference and other aspects of the audit’s specifications (INTOSAI Professional Standard Committee, 2010).

In order to understand the NAOD’s situation with respect to audit specification, it is necessary to consider the process by which a performance audit is conceived, planned, executed, reported upon and subsequently audited. That process is depicted in Figure 1 wherein it is shown that NAOD performance audits are subject to a routine draft of an audit specification which needs to be agreed to by the DPAC before the commencement of the audit.

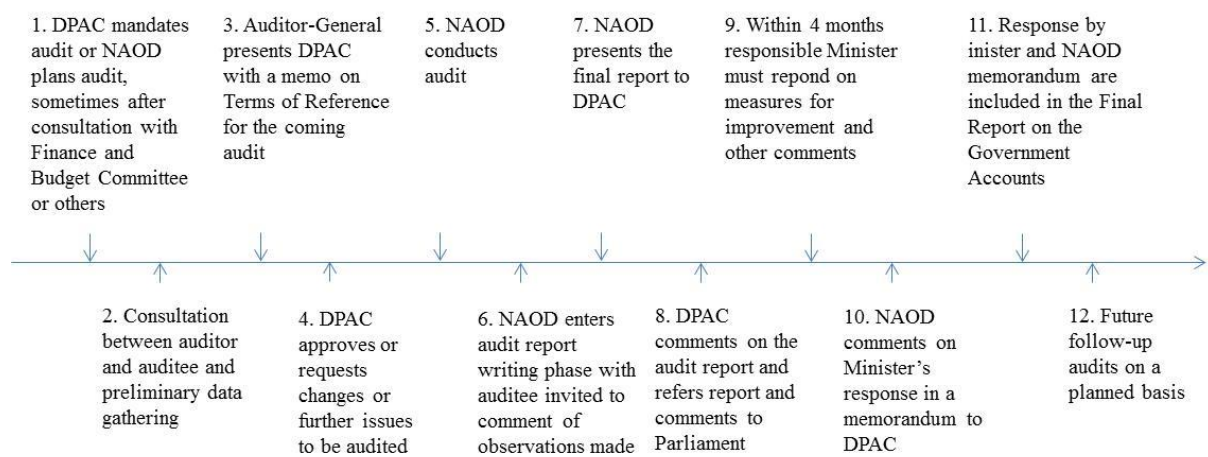


Figure 1: Performance audit procedure

In this section, we review evidence that audit specifications do not always comply with ISSAI Principle 3. Rarely can we see behind the closed doors of the DPAC and NAOD in their audit planning but in the case of multiple performance audits of the Danish police reforms from 2008 to 2010, revealing data is produced. As documented by Skærbæk and Christensen (forthcoming), draft Terms of Reference were prepared by the NAOD after receiving a DPAC notice of requirement of a performance audit. The draft Terms of Reference were sent to the DPAC with the Auditor's-General request: "If the DPAC wants, I can initiate the investigation in accordance with the sketched above" (NAOD, 2008, p. 4) and final audit specifications were approved by the DPAC. In a major performance audit, the specification was narrow such that instead of a performance audit in which evaluations of economy, efficiency and effectiveness would be reached there was a "decision to focus on the management of the reform (which) framed the audit and this can be identified as an instance of blame purification provided by the auditing profession" (Skærbæk and Christensen, forthcoming).

Whilst the police reform audits can be considered to be a single case where political controversy was extreme (refer Skærbæk and Christensen, forthcoming), it is notable that the formalised process of determining Terms of Reference as shown in Figure 1 is apparently designed to ensure the NAOD does not commence a performance audit with only its independent judgement determining the issues to be subject to audit. A review of DPAC requests for audits under Section 8.1 of the Auditor General Act reveals that the DPAC uses a standard format in which it specifies questions or issues to be investigated which subsequently appear in the audit's Terms of Reference. Indeed, it is documented that the DPAC holds its meetings with the Auditor-General waiting outside the meeting room in case he (now she) is required for discussions with the DPAC (Rambøll, 2009, p. 29). The consequential smooth flow of non-documented directives from the DPAC directly to the NAOD does not reinforce the image of the Auditor-General exercising absolute independence. Further, there is no evidence of a lack of unanimity between the DPAC and the NAOD on the Terms of Reference for performance audits. Instead, it seems that the process is designed to

privilege political influence over the NAOD's judgement and in contravention of ISSAI Principle Number 3.

Performance audit report writing without influence external to the NAOD

Performance audit reports are invariably controversial in their findings. Such controversy raises issues of political risk to government, agencies and senior managers such that there is heightened sensitivity to the written word of the eventual audit output: a final report. It is in that context that INTOSAI (2007) has pointed to the importance that the SAI is not subject to influence in writing of the performance audit report. It is within that issue we now consider evidence arising from the NAOD's recent activities.

The extant literature reveals strong evidence that the NAOD subjects its audit reports to a degree of co-authoring. For example, Justesen (2008) presents an in-depth study of the writing of a performance audit regarding the Ministry of Foreign Affairs. She finds that a "multiplicity of authors" (p. 214) give birth to audit reports under the name of the NAOD.

Comparable to the analysis of Justesen (2008), Justesen and Skærbæk (2005; 2010) analyse a series of audit reports between 1998 and 2004 in the Ministry of Transport (MoT) portfolio and identify instances of co-authoring of audit reports. In that six year period, the DPAC mandated seven audits related to specific issues arising in the MoT's responsibilities. These audits can be seen as a series in which issues from prior audits influenced audit reports in the subsequent audits. By recognising the *seriatim* nature of these reports, Justesen and Skærbæk (2010) point out that the ways in which media, politicians and auditee managers have treated prior reports seem to be influencing subsequent report writing and selection of future audit topics.

In the package of information presented by Justesen and Skærbæk (2010) it is notable that the series of audits reached a culmination in a DPAC-mandated audit on the "corporate management' responsibility of the MoT Secretariat (Rigsrevisionen, 2004). The evidence suggests that the DPAC had taken target on the cause of its concerns regarding transport issues across multiple agencies over a six year period: the senior

managers. Both these managers and the NAOD were aware that media reaction to audits is positively correlated with the extent of criticism expressed in the audit reports and so the number of rounds of report revision seemed to increase as the seriatum audits emerged. In the latter audit report writing, six drafts were discussed before the NAOD felt confident to provide the DPAC with its report (Justesen and Skærbæk, 2005, p. 334). Such an incidence of drafting indicates a degree of co-authoring or negotiation rather than the prescribed ‘check for accuracy’ process whereby an auditee is invited to comment on a draft report. As Justesen and Skærbæk (2005, p. 334) note: an “important external factor that influenced the process was the PAC who initiated the writing of the report (and) ... in this sense the PAC is clearly an active co-writer in this particular audit process”. Thus, the ideal image of an audit report being an unbiased and independent output of a scientific process of enquiry is damaged by Justesen’s (2005) and Justesen and Skærbæk’s (2010) demonstration of co-authoring and the determination of audit targets in a series of progressive audits.

Decision making involvement

ISSAI 10 and ISSAI 12 provide sound argument as to why auditors should avoid involvement in the management or decision making processes of auditee entities. A solid principle is that such involvement will necessarily reduce the SAI’s independence if conducting future audits in those affected entities. In this regard, we sought to identify whether there is evidence of the NAOD breaching this good practice whereby auditors should “not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that they audit.” (ISSAI 12, p. 5).

At the time of the cases referred to in Table 1, the NAOD English-language webpage unintentionally revealed the potential for danger in regard to involvement in decision making. It sought to establish a twin identity which, if implemented, would bring the NAOD close to involvement in auditee decision making. The webpage stated that NAOD’s mission covered both a ‘control’ and an ‘encourage’ role (NAOD, 2005 however the NAOD did not seem to recognise the inherent contradiction between controlling auditees without having involvement in management or decision making –

as would be the case if change was ‘encouraged’.³ Whilst that inherent contradiction was present, a ‘trap’ seemed to be present for NAOD auditors such that their enthusiasm for change might blind them to the dangers attached to auditors becoming too closely associated with planning and/or implementation of new systems. It is to that danger that we turn in this section.

At least two documented cases exist where evidence points to NAOD auditors being accused of involvement in management decision making within an auditee entity. One case is documented by Skærbæk (2009) and relates to the Danish Defence Force (DDF) in a series of eight audits conducted by the NAOD from 1989 to 2006. Over such a large number of audits it is shown that the NAOD’s desire to see management accounting reform resulted in their exposure to decision making about the precise design of that reform. Thus one interviewee recalled when the decision was being made to implement the new accounting system named DeMars: “the NAOD was sitting at the end of the table when DeMars was decided” (quoted in Skærbæk, 2009, p. 981). Further, in the Auditor’s-General 1996 annual report to parliament, he assured that DeMars “will solve all significant problems” (quoted in Skærbæk, 2009, p. 981). In this evidence we see the NAOD assuming an identity not consistent with ISSAI Principle 3 since it became active in the DDF as a ‘modernizer’ rather than an independent auditor. The modernizer was keen to support and implement what it considered to be improvements to the DDF’s accounting system. Consequential to that, the DPAC expressed concern that the NAOD “was involved with the DeMars project as a consultant giving advice” (Skærbæk, 2009, p. 981).

The NAOD’s exposure to a self-inflicted impairment to its independence in the DDF audits did not act to prevent it from much greater reputational damage in 2006 when it became embroiled in criticism of its active support of management decision making in the Denmark’s Radio (DR) building cost-overrun scandal. Although peer-reviewed analysis of the NAOD’s involvement in the DR scandal is yet to appear, we rely here on source documents that reveal matters relevant to our endeavour in this chapter.

³ Sometime between 2012 and the time of writing, the NAOD revised its webpage and removed the words ‘control’ and ‘encourage’ from its mission. The more recent mission statement is: “Rigsrevisionen audits the government accounts on behalf of the Danish parliament and supports the development of efficient administration in order to create maximum value for the citizens” (NAOD, 2014).

DR is Denmark's national broadcaster and the case here emerged from serious cost overruns that developed as DR was managing the construction of a new domicile intended by the government to be a major piece of infrastructure underpinning a new urban extension of Copenhagen in previously undeveloped land. The new building and concert hall was to be a landmark and thus was politically important from the beginning of its conception. During the construction phase, the NAOD made annual financial audits and various commentaries "on a running basis" (KPMG and Grant Thornton, 2008, p. 161) on the DR construction project between 2002 and 2006. Indeed to do so, the NAOD's allocated staff frequently attended the premises of DR during the construction management period. From this close relationship between the NAOD and DR management one eventual result was that the NAOD was challenged as to whether it had breached the impartiality principle of avoiding decision making in auditee entities.

The controversy surrounding the very large cost overruns (around 600 million DKK in 2006) of the DR project led to growing commentary in the Danish media. The amount of money involved became a political embarrassment and the NAOD responded by announcing in early September it would conduct a major review of the DR project. However, this action generated criticism that the NAOD lacked impartiality because it had previously supported budget allocations with advice to the DR Board in April 2006 that those allocations encompassed known risks. That is, commentators drew attention to the NAOD's lack of independence on the matter of DR's management as a consequence of its provision of *advice* regarding future eventualities. The severity of this criticism motivated the Parliament's Culture Committee to seek advice from Parliament's Legal Secretariat as to the reality or appearance of the NAOD's lack of impartiality, independence or competence to audit the DR. In December 2006 the Secretariat brought its report to Parliament noting that the NAOD had provided advice and support to the DR in its management of the construction project (Folketingets Lovsekretariat, 2006) however a case of partiality sufficient to warrant dismissal of the Auditor-General was not found. Nevertheless, the Auditor-General decided to cancel the proposed audit and instead KPMG and

Grant Thornton were commissioned, by the Ministry of Cultural Affairs, to conduct a performance audit of DR from which they eventually produced a 389 page report.

The notable outcome of the DR case, from the audit point of view, was that it produced a very rare moment in Denmark's long history of the DPAC: the DPAC issued a criticism of the NAOD. Even though the KPMG/Grant Thornton extensive report concluded that DR's management could not rely only on the NAOD's advice, the DPAC's secretariat was more damning in its conclusion that "there was an expectations gap (we) had expected that the NAOD had audited the budgetary assumptions and had compared them to the degrees of actual accomplishment" (Statsrevisorerne Sekretariat, 2008, p. 8). Further, the DPAC noted that it found "it unsatisfactory that the NAOD for a number of issues had not carried out its audit task on the DR's construction (project)" (Statsrevisorerne, 2008, p. 1). This observation of the DPAC reveals an expectation that the NAOD could in some way have prevented the cost overruns. Such an expectation appears to be reflective of a faith in the power of audit which is clearly beyond what can be delivered and if it were possible, would imperil the NAOD's impartiality. As will be noted, the DPAC would achieve more if it invoked other arms of government machinery to implement change where the DPAC perceived change was required.

The DR case is enlightening, not simply for its alert to the NAOD of the importance of independence. Additionally, it revealed that the decision to conduct performance audits in Denmark, at that time, was a political outcome and that the DPAC is superior to the NAOD. Further, it revealed involvements of Parliamentary Committees beyond the DPAC and Finance and Budget Committee in the selection of audit topics and the crafting of Terms of Reference (even after the commencement of the audit, since the NAOD audit was altered by request of the DPAC and the Culture Committee, after the audit had commenced and before it was later aborted) (NAOD, 2006b). These observations are consistent with aspects of the abovementioned Police and Defence audits.

Conclusion: ‘something rotten in the state of Denmark’, or an open and transparent society?

The above discussion presents strong evidence that the relationship between the NAOD and the DPAC leaves the NAOD in a situation of weakened or impaired independence. The NAOD cannot determine its audit plan without interference by the DPAC and other Parliamentary bodies; the audit specifications are negotiated and eventually approved by the DPAC; audit reports are the consequence of a co-authoring process and subject to overarching comment by the DPAC before being released for public consideration; and, there are known instances of the NAOD providing advice to auditee entities where that advice relates to management decision making which may be subject to future audit. Each of these matters is in contradiction to ISSAI Standards or good practice.

The evidence noted herein seems damning of Danish institutional arrangements for public sector audit. However, an arguable case can be made that the Danes have established legislative and precedential conventions that make open (or relatively open) what happens by way of hidden reality in most other countries. That is, it is naïve to expect that audit oversight bodies do not exert varying levels of influence over SAIs in terms of their performance audit planning and in terms of interpretation of the audit results, including crafting of a politically sensitive audit report (for a comparable example, refer Radcliffe, 2008). By legislating the DPAC’s right to mandate audits and by creating the convention that audit Terms of Reference are influenced and approved by the DPAC, Denmark has made open the fact that SAI’s cannot operate with absolute independence whilst Parliament remains supreme. Of course, the ‘balancing act’ that is required is for Parliament to ensure that the Executive does not turn Parliament into a ‘rubber stamp’ approving body. In that regard, the Danish mechanism of the six largest political parties electing one individual each (and not necessarily a Parliamentarian) means that audit oversight is enacted by a political mix close to that which characterizes Parliament, and not the Government which is constituted by the single largest political party or a coalition commanding a majority of votes.

Against the efficacious design features of the DPAC-NAOD ‘tango’ can be noted some risks which demonstrate that Denmark could nevertheless improve matters related to public sector audit. In particular there is a risk of impartiality impairment as the tenures of the DPAC Chair and the Auditor-General stretch into long – sometimes decades long – concurrent tenures. In the period from 1998-2012 the same DPAC Chair and the same Auditor-General held their respective roles and during that period it is notable that the degree of DPAC-mandated audits rose to 50% of the total performance audit program. Such proportions cannot be seen as conforming to the right of the SAI to determine *what* is audited but they may indicate the relationship between DPAC Chair and Auditor-General had reached levels of mutual confidence and understanding that do not serve the interests of Parliament nor independent audit. In such a close relationship, it is possible that both institutions begin to rely on each other’s support to the point where mutual co-dependency causes dysfunctions in the acquittal of independent audit. Thus we observe the NAOD failing to preserve its impartiality in cases such as the DR audit and we observe the DPAC involving itself in audits as they proceed even to the effect of altering Terms of Reference during an audit.

The time honoured principle of ensuring auditors do not develop a close personal relationship with auditees could be equally applied to the tango of relations between a DPAC Chair and an Auditor-General. In order to obviate the likelihood of co-dependency reaching levels comparable to nepotism, it would seem desirable to set maximum terms of Chair tenure for the DPAC. Such a system would be a contrast to the current arrangement whereby the DPAC Chair is the longest serving State Auditor thus there is no mechanism to prevent a long serving Chair from serving a concurrent period with a long serving Auditor-General. In fact, the current arrangements guarantee the DPAC Chair and the Auditor-General will work closely together for long periods unless either relinquishes their appointment. Thus we see the current DPAC Chair and the previous Auditor-General were in their respective positions concurrently for 14 years. Given the controversial nature of public sector audit it seems likely that a series of ‘crises’ in which the performance of both the DPAC and the NAOD come under pressure and scrutiny, may result in the DPAC Chair and the Auditor-General, as individual human beings, being compromised by favours,

exchanges and administrative accommodations that will necessarily arise. This observation leads to another that also arises from the examination of DPAC and NAOD relations: the concern as to how the NAOD's activities are influenced by the NAOD's subservient relation to the DPAC.

The NAOD appears to have become a tool of investigation for the DPAC which also acts as its administrative supervisor and conduit to Parliament. Whilst the NAOD is administratively a rather recent institution (commencing in 1976), the DPAC is remarkably longstanding with its history, dating from 1849. These comparative histories add to the exercise of control by the DPAC over the NAOD with respect to performance audits. However, that control, at least under the 14 year period of concurrent tenures of the current DPAC Chair and the previous Auditor-General, has seen the NAOD performance audit criticized by peer review for excessive focus on compliance at the expense of considerations of efficiency and effectiveness (NAOD, 2006). It has also seen up to 50% of the NAOD's annual audit program being determined by the DPAC (refer Table 2) and evidence of other bodies' influence over the NAOD's audit program is also found. These findings are coupled with the finding that Danish public sector performance audits arising from the political process are characterized as exercises in blame (Skærbæk and Christensen, forthcoming) in which that blame turns focus on to individuals and thus diverts attention from system issues of efficiency and effectiveness. As a result it is observed here that the NAOD's performance audit function is less effective than is possible.

In addition to the abovementioned observations with respect to the NAOD's performance, this chapter concludes with the observation that the DPAC is itself not well served by its control over the NAOD. First, the DPAC has a confidence in the power of audit that exceeds the reality of audit: instead of invoking the use of relevant arms of government (such as the Ministry of Finance), the DPAC seems to rely on the NAOD for accounting expertise. Second, the disservice to the DPAC results from the manner in which the DPAC has diminished the NAOD's independence such that the oversight of the NAOD is also diminished. Since the DPAC Chair and the Auditor-General are likely to spend a number of years in close cooperation over controversial matters of intense interest to the political parties of Denmark, the DPAC's oversight

of the NAOD is also compromised. As a result, instances of NAOD transgression of normal audit principles designed to preserve impartiality have been shown to arise. Perhaps with a less compromised oversight, the NAOD's service to the DPAC would be improved. Indeed, the dramatic drop in DPAC-mandated audit in the first full year of the new Auditor-General (refer Table 2, 2013 data) may indicate that the new Auditor-General has observed the dangers pointed out above and has also been able to persuade the DPAC of her need to control the NAOD's audit program in order to preserve her independence. Another interpretation of this limited data emergence is that the previous DPAC Chair and Auditor-General tango also allowed the NAOD to use the cover of DPAC-mandate to persuade agencies that the necessity for a performance audit in their realm of responsibilities was 'independently' determined from outside the NAOD. In doing so, the room to negotiate timing and scope of the audit would be eliminated since the legislative and political power of the DPAC would overwhelm any considerations that an agency may be able to marshal.

A final comment is worthy here: the abovementioned cases and data relate to the Danish public sector audit tango of relations between SAI and audit oversight body, yet these observations can throw light on the generics of this difficult relationship. Clearly, SAI independence is crucial. However, SAI's do not have some god-like existence but they are drawn necessarily into the human and non-human networks within which they must operate. As a result, they need to preserve their reputation and identity as experts with the purity that is associated with independence and impartiality yet they also need to have allies in government and in the public sector. To marshal support will sometimes require being supported and, perhaps later, being supportive. Such 'deals' can thus influence the context within which SAIs necessarily operate – including their relationships with the parliamentary oversight of their operations. The Danish situation may be uniquely Danish with its unusual legislative framework and its long history, but it does involve principles that are necessarily unavoidable in most SAIs.

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Beyond What?

- on the diffusion of Beyond Budgeting

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Abstract

‘Beyond budgeting’ (BB) is a practice-defined concept that has received increased attention in recent years. Evidence of why it is diffused and how it is adopted in practice seems to be more anecdotal. The purpose of this paper is to describe and compare different adoptions of BB. Drawing on diffusion theory, these differences are related to the various actors driving such adoption. The findings show that there are major differences in how BB is adopted. In the controller-driven version, an advanced set of management accounting practices replaces the budget, and the fixed core of the accounting system is extended significantly. There are clear indications of a tension between corporate and local controllers. At the other extreme, the CEO-driven adoption dramatically diminished the role of the centralized controller function and redefined a fixed core based on hard financial performance measures. In the forced selection case, budgets became a local system and not a part of the fixed core of the system. The systems with and without budgets had common features, and the main differences lay in balance between the central and local, and the temporary and continuous elements of the system, not in whether budgets were used or not. This paper contributes to our understanding of the concept of BB, introduces a framework for describing changes in management accounting systems, the role of controllers in BB and calls for the prompt rethinking of traditional management accounting diffusion studies.

1. Introduction

Beyond Budgeting (BB) has become an increasingly important management model in large organisations all over the world. A BB movement has been launched in recent years, mainly driven by practitioners and other non-academic institutions (see e.g. Kaplan in Bogsnes, 2009). Network organizations like the Beyond Budgeting Roundtable (www.bbrrt.org) have attracted significant corporate membership, with participating companies differing greatly in size and origin.

Despite being known about for over two decades, the BB phenomenon has not attracted much academic interest. With a few, mainly Scandinavian exceptions, there seems to have been limited systematic research on the diffusion, implementation and effects of BB. In fact, there is little evidence both of what actually constitutes BB and of how management control systems are implemented in organizations departing from traditional budgets. Management accounting textbooks (e.g. Horngren, Datar and Rajan, 2015) seem either to more or less ignore the concept or to limit themselves to the case of the Swedish bank, Handelsbanken, in conjunction with rhetoric gleaned from the Beyond Budgeting Roundtable (e.g. Burns et. al., 2013).

One plausible explanation for this gap between academia and practice is the lack of understanding of the concept *per se*. Management accounting innovations like ‘balanced scorecard’, ‘activity based costing’ or ‘target costing’ all have a technical core that can be related to traditional systems. So what is new in BB? Is it the design of the control systems? Or is it just a critique of traditional models? In a number of publications, Hope & Frazer state that BB is neither a tool nor a technique, rather a management model or management philosophy (see e.g. Hope and Frazer, 2003). BB is a practice-defined concept, and as such involves much more than management accounting tools and techniques. But at the same time BB is still perceived in practice as a management accounting-related topic (Becker, Messner and Scäffer, 2010). Thus, it is *also* about how companies replace budgets with other management accounting tools. According to Charles Horngreen:

‘Most of the solutions generally proposed for management problems involve putting something new into the organization. In this regard, beyond budgeting is very different.’

Perhaps uniquely, it proposes taking something powerful out to make room for something new and even more powerful. ' (Horngren, in Hope and Frazer, 2003)

The aim of this study is to investigate how companies operate when they remove budgets, i.e. what they are changing and why they do these changes. It is also aiming at an improved understanding of why the BB companies differ in the design of their control system. The roles of top management and controllers are of particular interest, since they are seen as the drivers of change. Thus, these actors are given close attention in the study. We will also investigate the potential effects of different actors introducing the idea to an organization.

This investigation of how and why BB is spread and implemented is based on three non-randomly selected cases. This selection was informed both by diffusion theory, and by the role of different actors in their adoption of new ideas. However, it is not diffusion *per se* that is the focus of the study; rather, the relations between the drivers of the adoption and the ideas which they adopt. In order to describe the latter, the study applies a framework for unbundling management accounting ideas.

The following section presents the pioneers of BB and outlines previous BB research. Section three presents a framework based on diffusion theory and a model for unbundling management accounting innovations. This is followed by a discussion of the research method applied in the study. Section five presents the findings from the three cases, followed by a discussion section and conclusions.

2. Beyond Budgeting – pioneers and previous research

In 1970, Jan Wallander took over as CEO of the Swedish Handelsbanken. One of his first moves was to abandon budgeting (Wallander 1994, 1999). This case has been cited in a number of books (e.g. Burns et al 2013) and articles as a classic case of BB, and Wallander is often described as the BB pioneer (Hope and Fraser, 2003; Bogsnes 2009). However the case did not get much attention prior to the late 1990s, when Wallander published *Budgets – unnecessary evil* (1994). The book was written in Swedish, but a shorter, English version was published in the *Scandinavian Journal of Management* in 1999 (Wallander, 1999).

Wallander was inspired to abandon budgets having worked for many years as a professional economist leading a research institute specialising in making long-term forecasts for different variables (demand for cars, TVs etc.). These forecasts were based on historical trends, and breaks in the curve were generally not foreseen. Wallander saw a similar problem with budgets: they prevent management from identifying the important issues. Wallander's proposed alternative was to 'keep it simple':

'It is evident that the kind of information I am talking about are the figures that to a large extent you already have or should have in your profit and loss account and balance sheet and your ordinary information systems. What you have to do is to organize and construct them in such a way that they fit the demand

Wallander, 1999, p. 413

The solution chosen by the Swedish Handelsbanken was to focus on relative financial performance (benchmarking branches on costs, profit and losses) and a profit sharing bonus plan. This simple system was not in any way a secret. Nevertheless, Handelsbanken has outperformed all other large Scandinavian banks. In every year since 1972, they have reported a ROE that is above average for the industry, and their annual total shareholder return has been more than 20% over the same period. The most obvious profit driver has been cost efficiency, with a cost-to-income ratio of approximately 45% (average in the industry is above 60%).

The other pioneer in Scandinavia is the Norwegian oil company, Statoil, as presented by Bjarte Bogsnes in his book *Implementing Beyond Budgeting* (2009). Bogsnes is also chairman of Beyond Budgeting Round Table Europe. Statoil's experience of BB began in the

petrochemical company Borealis (partly owned by Statoil), where Bogsnes and his group of controllers ‘blew up the budget’ in 1995. This decision was not informed by any other projects:

‘We were actually far down the road before we heard about Handelsbanken, even if the bank already had been operating without budgets for 25 years, and only some 100 miles away!’ (Bogsnes, 2009, p. 68)

At Borealis, the traditional budget was replaced by four tools: ‘rolling financial forecasts’, ‘balanced scorecard’, ‘ABC’, and an investment management system. The ‘success’ of the system was presented at different seminars in Scandinavia. However, the performance statistics were based on perceived benefits within the company and not on actual outcomes. Borealis came under new shareholders in 1999, and Statoil sold its stake in 2005.

Bjarte Bogsnes returned to Statoil in 2002 as a corporate controller. In 2005, Statoil’s BB program was approved by the executive committee, and Bogsnes became the full-time BB project manager:

‘Steve Morlidge, who held a similar role in Unilever, claims that there were only three of us in such roles at the time.... I am glad that the number is on the way up. Right now there are actually three of us in Norway alone.’ (Bogsnes, 2009, p. 109)

Statoil’s board has not approved a budget since 2004, and many (but not all) units currently implement the new Statoil model. The company implemented a large-scale Enterprise Resource Planning (ERP) system in the late 1990s, and for a long time used balanced scorecards (known as Management Information in Statoil (MIS)). Key performance indicators (KPIs) and target setting are also essential in the new model:

‘Ambition to action is our version of the balanced scorecard...’ (Bogsnes, 2009, p. 114)

KPIs are measured ex-post and integrated into forecasting. Ambition targets are set for the KPIs. These are measured ex-post and in some cases are forecasted ex-ante.

The purpose of this short presentation of these two pioneering companies implementing BB is not to give a full description of the new models and systems, rather to highlight some

differences and similarities between them. First of all, in both cases, the introduction of BB was based on a harsh critique of the traditional budgeting system. In both of their books (Wallander 1994, Bogsnes, 2009) a significant amount of room is given over to describing problems with traditional systems. These problems are also based on the authors' outside experiences. Wallander drew on his previous work in research and long-term prognoses. Bogsnes brought experience of a company which operated in a totally different setting. Note that Statoil was, and remains, a (mainly offshore) oil company with very high profitability; whereas Borealis was a manufacturing company with low profitability.

Another important similarity can be seen in the roles of Jan Wallander and Bjarte Bogsnes. In both cases, the projects are channelled individually through their creators. The changes implemented are not based on consultants or textbooks, but internally driven by a clear leader with high legitimacy.

The most obvious difference between the companies is the economic conditions under which they operate. When Wallander took over, Handelsbanken was in a challenging position with rather low profitability. Statoil's situation, however, was the opposite. High oil prices meant that the company had the highest operating income of all companies registered in Scandinavia.

Another important difference is in the alternative models introduced. At Statoil, a version of the 'balanced scorecard' was mixed with the use of rolling forecasts. At Handelsbanken, however, the focus was mainly on financial performance measures. This system was very simple compared to those of Borealis and Statoil – the latter's being more consistent with both the guidelines presented in modern BB literature (Hope and Fraser, 2003; Hope 2006) and the versions presented at conferences and in BB networks (bbrrt.org). The differences between the two cases were also an important motivation for this study, with the central question being: Are BB solutions as diverse as the two example cases seem to indicate, and what are the potential explanations for this heterogeneity?

Previous BB research has mainly focused on the perceived relevance of the budget critique. Studies have shown a rather low support for BB claims about budgets (e.g. Ekholm and Wallin, 2000; Libby and Lindsey, 2009; Becker, 2011). This has been put forward as an

explanation for BB's lack of popularity. Budgets are seen as very useful, although with some perceived weaknesses. However, in-depth investigations of companies that claim to have implemented BB are scarce. One notable exception is Bourmistrov and Kaarbøe's (2013) study of two multinationals choosing to adopt BB. The study shows how BB practices helped design a new type of management control system and information supply, with the aim of moving decision makers from a 'comfort zone' to a 'stretch zone'. The authors also call for further research in order to better understand the changes driven by BB adoption. The current study complements that of Bourmistrov and Kaarbøe in focusing more explicitly on changes in management accounting practices, the central-local system dimension, and the role of controllers in BB companies.

3. Theoretical background: Unbundling, controllers and diffusion

This study draws on two groups of theories. First, management accounting as a set of design characteristics. In order to describe and analyse changes in management accounting systems, a framework is required. Secondly, the aim of the study is to understand why we may get different solutions. In the cases selected, this enquiry is informed by diffusion theory. More specifically, we are interested in the associations between how and why the idea was adopted, and the corresponding changes in the design of the control system.

Unbundling management accounting innovations

Bjørnenak and Olson (1999) introduced a framework for analysing management accounting innovations. The framework is based on two dimensions: scope and system. The scope dimension describes the objects for which we are accounting (descriptive objects, e.g. customers, department or products), describes and gives explanations for variations in the descriptive object (e.g. cost drivers or performance measures), and includes the time period over which the objects are accounted for (e.g. a month or year). The main descriptive object in this study is responsibility centres (budget units).

According to Bjørnenak and Kaarbøe (2013), the system dimension can be decomposed into two categories: lifetime and focus. The lifetime of a system is not given much attention in existing management accounting, control and cost management literature. One exception is

Pike et al (2011), which shows that activity based costing, implemented as stand-alone or ad hoc systems, is seen as more useful than the embedded ABC systems that are frequently updated and integrated into the financial reporting process. The reason for this may be that the stand alone or ad hoc system are understood to be more target oriented when addressing a specific problem. The properties of temporary systems may be quite different from continuous ones. As they are designed for a short lifetime, they may get more attention, they may include more complex data sources than traditional management accounting systems, and they may be designed and used on a trial and error basis (Bjørnenak and Olson, 1999). However, organizations cannot operate using only temporary systems. Some systems also have to operate continuously. It is hence important that organizations find the right balance between temporary and continuous systems.

The focus dimension concerns the question of whether systems should be global or local. A global system is one used by the whole organization, such as product costing systems. The annual budget is also normally a global system. Local systems, conversely, are developed and used in a business unit (BU) or smaller part of the organization. The idea of LS introduces an alternative to the central, and institutionalized, logic of conventional management accounting systems (Grönlund and Jönsson, 1988). Instead of focusing on the need of symmetry of information, LS argues that information systems should be designed for local information needs, which means that accounting systems produce asymmetric information. For larger organizations, it is possible to have both global and local systems. The different combinations of the two dimensions are shown in figure 1. The set core of the management accounting and control system is the fixed global set of cost and performance measures used throughout the whole organization. This can, for example, be a number of global and continuously measured financial (e.g. ROI) and non-financial (e.g. customer satisfaction) measures applicable to all BUs. In addition, some BUs or even smaller entities within the organization may have their local problems. For example, there may be specific interest in a particular customer group whose profitability has to be identified, explained and understood. A local, temporary system may hence be developed in order to understand the cost development in that area. An example of a mixed local and continuous system could be the continuous benchmarking of particular activities at a local level.

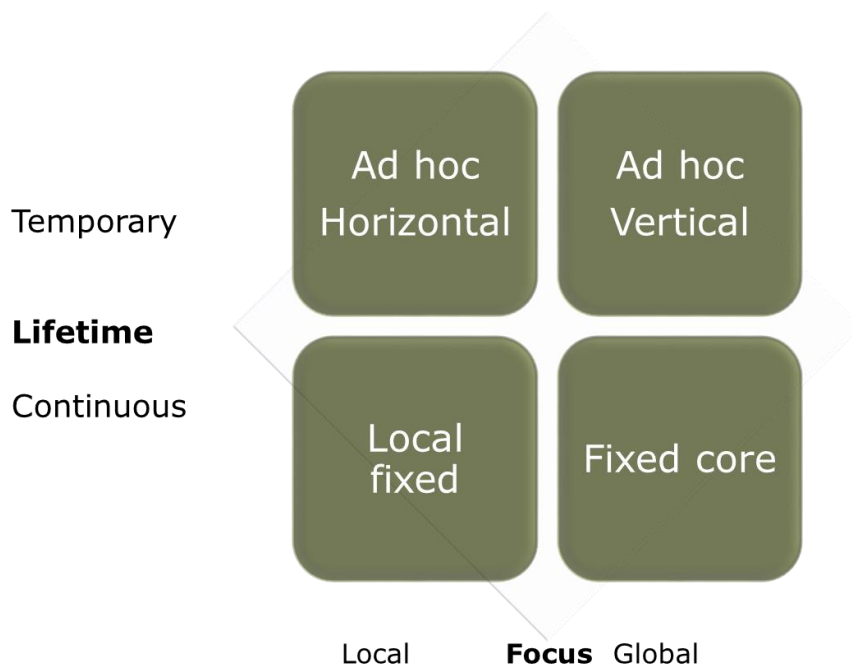


Figure 1. System dimensions (adopted from Bjørnenak and Kaarbøe, 2013).

The aim of this study is to understand the dynamics of BB in the system dimension. Central to our enquiry will be the questions of what happens to the fixed core when budgets are abandoned, and whether this abandonment leads to the creation of more temporary or local systems.

Diffusion of management accounting innovations

The questions of why and how companies adopt new management practices and new management accounting techniques has been a central topic in the literature of both management and organizational theory (e.g. Abrahamson, 1991, Kennedy and Fiss, 2009) and management accounting (Ax and Bjørnenak, 2007).

Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system (Rogers, 1995). Traditionally, diffusion studies have focused on organizations' demand for innovation, with the communication process driven by potential adopters of these innovations. The information field characterizes the extent of contacts that a potential adopter has made at a given point of time. Torsten Hägerstrand (1967) introduced the concept to describe the probability of contact at different

distances and directions. The exposure patterns among potential adopters in a society may vary substantially, and the information may be an interesting independent variable to explain the diffusion patterns. For example, institutional relations may play an important role in the definition of a company's information field. While the demand side driven studies view the information field as a passive factor in the diffusion process, more recent studies have seen the supply-side as actively trying to control the information field of potential adopters (Abrahamson, 1991, 1996; Abrahamson and Fairchild, 1999). This modern perspective has also inspired studies regarding the diffusion of management accounting innovations (Bjørnenak, 1997; Gosselin, 1997; Malmi, 1999). In this study we are interested in how the information field and the supply side may inform the content of the diffused idea, i.e. what is spread and not only why it spreads.

Potential adopters may seek different types of benefit from an innovation. The decision to adopt an idea may be motivated by both opportunities and threats (Kennedy and Fiss, 2009). Early adopters are assumed to be more motivated by social and economic opportunity, while late adopters are assumed to be motivated by the perceived threats of social and economic loss.

The idea adopted may have a strong technical core or be a combination of many technical and rhetorical elements. BB can be seen as a 'housing innovation' (Ax and Bjørnenak, 2007), i.e. an idea that may house a number of different ideas and techniques (Alvarez, 1998). Mazza and Alvarez (2000) stress the importance of making innovations compatible with the societies to which they are transmitted (diffused). They also argue that cultural discourses and legitimization are the main resources needed to make the popularization of an innovation possible. One means by which the supply-side can popularize an innovation in a specific location is by fitting the innovation's design characteristics and rhetorical elements (i.e. bundling) to the preferences and knowledge of potential adopters.

This study draws on these streams of diffusion research. First, we will attempt to identify what constitutes the core of BB in a management accounting setting, and thus arrive at an understanding of what is being diffused. Second, we will investigate early adopters and examine the types of gain being sought. Third, we will focus on the often neglected role of human agency (Birkinshaw, Hamel and Mol, 2008), where agents initiate and drive the

process of change. Forth, we are investigating the design characteristics of BB, and how these characteristics fit the change agents' role in the organization.

4. Research Method

This study draws on concepts and empirical findings from the design of management accounting systems and from diffusion studies. The main purpose is to explore what BB actually comprises and how it is implemented in real-world situations. The fact that only a small number of companies have implemented BB, and the requirement for in-depth information on these companies' control systems, calls for a non-randomly selected study sample. The cross-sectional case study approach can broaden our understanding by detecting cross-case patterns for specific issues that are otherwise embedded in detailed single case write-ups. Cross-sectional case studies can, for example, detect and document variations in practice for defined variables such as BB (Lillis and Munday, 2005).

Informed by diffusion studies, we will investigate the role of different agents in the adoption of BB. We have actively searched for the following three different settings for the adoption process:

- A CEO driven adoption inspired by the Handelsbanken example. We have identified another financial institution where the idea of removing budgets was clearly initiated by the new CEO in 2000. The information field for this adoption was Handelsbanken. However, there was no direct contact between the two organizations and the case company was to our knowledge the first to implement the idea in Norway (in 2000).
- The second case is an example of controller-driven BB adoption. Despite having support from top management (the CFO), the adoption was clearly driven by a group of headquarter controllers in active communication with other companies already implementing BB.
- The third case was chosen as an example of 'forced selection' adoption. The company in question is a subsidiary of a BB adopter, and the idea came down from the parent company. The subsidiary was not formally forced to adopt the idea, but the board and the CEO (who came from the parent company) still decided to abandon budgets at a central level.

Table 1 sums up some of the characteristics of the three selected companies. Note that in each case the driver of the adoption was the main criteria for selection. The size of the company relates to the industry average in Scandinavia. The time when BB was implemented is an estimation of the year a decision was made at a high level in the organization, not an exact date. In two of the cases, different units introduced the idea at different points of time. For the purposes of this study, we have named the three companies TOP, Controller and Daughter.

Case	TOP	Controller	Daughter
Driver of the BB initiative	CEO	Corporate controllers	Parent company (Owner)
Information field	Handelsbanken	Beyond Budgeting network	Parent company
Industry	Financial services	Telecom	Retail
Size	Medium	Large	Large
BB from when?	2000	2008	2005

Table 1. Key data on case companies.

Data collection

Data from the selected companies were collected in the following four ways:

- We obtained access to reports and measures (KPIs) at company level and BU level. All companies were followed for at least one year and changes in reports were discussed and described.
- Questionnaires were sent to controllers in Controller (100 questionnaires) and Daughter (70 questionnaires). The companies identified relevant respondents. We did not include TOP, due to its low number of controllers. The constructs were mainly adopted from earlier studies of the relevance of the critique of budgets (e.g. Libby and Lindsey, 2009), but extended with more specific questions related to the role of the controllers. The questionnaires were pre-tested and modified using Executive MBA

students. Response rates were 48% (48/100 in Controller) and 44.3% (31/70 in Daughter). We followed up non-respondents twice, and did not find any significant differences between early and late respondents.

- We interviewed the CFO and a number of controllers. In TOP, the CEO and a BU manager were also interviewed. We conducted four interviews in TOP, six in Controller, and five in Daughter. The interviews took between 15 and 45 minutes, and were transcribed.
- We attended a workshop in each of the companies with the CFO and a group of controllers. The workshops were organized in collaboration with the companies, and different aspects of the findings from the surveys and interviews were discussed. The workshops were not recorded, but notes were taken.

These four methods in combination served to strengthen the validity of our research. First, we tried to understand the control system design by investigating the reports and KPIs currently in use. We used the questionnaire to get an overall picture of BB and the new ‘tools’ that these companies were using. This was followed up by interviews with CFOs and controllers for a deeper understanding of different roles. Finally, we presented and discussed some of the findings at a meeting with controllers and the CFO. This significantly improved our understanding of the reasons behind their adoption and adaptations of BB.

5. Findings

This section presents the findings in two parts. The first part outlines arguments for a company choosing to adopt BB. The second part shows the changes that the companies underwent after removing the budget, and the models in use at the time of our investigation.

Motives: The relevance of the budget critique

Our study of the reports obtained from the BUs showed that only two of the three companies had in reality abandoned budgets. In Daughter, the budgets were still alive and well. In one of the BUs, these budgets were even linked to a bonus plan. The CFO was aware of this, but did not see any problems with it. His view was that as long as the BUs delivered on the KPIs decided by headquarters, they could use whichever systems they wanted. However, the

budgets were not approved or discussed with headquarters controllers, as was common practice prior to the decision to go beyond budgets.

Even more surprising was that headquarters controllers were found to be using cost budgets:

'We have a cost budget. Not at first, but we decided to implement it. We do not agree on what Beyond Budgeting is. I don't see the problem with cost budgets, on the contrary, it is great tool. Budgets are difficult for items that are volatile and unpredictable. But your costs are, first of all, mostly fixed costs, or you can in fact control them.... Cost budget is an excellent tool, thus we have implemented it at corporate..' – Corporate controller, Daughter.

The budgets were hence removed in the first instance, but only at the corporate level. They were then reintroduced at a later date, but only for costs and at a more aggregated level (involving less detail) than was formerly the case. The CFO accepted this, but nevertheless made it clear that the top management group and the board did not require a budget and did not refer current costs to a budget in the course of their discussions. The same view was expressed by the CFO in Controller:

'My focus is on the financial results. The units may design systems with or without budgets, as long as they deliver financial results.' CFO, Controller

The main motive in Controller for adopting BB was the need for quicker responses to changes in the business environment. The questionnaire was used to ascertain a more general view of the budgeting critique in Controller and Daughter. Table 2 shows the results from this part of the questionnaire.

Statement	Respondents	Agree	Disagree	Median	Average	Std
[Daughter] Budgets improve allocation of resources between BUs	27	33 %	26 %	4.00	4.04	1.32
[Daughter] Abandoning budgets gives less control	30	67 %	20 %	5 / 6	5	1.65
[Controller] Abandoning budgets gives less control *	46	22 %	61 %	2	3	1.65

[Daughter] Abandoning budgets gives poor coordination between BUs	27	37 %	37 %	4	4	1.77
[Controller] Abandoning budgets gives poor coordination between BUs *	44	14 %	66 %	1	3	1.44
[Daughter] Without budgets the BUs can respond faster to changes in the business environment	28	46 %	39 %	6	5	1.78
[Controller] Without budgets the BUs can respond faster to changes in the business environment	46	67 %	20 %	7	5	1.91

Table 2. Survey results on the relevance of the budget. Linkert scale 1 (strongly disagree) to 7 (strongly agree). Disagree = 1 - 3; agree: 5 - 7. Significant differences between companies are marked with * (0.05 level, t-test).

The results show significant differences between the two companies. In Daughter, the great majority (67%) of controllers agree with the statement that abandoning budgets will result in less control, while the figure for Controller is 22%. The results regarding the use of budgets for coordination is also consistent with the different views within the two companies. However, the controllers in Daughter agree to some extent with the argument regarding quicker responses to change.

The critique of the budget is firmly established in Controller. However, some controllers still disagreed with the arguments in favour of BB. The interviews confirmed this:

'The higher up you sit, the easier it is to be critical of budgets. At lower levels in the organization, it gives you comfort to have budgets.' Business performance manager, Controller

This shows that there were some differences in opinion between different groups of controllers. A determining factor in this was their level within the organisation; another was experience:

'Tenure and experience is important in relation to how people take changes in budgeting. Newcomers have a fresher mindset that we try to exploit until they are eaten by the system.' Financial controller, Controller.

Whilst resistance to change was seen in all three companies, this was less in evidence in TOP:

'The only resistance we got was from the persons responsible for the budgeting process. They wondered what they should do now.' CEO, TOP

However, we did not find any BUs with budgets in TOP. There was no doubt about who introduced the idea of abandoning budgets (the CEO), and unlike the two other companies, the BUs did not get the option to retain the budgets. This decision was supported by the CFO:

'I never really missed the budget.' CFO, TOP

But not all of the BU managers were totally convinced:

"I see that we are delivering good results. Better than ever..... However, I think it was useful to set up a plan for the coming year. It gave us an opportunity to go through the whole business." BU manager, TOP.

Our meetings with CFOs and controllers also supported the general findings. There were no discussions about returning to budgets in TOP and Controller. In Daughter, there was a clear disagreement about budget at the corporate level, but full acceptance of local budgets.

Case	TOP	Controller	Daughter
Main motivation	Budgets are unnecessary	The need to respond to changes	The parent wants us to implement BB
Change in budget practice	Abandoned	Removed yearly budgets (voluntarily)	Removed, then reintroduced budgets at corporate level. Kept budgets at BU levels.
Tension / resistance	Some in the beginning / low	Some, higher among local controllers and experienced controllers	Strong support for budgets

Table 3. Main motives, changes and sources of resistance in the three companies

The new models

In this section, we describe the main changes in the management accounting models. Included here is a general scheme of how a management accounting system is designed. The design

characteristics are described according to the framework in figure 1. Models are used to increase precision when discussing these changes, with tools and techniques being integrated into the framework. Rolling forecasts, benchmarking and balanced scorecards are described in BB literature as tools that are used in order fulfil the budget purposes (e.g. Hope and Frazer, 2003; Bogsnes, 2009). These tools can be both local and global, and continuous and temporary.

In TOP, the budgets really were removed from the all reports that we were shown. In the early years (2000-2001), the company used the same report as before the change, only with a ‘0’ in the budget column. Later, a new report was designed and gradually refined. At the point of investigation it looked as follows:

	BU A	BU B	BU C	...	BU N
Profit/Loss					
2013					
Profit/Loss					
2012					
Change					
Change in %					

Table 4. P/L Benchmarking report in TOP. Each BU has a column showing different revenue and cost items, total profit or loss, and changes compared to previous years.

All 14 BUs were listed on one page every month. Some detailed revenue and cost items were included. More details could always be asked for. There was full transparency between BUs, and the reports were used by both the top management group and the board. They also designed a bonus system based on relative improvements in the P/L compared to the same period for the previous year.

This systematic benchmarking between BUs is in line with that of the Handelsbanken example. One important difference is that Handelsbanken ranked its BUs, whereas TOP did not explicitly do this. TOP also benchmarked itself against other companies in the same industry. This was done on a more ad hoc basis. They also introduced local customer

accounting systems, but no rolling forecasts (only a yearly aggregated forecast at corporate level) or balanced scorecards.

While TOP was clearly informed by Handelsbanken and introduced a management accounting system with low complexity, Controller’s implementation of BB had obvious similarities to that of Statoil. Consistent with the company’s primary motivation for implementing the new solution, the main new tool was rolling forecasts. Every quarter, a report was produced containing a forecast for the next five quarters. The same solution was introduced in Daughter. The difference between a forecast and a budget was in both cases seen as the difference between a target (as in budgets) and a ‘best estimate’ (forecast). Also, in both cases, there was the intention to make the forecasts more aggregated (less detailed). However, the distinctions become less and less clear over time, as shown in table 5.

Statement	Respondents	Agree	Disagree	Median	Average	Std
[Daughter] Rolling forecasts are budgets 4 times a year	31	42%	45%	4	3.94	1.71
[Controller] Rolling forecasts are budgets 4 times a year	48	56%	33%	5	4.33	1.72

Table 5. Rolling forecasts vs. budgets.

A majority of the controllers in Controller saw rolling forecasts as budgets four times a year – a view also shared by many of the controllers in Daughter. This was discussed at the workshops. The need to explain variances between actuals and forecasts was seen as the main factor in their taking up this viewpoint.

“In the beginning, the forecasts were less detailed. Then they [BU managers] told us they needed to explain why we were not hitting the forecasts. We couldn’t. In the next forecast we included more details. And now we are doing budget four times a year!” Business performance manager, Controller

The other major tool related to budgets were balanced scorecards (BSC). Both Controller and Daughter had versions of BSC. Table 6 shows the results from the survey.

Statement	Respondents	Agree	Disagree	Median	Average	Std
[Daughter] BSC is a success in our company	28	43%	43%	4	3.89	1.55
[Controller] BSC is a success in our company	38	39%	42%	4	3.79	1.42
[Daughter] Top management is more interested in financial performance measures	31	77%	13%	5	5.13	1.31
[Controller] Top management is more interested in financial performance measures	42	48%	45%	4	4.36	1.83
[Daughter] Should focus on a lower number of KPIs	31	81%	6%	6	5.61	1.20
[Controller] Should focus on a lower number of KPIs	44	73%	20%	5,5	5.23	1.63

Table 6. Statements on the relevance of BSC

In both cases, there was a clear link between the BB initiative and BSC. In Daughter, the version of the BSC was introduced by the parent company as part of the BB process. However, the CFO confirmed that he saw this more as a tool to be used within the individual BUs. His major concern was to ensure that each unit felt accountable for their performance. Thus, he introduced a stronger focus on ROI, with less attention paid to the large set of non-financial performance indicators. A clear tension in the workshop was between the local BU controllers and corporate management. The local controllers claimed that they had to follow a system that was not used by the top management team. Corporate controllers also introduced an activity-based management model as a part of the fixed core. It used a standard set of activities for all BUs, and attempted to track resource consumption at an activity level. There was a significant tension at the workshop between corporate controllers and BU controllers regarding the use of this system. The CFO became involved, and he decided to abandon the system in order to increase the focus on BU accountability and local autonomy.

In Controller, the BSC model got more attention at the corporate level. However, both the local and the corporate controllers agreed that the number of KPIs was too high, and that the relevance of many of them was too low. Table 7 summarizes some of the changes following the BB initiative.

Case	TOP	Controller	Daughter
Main new tool	Benchmarking	Rolling forecasts, Balanced Scorecard	Rolling forecasts, Balanced Scorecard, Activity Based Management
Tension related to the new solution	Low	Some on the relevance the new tools	High, between Corporate and BU's

Table 7. Main changes following the BB initiative.

6. Discussion

This study aims at an improved understanding of what BB is. A clear finding seem to be different solutions in different organizations. From a solution were they still are using budgets to a case were there actually were no budget lookalikes. On the other hand there are also some similarities. One is the redefinition of the fixed core of the management accounting system.

In the TOP case the budget were removed from the fixed core and replaced with benchmarking and an increased focus on improvements in financial performance. The fixed core was in this way reduced and gave room for more ad hoc customer profitability analyses etc. This has clear similarities with the changes in the Daughter case. On the surface, the solution is very different, where budgets are kept at local levels and reintroduced at corporate level. However, the recent changes are based on re-defining a simplified fixed core without budget and the activity based management system. The CFO also wanted to simplify the rolling forecast process with more aggregated estimates, without involving the BU's. The system structure of the Daughter case is shown in figure 2. Even the balanced scorecard is moved to a local system, with an option to make some of the KPI's temporary. As for the TOP case, an ad hoc customer profitability analysis was introduced, organized as a project managed by corporate controllers. This was project was linked to the removal of the ABM project, as it was seen as "a more constructive way" to use corporate controller resources (CFO in Daughter).

Temporary	KPI's	Customer-profitability	
Lifetime			
Continuous	Budgets BSC	Out: Budgets (partly), Activity Based Management In: Financial performance Measures (ROI), Benchmarking, Rolling Forecasts (simplified)	
	Local	Focus	Global

Figure 2. The differentiated system structure in Daughter case.

While, both the TOP and Daughter company reduced the fixed core, the story was different in the Controller case. The fixed core of the Controller company increased significantly. By adding detailed rolling forecasts to the high level of KPI's there was not room for more local systems. However, the critique of too detailed forecasts and too many KPI's may also lead the Controller case towards a simplified fixed core.

The changing role of the controllers

The role of the controller is claimed to be in a state of transition, from dull “scorekeeping” activities to more exiting and proactive “business consulting” (Burns and Baldvinsdottir, 2007). BB initiatives could be seen as consistent with such a change (e.g. Bogsnes, 2009). The TOP version of Beyond Budgeting involves marginalizing some of the routine based tasks of the controller. Improved efficiency is also the main argument in this case, but not by introducing rolling forecasts, balanced scorecards or other solutions, but by replacing the controllers with benchmarking and transparency.

In the two other cases the controllers were asked about changes in the controller role. First we looked at the overall workload following the BB initiatives. The results are shown in table 8. The Daughter company partly kept the budgets and introduced rolling forecast and BSC, and thus it is not surprising to see mixed results regarding the total workload. For the Controller

case more than 50% of the controllers claimed that the workload increased significantly. This was mainly explained by the increased work on rolling forecasts.

Statement	Respondents	Agree	Disagree	Median	Average	Std
[Daughter] Abandoning budgets reduces the controller workload	31	35 %	48 %	2	4	1.79
[Controller] Abandoning budgets reduces the controller workload *	47	19 %	72 %	1	2	1.76

Table 8. Perceived changes in controller workload following BB initiative.

Diffusion and gains

The differences between the BB initiatives highlight a number of important issues in the understanding of how and why management innovations diffuse to new locations. The first has to do with motives for adopting new ideas.

In diffusion studies a two stage model is often adopted. This model claims that early adopters seek efficiency and technical gains from innovations, while later adopters seek legitimacy through social gains. Kennedy and Fiss (2009) argue that “social and economic motivations for adopting diffusing innovations are not mutually exclusive concerns; that is, wanting to look good does not preclude also wanting to do better” (p. 911). Thus, they challenge the traditional diffusion model and claim that logic of efficiency and legitimacy are more compatible than generally assumed and both motives can be found for early and late adopters.

All cases in this study are among the early adopters group, but it is difficult to classify their motives in the economic or social gains dimension. On the one hand, they are all using the efficiency argument, i.e. wanting to do better. It is not a matter of whether or not the efficiency argument is important, but the content of it. In the *Controller case* the world is seen from the controllers’ perspective. Efficiency for them is to be more involved, to perform more important and intelligent tasks, in short to be adding more value to the company. This is done by giving more room for creativity, by being more *dynamic*. This is not solved by decreasing the workload of controllers, but by changing and increasing the workload by introducing new

tools. Thus controller efficiency is the motive for the controller driven diffusion of beyond budgeting. This may of course also give them social gains.

The Daughter case seems to be an example of what Abrahamson (1991) would call a “forced selection”. The BB initiative came from outside the organization and was not a part of an imitation process. We observed only minor changes in the budgeting process, which indicates that diffusion in this setting is problematic. On the other hand, the BB initiatives were interrelated with other management accounting issues, like the role of forecasts and the number of KPI’s. This shows that it is not that easy to distinguish between ideas coming from outside or inside the adopting organization and prompts rethinking of the classical model of fashion and forced selection in the diffusion of management accounting innovations.

7. Conclusions

We have seen that Beyond Budgeting not necessarily means companies without budgets. The most important finding in this study is that we need to decompose changes in order to understand what is going on. The local – global dimension play a significant role, and BB initiatives may increase or decrease the fixed core in an organization.

Another contribution is the association between the dominating actors and what is adopted. In two of the cases (TOP and Parent) the driver of the system were searching solutions for increased accountability. The fixed core was streamlined to increase the focus on improvements in financial performance. BU’s were given autonomy to develop their own local systems. In one case they did, in the other they did not. In the controller driven solution things got more complicated. The logic of efficiency was different from the controller perspective.

This cross sectional case study also highlights a number of issues for future research. First of all we still have little evidence of what Beyond Budgeting is. Broader cross sectional field studies, including different setting and different industry could improve our understanding of why companies abandon budgets and what they actually do instead. This is only a first

attempt and may together with Bourmistrov and Kaarbøe (2013) provide a first indication on what is going on. However, they are both describing companies with a Scandinavian origin, and studies of companies in other settings should follow up this and other studies.

Another line of research is the link between Beyond Budgeting and Conventional Wisdom. Why are textbooks ignoring new practices like Beyond Budgeting? Is it a time lag or a bias against practice-defined concepts? Finally yet importantly, this paper shows a tension between the Beyond Budgeting movement and Balanced Scorecard models. What are the functions of scorecards and how are they effected by budgets or no budgets decisions.

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The impact of control on trust and information sharing for outsourced low contractibility activities

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Abstract

Contracting out publicly funded welfare services has become increasingly common. This also holds for low contractibility activities such as education, care and health. Previous research theorizes that this practice requires trust and information sharing which calls for trust-based control patterns and using accounting to create trust. At the same time the institutional environment demands market orientation and formal control. This could be problematic since formal control may be a threat to trust. In this paper we investigate the impact of inter-organizational controls – results control, behavior control and social control – on trust and information sharing. We develop and test a theoretical model with survey responses from 125 managers of privately provided elderly care units in Sweden. Our results show that results control is positively associated with suppliers' trust in buyers and that behavioral and social control is positively associated with information sharing. We also show that results control has an indirect effect on information through suppliers' trust in buyers.

Key words: inter-organizational control, results control, behavior control, social control, trust, information sharing, outsourcing, contracting out, public sector.²

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Introduction

Many public sector organizations have problems with increasing costs and demands, e.g., due to an ageing population (Roberts 2001; Lapsley & Schofield 2009; Cardinaels & Soderstrom 2013). In several countries outsourcing and competitive tendering has been one response for restructuring service delivery. The intention behind outsourcing – at least rhetorically – is to use the market mechanism to reduce cost and increase productivity and quality in services (Brown & Potoski 2003a; Siverbo 2004). Whether outsourcing has been good or bad for society is still debated; both advantages and disadvantages have been reported (Romzek & Johnston 2005; Hodge 2000).

Some public sector responsibilities can be judged as challenging or even inappropriate to outsource. The argument is that activities characterized by high task uncertainty, absence of functional markets, political sensitivity and, sometimes, high asset specificity cannot be outsourced without causing substantial transaction costs (Williamson 1985). Examples of such low contractibility services are activities within education, health care, social care and elderly care (Brown & Potoski 2003b; Johansson & Siverbo 2011).

Still, these activities are contracted out in many countries, which entail challenges when it comes to management accounting and control. On a general level it is necessary to have inter-organizational management accounting and control systems to deal with cooperation and coordination challenges (Dekker 2004; Caglio & Ditillo 2008). However, to be efficient, these systems must be adapted to the specific control situation; in this case the task of controlling low contractibility activities. In previous theorizing, trust based and (possibly) bureaucracy based control patterns have been suggested in this control situation (Van der Meer-Koistra & Vosselman 2000). This means that the accounting and control system, to be effective, should be designed to foster trust (Coletti et al. 2005; Caglio & Ditillo 2008; Vosselman & Van der Meer-Kooistra 2009; Anderson & Dekker 2010) and willingness to share information (Jones 1999; Selnes & Sallis 2003; Cooper & Slagmulder 2004; Dyer & Hatch 2006; Mahama 2006; Cäker 2008; Brown et al. 2010; Dekker et al. 2013). However, our knowledge about the relationships between inter-organizational controls and trust and information sharing when outsourcing low contractibility activities is incomplete (Coletti et al. 2005; Vosselman & Van der Meer-Kooistra 2009). Most research has focused on how the buying party controls its suppliers so that they can be trusted. In this article we instead focus on the effect of control on suppliers' trust in their buyers and how this relates to information sharing in the buyer-supplier relationship. Furthermore, rather than focusing on control, and most often formal control, as one concept we differentiate between behavior, results and social types of controls and investigate their individual effects on trust and information sharing.

We develop and test a theoretical model with survey responses from 125 managers of privately provided elderly care units in Sweden. Our results show that results control is positively associated with supplier trust in buyer and that behavioral and social control is positively associated with information sharing. We also show that results control has an indirect effect on information through supplier trust in buyer.

The rest of the paper is structured as follows. In the next section we define core concepts and develop our theoretical model and hypotheses. In section 3 we describe our sample and survey methodology. Section 4 contains our results. Section 5 completes the paper with discussion and conclusions.

Theory and hypotheses

In Figure 1 we illustrate the overall theoretical model to be tested in the study.

[Figur 1 about here.]

The figure summarizes the theoretical discussion below. Our model builds mainly on “frame theory” and relational signaling (Tenbrunsel & Messick 1999; Lindenberg 2000; Vosselman & Van der Meer-Kooistra 2009) as the base for linking management controls (behavior, result and social) to supplier trust in buyer and the sharing of information in buyer-supplier relationships. The model contributes by theorizing on the individual effects of different types of controls and place trust as an important mediator between control and information sharing. Below we develop each path (hypothesis) in the model in detail.

Inter-organizational control mechanisms

Researchers with an interest in outsourcing in the public sector have argued that efficient contracting presupposes control, especially if the contractor is a for-profit company (Brown & Potoski 2003a; Brown et al. 2006; Padovani & Young 2006). Based on agency theory and transaction cost theory, it is assumed that post contracting control increases the likelihood that the contractor will perform well (being aligned to contract agreements).

For this purpose, public sector buyers can use formal and less formal control mechanisms. Three mechanisms – or control constructs – are commonly used in the inter-organizational control literature: results control, behavioral control and social control (Langfield-Smith & Smith 2003; Dekker 2004; Emsley & Kidon 2007; Kraus & Lind 2007; Langfield-Smith 2008; Cäker 2008; Dekker & van den Abbeele 2010; Cäker & Siverbo 2011; Johansson & Siverbo 2011; Anderson & Dekker 2010). *Results control* is when the buyer sets goals for the activity and the supplier’s goal fulfillment is evaluated. In this measurement and evaluation process, financial and non-financial accounting information has a key role. *Behavior control* means securing a positive supplier behavior by specifying rules and regulations in policy documents and procedures. *Social control* is harder to explicitly design. It involves the measures the buyers take to create relations with the suppliers and induce vision, mission and value commitment among them. Social control is attempts to affect the norms and culture of the suppliers. The combinations of these three control mechanisms are expected to have different emphasis depending on the control situation at hand.

Inter-organizational control mechanisms and suppliers’ trust in buyers

The reason why the relationship between inter-organizational control and trust is interesting is that previous research on the public sector setting (Fernandez 2007; Fernandez 2009; Lamothe & Lamothe 2012) and the private sector (Zaheer et al. 1998; Selnes & Sallis 2003) shows that trust between buyers and suppliers is crucial for contractual performance. Research on the public sector setting has paid attention to the control systems launched to monitor contractor performance (Brown et al. 2006; Brown & Potoski 2003a; Brown & Potoski 2003b; Padovani & Young 2006) but it has not primarily been geared towards elucidating how control affects trust. This is unfortunate considering that trust (trust based control patterns) has been argued to be necessary when

outsourcing low contractibility activities (Van der Meer-Koistra & Vosselman 2000) and such activities are often responsibilities of public sector organizations. Instead, the research conducted on these inter-organizational control systems has almost exclusively focused on the determinants of control scope and intensity (Brown & Potoski 2003a; Cristofoli et al. 2010; Marvel & Marvel 2007; Amirkhanyan 2010).

Most researchers see trust as one party's psychological state of accepting vulnerability in situations when it has positive expectations on the other party's behavior (Emsley 2008; Nooteboom 2002). Also, a commonplace suggestion in extant research is that there are different dimensions of trust. Goodwill trust is trust in another party's intentions and capability trust is confidence in a supplier's competence. Institutional (or system) trust is the conviction that the failure of one party to comply with the contract agreements will be dealt with in the legal system. Calculative trust (which may be a contradiction in terms) is when a buyer or supplier calculates that the other party will honor an agreement since the long term consequence for not doing so will be devastating for its reputation. Moreover, it is common to separate organizational trust from interpersonal trust (Nooteboom 2002; Kamminga & Van 2007; Langfield-Smith 2008; Barretta et al. 2008; Cäker & Siverbo 2011).

Even if trust may be a key to outsourcing success, a common opinion is that outsourcing can hardly be efficient unless the buyer imposes accounting and control arrangements on the supplier. There are at least four reasons for this. First, even when the relationship is characterized by trust, controls may be necessary for coordination purposes (Gulati & Singh 1998; Dekker 2004; Dekker 2008; Dekker & van den Abbeele 2010). Second, trust is hardly a feature of a relationship that can be commanded; if it is absent, accounting and controls are necessary (Dekker 2004; Caglio & Ditillo 2008). Third, and related, it is hard to rule out that for-profit suppliers – and to some extent also non-profit suppliers (Amirkhanyan 2010) – have their own missions and goals which give them quality shading incentives which must be dealt with (Domberger & Jensen 1997; Hart et al. 1997). Fourth, and central to this paper, control may be a prerequisite for trust since it increases the likelihood that the relationship will survive the early phase of a business relation (Tomkins 2001). This gives the contracting parties time to learn to trust each other (Coletti et al. 2005; Vosselman & Van der Meer-Kooistra 2009). According to Vosselman and van der Meer-Koistra (2009), formal controls create “thin” trust which over time may grow into genuine “thick” trust. This is shown in an experiment by Coletti et al. (2005) that displays that control systems enhance the level of trust between collaborators.

A complicating circumstance, however, is the fact that a vast amount of studies warn that the introduction of accounting and controls in inter-organizational relationships may instead impair trust (Vosselman & Van der Meer-Kooistra 2009). The reason is that control may signal distrust in the supplier and that the relationship is not supposed to build on trust (Davis et al. 1997; Coletti et al. 2005). According to Tenbrunsel and Messick (1999), control systems invoke business frames rather than ethical frames in buyer-supplier relationships, which means that the contracting parties focus on rational evaluation on benefits and costs with the cooperation rather than on social norms of behavior. This implies that the use of inter-organizational controls that signal lack of trust in suppliers will simultaneously lower suppliers' trust in buyers. In other words, the design and use of the control system sends relational signals to the suppliers that affect their trust in buyers (Lindenberg 2000).

In previous research it has been common to focus on buyers' trust in suppliers, which is natural and logical if the research task is, for instance, to explain how the buyer designs the control system. High

trust in the supplier leads to less extensive and intensive control. But since an ambition in this paper is to explain the effect of control on trust, it is natural to focus on supplier's trust in buyers.

A clue to the general riddle about the relationship between control and trust is that individual control mechanisms affect trust in dissimilar ways. From research on intra-organizational management control it is evident that results control, behavior control and social control have different impact on the controlled (Ouchi 1979; Merchant & Van der Stede 2012). Even though it is common to separate results control, behavioral control and social control in inter-organizational research, to our knowledge no one has investigated these mechanisms' individual impact on trust. It remains to be investigated when a control mechanism builds trust and when it impairs trust.

When theorizing about effects of different control mechanisms on trust in low contractibility settings the natural starting point is general intra-organizational management control studies (Ouchi 1979; Merchant & Van der Stede 2012) , private sector inter-organizational control research (Langfield-Smith & Smith 2003; Dekker 2004; Emsley 2008; Kraus & Lind 2007; Cäker 2008; Anderson & Dekker 2010) and public sector inter-organizational control studies (Johansson & Siverbo 2011; Cäker & Siverbo 2011). A general agreement in these literatures is that results control is an unobtrusive control mechanism which implies that suppliers are controlled from arm's length distance. The buyer does not interfere in the way results are obtained but the supplier is allowed freedom of action and is potentially empowered. In most business relations, suppliers accept that buyers mistrust them to some extent but not more than up to a threshold, i.e., legitimate mistrust (Lindenberg 2000). The relatively unobtrusive character of results control means it is not likely to exceed what is considered legitimate by the supplier. On the contrary, in low contractibility settings all involved actors would probably agree that results control is a rather relaxed control mechanism. Therefore, it signals capability and goodwill trust in the suppliers.

“By giving relational signals, parties deliberately show their inclination to behave co-operatively and, thus, their trustworthiness” (Vosselman & Van der Meer-Kooistra, 2009, p. 273).

The signaling effect of results control is that the buyer trusts the supplier and that an ethical frame rather than a business frame is invoked (Tenbrunsel & Messick 1999). Accordingly the supplier is inclined to trust the buyer.

Similarly, social controls may be expected to build trust between buyers and suppliers. Their informal and educational character, directed towards affecting values, norms and culture makes them even more unobtrusive than result controls. Also, a standard assumption in management control theory is that social controls are more effective than any form of formal control in low contractibility settings. Besides that this is explained by the difficulties involved in using formal controls in these settings, it is also a consequence of a good match between control and control expectations. Managers and employees in low contractibility settings commonly perceive themselves as “stewards”, that is, collectivistic and trustworthy co-workers struggling for common goals. If controlled by social controls, this attitude is likely sustained, but if extensive surveillance systems are implemented, they will instead feel “betrayed” (Davis et al. 1997; Tenbrunsel & Messick 1999).

Behavioral controls are less likely to signal ethical cooperation frames and build trust. This control mechanism is more intruding, direct and bureaucratic. Suppliers are directed to follow rules,

regulations and instructions that contrary to results and social controls signal lack of both competence and goodwill trust in the suppliers. This increases the likelihood that the amount of control exceeds what is perceived as legitimate by the suppliers. The signaling effect of behavioral controls is that the buyer wants a business frame and does not fully trust the supplier. The supplier adapts to this frame and accordingly sees no reason to trust the buyer. The reasoning leads to the following hypotheses about the links between control and suppliers' trust in buyers (see Figure 1).

H1: Results control is positively associated with supplier's trust in buyer.

H2: Behavioral control is negatively associated with supplier's trust in buyer.

H3: Social control is positively associated with supplier's trust in buyer.

Control and information sharing

Similar to the issue of trust, interacting parties' inclination to share information has been put forward as a prerequisite for successful cooperation (Jones 1999; Selnes & Sallis 2003; Cooper & Slagmulder 2004; Dyer & Hatch 2006; Mahama 2006; Cäker 2008; Brown et al. 2010; Dekker et al. 2013). In a similar way as trust, information sharing is connected to the system of inter-organizational controls (Mahama 2006). Previous research has illustrated that bureaucratic (formal) controls lead to substantial demands on information systems (Jones 1999) and that the formal controls that buyers use to control supplier behavior means "high demands on information sharing and information processing capability" (Cäker 2008, p. 249). Mahama (2006) shows that performance measurement systems (akin to results control) and socialization (equivalent with social control) substantially influence information sharing. In this article we do not only focus on the sharing of information as an integral part of the MAS, but see information sharing as a behavior. Information sharing means the sharing (or intention to share) of information and experiences that is not necessarily explicit or agreed upon in contracts, but that is of strategic and relationship-building character. This voluntary behavior (Vosselman & Van der Meer-Kooistra 2009) is important for handling information impact problems (Speklé, 2001) and creating value within relationships.

Contrary to Mahama (2006) we do not see why results control (performance measurement) should be directly and positively associated with the sharing of strategic and sensitive information. As results control is an arm's length control where the supplier is given ample freedom of action and is evaluated on specified performance criteria, there are no incentives for buyers or suppliers to disclose and share additional information; at least as long as the supplier performs well. If something the incentive for the buyers and the suppliers to share information beyond what is agreed in the contract is negative. Producing and providing information comes to a cost and it cannot be ruled out that the information would be used opportunistically by the other party. Therefore, results controls do not directly stimulate information sharing beyond what is implied by measuring and monitoring the result in itself.

However, results control may have an indirect effect on information sharing. Results control is hypothesized to positively affect trust and previous research has proposed that trust is influential on the readiness to share information (Caglio & Ditillo 2008; Anderson & Dekker 2010). The rationale is

that trust makes parties willing to disclose information that they would otherwise consider too sensitive to share. Trust makes suppliers engage in constructive and creative dialogues (Selnes & Sallis 2003) and creates a belief that the increased value of providing information will be fairly distributed between the parties and not used opportunistically. Since buyers in established public sector outsourcing relationships have few or no reasons to withhold information from suppliers (after the competitive tendering), information sharing is mostly a matter of suppliers' trust in buyers. In the presence of trust, the suppliers calculate that sharing information is more beneficial than withholding it (Selnes & Sallis 2003; Cäker 2008). Both Cooper and Slagmulder (2004) and Dekker *et al.* (2013) show that trust between parties makes them more inclined to develop inter-organizational management techniques, which among other things means more open information flows (Van Slyke 2007). Therefore we pose the following hypothesis:

H4: Results control has a positive indirect effect on information sharing between buyers and suppliers through suppliers' trust in buyers.

Accordingly, since we hypothesize that social control is positively associated with suppliers' trust in buyers we expect social control to have an indirect effect on information sharing. However, there are also reasons to assume a direct effect of social control on information sharing. Social controls enlarge the arena for cooperation and give opportunities for giving information (Mahama 2006). They are appreciated by suppliers since they are less threatening and can make it possible to bypass rigidities in the formal control system (Cäker 2008). In situations when suppliers experience that the performance measurement system is incomplete they use the enlarged arena to share more information (Cäker 2008). Furthermore, most types of social controls are weak rather than strong forms of sanctions which mean that they invoke normative frames of behavior that has been shown to be positively related to cooperative behavior (Tenbrunsel & Messick 1999). This means we hypothesize both a direct and an indirect effect of social control on information sharing.

H5a: Social control is positively associated with information sharing.

H5b: Social control has a positive indirect effect on information sharing through suppliers' trust in buyers.

The relationship between behavioral control and information sharing is not much discussed in previous accounting research, although the behavior control mechanism is included in the wider formal control construct used by some researchers (Jones 1999; Cäker 2008). While behavior control is argued to reduce suppliers' trust in buyers experimental research has shown that tight controls (strong sanctions) produces cooperative behavior (sharing strategic and potentially sensitive information being such an example) directly (Tenbrunsel & Messick 1999). When a calculative business frame is invoked by behavior controls (see H2) the tightness of such controls has a positive effect on cooperative behavior since the increased risk of 'getting caught' by the supervised pushes his/her incentive function (a cost-benefit calculus) towards cooperation rather than defection (Tenbrunsel & Messick 1999). This holds regardless of the level of trust in the buyer. From these arguments we expect that the intensity in use of behavior control is directly related to the level of information sharing in buyer-supplier relationships. We pose the following hypothesis about the association between behavior control and information sharing.

H6: Behavioral control is positively associated with information sharing.

Controls

The model includes two theoretically relevant control variables: the degree of supplier dependence on the buyer and goal congruence between buyer and supplier. Supplier dependence in the buyer is included since it may be a reason why suppliers decide to share information (Donada & Nogatchewsky 2006; Kraus & Lind 2007; Cäker 2008). Goal congruence between the parties, which is often proxied by supplier profit motive (Fernandez 2009), is included as it may be an explanation for trust. When the supplier is a non-profit organization, the contracting parties are more likely to share mission and values and therefore trust each other (Van Slyke 2007).

Method

Sample and data collection procedure

Our data consists of information about control and relationship characteristics in contracted elderly care in Swedish municipalities. More precisely it concerns elderly care housing with somatic care. In Sweden the care of elderly is the responsibility of local government. Sweden has 290 local governments (municipalities). The municipalities can choose to deliver these services in-house or to contract for them. The setting is inter-organizational, meaning that the responsible organization (the municipality) is formally and legally separated from the providing organization. The choosing of supplier is established by a competitive tendering process as laid down in the national procurement act (Swedish Code of Statutes 2007:1091). As discussed and explained in the theoretical part we are interested in the suppliers' experiences and therefore data were collected among them.

Our first examination of public statistics from The National Board of Health and Welfare showed that 118 out of 290 municipalities in Sweden had contracted at least one elderly care establishment. The number of outsourced suppliers varied from one up to more than eighty. In total there are 395 elderly care facilities that provide elderly care to Swedish local governments. Some of the facilities have the same manager and since we did not want to ask any manager to complete more than one questionnaire we only contacted 350 unit managers; mostly via information posted on company webpages.

The questionnaire was distributed in late 2012 and early 2013 and sent by e-mail with links to a web-based survey instrument. The response rate after sorting out unusable responses was 36 per cent which is higher than normally generated in studies of local government contractual relationships (Girth et al. 2012) and in studies of inter-organizational accounting and control in the private sector (Dekker et al. 2013).

Before dispatch, the questionnaires were scrutinized by several research colleagues and pre-tested by three elderly care managers. They suggested some improvements in content and wording. We included a cover letter where we explained the purpose of the study and offered the respondents access to our research results. We did not offer any financial incentives to the respondents, as we thought this could affect the quality of the respondents' answers. The third reminder contained a new cover letter with a more extensive explanation of our research project and the importance of a high response rate. A selection of non-respondents and respondents who had left many questions unanswered was contacted by phone. During these conversations we learned that some did not want

to participate due to time constraints and others because they had changed their position or were new to their position. Despite our efforts some respondents did not answer all questions.

An analysis of missing values showed that the proportion of cases with missing data was 25.6 per cent and the overall proportion of missing values was 7.5 per cent. Little's MCAR test showed that missing data were not randomly distributed (Chi-Square = 558.863, DF = 469, Sig. = .003), which means that case wise deletion is not advisable since it may induce bias (Schafer 1999; Afifi et al. 2003). Instead, and assuming MAR, missing values were handled with the Expected Maximization (EM) method for imputation (Hair et al. 2010) to make the data set less biased and to ensure sufficient statistical power. A Comparison between a case-wise deletion and model-based replacement is conducted in the analyses. To assess the potential influence of common method variance, we employed the Harman one-factor test (Podsakoff & Organ 1986). The one-factor solution accounted for 34 per cent explained variance indicating that common method variance is not an obvious concern.

Measures

Our measure of *result control* is adapted from Dekker and Abbeele (2010) and Jaworski and McInnis (1989) and reflects how the measurement and evaluation of output is designed. We use four items that focus on the performance measurement and prevalence of goal and targets in the relationship. A sample item is: *the municipality measures and evaluates goal achievement.*

Our measure of *behavior control* is also adapted from Dekker and Abbeele (2010) and Jaworski and McInnis (1989) and reflects how the municipality uses and monitors behavioral constraints. We use six items that focus on the use of rules, routines and regulations and the monitoring of the compliance to them. A sample item is: *the municipality requires frequent reports from us on compliance with rules and regulations.*

Social control is captured by asking questions about to what degree the municipality tries to socialize with suppliers and impose values on them. We use two items that capture the extent to which the municipality tries to socialize with suppliers by training and educating them (Chatman 1991) and three items that capture the extent to which the municipality tries to impose (inform about) values and visions on the suppliers (Simons 1995). A sample item is (to what extent): *does the municipality inform you about what the municipality considers acceptable behavior and acceptable values for this service?*

To measure the *supplier's trust in buyer*, we used the scale adapted by Selnes and Sallis (2003), previously used in several studies on inter-organizational relationships. The five items capture several dimensions in trust, including goodwill, capability, organizational and interpersonal trust. Two examples of items are: *I believe the municipality will respond with understanding in the event of problems* and *there is a general agreement in my organization that the contact people in the municipality are trustworthy.*

We used seven items to assess the degree of relationship *information sharing* (see appendix). The measurement scale was developed by Selnes and Sallis (2003), who used it to measure one sub-

dimension of their relationship learning construct. One example of item is: *we exchange information on successful and unsuccessful experiences.*

The control variable *goal congruence* is a dichotomous variable coded 0 if the supplier is a for-profit organization and 1 if it is non-profit. The information was gathered from official statistics and the suppliers' webpages. *Dependence* is measured by a two item measurement scale developed by Johansson and Siverbo (2011). We used a seven point Likert scale for all survey items. Descriptive statistics for the measures is presented in Table 1.

[Table 1 about here.]

Results

In this section we describe the technique of partial least squares (PLS) used to test the model, disclose relevant information about the measurement model and presents the results of the empirical test of the structural model.

Structural equation modelling: PLS

To analyze data we used a Partial least squares (PLS) method (Lohmöller 1989; Wold 1982) and the software SmartPLS 2.0 developed by Ringle *et al.* (2005). Contrary to variance-covariance based SEM, PLS estimates the measurement model and the structural model simultaneously by using an iterative OLS regression-like procedure where the aim is to minimize the residual variance of both observed and latent variables (Hartmann & Slapnicar 2009). PLS structural modelling overcomes some of the theoretical and estimation problems in traditional covariance structural models and is appropriate when samples are small, stringent assumption of the distributional characteristics of raw data cannot be made and research is exploratory (Wold 1982; Chenhall 2005).

Measurement model

The correlations between the variables is presented in Table 2 as well as the square root of the average variance explained (AVE).

[Table 2 about here.]

The table shows that the control mechanisms are inter-correlated at levels between 0.41 and 0.62. They are also fairly highly correlated with information-sharing, and results and behavior control are correlated with trust. The control variables (not the control mechanisms) are not very correlated with any of the other variables in the table.

Discriminant validity is achieved when no correlation between the focal variable and any other variable is higher than the square root of the AVE for each variable (Fornell & Larcker 1981). The words in bold diagonally in Table 2 show that all variables meet this criterion.

Discriminant validity also requires that each item loads higher on the variable it is supposed to measure than on any other variable. Items of a variable should not overlap with other variables (Chin

1998). Table 3 displays the cross-loading of all items. All items load the highest on their own variable indicating good discriminant validity.

[Table 3 about here.]

The table also shows that all variables have acceptable levels of convergent validity since all items have high or moderate factor loadings on their own construct. This is further confirmed by Cronbach's alphas above 0.6, AVE statistics above 0.5 and composite reliability well above 0.7 for all constructs (Chin 1998; Hair et al. 2010). See Table 1 for details.

Structural model

The structural model is evaluated by the explained variance in the endogenous variables, reported as R² values, and the significance of standardized beta-coefficients, which are equivalent with path coefficients (Chin 2010). Bootstrapping is used to evaluate significance levels. We applied the procedure of using 5 000 samples with replacement. In Figure 2 and Table 4 the results of PLS related to the structural model are presented.

[Figure 2 about here]

[Table 4 about here]

Table 4 shows the R² values for the endogenous variables and thus the predictive power of the structural model (Chin 2010). For both trust and information sharing the PLS model explains a considerable degree of the variance (29% and 52% respectively).

As expected, results control is positively related to supplier trust in buyer, giving strong support for H1 (B=0.407, p<0.001). However, neither behavior control nor social control is related to supplier trust as predicted. This means that we cannot confirm H2 and H3. The hypothesized relationship between social control and information sharing is significant (B=0.255, p<0.001) as well as the association between behavior control and information sharing (B=0.160, p<0.05). This means H5a and H6 are confirmed. Furthermore, in the table and the figure, a strong and significant effect of suppliers' trust in buyers on information sharing is reported (B=0.403, p<0.001).

To test the indirect effects we conduct a bootstrap test which is more powerful and rigorous than the commonly used Sobel test (Zhao et al. 2010). For this we used the Preacher and Hayes SPSS Macro for multiple mediation (Preacher & Hayes 2008). In the test, latent variable scores from PLS were used. The bootstrap results for the indirect effect tests (covariates as in figure 1 included) show that suppliers' trust in buyers fully mediates the relationship between results control and information sharing. The indirect effect is positive (B=0.173) and statistical significant (95% confidence interval). Since the direct effect of results control on information sharing is insignificant when the mediator is included the theorized mediating effect is confirmed and there is low risk of omitted variables in the theoretical framework (Zhao et al. 2010). The same test shows that the hypothesized indirect effect of social control on information sharing is not confirmed. The indirect effect is weakly positive (B=0.0219) but not statistical significant (95% confidence interval). Consequently, H4 is supported but not H5b.

Finally, from Table 4 it is clear that neither dependence nor goal congruence has any significant impact on its dependent variables.

To assess the EM-imputation made to the data set we run the same analyses with case-wise deletion (N = 93). The results were basically the same regarding path coefficients and statistical significance. Generally, case-wise deletion leads to somewhat stronger (std. betas) structural relations, indicating that the model-based (in this case the more appropriate) imputation technique leads to more conservative conclusions.

Discussion and conclusions

The outsourcing of non-technical core public sector activities such as education, healthcare, social care and elderly care and other “soft” operations has increased in many countries. This is interesting since many scholars question if these (low contractibility) activities can be contracted out without causing substantial transaction or agency costs (Gulati & Singh 1998; Brown & Potoski 2003b; Brown et al. 2006; Padovani & Young 2006; Kraus & Lind 2007; Dekker 2008; Johansson & Siverbo 2011). An alternative would be to develop trust-based control patterns (Van der Meer-Koistra & Vosselman 2000) but also within this pattern some degree of formal inter-organizational control would exist, not least as a consequence of demands in the institutional environment, and this could harm a trust-based pattern (Johansson and Siverbo, 2011). The main thrust of this article is to contribute to the literature on the ‘accounting-control-trust nexus’ of inter-firm relationships (e.g. Vosselman and van der Meer-Kooistra, 2000, 2009; Dekker et al., 2013) by focusing on the effects of different types of control, rather than control (or accounting) in general terms, and by posing supplier trust in buyer as an important mediator between control and information sharing..

Our study confirms that there is a positive association between results control and suppliers’ trust in buyers. In this respect, results controls in low contractibility settings stand out as a control device with a positively signaling effect on suppliers. The unobtrusive character of result controls means that suppliers experience capability and goodwill trust, which is returned (Davis et al. 1997; Coletti et al. 2005; Lindenberg 2000) and that the relationship is within an ethical frame rather than a business frame (Tenbrunsel & Messick 1999). Contrary to our expectation, however, social controls have no positive effect on suppliers’ trust. A speculation is that social controls are less visible for the suppliers and therefore not as effective for relationship signaling. Neither have behavior controls the hypothesized negative association with suppliers’ trust. It is possible that the (negative) relationship signaling of behavior control is over-emphasized in our theory. Other studies have indicated that behavior controls may be appreciated by the controlled since it reduces uncertainties and ambiguities (Oliver & Anderson 1994; Cäker & Siverbo 2014). These findings come from studies of salespersons and it remains to be investigated if the same effects occur among staff in low contractibility settings where the controlled often belong to occupation groups that treasure professional autonomy. It could also be problematized how to view upon the difference between trust, lack of trust and distrust (Luhman, 1979). Anyhow, the existence of one positive association and the non-existence of negative connections between inter-organizational controls and suppliers’ trust means our study is more consistent with the positive view of inter-organizational control

presented in Coletti *et al.* (2005) and less with the more negative stance taken by Tenbrunsel and Messick (1999).

As expected, behavior controls and social controls are positively and directly related to information sharing. However, the underlying explanation for their respective effect is most likely fundamentally different. Social controls create possibilities for suppliers to provide a more qualified representation of their activities and outcomes through personal contacts and an enlarged arena (Cäker 2008) and are often constructed as soft sanctions (Tenbrunsel & Messick 1999), while information sharing through behavior controls is more forced in its character (Tenbrunsel & Messick 1999). In this respect they seem to be two equifinal paths to information sharing. Future research could benefit from studying under which circumstances (moderators) they may not be and if or how they differ in effects on other outcome variables.

Turning to the indirect effects of control we first note the positive association between supplier trust and information sharing, which is in accordance with our theoretical expectation and means that when suppliers trust their buyers, their readiness to share information increases (Zaheer *et al.* 1998; Selnes & Sallis 2003; Fernandez 2007; Dekker & van den Abbeele 2010; Dekker *et al.* 2013). This has beneficial consequences for the relationship such as facilitated coordination, mutual adaptation, more innovation and better understanding of each other (Selnes & Sallis 2003; Cooper & Slagmulder 2004; Dyer & Hatch 2006; Mahama 2006; Brown *et al.* 2010; Dekker *et al.* 2013). The established indirect effect of results control on information sharing through suppliers' trust in buyers clearly speaks in the favor of result controls in this context. It also means that all three control mechanisms drive information sharing, although one of them indirectly. Consequently, we have increased our understanding of through which mechanisms information sharing is increased in contractual relations.

To sum up, we confirm some theoretical expectations about the relationships between different control mechanisms and variables theorized to be important antecedents to contractual performance. Our study of inter-organizational control in low contractibility settings gives three main contributions to the general literature on accounting and control in inter-organizational relationships. First, we theorize and show that different inter-organizational control mechanisms have dissimilar effects on trust and information sharing; variables expected to be important performance antecedents in contractual relationships. More specific, we confirm our initial expectation that different control mechanisms affect suppliers' trust in buyers in different ways. This is a contribution to the literature on the relationship between control and trust. It has been proposed in previous research that outsourcing of low contractibility activities requires trust-based control patterns (Van der Meer-Koistra & Vosselman 2000). According to this study, result controls appear to be most suitable for building contractual trust. Second, contrary to what sometimes is cautioned in previous research (Davis *et al.* 1997; Tenbrunsel & Messick 1999; Vosselman & Van der Meer-Kooistra 2009), inter-organizational controls do not seem to impair suppliers' trust in buyers or their willingness to share information. On the contrary, control based on setting goals for the activity and using financial and non-financial accounting information for evaluating goal fulfillment (results control) is highly associated with suppliers' trust in buyers, which in turn increases contracting parties' inclination to share important information. The one control mechanism assumed to be harmful in our context of low contractibility activities (behavioral control) showed to be no threat to suppliers' trust in buyers and directly and positively related to information sharing. Third, contrary to

most previous studies we theorize about and measure suppliers' trust in buyers and show that this form of trust is highly influential on the inclination to share important strategic and operational information.

Our study is not without limitations. First, the cross-sectional research design inhibits us from drawing causal inference. However, our results are supported by theorizing that is in line with what has been argued in the inter-organizational literature. Our contribution is to combine theorizing on the relationship between control, suppliers' trust and information sharing. We rely on self-reported measures from single respondents, which makes the influence of common method variance a potential concern (Podsakoff et al. 2003). We have taken several steps to reduce such influence including ensuring confidentiality, pre-testing on practitioners, careful design of wordings in the questionnaire and testing for lack of substantial uni-dimensionality by the Harman's one-factor test.

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Appendix: The constructs.

Results control (RC1-4)(degree of concurrence, 1-7):

The municipality has established specific performance goals for the service that you provide.
The municipality monitors the extent to which your organization meets the performance goals.
If you do not meet the performance goals, you are required to explain yourselves to the municipality.
The municipality provides feedback about the extent to which we achieve our goals.

Behavior control (BC1-7) (degree of concurrence, 1-7):

We are monitored based on the extent to which we follow established rules and procedures (for example routines and work instructions) (excluded in construct).
The municipality evaluates rules and procedures that we use for a given task.
The municipality revises (modify) rules and procedures when desired results are not obtained.
The municipality gives us feedback on the manner in which we accomplish our performance goals.
The municipality demands periodically reports on compliance to rules and procedures.
To evaluate our working methods the municipality demands us to report periodically.
There are sanctions if we do not comply with agreed rules and routines.

Social control (SC1-5)(to what extent; 1-7):

Do supplier personnel participate in the municipality's educational programs (which aim to inform about the municipality's objectives, expectations and norms)?
Do supplier personnel attend gatherings and meetings that the municipality organizes to create and develop relational bonds?
Does the municipality inform you on what the municipality deems acceptable behavior and norms for your service?
Has the municipality described values, aims and objectives for the service that you should follow (for example, vision and mission documents, general policies, value documents)?
Does the municipality communicate values to influence you as a provider?

Supplier's trust in buyer (concur to what degree, 1-7):

In our organization we believe the municipality will respond with understanding in the event of problems.
In our organization we trust that the other organization is able to fulfill contractual agreements.
In our organization we trust that the municipality is competent at what they are doing.
There is general agreement in my organization that the municipality is trustworthy.
There is general agreement in my organization that the contact people in the municipality are trustworthy.

Information sharing ('We' refer to the supplier and buyer. Concur to what degree, 1-7):

We exchange information on successful and unsuccessful experiences.
We exchange information related to changes in end-user needs, preferences, and behavior.
We exchange information related to changes in the technology and work methods of the focal service.
We exchange information as soon as possible of any unexpected problems.
We exchange information on changes related to our two organization's strategies and policies.
We exchange information that is sensitive for both parties, such as financial performance and company know-how.

Table 1. Descriptive statistics.

	Theoretical range	Actual range	Mean	Median	S.D	Cronbach @	AVE	Composite reliability
Results control	1-7	1-7	5.7	6.5	1.63	0.93	0.82	0.95
Behavior control	1-7	1-7	5.2	5.6	1.64	0.92	0.67	0.93
Social control	1-7	1-7	4.8	5.3	1.79	0.90	0.71	0.93
Trust	1-7	1-7	5.4	5.8	1.46	0.92	0.71	0.93
Information sharing	1-7	1-7	4.6	4.5	1.69	0.91	0.65	0.93
Dependence	1-7	1-7	4.6	4.5	1.69	0.62	0.73	0.84
Goal congruence	0-1	0-1	0.2	0	0.36			

n = 125

Table 2. PLS correlations.

	1	2	3	4	5	6	7
Results control	0.91						
Behavior control	0.62	0.82					
Social control	0.41	0.48	0.85				
Trust	0.52	0.42	0.30	0.87			
Information sharing	0.53	0.53	0.50	0.60	0.81		
Dependence	0.16	0.09	0.06	-0.06	0.04	0.84	
Goal congruence	-0.03	-0.14	-0.11	-0.01	-0.09	0.02	1

Notes: Diagonal elements represent the square root of the average variance extracted (AVE).

Table 3. Cross-loadings.

	Results control	Behavioral control	Social control	Trust	Information sharing	Dependence	Goal congruence
Results control_1	0.8517	0.5216	0.4483	0.4849	0.4788	0.1925	0.0892
Results control_2	0.9332	0.5803	0.313	0.4191	0.4278	0.1247	-0.0557
Results control_3	0.9179	0.5582	0.3399	0.47	0.4879	0.1467	-0.0992
Results control_4	0.921	0.5695	0.3919	0.4984	0.5281	0.0984	-0.057
Behavioral control_1	0.6037	0.8533	0.4651	0.3755	0.4394	0.0715	-0.1377
Behavioral control_2	0.5261	0.8612	0.3599	0.3673	0.4265	0.0739	-0.1524
Behavioral control_3	0.3977	0.7766	0.4223	0.3184	0.3408	-0.1044	-0.0523
Behavioral control_4	0.632	0.8701	0.4335	0.5111	0.4837	0.1106	-0.091
Behavioral control_5	0.4907	0.867	0.3583	0.3621	0.5118	0.147	-0.1392
Behavioral control_6	0.3965	0.8086	0.3529	0.2346	0.4501	0.1162	-0.1723
Behavioral control_7	0.444	0.7078	0.3544	0.1616	0.3493	0.0811	-0.0728
Social control_1	0.3359	0.3761	0.8197	0.1551	0.4136	0.0516	-0.0626
Social control_2	0.3662	0.2754	0.8098	0.2182	0.4409	0.0559	-0.0056
Social control_3	0.3034	0.41	0.8729	0.2618	0.401	-0.0166	-0.1426
Social control_4	0.3624	0.4855	0.8529	0.317	0.4244	0.0976	-0.109
Social control_5	0.3867	0.4615	0.8862	0.2833	0.4534	0.062	-0.14
Trust_1	0.2455	0.2345	0.1934	0.7125	0.4453	-0.16	-0.0454
Trust_2	0.4745	0.4029	0.2751	0.8672	0.4979	-0.0667	0.0055
Trust_3	0.5024	0.4489	0.2656	0.9053	0.5253	-0.0163	-0.0374
Trust_4	0.4554	0.3551	0.2807	0.9409	0.5782	-0.0721	0.0112
Trust_5	0.5345	0.3746	0.2627	0.9189	0.5891	0.0196	-0.0076
Information sharing_1	0.411	0.3633	0.3349	0.4766	0.8154	0.1099	-0.0823
Information sharing_2	0.4129	0.2814	0.1492	0.4869	0.6878	-0.0042	-0.1296
Information sharing_3	0.4338	0.4566	0.4072	0.56	0.8757	-0.0522	-0.1071
Information sharing_4	0.4591	0.4063	0.5354	0.4104	0.8394	-0.0911	-0.0528
Information sharing_5	0.4583	0.4353	0.3989	0.5347	0.8426	0.0696	-0.0865
Information sharing_6	0.5095	0.6056	0.5025	0.5617	0.8569	0.0805	-0.0439
Information sharing_7	0.3271	0.3857	0.4675	0.401	0.739	0.1124	-0.0232
Dependence_1	0.2224	0.1249	0.0736	-0.0262	0.0384	0.9144	0.0185
Dependence_2	-0.0109	0.0057	0.0166	-0.0868	0.024	0.7616	0.0239
Goal congruence	-0.0334	-0.1436	-0.11	-0.0139	-0.0902	0.0241	1

Table 4.

Paths from	Paths to		R2
	Trust	Information sharing	
Results control	0.407 (3.784)***	0.117 (1.091)	
Behavior control	0.142 (1.181)	0.162 (1.715)*	
Social control	0.063 (0.661)	0.255 (3.222)***	
Suppliers' trust		0.403 (4.395)***	0.29
Information sharing			0.52
Dependence		0.013 (0.167)	
Goal congruence	0.026 (0.394)		

n = 125. * p < 0.05 (one-tailed). **p < 0.01 (one-tailed). *** p < 0.001 (one-tailed).

Figure 1: Hypotheses of direct and indirect effects.

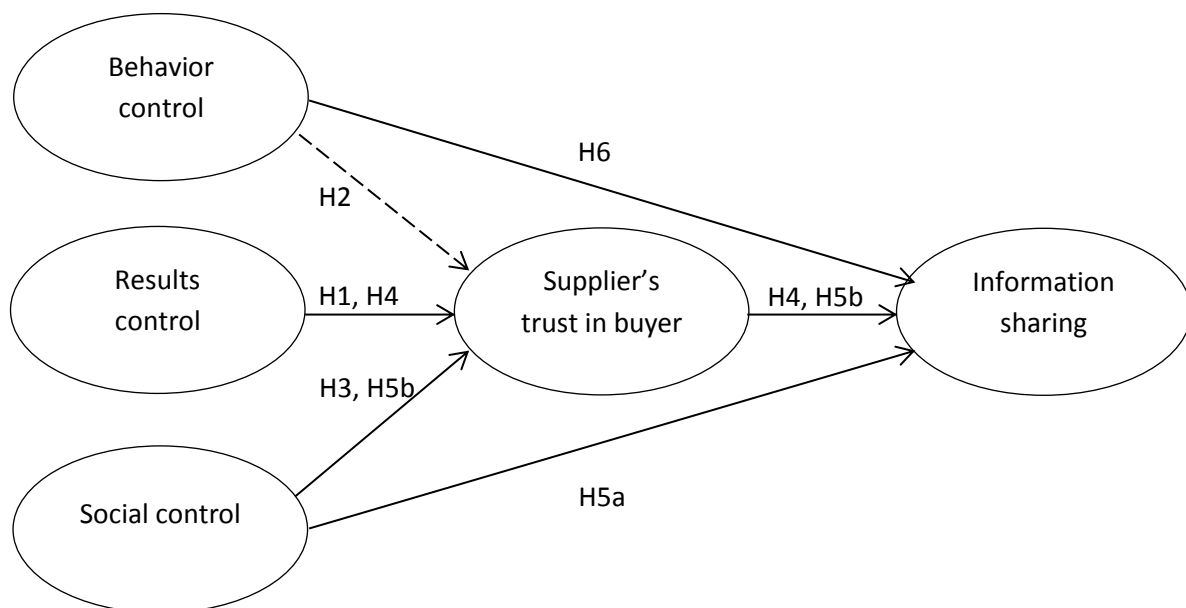
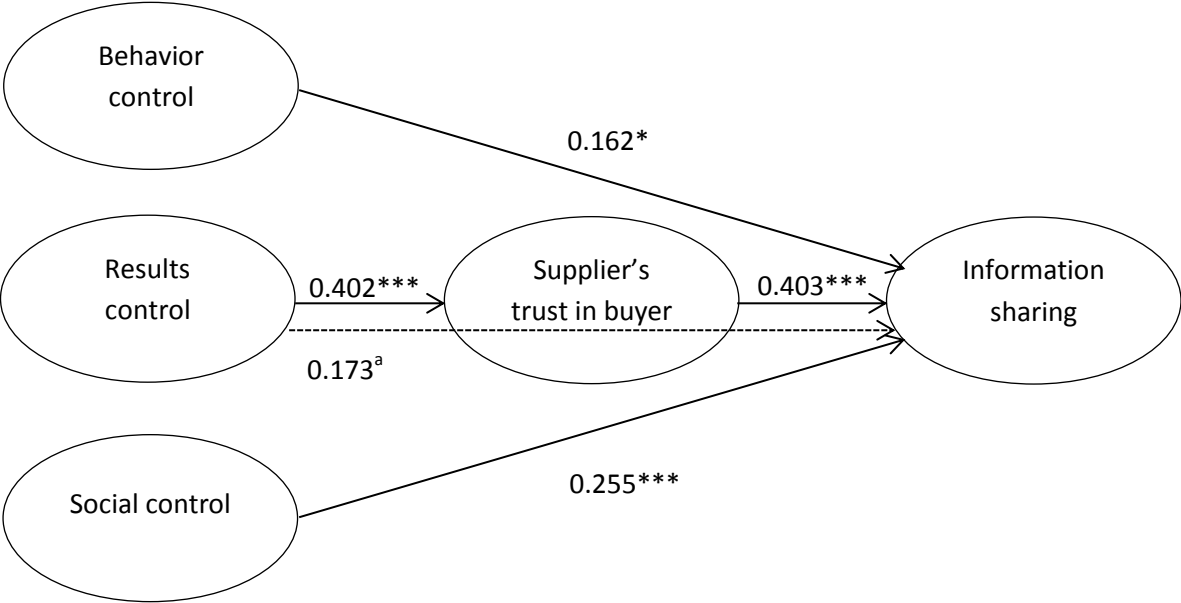


Figure 2. Structural model results.



n = 125. *p < 0.05 (one-tailed). **p < 0.01 (one-tailed). *** p < 0.001 (one-tailed). ^a within a 95% confidence interval.

PERCEPTION OF FAIRNESS OF PERFORMANCE MANAGEMENT SYSTEM

Evidence of differences in attitudinal
patterns among lending officers

THE LOAN OFFICER

- ▶ The unusually complex boundary role of the loan officer
 - ▶ The “face” of the bank in the eyes of customers in need of a loan
 - ▶ Advisor to customer on suitability of financial products
 - ▶ Responsible for loan risk exposure
 - ▶ Part of a team
 - ▶ *Financial products “salesman”?*
- ▶ Previous research has focused on the credit approval aspect
 - ▶ Capacity for rational evaluations of the risk
 - ▶ Risk appetite and sense of responsibility
- ▶ Little research on the motivation of loan officers to perform

RESEARCH ON INCENTIVE-BASED COMPENSATION PLANS

- ▶ Support for incentive-based compensation motivated by popular agency theory (see review by Baiman 1990). Financial incentives needed to motivate cooperative behavior in situations with high information dissymmetry.
- ▶ Basu et. al. (1985) emphasize that salespeople tend to work in a context of inherent unpredictability. The assumptions of agency-theory are suggested to be particularly applicable to salesman behavior as a result.
 - ▶ To deal with salesforce heterogeneity, research on sales quotas (Lal & Staelin 1986; Rao 1990) and relative incentives, i.e. **sales contests** (e.g. Kalra & Shi 2001; Murthy & Mantrala 2005)
- ▶ However, in non-sales environments there is little empirical support that incentive-based compensation improves performance. Indeed, some studies show decline in performance
 - ▶ E.g. Arkes et al. (1986); Ashton (1990); Bonner et al. (2000)

ORGANIZATIONAL COMMITMENT

- ▶ Organizational commitment
 - ▶ Mowday et al. (1979): “An employee’s identification with and involvement in the organisation”
- ▶ **Affective commitment**
 - ▶ Porter et al. (1974); Angel and Perry (1981) saw two dimensions:
 - ▶ **Values:** Strong belief in and acceptance of organizational goals and values
 - ▶ **Effort:** Willingness to exert considerable effort on behalf of the organization.
- ▶ Meyer et al. (1990) argued for a second type of commitment
- ▶ **Continuance commitment**
 - ▶ Perceived cost of leaving the organization
 - ▶ I.e. the opposite of the intention to quit

ORGANIZATIONAL COMMITMENT VS. AGENCY THEORY

- ▶ Chong & Eggleton (2007)
 - ▶ Relationship between incentive-based compensation and performance:
 - ▶ Managers with low organizational commitment: positive correlation
 - ▶ Managers with high organizational commitment: no relationship
 - ▶ “when the assumptions of standard agency theory are relaxed, the role of an incentive-based compensation scheme is not important“

Evidence of positive correlation between high incentives and performance
- in high and low information asymmetry situations

	Low Asymmetry	High Assymetry
Low value OC	n.s.	p = 0.006
High value OC	n.s.	n.s.
Low effort OC	n.s.	p = 0.039
High effort OC	n.s.	n.s.

PERFORMANCE MANAGEMENT & PROCEDURAL JUSTICE

- ▶ Procedural Justice (Leventhal et al. 1980):
 - ▶ Are applied consistently across people and time,
 - ▶ Are free from bias,
 - ▶ **Ensure that accurate information is collected and used in making decisions,**
 - ▶ Involve some grievance system,
 - ▶ Conform to personal or prevailing standards of ethics, and
 - ▶ Ensure that the opinions of various groups affected by the decision have been taken into account.
- ▶ Lau and Buckland (2001):
 - ▶ Financial metrics results in higher justice perceptions; 'objective' and 'truthful'
 - ▶ Nonfinancial metrics are perceived as relatively 'subjective' and 'biased'
- ▶ Lau and Moser (2008)
 - ▶ Nonfinancial metrics result in higher justice perceptions, ; 'complete' and 'accurate'
 - ▶ Financial metrics regarded as 'narrow' and 'rigid'

PERFORMANCE MANAGEMENT & OUTCOME JUSTICE

▶ Outcome Justice

- ▶ Based on Equity Theory (Adams 1963, 1965)
- ▶ “inequity distress”: ratio of one’s outcome (reward) compared to one’s input (contribution) is unequal to the corresponding ratio of a comparison other

▶ “Fair process” effect (McFarlin and Sweeney 1992):

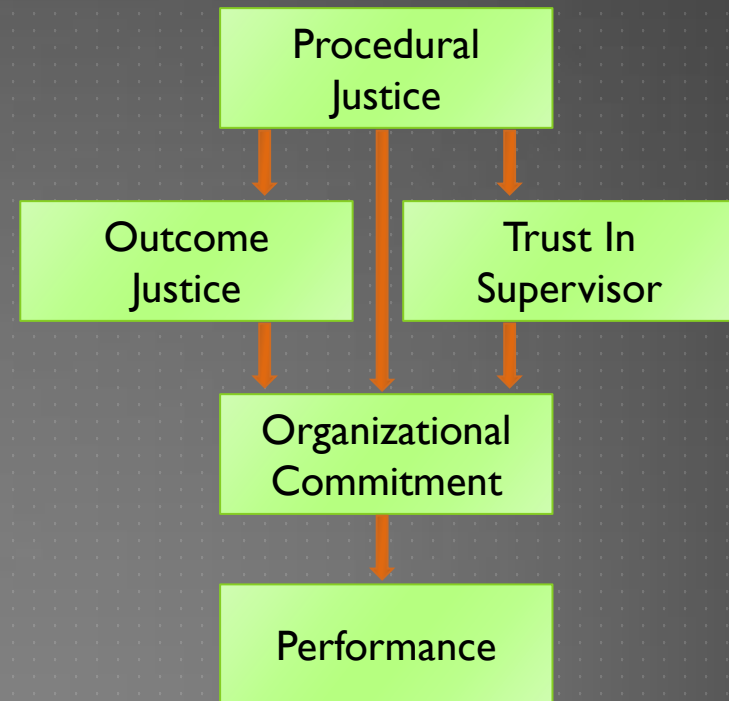
- ▶ Employees’ perceptions of procedural justice are positively related to their perceptions of distributive justice

▶ Tyagi (1982):

- ▶ need to achieve equity might have a greater impact on salesperson motivation to perform than the desire to maximize economic gains

PERFORMANCE EVALUATION JUSTICE & ORGANIZATIONAL COMMITMENT

- ▶ Sholihin, Pike (2009):
 - ▶ Confirming and refining conclusions from Lau et. al (2008) study
 - ▶ Perception of the procedural justice of performance evaluation is indirectly related to performance via organizational commitment
 - ▶ Procedural justice
 - ▶ Direct relation with organizational commitment
 - ▶ Also indirectly via trust in superior, and via outcome justice



PERFORMANCE MANAGEMENT & PROCEDURAL JUSTICE

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 - ▶ Are applied consistently across people and time,
 - ▶ Are free from bias,
 - ▶ **Ensure that accurate information is collected and used in making decisions,**
 - ▶ Involve some grievance system,
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- ▶ Employees’ perceptions of procedural justice are positively related to their perceptions of distributive justice

▶ Tyagi (1982):

- ▶ need to achieve equity might have a greater impact on salesperson motivation to perform than the desire to maximize economic gains

PROPOSITION I: TWO ATTITUDINAL PATTERNS

▶ Financially-driven pattern

- ▶ Outcome fairness is more important than procedural fairness
- ▶ Incentive-based compensation motivates better performance
- ▶ Financial indicators are considered more fair than non-financial indicators
- ▶ Organizational commitment limited to economic alignment

▶ Socially-driven pattern

- ▶ Procedural fairness is more important than outcome fairness
- ▶ Incentive-based compensation reduces motivation to perform
- ▶ Non-financial indicators considered more fair than financial indicators
- ▶ Organization commitment has potential to encompass organizational values

PROPOSITION II: THE PMS CAN BE USED TO STRATEGICALLY ALTER MIX OF EMPLOYEES

- ▶ Performance management system impacts team dynamics and ultimately team composition
 - ▶ Organizational focus on financial indicators gives greater influence to employees with financially driven pattern
 - ▶ Incentive-based compensation and sales contests are introduced, partly due to pressure from employees with financially driven pattern
 - ▶ Socially driven pattern employees perceive management system as unfair, resulting in low organizational commitment, trust issues, poor performance and ultimately intentions to quit.
 - ▶ Reintroduction of non-financial indicators for performance evaluation and de-emphasis of incentive-based compensation and sales contests produces trust issues and poor performance among financially driven employees, who perceive the new performance management system as unfair

THE BANK

- ▶ Established early 1800
- ▶ One of the larger commercial banks in Norway, with 1200 staff members
- ▶ Customer base 65/35, retail and corporate market respectively
- ▶ Return on equity has shrunk from approximately 24% in 2006 to 13% in 2013
- ▶ New vision 2013
- ▶ “We intend to be the recommended bank. This vision entails a weighty commitment to our customers, partners, staff and EC holders. To fulfil this vision we must strive continuously to improve ourselves and to stay abreast of market and customer needs.”
- ▶ The loan officer is the banks face
- ▶ Their job should be based on the banks vision
- ▶ The banks financial goals are increased RoE and market share through increased customer satisfaction
- ▶ The performance evaluation system should facilitate the loan officers’ ability to achieve these goals
- ▶ Team-work is emphasised as a key factor to achieve the goals of the bank and increase business results

METHOD

- ▶ Eight interviews
- ▶ Initial categorisation
 - ▶ 4 “high performers” (Group 1)
 - ▶ 2 “middle performers” (Group 2)
 - ▶ 2 “low performers” (Group 2)
- ▶ Second categorisations
 - ▶ Financially-driven pattern
 - ▶ Socially driven pattern
- ▶ Themes explored in the interviews
 - ▶ Sales
 - ▶ Motivation
 - ▶ Team vs. individual rewards/efforts
 - ▶ Evaluation/measurements
 - ▶ Performance
- ▶ Second categorisation
 - ▶ Performance management system impact on team dynamics

CHANGES IN THE PERFORMANCE EVALUTATION SYSTEM

- ▶ The change was (partly) a reaction to the financial crisis
- ▶ The bank reflected a desire of changing the prevalent sales culture, i.e. less focus on individual performance than previously
- ▶ Individual vs. team based performance
- ▶ From “Bonus Card” to Balanced Scorecard
- ▶ From departmental (only) to individual scorecards (in addition)
- ▶ Pre-change, basis for performance pay mainly based on individual sale
- ▶ Post-change, basis for performance pay was extended to include more team based effort

PERFORMANCE BASED PAY

	Before the change
Individual performance	75%
Team performance	25%
Max payout per year	60.000

- Allocation of performance pay due to team performance done by manager
- Individual performance not linked to team performance

	After the change
Individual performance	50%
Team performance	50%
Max payout per year	80.000

- Allocation of performance pay due to team performance split evenly between employees
- Team performance goals need to be gained for before individual performance based pay falls out

RESULTS OF THE CHANGE

- ▶ Loan officers with medium and lower sales performance
 - ▶ Positive effect on sales
- ▶ Loan officers with very low sales performance
 - ▶ Weak positive effect on sales
- ▶ Loan officers with the highest sales performance
 - ▶ No systematic effect on sales

PERCEPTION OF THE CHANGE – GROUP I

- ▶ Preference for the original performance system
- ▶ Focus on individual performance is motivating and representing performance more fairly
- ▶ Team performance is seen de-motivating
- ▶ Free riding is mentioned several times

PERCEPTION OF THE CHANGE – GROUP 2

- ▶ Preference for the changed performance system
- ▶ Team performance is seen as motivating and representing the performance more fairly
- ▶ Free riding never mentioned

TWO BEHAVIORAL PATTERNS:

▶ 1a) Financially driven pattern

- ▶ Outcome fairness is more important than procedural fairness
- ▶ Incentive-based compensation motivates better performance
- ▶ Financial indicators are considered more fair than non-financial indicators
- ▶ Organizational commitment limited to economic alignment

- ▶ I need the extraordinary rewards, like the trip to New York for the top performers. I get excited about it. I need the carrot. But now, when they've taken it away, what carrot should I attach myself to now? (I)
- ▶ If I don't have the success I deserve, I'll leave. Some people are unable to perform, in a business like this? If I had not been successful, I would have changed job. Never would I have sat here. But we are different. (I)
- ▶ When the focus on team rewards were increased there were some who cheered: "yes, now we will get a bonus", the ones who performed poorly. And I said: "yes, you can thank me for that". So I'm a bit crossed about that. (I)

TWO BEHAVIORAL PATTERNS:

▶ I b) Socially driven pattern

- ▶ Procedural fairness is more important than outcome fairness
- ▶ Incentive-based compensation reduces motivation to perform
- ▶ Non-financial indicators considered more fair than financial indicators
- ▶ Organization commitment has potential to encompass organizational values

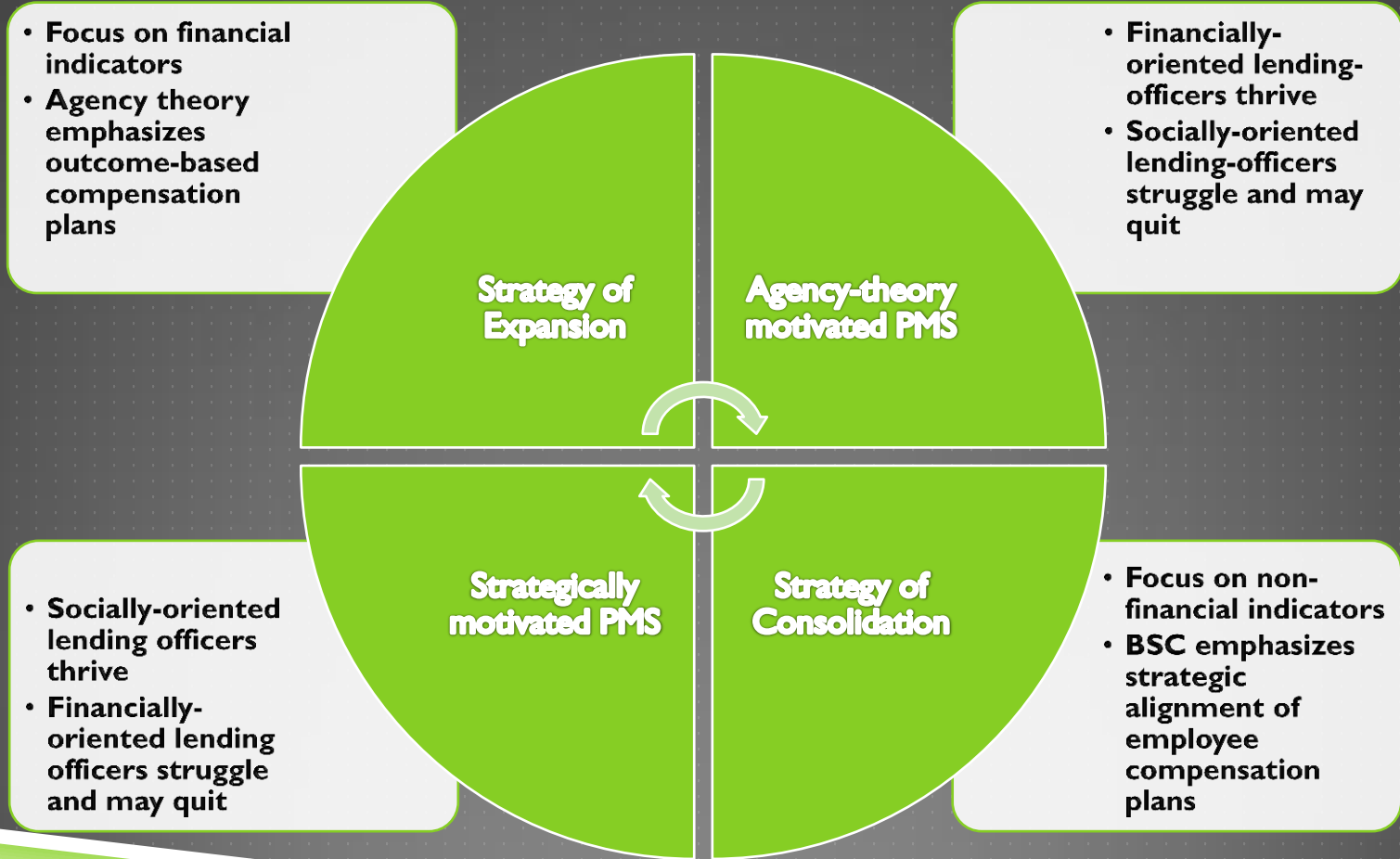
- ▶ Our performance is measured in relation to increase in sales volume, not on how we carry out our working tasks. It is a lot that isn't cached in in this type of performance evaluation, and it doesn't really say much about how you perform in your job. (2)
- ▶ I want to succeed anyway. I'm not saying the bonuses are irrelevant. Of course it matters, reward matters. But at the same time, my performance would have developed positively whether the reward had been there or not. Because I want to prosper, I want to become better. But it is clear that if you get a pretty nice little reward for it as well one is motivated by it. (2)

TWO BEHAVIORAL PATTERNS:

▶ 2) Performance management system impacts team dynamics and ultimately team composition

- ▶ Organizational focus on financial indicators gives greater influence to employees with financially-driven pattern
 - ▶ Incentive-based compensation and sales contests are introduced, partly due to pressure from employees with financially-driven pattern
 - ▶ Socially-driven pattern employees perceive management system as unfair, resulting in low organizational commitment, trust issues, poor performance and ultimately intentions to quit.
 - ▶ Reintroduction of non-financial indicators for performance evaluation and de-emphasis of incentive-based compensation and sales contests produces trust issues and poor performance among financially-driven pattern employees, who perceive the new performance management system as unfair
- ▶ My selling performance is because of my activity level. Its twice as big as many others. I put the hours in. (1)
 - ▶ We look after customers that are looking for services other than sales, we take care of customers that are dissatisfied for some reasons, and it is not always the wrongdoings of one self we take care of. So it is tiring when all focus is on sales, and new sales. (2)
 - ▶ I think, most people are motivated by sales. Now, I can't speak for those who perform badly, well it's hard to say. We have a sales culture, so we, we are the motivated ones. But certainly there are many who are negative to the sales culture. (1)
 - ▶ The individual sales focus creates solo riders. They are more concerned about reaching their own rewards than helping other to reach their goals, to relieve a pressure others may be experiencing, or sharing when you have more than enough. New employees may have lesser to do, and others may have far too much on their plate. And they don't share because they want to make sure they can reach their individual goals.

PRELIMINARY CONCLUSIONS



Management at distance – the control gap in hospital mergers?

Work in progress

Draft of paper to

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Stjørdal, 14-16 October 2014

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Introduction

Coordination between organizations and the challenges of control across organizational boundaries have been problematized both among researchers (Cäker and Siverbo, 2011; van der Meer-Kooistra and Scapens, 2008; Dekker, 2004; Håkansson and Lind, 2004), and among policymakers the last decades. There is an increasing and general concern about the inter-organizational control problems facing the reforming public sector. Cooperation between public sector organizations has become increasingly more important as different forms of inter-organizational relationships have emerged from the international reform initiatives in this sector. New control problems arise when services are to be coordinated between autonomous

units. Especially in the welfare sectors we observe that health care services are produced in collaboration between two or more public and/or private units.

In order to face such coordination problems, mergers of hospitals into large units have been observed as emerging tools in US and in most European countries. However, there is great uncertainty among researchers and healthcare officials as to the effects of increased hospital consolidation. Proponents of hospital mergers emphasize that such reorganization will result in lower costs and greater efficiency, while skeptics of hospital mergers believe that, due to the complexity of these services will actually increase patient costs, mainly because of increased administrative staffs and management control challenges (Gaynor, Laudicella and Propper, 2012).

Our study does not deal with the effects of public hospital mergers, as our focus is on the internal management aspects of mergers. Our assumption is that a study of internal elements may increase our understanding of why many mergers often fail to produce the expected positive effects. Mergers between hospitals will often imply management accounting and control at distance. This means that the administrative top managers are located at one of the hospitals involved in the merger, whereas the other merging entities are located somewhere else and often far from the “mother hospital”. Consequently, management control will be performed at distance for some of the entities while top managers will be close to the departments in the “mother hospital”. Distance is one important contextual element which affects the relationship between managers and their employees (Chenhall, 2003). Consequently, distance is also a contextual determinant when managerial tasks such as coordination and control are to be performed. Further, when the context such as distance changes, we might expect that this change also may change elements in the relations between managers and employees in merging hospitals. On this background, our research question is how do clinical managers and

professionals in hospitals perceive their relations with top managers at a distance when contexts are changing?

Distance between top managers and the professional staff may affect these actors in the merged hospitals when it comes to their perception on how management is performed, what are legitimate management practices and what should be emphasized in such practices. One important frame of the reforms which have driven the mergers is the rationalist logic based on managerial and businesslike principles. This managerial logic is often in contrast to the professional working life in the hospital, and may therefore be in conflict with both the identity and values of the professional employees in hospitals. In professional service organizations like hospitals, we know that the decisions are legitimized through professional implementation and influence. When analyzing the views expressed by professional staff in hospitals, we have to be aware of the differences between the administrative logics and the professional norms guiding the actions of doctors and nurses in the hospitals.

The setting for the case studies presented here is quite unique. The two hospitals studied (hospital 1 and hospital 2), were merged into one independent unit in 2002 together with another small hospital. One of the hospitals in our study had at that time the role as the “main” actor and housing the top management group (hospital enterprise 1). The merged hospital experienced fundamental intra-organizational conflicts, especially vertically between the top and the operational levels in the three merging units. Consequently, the board of the regional health authorities decided to split up the merged hospital in 2007 due to these internal conflicts, internal unrest and escalating budget deficits (Regional Health Authority, 2006). At the same time, a new merger was constructed based on political decisions, and the two hospitals were merged with the largest university hospital in the region, while the third hospital was included into a central hospital in another geographical unit.

In order to follow the two case hospitals and analyze the perceived changes in the managerial practices, we made a follow up survey study in 2013 to compare a survey from 2005 in the two case hospitals. We also conducted interviews among respondents in the merged hospitals during spring 2014 in order to compare the 2005 interviews. The empirical data therefore consists of a longitudinal study in the case hospitals with the possibility to compare perceived experiences among the staffs working in the hospitals both in 2005 and 2013/14.

Previous research has questioned how management reforms in hospitals have affected the operation of clinical practice (Jacobs, 2004; Lapsley, 2007), while other studies refer to different practices of clinicians in hospitals (Llewellyn, 2001; Model et.al. 2001; 2007; Kurunmäki, 2004, Jacobs, 2005; Lehtonen , 2007; Martiniussen and Magnussen, 2011). Our main findings are that horizontal/lateral coordination is perceived as functioning well, whereas vertical control is perceived as more or less ill-functioning independent of distance. We base our study mainly on a theoretical framework focusing on inter-organizational controls. This study contributes to existing knowledge and research in this field as we highlight the longitudinal perspective in changes of the vertical and horizontal management control at distance in mergers.

The paper is structured as follows. First, we describe the theoretical framework. Thereafter the research setting and research methods are presented. The empirical findings are discussed and finally, the main findings are analyzed and discussed.

Theoretical framework

Introduction

A merger may according to our view be defined as a transaction in which two or more hospitals combine most or all of their assets and competences to create a third entity, the merged unit, and thus, resulting in a change of control for all hospitals. Such merger introduces new lines of authority, which in principle may induce longer lines of command between the top management and the professional staffs. These mergers follow the traditionally management control practices, which have been designed for line organizations to allocate accountability between managers at different levels. In such contexts we may talk about action at distance (Robson, 1992: 691); “While distance in this formulation is the fundamental problem for action and control, it is also a source of “power” that those who act upon a setting through power/knowledge are distanced from that setting”.

This traditional view is challenged by the introduction of the horizontal dimensions, which focus on the support of decisions and control between units in lateral relations, such as hospitals. Here the main task is to manage activities in a non-hierarchical and lateral sense, introducing aspects of process orientation, which is related to inter-organizational management control. In this context, the clinical department is central. Consequently, mergers based on vertical and formal lines of authority, may in principle conflict with the lateral management view to perform process activities between administrative units in hospitals in order to manage patient throughputs.

Since the late 1990s there are some signs of new organizational forms emerging within health management based on lateral or horizontal rather than vertical modes of organizing (Grafton et al. 2011). There is talk of a “governance” model of organizing (Newman, 2001) based on lateral rather than vertical relations. These models all challenge the vertical control

lines, stressing lateral and process-based forms of organizing rather than vertical or functional principles. These arguments are highly relevant for hospitals as professional service organizations. On the other hand, the trends towards formal mergers point to a direction of more vertical lines of control which may conflict with the professional governance in hospitals, which are mainly based on social or norm based control in the hands of the professionals themselves.

Horizontal and vertical management control

According to the focus on professional norm controls which is fundamentally tied with horizontal/lateral practices, literature in the field points at the observation that horizontally oriented MACS (Management Accounting and Control System) are often used for coordinative purposes in inter-organizational settings (Håkansson and Lind 2004; Dekker, 2004; Cäker and Siverbo, 2011). It is noted that the horizontal MACS do not substitute the existing vertical functionally oriented MACS, but complement it (Kastberg and Siverbo, 2011). However, what they see is that the use of horizontal and vertical MACS are kept separate and used in different situations. Other studies show that traditionally designed (vertical) MACS obstruct the realization of process orientation, since such MACS (horizontal coordination) reinforce a vertical perspective on the organization, which makes inter-departmental cooperation and inter-organizational collaboration more difficult.

Accordingly, hospital mergers which motivate to more formal management at a distance may hamper the development of lateral management practices. Laterally based principles of organizing are now being promoted as a potential successor to highly integrated forms. But the success or failure in inter-organizational contexts depends on the coordination between the partner institutions (Smith et al., 1995; Dekker, 2004; Caglio and Ditillo, 2008). A lateral management control system is more similar to the interactive control system defined by Simons

(2000:216) as “...*the formal information system that managers use to personally involve themselves in the decision activities of subordinates.*” Interactive management control systems appear in interaction between managers and their subordinates (van der Meer-Kooistra and Scapens, 2008). According to Batec and Carassus (2006) and Kominis and Dudau (2012: 144) the interactive management control systems are characterized by: “*a strong level of involvement from all organization members, and a focus on dialogue and knowledge exchange for the examination of the assumption underlying both current strategies and new strategies.*” These processes are characteristics of lateral relations built on involvement, dialogues and communication. The vertical control approach does not include the lateral processes across functional lines of authority. Management at a distance may accordingly hamper these lateral relations.

According to Kastberg and Siverbo (2011) the horizontal MACS are at a more general level used for coordination, for interactive control and for attention direction. Simon (2000) and Kominis and Dudau (2012) conclude that the measure of success of an organization’s management control package is its ability to manage the tension between predictable goal achievement (monitored by diagnostic systems) and creative innovation (fostered by interactive systems). Further, we may expect that interactive management control have to be practiced with the “hands on” in close relations with the actors; and not at a distance.

Interorganizational controls and framing of interaction

Increased attention has been paid to see cooperation as means to increase efficient public sector services (Miller et al, 2008). In an overview, Carlsson-Wall et al (2011) conclude that existing literature mostly relating to the private sector, has primarily focused on inter-organizational administrative control, and with much less attention to social and self-controls. On the other

hand, long ago Hopwood (1974) pointed to the need to pay attention to social controls and self-controls as parts of managers' tool boxes and the potential influences with behavior in organizations. Administrative controls are the traditional, formal tools managers use for potential influencing behavior. Then comes social controls derived from colleagues, education and group norms, and last, self-control based on personal values which motivate action.

Solstad and Pettersen (2010) show that in a hospital merger the hospitals were forced to change, but the new organization – the merged hospital – followed different pathways to handle the externally imposed stress. The top management changed the administrative control and the structures, while the professional parts of the hospitals did not adjust to these changes. The formal organizational structures and flow charts were changed, whereas the routines and clinical practices based on the key actors' evaluation of activities; their interpretive schemes – their framing remained unchanged (Broadbent and Laughlin, 2005). Based on these arguments, we need to go beyond the formal, vertical lines of coordination and control when studying mergers and the perception of control by the professional staff. These arguments are also according to van der Meer-Kooistra and Scapens (2008), who point at the comprehensive view of management control which include these lateral relations which cannot be observed merely from the hierarchical management viewpoint.

In our case where performance is heavily dependent on professional actors, we assume that social control and self-control are most important incentives for high quality service provision. These control mechanisms cannot be administered from distance, but have to be implemented in direct face-to-face contact with and between the professional staff as they are performing their tasks. Administrative controls, on the other hand, might be performed at a distance by indirect media (e-mail, telephone, documents).

Inter-organizational social controls develop by informal and direct interaction. This is especially relevant in professional organizations such as hospitals, where performance is in the hands of these professional employees and guided by social/norm controls. In such organizations, researchers have noticed that there is a potential clash between the goals set by management and those of the health care professionals. Management by distance as organizations become larger due to mergers may, accordingly, challenge social and self control if administrative controls replace the other control bases.

How then can we understand the differences in perceived controls such as those discussed here? Actors may interpret signals and actions differently, which directly refer to the concept of framing (Goffman, 1974). Frames are organizing principles that govern actions and performances, and are expressed in discourse and subject to collective construction. The actors compare experiences and actions, and use framing to give meaning and common understanding or definition of the situation. Framing is, according to Goffman (1974), a way to explain the background different actors or group need to interpret the ongoing conversation and interaction. In this sense, framing refers to how something is contextualized, interpreted, and essentially given meaning (Sundstöm, 2011). As social and self-controls are directly tied with social interaction (face-to-face), social interaction presupposes established social frames. Social frames do not only provide a “schemata of interpretation” but also guide the interactions between these individuals, and they are continuously negotiated between different parties. According to Goffman (1974), actions are always interpreted in a context that makes certain performances legitimate, while others will face resistance. The context will therefore be part of the individual's understanding of what's happening. These frames enable and regulate the way actors establish meaning of what is going on around them (Bay, 2011).

Consequently, we may understand differences in perceived control relationships between management and professionals by noticing that actors/professionals construct their

interpretation and understanding of control differently due to many reasons, among other explanations difference as to context (distance) and professional background. This different understanding of control may also include managing of identification and tension in the organization (Seal and Mattimoe, 2014). Tension in this sense may not only include different goals, but also different concepts and perspectives on reality (Seal and Mattimoe, 2014; Cinquini et al., 2013; Nørreklit, 2011). According to Nørreklit (2011:17) is reality not at static phenomenon, but a well-functioning actor-world relationship' and is the "integration of the four dimensions of facts, possibility, value and communication." Facts may thus be defined by their possibilities or logics (Seal and Mattimoe, 2014).

In this paper, we argue that the tensions are socially constructed by actors framing the ongoing conversation and interaction. Management control at distance may create special managerial challenges (especially in hospitals), and consequently, distance may influence framing. Facts could then be understood as framing of physical distances. Values and logic could be understood as framing of emotional distance, while communication could be seen as framing of cognitive distance. Normally individuals feel more socially connected to others who are located nearby (Stafford, 2005; Henderson and Lount, 2011). Increased physical distance between individuals may lead to disconnection, and individual may react less positively towards one another. Physical distance may also have a negatively effect on the quality of the interaction between leaders and employees (Howell et al., 2005). The physical distance may also affect the perceived distance – the cognitive and emotional distance. In such a context, framing is essential.

The research setting

Like most other countries in Europe, the hospital sector in Norway has been continuously reorganized since 2002, and the reforms have created organizations that are

functionally/vertically controlled by managers, whereas the production lines are coordinated on a process- or a lateral basis (Pettersen et. al., 2012). The new organizational form is basically built on Regional Health Authorities which include several independent local hospital enterprises. Each level is managed by a general manager who reports to the board at regional or local level. These units are legal entities regulated in the Hospital Enterprise Act (2001). This model is in many ways similar to the business enterprise model, consisting of several independent business units called daughters which are governed by the parent organization. In this paper we focus on the respondents' perceived intra – and inter-organizational vertical and horizontal coordination practices between the “mother unit” and the other hospital units as the hospitals are merged.

The four Regional Health Authorities in Norway coordinate the hospital enterprises. This coordination model is complicated, as we find vertical coordination between the State (the owner), the Regional Health Authorities and the local hospital enterprises. There are also horizontal coordination tasks between the local hospital enterprises within their region, and also internal horizontal coordination challenges within hospital units, as these are large organizations. In order to develop more efficient governance forms, the Government introduced hospital mergers as one of several reform initiatives. The politically lead pressure towards larger hospital entities motivated a comprehensive reorganization and large number of mergers took place within few years after the reform. Between 2002 and 2013 the number of self-governing hospital entities was reduced from 54 before the reform to 25 years after.

Research methods

The purpose of this study is to analyze mergers between hospitals as a part of a managerial reform. We have made a longitudinal study to gain a deep insight (Lee et al., 2007) and followed

merger processes affecting our two case hospitals during 11 years. We began the study as the Norwegian Hospital Enterprise Reform was implemented in 2002, and during these years two merger initiatives were implemented in this region. When studying organizational change, Ryan et al, (2002) and Scapens (2004) highlights the necessity to study the changes in their historical, economic and organizational context to gain a comprehensive understanding what's happen during the change process. According to Pettigrew, Woodman and Cameron (2001) time is also an essential part of investigations of change if processes are to be uncovered. We have included these suggestions into our study.

We began with a fieldwork in the first merged hospital enterprise consisting of three previously independent hospitals. These three hospitals were geographically located in two different counties. The hospital had a total of approx. 1,500 employees. Each hospital unit offered most hospital services, but with varying degrees of specialization. It was a long distance between the hospitals; nearly 225 km between the two hospitals with the longest distance range. The three hospitals were earlier managed by their own top management and administration. Because of geographical and historical reasons, there had been little cooperation between the hospitals before the merger in 2002. The general manager and the top management team were recruited from outside and localized to one of the former independent hospitals. During the field work we interviewed key informants in 2005, such as the clinical department managers situated in each of the three merging hospital units. A total of six clinical managers were interviewed. The data collection was based on semi-structured interviews. In order to obtain valid information, each construct was explained and discussed with the respondent during the interviews. The researcher participated in the interviews, and these were taped and recorded. The interviews took from 1,5 – 3 hours and were carried out in the offices of the clinical managers. . The notes were sent to the interviewees for validation.

In spring 2014 new interviews were made with clinical managers in the same two case hospitals. Six managers participated in the study. They were not identical with the key informants in the earlier field study (2005), but they have the same positions. The interviews were made similar with the former data collection. The quotes used in this paper are all translated from Norwegian to English by the authors.

A survey among all the professional employees was also carried out in 2005. That survey was sent out three years after the merger had been implemented. The respondents were nurses, doctors and the clinical managers in the departments in the three merging hospital entities. The questions in the survey were developed according to operationalized constructs to describe relevant theoretical dimensions derived from the theoretical framework. The questionnaire was distributed by the internal mail system. The questions were formulated as assertions, and they were based on closed alternatives with options from either strongly agree to strongly disagree. The assertions have been translated from Norwegian to English in this paper. 759 questionnaires were distributed in the hospital in June 2005 with a total response rate at about 38 %.

During the spring 2013 we conducted a new survey to the reorganized merged hospital enterprise. The same questions were used as in the former survey, and we used the same practical methods. We received responses from 837 employees, which indicate a response rate of approximately 15%, which according to the hospital's administration is considered a normal response rate. Many of the employees were on leave, holidays and may have resigned, and the actual response rate may then be 25-30%. Consequently, our interpretation of the data should therefore only indicate trends.

In this paper we present data from the two case hospitals (hospital 1 and 2) that were involved in both mergers. The data is analyzed by using SPSS. We use descriptive statistics to

calculate the average in per cent. The data is presented in appendix 1 and 2. In the presentation we combine the alternatives agree/partly agree, and disagree/partly disagree.

Empirical findings

The implementation of the Hospital Enterprise Reform (2002) was top- down driven. The general managers who at that time were responsible for the implementation of the new management control systems, were considered as the “Ministry’s prolongations of the reform”. The management control was based on vertical lines, where the general managers were the representative for these modes of organizing. These modes are in contrast with a more lateral (horizontal) control practice, which are mostly observed in the clinical departments. In the mergers between the hospitals the real distance and the perceived distance between the general managers and the professional staff in the units may affect the local discourses and the collective constructions of norms and culture in the clinical departments.

The geographical location of the general manager and his staff is a main contextual condition for managing the merged hospital units. In 2005 the general manager was located in hospital 1, while in 2013, after the second mergers, the general manager was placed in the largest hospital, located far away from hospital 1. Hospital 2 did not host the general managers neither in 2005 nor in 2013.

In the interviews and in the surveys the professional staffs were asked about their perceptions on decision-making, information, communication, cooperation and distance. The focus was both on the relationship between the general manager (and his staff) and the professional staff in the departments (vertical control line), and between the clinical managers and the professional staff (a more horizontal control line). The clinical managers were during this time period all placed in the same location as the professional staff. Thus, the vertical and

horizontal lines of management control have had different conditions as to physical distance in these two mergers.

Vertical lines of management control

The vertical lines of management control are studied by the relation between the general managers and the professional staffs. It is striking to notice the differences between the respondents' views between 2005 and 2013. Although the professional staffs in hospital 1 in 2005 were housed in the same buildings as the general managers, they were much more hostile in their views on this management in 2005, compared with the 2013 view - where the top management team is placed far away.

In 2005 when the top management was in the same building, the professionals disagreed with the top managers' decisions, they felt they were not well informed about key decisions, and they felt they were in general not well informed. Further, they did not think that the top managers were visible in the organization, and they thought that the top manager did not have a good dialogue with the professional employees. Strikingly, they think that the communication between the top and the professionals was bad (95 % disagree with the statement that the communication is good). The empirical findings from the survey in 2005 are confirmed by interviews with key informants in hospital 1: As one informant said:

“There has been communication, but it has not been two-ways communication.”

This citation illuminates a top-down communication. Further, another informant stated that the general manager did not focus on managing the merged hospital, but was concentrating on serving the regional administration, upwards:

“In my opinion, the administrative top leaders work for the Regional Health Authority - they do not carry out discussions with us.”

We also find signs that professionals perceive the administrative managers to have low legitimate standing:

“I do not trust the administrative top leaders.”

The same picture is painted by the 2005 respondents in the second case hospital (hospital 2). Respondents were highly critical to the top management (although slightly less than in hospital 1), indicating bad dialogue and communication. This hospital was situated far away from the “mother unit”. The 2013 data indicate that the perceived distance between the general manager and the professional employees in hospital 2 has decreased, as respondents are neutral as to the quality (difficulty) of the relations. The key decision makers in hospital 2 expressed in 2005 a perceived long distance to the general managers. One informant said:

“The general managers work by their own agenda. This result that changes we like to do in the clinical world don't get sympathy within the general manager team.”

Another informant stated that the general manager did not have tacit knowledge relevant from the hospital world:

“The general managers is not rooted in the clinical world”

The informants in both case hospitals perceive that there are unbalanced power bases in the merged units, as respondents think that geographical distance poses a problem related to the fact that the general manager is housed in one of the units.

In 2013 respondents in both case hospitals are of the same opinion, however, in 2005 respondents in case hospital 1 did not think that relations were unbalanced. In 2013 these

respondents changed their opinion and think that the physical distance has increased and favour the hospital unit housing the general manager. Informants in hospital 1 said:

“I experience that there are problems with understanding how we are operating in relation to the distance ... they do not understand what we are concerned about”

“They have the role as the big brother, while we have the feeling of being the little brother...”

The perception of unbalanced decision-making and problems attached with physical, cognitive and emotional distance may be framed by the relative close or long physical distance to the general manager and his staff. On the other hand, as seen above, distance does not (seemingly) produce negative opinions towards the top management in 2013

In 2013 the professional staff is still negative to the vertical lines of management control represented by the general managers, but the resistance has decreased to some extent. The informant from hospital 1 and hospital 2 express in interviews that they do have “any experience” with the general manager. The general manager and the staff were quite distanced from the professionals’ daily:

“We do what we always have been done.” (Informant, hospital 1)

“I’m not dependent on the general managers in my daily work.” (Informant, hospital 1)

“We feel very independent in how we operate the clinic.” (Informant, hospital 2)

“We do not have anything to do with the general managers...I do not know who the other person in the general management team are rather than the person who is the general managers for this clinic.”(Informant, hospital 2)

The framing of distance as a significant role in management control after mergers is expressed by the informants in 2005 (hospital 1), as having to do with traditions:

“It has something to do with traditions.”

Further, framing of unbalanced power is also shaped by the feeling of closeness/association with the unit:

“I think the lack of affiliation to the enterprise is the worst. I feel no affiliation.”

In hospital 2, which did not host the general manager, the respondents agree that the hospital 1 (housing the general manager) is favoured when decisions are made, and that the distance is perceived as a problem:

“I’m sceptical to the situation that the general managers are located in hospital 1...”

The physical distance is felt as a problem as the respondent did not see the top managers:

“Since the merger I have had little contact with the general managers and the administration. I have no relation to the general managers – they are located in hospital 1, and the distance is quite large and we never see them.”

One informant in hospital 2 perceives that the hospital housing the top management is favoured when being benchmarked;

“The general managers always measure the hospitals in the enterprise against each other. And it always ends with that hospital 1 is favoured.”

This feeling of distance is underlined by a professional stating that the top manager does not know what happens in the other hospitals:

“I don’t think the general managers know that we exist in the system. They live their lives, and we live our lives. I don’t know what happens up there”

In sum, these statements indicate that the vertical lines of control in 2005 were interpreted as bad- irrespectively of the professional were close physical or at distance. The perceived opinions on the general manager in 2013, geographically far away, were totally different and much more positive among the respondents in both hospitals. The vertical lines of control in 2005 could be characterised as “break down”, and as a result the merger was split up in 2006.

While in 2013 the data indicate a more positive relation, although the general management is far away. This may indicate that the physical distance is not a main element when evaluating vertical coordination between general managers and the professionals in a merger. In 2005 the general manager was a person with business background, while in 2013 the general manager has background as a doctor. It appears that the cognitive and emotional distance matters more than physical distance in this case. This assumption is supported by quotes from the interviews in 2014:

“I have to say that it feels reassuring to know that the decisions are not only taken with a focus on the bottom line, but also on the patient securities - that the patient is in the centre. The general manager is good in talking about patients and that the patient is the most important part of health care, and he talks about the care and quality ... so this general manager has many of the qualities that perhaps was lacking in previous regimes.” (Informant, hospital 1)

“I think it must be easier to explain and defence changes in a language that that the employees understand.” (Informant, hospital 2)

“Maybe, the general managers have more legitimacy because he is a doctor, and in such a way understand what is going on.”(Informant, hospital 1)

These citations illustrate that the professionals’ feeling that the “general manager is one of them” is important in their framing of vertical coordination.

Intra-organizational control in the clinics and framing

The empirical findings (appendix 1 and 2) show different picture as to the perceived relations between the professional staff and the general management at on hand and their clinical managers at the other hand, both in 2005 and 2013. The two case hospitals show almost the same trends: The professionals think that their clinical managers appreciate comments from them, and that they always get feedback from their managers if they have questions. This is mostly (in the clinics) face-to-face communication which indicates direct interaction – underpinning social control and lateral relations based on discourses.

We also notice that the respondents think that it is easy to discuss with their managers when conflicts arise and that the dialogue is perceived to be good. Further, the sharing of information is good between the parties. These findings indicate horizontal cooperation, as professionals in hospitals are highly educated people who appreciate management by involvement and lateral relations, managers who motivate to self-control based on professional norms and values. There are also indications that administrative control seems to be established, thus creating comprehensive management tools on the clinical levels. These findings above are supported by the interviews in 2005 and we notice the same trends in 2014, as informants are positive towards their clinical managers:

“We have a very good dialogue with our clinical department leader.” (Informant, hospital 1)

“I think the cooperation internal in the clinic and between my managers and my function well.” (Informant, hospital 2)

“We have a good working environment in my clinical department.” (Informant, hospital 1)

In the 2014 interviews informants state:

“We have a good working environment and cooperation in our department.” (Informant, hospital 1)

“We have no replacement of staff. It is a sign that employees enjoy working with each other and with the leaders of the department.” (Informant, hospital 2)

Appendix 1 and 2 show that a majority of the respondents in 2005 think that there has been little investments in improving the working environment after the first merger. In 2013 most of the respondents are neutral to this question, which indicates that the respondents perceived that the working environment has been improved from 2005 to 2013. This could be explained by the fact that the first merger was perceived as more dramatic than the second merger, and that

the professional staffs over time have accepted the merger, as they do not experience dramatic changes in the work environment.

The studies both in 2005 and in 2013 indicate that the respondents perceive the working environment in their own department as functioning well, implying that the horizontal management control at department levels was not negatively affected by the merger. The relationships between the professionals and their clinical managers were judged as positive by the respondents both in 2005 and 2013, and the dialogues and information were judged as good. The decisions and the general manager's activities were not affecting the day-to-day clinical activities, indicating a split between clinics and administration.

Preliminary discussion

This paper focuses on distance as one important contextual element which affects the relationship between managers and their employees in merging hospitals, as we posed the question how managers and professionals in hospitals perceive their relations with top managers at a distance when contexts are changing. Distance is a contextual determinant when managerial task such as coordination and control are to be performed, and when the context such as distance changes, we might expect that this change also affect the relations between managers and employees, and the management control practices. Distance can here be split into physical distance, cognitive distance and emotional distance.

The empirical setting presented is quite unique. The two hospitals studied were merged into one unit in 2002 together with another small hospital. One of the hospitals had at that time the role as the "main" actor and housing the top management group. This merged hospital experienced fundamental intra-organizational conflicts, and it was split up in 2007 due to these

internal conflicts, internal unrest and escalating budget deficits. At the same time, a new merger was constructed based on political decisions.

We made in 2013 a follow up survey study from 2005 in the two case hospitals to follow them during major changes in in managerial control practices over time. Interviews were done among clinical managers in the merged hospitals during early spring 2014, to follow up interviews done in 2005. The longitudinal data opens for comparing perceived experiences among the staffs working in the hospitals 2005 and 2013.

Physical and cognitive distance

The existence of professional norm controls in hospitals is fundamentally tied with horizontal/lateral practices. Literature points at the horizontally oriented MACS (Management Accounting and Control System) used for coordinative purposes in inter-organizational settings, as contrasting to the vertical oriented and formal control lines in mergers. We have found that vertical and horizontal controls are separated in our cases. Horizontal control in the clinical practices is perceived as functioning well, whereas vertical control is separated from the clinical, horizontal control. Administrative control (at distance) is associated with vertical control, and perceived as functioning quite bad. Social/professional control is associated with horizontal control, and these controls are judged as adequately practiced, close to the professionals who frame these controls as good.

Management controls- and framing

Management control can be seen as tool kits with many elements; including administrative, social and personal controls. We have observed in our empirical data that administrative controls at distance were perceived as inadequate, whereas social control as professional coordination which is performed face to face are judged to be good and independent of top managers at distance. In sum, the ill-functioning top management did not interfere with the social and professional controls close to employees in the clinics. We may understand differences in perceived control relationships between management and professionals by noticing that actors/professionals construct their interpretation and understanding (Goffman, 1974) of control differently due to among other explanations differences as to context (physical distance) and professional background (cognitive and emotional distance).

In our case where performance is heavily dependent on professional actors, we assume that social control and self-control are most important incentives for high quality service provision. These control mechanisms cannot be administered from distance, but have to be implemented in direct face-to-face contact with and between the professional staff as they are performing their tasks. Administrative controls, on the other hand, might be performed at a distance by indirect media (e-mail, telephone, documents). The framing of physical distance (facts) is here found to be different (due to distance). Further, differences in values and logics between professionals and administrative staffs may motivate to emotional distances. We also observe that professionals in the clinics have direct communication and are separated from the general manager's staff which leads to cognitive distance (Seal and Mattimoe, 2014).

In sum, these diverse perspectives on reality challenge the management control practices in merging organizations such as hospitals.

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Appendix 1:

Hospital 1								
	2005				2013			
	Strongly agree/ partly agree (%)	Neither agree nor Disagree (%)	Strongly disagree/ partly disagree (%)	(N)	Strongly agree/ partly agree (%)	Neither agree nor disagree (%)	Strongly disagree/ partly disagree (%)	(N)
I think no local hospitals in the enterprise is favored when the decision is made	25,7	34,6	39,7	136	2,4	20,2	77,4	124
I mostly agree with the decisions that the administrative top leaders takes	3,0	18,2	78,8	137	10,5	38,7	50,8	124
I am well informed about key decisions made by the administrative top leaders and the board	17,5	12,4	70,1	137	24,8	32,2	43,0	121
I think the information from the administrative top leaders is good	4,4	10,2	85,4	137	18,5	35,5	46,0	124
The information from the administrative top leaders have increased the confidence in the organizational processes that are initiated	4,4	17,0	78,6	135	13,0	47,2	39,8	123
The representatives are heard in the process	8,8	18,4	72,8	136	23,4	49,2	27,4	124
The administrative top leaders are "visible" in their positions	3,7	11,1	85,2	135	13,7	46,0	40,3	124
The administrative top leaders have a good dialogue with the professional employees in the hospital enterprise	1,5	4,4	94,1	137	4,9	46,3	48,8	123
The communication between the administrative top leaders and us as professional employees are good	2,2	2,9	94,9	137	4,9	46,3	48,8	123
The hospital enterprise is running in an efficient way	4,4	22,1	73,5	136	16,3	35,0	48,7	123
I think the leader of my department appreciate comments from me	70,8	13,1	16,1	137	62,6	26,8	10,6	123
When I have comments on operational issues relating to the department I been heard	51,4	24,3	24,3	136	56,9	23,6	19,5	123

I always get feedback from the leader of my department if I have a question	57,8	14,8	27,4	135	59,8	12,3	27,9	122
If conflicts arise, it is easy to take this up with the manager of the department	60,3	8,1	31,6	136	69,1	10,6	20,3	123
The dialog between the leader of the department and me is good	76,5	10,3	13,2	136	77,7	10,7	11,6	121
I think the information from the department leader is good	56,5	10,9	32,6	138	65,3	9,7	25,0	124
My department is taken care on in an effective way	52,1	23,1	24,8	138	67,7	12,1	20,2	124
The cooperation between the administrative top leaders and clinical departments are good	2,2	33,3	64,5	138	4,9	59,9	35,2	122
Geographical distance poses a problem for working entity	52,2	34,8	13,0	138	75,0	13,7	11,3	124
It has been investing heavily in the work environment after the merger	1,4	18,8	79,8	138	24,4	41,5	34,1	123

Appendix 2:

Hospital 2								
	2005				2013			
	Strongly agree/partly agree	Neither agree nor disagree	Strongly disagree/partly disagree	(N)	Strongly agree/partly agree	Neither agree nor disagree	Strongly disagree/partly disagree	(N)
I think no local hospitals in the enterprise is favored when the decision is made	5,0	13,1	81,9	61	10,0	27,1	62,9	70
I mostly agree with the decisions that the administrative top leaders takes	8,2	19,7	72,1	61	14,1	49,3	36,6	71

I am well informed about key decisions made by the administrative top leaders and the board	24,2	17,7	58,1	62	28,2	29,5	42,3	71
I think the information from the administrative top leaders is good	9,7	14,5	75,8	62	34,3	42,9	32,8	70
The information from the administrative top leaders have increased the confidence in the organizational processes that are initiated	11,5	23,0	65,5	61	23,9	45,1	31,0	71
The representatives are heard in the process	9,8	36,1	54,1	5	14,1	47,9	38,0	31
The administrative top leaders are "visible" in their positions	14,5	16,1	69,4	62	15,5	55,0	29,5	71
The administrative top leaders have a good dialogue with the professional employees in the hospital enterprise	3,2	14,8	82,0	61	14,1	53,5	32,4	71
The communication between the administrative top leaders and us as professional employees are good2	1,6	16,4	82,0	61	12,9	50,0	37,1	70
The hospital enterprise is running in an efficient way	3,2	22,6	74,2	62	20,3	46,4	33,3	69
I think the leader of my department appreciate comments from me	72,6	11,3	16,1	62	56,6	24,6	18,8	69
When I have comments on operational issues relating to the department I been heard	60,6	19,7	19,7	61	47,9	27,5	24,6	69
I always get feedback from the leader of my department if I have a question	53,2	17,7	29,1	62	54,9	18,3	26,8	71
If conflicts arise, it is easy to take this up with the manager of the department	59,7	11,3	29,0	62	56,3	15,5	28,2	71
The dialog between the leader of the department and me is good	74,2	12,9	12,9	62	64,8	15,5	19,7	71
I think the information from the department leader is good	51,6	14,5	33,9	62	51,5	22,1	26,4	68
My department is taken care on in an effective way	47,6	26,2	26,2	61	51,5	27,9	20,6	68
The cooperation between the administrative top leaders and clinical departments are good	6,7	43,3	50,0	60	5,6	66,2	28,2	71

Geographical distance poses a problem for working entity	64,5	19,4	16,1	62	66,2	25,0	8,8	68
It has been investing heavily in the work environment after the merger	11,3	21,0	67,7	62	18,6	41,4	40,0	70

THE OTHER SIDE OF PARLIAMENTARY OVERSIGHT

BY

Levi Gårseth-Nesbakk and Chamara Kuruppu

ABSTRACT

This archival research study unravels critique and unintended consequences arising from increased parliamentary oversight controls and multiple accountability pressures in Norway. Intensified oversight and accountability pressures are supposed to boost transparency and performance, as well as clarifying roles and performance expectations. This study depicts how more controls yielded diametrical repercussions. Two other overall findings include the necessity of paying more attention to quality over control quantity as well as the communicative aspect of the controls. To achieve (more) effective controls, including strengthening their legitimacy, the findings in this study point to the need to better understand the accountability perceptions of those held accountable—the other side of parliamentary oversight.

Key words: parliamentary oversight, the Office of the Auditor General, accountability, unintended consequences.

THE OTHER SIDE OF PARLIAMENTARY OVERSIGHT

INTRODUCTION

Parliamentary oversight (henceforth PO) has in recent decades received increased attention in many countries. The need for PO arises from the eventuality that the executive party of the public sector (i.e. the central government, ministries and subordinated agencies) in some way fails, thereby endangering the role and decisions of parliament. PO is said to hold different functions and to bring about various benefits. E.g. the mere anticipation of parliamentary oversight has become a powerful ex-ante influence in determining the content of bills drafted by ministers, buffering against coalitional partners' temptation to use ministerial positions to pursue their political agendas (Martin and Vanberg, 2004). Ogul and Rockman (1990) view PO as formal and informal endeavours to "bring agencies into compliance with Congressional demand" (Ogul and Rockman, 1990, p. 6). Furthermore, oversight enhances accountability and ensures executive responsiveness to statutory guidelines (Rockman, 1984). Moreover, as defined by McCubbins and Schwartz (1984, p. 165), "...oversight policy concerns whether, to what extent, and in what ways Congress attempts to detect and remedy executive-branch violations of legislative goals". This definition has been articulated by viewing parliamentary scrutiny as a post-investigation. Therefore, the intention of oversight is to assure that the executive remains answerable, i.e. accountable, something which is sought to be achieved via various forms of controls. Nevertheless, this is considered to be a political undertaking in a system of government and it can deal with various issues ranging from administrative matters to policy aspects of governments in different contexts.

In such settings, the intended functions of parliamentary oversight may not always be fulfilled. Indeed, by inaugurating oversight committees, governments may seek to gain legitimacy rather than prompting changes (Degeling et al., 1996; Jacobs and Jones, 2009). As discussed by Evans (1999), the executive governments that occupied a clear majority in

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Australia have almost destroyed the ability of Parliament to enforce accountability. Furthermore, Holland (2004) argued that one of the crystal clear intentions of parliamentary oversight is to prevent the Executive's negative encroachment over the elected representatives. He found that the Parliament's ability to scrutinize the government's actions had eroded because ministers cannot be asked to testify before oversight committees. Consequently, the public sector has become less open to the scrutiny performed by representatives of citizens. Holland (2004) therefore proposed to remove the existing barriers that hinder oversight committees having complete access to ministers and their administrative actions.

In essence, the referred literature above depicts a controversy between intended functions of parliamentary oversight and various settings in which they are severely challenged. Nevertheless, the general consensus seems to be that more control and intervention are warranted to strengthen or facilitate PO, either by removing existing control hurdles or by launching new control initiatives. However, at some point increased controls may transmute into dysfunctional parliamentary oversight—as least when judging by organizational literature on the consequences of increased control (e.g. Perrow, 1986). An emerging puzzle is therefore what happens in parliamentary oversight states characterised by increasing levels of control. This is not much addressed by parliamentary oversight literature and therefore led to the formulation of the following research question: What kinds of unintended consequences do arise from increased parliamentary oversight controls?

By exploring unintended consequences stemming from increased parliamentary oversight controls we learn more about the other side of parliamentary oversight—thereby illuminating how the normative instrumental foundation of parliamentary oversight controls is not always achieved. This furthermore elucidates factors that ask for more critical accountability studies.

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This paper makes three contributions. Firstly, it takes a stance against the mainstream view in the literature of there being advantageous to intensify PO controls. The evidence in this study rather suggests that intensified controls could bring about diametrical repercussions. Secondly, this study adds to the literature by underscoring the importance of quality over quantity in PO controls—not only to achieve effective controls, but also to avoid jeopardizing the legitimacy of the institutionally important role of PO controls. Third, the findings in this study point to the importance of the communicative aspect of PO controls—encompassing the ways in which they are planned and carried out. This includes the ways in which media have seized a core position in PO questions.

We apply an accountability perspective to guide our discussion. Following the frame of reference, the method section is outlined before presenting the two cases. Similarities and differences between the two countries are highlighted in the discussion, followed by the conclusions.

LINKING ACCOUNTABILITY TO PARLIAMENTARY OVERSIGHT

No country possesses unlimited resources to satisfy the public's needs. Parliamentarians must therefore oversee and control ways of deploying public resources by the political executive (herein the central government and public servants), making sure they take their obligations seriously (Funnell, 2003). Conversely, parliaments in Westminster are accused for being a servant of the executive in financial matters and for legitimizing rather than controlling (Hume, 1963). Funnell (2011) supplemented by stating that—although it has been argued in the literature that public sector auditors do not always tell the truth—it is perhaps more detrimental that they are not always allowed to comment on matters under the domain of the government. Furthermore, a minister should not chair oversight committees in

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parliament as this can impair the ability of parliament to hold the executive accountable to the public since parliamentarians of the ruling political party often hesitate to express views that may annoy their superiors (Aggarwala, 1966). Thus, the legislature forms (independent) scrutiny committees to hold the executive accountable to parliament (Aldons, 1985; Thomas, 2009). Correspondingly, it is a function of the parliament to scrutinize (important) issues stated in the reports of the Auditor General, calling the executive to account for misuse of public funds and authority.

Hence, accountability is an important concept under the auspice of democratic governance. Nobody would oppose the requirement of being accountable (Bovens, 2007a; Iyoha and Oyerinde, 2010). It is, however, a multifaceted (Scarparo, 2008) and a contestable phenomenon (Bovens, 2007b). Accordingly, terms like chameleon are used in accountability discussions (Sinclair, 1995). Particularly, Sinclair (1995) discussed five accountability forms: Managerial, political, public, professional and personal: Managerial accountability emphasizes inputs and outputs, meaning that results and the amount of resources used are in focus. A related accountability form is administrative accountability, focusing more on processes, and thereby how organizational tasks should or could be encountered. Accountability in terms of professionalism (i.e. professional accountability) means that one feels a belongingness and association with a certain professional community that shares the same views as oneself. Public accountability refers to being responsible to the wider community, by having or wanting to answer to concerns and questions that may arise, through different channels. Political accountability means that one is accountability due to the organization of the public sector in different hierarchical levels of authority. In this respect, there is a direct line of accountability relations starting with the electors as the overall principals, followed by Parliament, central government and ministries, before the subordinated agencies comprise the bottom level of the authority chain. Personal

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accountability resembles an adherence to inner beliefs and conscience, e.g. regarding what is perceived to be right and wrong. Moreover, Sinclair (1995) noted that these accountability forms might be present simultaneously, making accountability a context dependent phenomenon.

Accountability has therefore been extended far beyond its original intention of—in a narrow sense—providing accounts for one's conduct (Mulgan, 2000). Corollary, accountability, within the context of parliamentary oversight, is considered as the obligation of furnishing accounts and acceptable explanations to parliament or its oversight committees, via the Office of the Auditor General (henceforth abbreviated OAG), to assure that resources and authority have been used for legitimate activities and purposes. Similarly, the executive and public administrators are obliged to execute recommendations of parliament. In this way, accountability—in the context of parliamentary oversight—is supposed to augment performance, transparency as well as clarifying roles and performance expectations.

Hence, the way this term is frequently defined envisages the perception of the ideal relationship between parties involved. The bureaucracy testifies before oversight committees while discharging accountability (Thomas, 1979; 2009). Accordingly, administrators provide justifications and accept responsibility for administrative decisions and actions associated with the implementation of governmental programmes. Furthermore, as quoted by Carnegie and West (2005: 915), Public Sector Accounting Standard Board refers accountability as “*the responsibility to provide information to enable users to make informed judgement about the performance, financial position, financing and investing and compliance of the reporting entity*”. The rationally articulated accountability outcome seems to be unquestioned goals (Uddin and Choudhury, 2008), thereby ignoring how parliamentary oversight may not unfold as expected. Messner (2009), taking a basis in the ethical dimension of accountability, cautioned about the limits of accountability, something that appears more pressing when

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individuals face multiple accountability pressures simultaneously (as explicated by Sinclair, 1995). Messner (2009, p. 925) applied the term “opaque selves” to spell out limitations of accountability, defining the term as follows:

The first constraint upon every account of oneself is grounded in those areas of the self and its conduct that remain foreign to the self. This foreignness marks a limit to every effort to know oneself and therefore restricts one’s ability to a full story of oneself... Therefore, I cannot explain everything that I have done, and I cannot tell a coherent story of who I am and what I have experienced because my experience and conduct have not been motivated exclusively by my conscious efforts and deliberations and because the minutiae and complexity of what happens will often exceed my recognition and memory.

This reasoning provides understanding as to why individuals held accountable sometimes become frustrated when asked to explain their conduct in the backdrop of full rationality. Messner (2009, p. 934) furthermore informed us what we then might have to expect from individuals held accountable: *“The idea that there are limits to accountability suggests that escaping or resisting accountability is not necessarily an unethical act. It may be an understandable reaction to a situation in which demands for accountability have become an ethical burden for the accountable self. One may even argue that that resistance to accountability is, to some extent, a normal feature of everyday organizational life. Indeed, from time to time, discussions or debates have to be avoided and critical questions have to be ignored in order to move forward and to ‘get things done’.”* In this way, Messner (2009) shed light on sources of conflicts in organizations and experienced frustration amongst those held accountable.

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METHOD

This study explores unintended consequences arising from intensified parliamentary oversight. It was therefore natural to select a case with a clear history of increased controls. Norway met that criterion (see the empirical section). Another reason for choosing Norway was the country's democratic and egalitarian tradition, making it e.g. more likely that public servants or politicians would voice concerns with dysfunctional controls. The point of departure in this study is the control activities exercised by the Office of the Auditor General in Norway as they have attracted more and more debate and appraisal in recent years.

Archival research (Saunders, Lewis and Thornhill, 2000) has been conducted, focusing on newspaper articles, government reports and reports by stakeholders. The referred government reports are authored by the Standing Committee on Scrutiny and Constitutional Affairs. The OAG prepared the case material for several of these reports. Newspaper articles and reports by stakeholders (e.g. Civita—an independent think tank) were retrieved through searches in printed newspapers and by online searches. One stance of the newspaper articles present the voices of experienced (domestically) well-known former public servants, telling about their experiences with the OAG in Norway. Since the respondents no longer were working in the organization in question they then could speak more freely as they were no longer under the OAG's "traditional" scrutiny, nor did they risk sanctions from their (former) employer. Government reports were identified via a separate search engine available at the home page of the Norwegian Parliament. A couple of references were found via the newspaper articles, spurring a search for the original documents.

Advantages of secondary data is the possibility of collecting and analyzing far larger data sets and the increased likelihood of collecting higher-quality data than what is often possible to collect singlehandedly (Saunders et al., 2000, p. 199). Archival data in this case was a

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suitable data collection method because the nature of the data could easily have made it difficult to obtain them via primary data collection methods, such as e.g. interviews. One reason for this is the number of high profile individuals (politicians and top-level public servants) that have shared their views on the matter. Such persons are often difficult to interview due to their busy time schedules.

PARLIAMENTARY OVERSIGHT IN NORWAY

The government system in Norway is a ceremonial monarchy. The king is formally in charge of different tasks, but that is mostly ceremonial. The central government is de facto taking care of the various duties and tasks performed at central government level. The Norwegian Parliament (i.e. the Storting) holds the highest decision making authority and is supported by different oversight mechanisms.

The Parliament holds the central government accountable, ensuring decisions are effectuated and that preconditions remain viable. Consequently, carrying out controls has become a key task. Nevertheless, the Parliament has initiated different changes, entailing to reinforce parliamentary oversight, leading to more formalized control mechanisms. Many new controls were introduced during the 1990s, of which some are described below. One was the establishment of a separate Standing Committee on Scrutiny and Constitutional Affairs (henceforth abbreviated SCSCA) in 1993 (extending the prior committee from 1981). Another change initiative came from putting more transparent, frequent and broader use of the OAG. In 1996, two new initiatives were launched, open-hearings in the Parliament and regular meetings with one hour of oral questioning, without written documents in advance. During the same period the Parliament also increasingly formed new “scrutiny-commissions” to investigate specific matters. From 1997, the Ombudsman started reporting on individual

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cases. In 1999 a procedure was developed for controlling how the central government followed up on the Parliament's instructions. These reforms represented a step-by-step approach, resulting in more comprehensive parliamentary controls over the central government's activities, representing ex-post monitoring. Albeit reactive in nature, the various control mechanisms have an intended preventive function, namely to stimulate the central government to act within the boundaries of their action space, yet in accordance with existing rules, professional conduct and as a reflection of the parliament's intent and formal decisions. A review of the parliamentary control system in 2002 led to some minor suggestive changes (as summarized in the report by the Commission evaluating the Parliament's control function, 2002; the SCSCA, 2003).

Today's parliamentary control system can be divided into two main types: the kind of controls the Parliament itself carries out and controls performed by external parliamentary control units. The first type takes place when the Parliament meets in plenary sessions, (whereby parliamentarians ask questions to clarify uncertainties or as controls conducted by one of Parliament's fixed committees (e.g. health, foreign affairs, scrutiny and constitutional affairs). Controls performed by external parliamentary control units include e.g. those done by the OAG, the Ombudsman and special purpose "scrutiny-commissions". Particularly the OAG and the SCSCA have steadily conducted more controls over the years.

The OAG is independent of the central government and carries out its audit according to predefined auditing standards (corresponding to international auditing standards). Frequently, the auditor general presents critical remarks about various practices at central government level, many of which relate to inappropriate and flawed steering systems or practices. The SCSCA deals predominantly with the Storting's supervisory authority, and constitutional matters. The SCSCA is responsible for reviewing and submitting recommendations to the Parliament in various areas (§ 12, paragraph 9 of the Rules of Procedure, see

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www.stortinget.no). Control areas include the central government's annual report, documents from the OAG, and other matters concerning the OAG's activities, as well as reports prepared by a number of the aforementioned control mechanisms (e.g. the Ombudsman, and various commissions of inquiry appointed by the Storting). If deemed necessary, the committee may also instigate additional inquiries within the public administration. One particular penalty or sanction in the hands of the Parliament is to dismiss the central government. In Norway this "threat" has been very much "alive" due to its history of minority governments and multi-party system. The latter frequently implies the need to form coalitions in order to obtain majority in Parliament.

Unintended consequences and criticism arising from increased PO controls

The OAG's controls and evaluations of agencies over the years have led to frequent incidents of harsh criticism, generating frustration and counter-criticism amongst Norwegian bureaucrats and (former) ministers. A Norwegian newspaper expressed the frustration experienced by the bureaucrats as follows: *"It is well known that the bureaucrats perceive particularly the OAG as troublesome, more or less as hear in the soup"* (Ystad, 2009). As a result there is a tendency amongst ministries to instigate a form of protective response to the increased level of control. E.g., in 2001 the minister of local government and regional development rebuffed the OAG's request for additional information. This resulted in: *"the auditor generally being unable to carry out the control tasks he is asked to undertake by the Storting, whenever public servants are to decide what documents that the auditor general are granted access to"* (The SCSCA, 2002, p. 1). When responding to the OAG's request for more information, the ministry responded: *"The ministry of local government and regional development reaffirms that, according to today's regulation, it is doubtful how far the auditor*

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general's privileges reach concerning the possibility of retrieving notes containing the public servants internal considerations and discussions” (The SCSCA, 2002, pp. 3-4).

Furthermore, in 2008 the same ministry did not accommodate the OAG's request for access into its archives—when investigating a series of bad investments made by Norwegian municipalities and the extent to which the proper procedure had been followed. The ministry justified its decision, claiming it was necessary to avoid the OAG getting access to central government notes—so called R-notes. The OAG complained that this made it impossible to conduct the investigation (the SCSCA, 2008). In 2009 the OAG requested documentation relating to risk management from the Ministry of environment, but this was not furnished (the SCSCA, 2009). The Ombudsman had a similar experience when the minister of petroleum and energy for several months refused to grant the Ombudsman access to some of its internal documents (Ystad, 2009).

The OAG's intensified controls over the years amalgamated into a series of reports and newspaper articles in 2012, suggesting the OAG had gone too far in its controls, thereby introducing unintended consequences at central government level. Kinander (2012a, p. 1) studied the OAG's work methods, and stated: *“The OAG is a powerful institution in Norwegian politics and public administration. The question is nevertheless whether it has become excessively powerful, and has seized roles and tasks—as a critical voice—that are not pursuant with its judicial basis.”* Continuing the criticism, the former minister of development, Erik Solheim, stated: *“The OAG is preoccupied with minor errors, creating politicians terrified of initiating big and hairy reforms* (Gjerde, 2012a)”. He illuminated the symbiosis between the OAG and journalists in the following way: *“the OAG criticises minor details and with the media's tendency to enlarge minor issues it constructs an impression of the (overall) goal as being a society free of error* (Gjerde, 2012a)”. Furthermore, a former central government agency director, Ida Børresen, stated that although controls carried out by

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the OAG in principle can be a valuable lesson, they did not necessarily turn out that way. Børresen explained: *“I have experienced that the OAG’s mandate is wide and not sufficiently aware of what the starting point of the audit ought to be, or mirroring the Storting’s premises and decisions (Gjerde 2012b)”*. A former Chief of Defence, Sverre Diesen, criticized the OAG stating that it *“lacks competence and proficiency knowledge in numerous areas, hindering them in conducting a proper audit [i.e. a comprehensive area assessment] (Gjerde, 2012c)”*. Diesen was particularly concerned with the wider consequences of such audits: *“It is unfortunate that the audit provides a skewed impression of actual events, but worse that organizations made subject to the measurement deliberately or unknowingly adjusts their operations accordingly to avoid criticism. Measurable factors are therefore prioritised over the more interesting and neglected qualitative measures of effectiveness. Such unqualified audits therefore yield adverse results (Gjerde, 2012c)”*. Also, another experienced bureaucrat, Tore Eriksen, previously holding the highest administrative position within the Ministry of Finance for several years, and currently being Norway’s OECD-ambassador, asserted: *“During my time in the ministry we felt it as problematic that we did not know the criteria on which we were audited... the OAG’s interference with internal planning in the ministries leads to poorer agency plans... If it is known that the OAG assesses internal processes, e.g. based on internal plans, there is an inherent danger that these plans will become less detailed and more deficient (Gjerde, 2012d)”*.

Concomitantly, such tendencies were reported as bureaucrats during the last few years have produced more of their internal correspondence in the form of R-notes (Erlandsen and Johansen, 2012). These R-notes is a type of government internal notes that can be withheld from the OAG. Under the former central government (in office during 2005–2013) the number of R-notes more than doubled, which alongside increased use of e-mails and phone calls signifies that: *“we have got a completely new form of case preparations during recent*

coalition governments—particularly with the current government. The case preparations are almost going underground” (Erlandsen and Johansen, 2012, p. 4). A politician from the opposition commented: “The opposition lacks proper grounds for challenging the central government’s decisions when ministries prepare cases inadequately [or without proper disclosure]. We do not get access to the alternatives being considered or receive explanations as to why certain alternatives are discarded. This challenges the Storting’s role as the real decision maker and therefore represents a significant error in political conduct” (Erlandsen and Johansen, 2012, p. 4).

One of the larger newspapers in Norway (i.e. Dagbladet) commented the study by Kinander (2012a) in an editorial. Kinander (2012b) referred the key notion in the editorial and comments as follows: *”Albeit Dagbladet acknowledges the importance of the key findings in Kinander’s study (2012a), it is (apparently considered) more important to avoid gagging the freely spoken auditor general. This creates an impression of people having grown so found of the OAG’s criticism for its own sake that one is not willing to question the criticism no matter how weak and poorly founded it is from a professional viewpoint.”*

Kinander (2012b) ends his commentary with the following summary: *“The OAG frequently grounds its work in the public administration’s own goals, ambitions and visions, and treat these as realistic objectives, whereby deviation from 100 % goal achievement instigates criticism (by the auditor general). This naturally leads to softening in the public administration’s objectives, with associated implications for Norway. This is at the core of the criticism targeting the OAG, namely that it does not necessary lead to improvements in the public administration. The OAG may end up weakening the public administration.”*

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DISCUSSION

Having described parliamentary oversight control mechanisms and associated unintended consequences in the empirical section, the attention now turns to discuss the data from the accountability perspective.

Norway has incorporated various elements of parliamentary oversight control mechanisms. A concrete example is found in the organizing of parliamentary committees, given the task to oversee the central government. Over time, Norway has also paid more attention to goals and results, and sought ways to strengthen parliamentary oversight. This has been a steady development, yet with an upswing in the last 10-15 years, reminiscent of its control endeavour leading to wider and intensified controls and control mechanisms. A difference is found in the way Norway mostly relies on ex-post controls.

The Parliament of a democratic State is anticipated to exercise control over governments and remain as an institution of exercising checks and balances over the executive and government (Degeling et al., 1996).

Even if Norway is said to struggle with performance problems or unsatisfactory results, the obvious solution is not necessarily the appropriate path if seeking to strengthen parliamentary oversight in the country. The traditional approach and apparent solution would be to reinforce control or remove oversight barriers. If the control culture or personal accountability elements are not tuned in with traditional democratic views regarding accountability, most likely, more controls will not be an effective solution. McMillan (2004) discussed accounting manipulations and proposed trust and virtues as a better alternative than more control, as the latter option will not solve the problem, but rather exacerbate the problem. In the end it is always possible to avoid or sabotage controls and oversight. Therefore, introducing more of the same will not necessarily help. For instance, both Iyoha

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and Oyerinde (2010); McMillan (2004) suggests that strengthening the profession is more rewarding than launching more controls.

At face value, Norway seems to have managed to incorporate preventive functions into the parliamentary oversight system. For instance, the Norwegian case shows the increased reliance on the OAG to perform controls. The OAG has a reputation as delivering tough assessments and scrutiny reports, and speaking freely in its criticism when discovering irregularities. This has led to various changes, which show that scrutiny is taken seriously in Norway and fierce criticism awaits underperformers. However, the empirical material spells out how the public servants increasingly feel monitored, criticised—also on unfair grounds—and sometimes also without a just basis for the scrutiny and control. Increasingly this has led public servants to change the way they do their job. According to the informants, this has reached a point at which the public servants perceive the OAG as intruding too much in their daily affairs. Actually, there are signs that of Norwegian public servants shunning accountability.. In the case of the Norwegian public servants they apparently seek to keep more of their internal or strategic assessments away from the public eye. This is materializing by means of the increased use of R-notes, the type of notes that the OAG cannot request to see. The argument that is found in the data material is that this takes place because it is necessary for them to have some action space in which they do not always have to be held accountable. This corresponds to the reasoning of Messner (2009): “*One may even argue that that resistance to accountability is, to some extent, a normal feature of everyday organizational life*”. Messner (2009) argues that this is sometimes necessary in order to get things done. It therefore seems that the public servants in Norway are fed up with being scrutinized according to administrative accountability (Sinclair, 1995). Another feature in the Norwegian case is the way the public servants feel that minor details are getting a lot of attention, whereas various achievements are not much praised. It is not easy or indeed

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possible for the public servants to always do the right thing or to be in a position, retrospectively, where they have to account for everything that has been done or contemplated. In this way the public servants encounter their “opaque selves”. As a consequence of the fierce criticism, there is an incentive to soften the goals and ambitions to ensure they will be met and thereby avoid criticism, also in cases where such actions are not necessarily believed to be the best way forward to reach ones ambitions and objectives. For instance, some of the experienced public servants commented that the OAG often emphasised details and a vision of an error-free world, which was not seen as being compatible with establishing ambitious and important, yet potentially hard-to-reach goals.

The end result, according to the informants, is that less will be accomplished and still less criticism will be presented. This furthermore points to the weaknesses of accountability and thereby also parliamentary oversight.

Paradoxically, rather than achieving more transparency via increased oversight and controls, the opposite has turned out to be the case. The data contains a statement by a politician that explicated this as being a threat to democratic governance. This therefore shows, as also argued by Messner (2009), that there are limitations to accountability, and in the context of this paper, also to the extent of parliamentary oversight. When it is pushed (too) far, unintended, if not diametrical effects emerge. This represents the other side of parliamentary oversight, namely the unfortunate side effects deriving from control, akin to a behavioural reaction to control systems found in organization life and studies (see, Perrow, 1986).

However, it would be unfair to solely blame the OAG in Norway for the perceived difficult accountability pressures faced by the public servants. In Norway it is clear that the media has played an important tandem role with the OAG. It has become a tradition in Norway that the OAG conducts its assessments and report about them, whereby the press

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picks up certain elements from the OAG's report and constructs very critical headings and story lines. This may be perceived as the OAG's viewpoint, but should more correctly be seen as the media's interpretation of the OAG's reports and announcements. Anyway, the end effect, in accountability terms, is that the public servants are exposed to a strong public accountability pressure (see Sinclair, 1995), stirred up by the media.

Nonetheless, a critique launched by the public servants towards the OAG in Norway is the way in which the OAG sometimes sets its own agenda. This may be attributed to what Sinclair (1995) coined personal accountability. Sinclair (1995, p. 230) stated that personal accountability "*...rests on the belief that ultimately accountability is driven by adherence to internalised moral and ethical values*". Thus, the informants' references to instigated audits without the apparent proper anchoring in the Storting can reflect the auditor general's tendency of acting out under the influence of his personal accountability. In this way it was stated that the auditor seizes the role as a political supreme judge (Kinander, 2012a; 2012c). This reflects how the auditor general, according to the informants, over time increasingly have initiated audits or made inferences about certain findings from audits even when the Parliament did not launch or problematize the subject matter.

CONCLUSIONS

This paper on parliamentary oversight has addressed the following research question: What kinds of unintended consequences do arise from increased parliamentary oversight controls?

The evidence points to an increase of controls over time in Norway, escalating particularly during the last 10-15 years. The increased parliamentary oversight (controls) functions (in the intended way) only up to a certain level of control increase. Beyond that level, public servants made subject to controls will become more protective and find ways to

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escape or hide from accountability. This brings us to the conclusion that although certain controls must be in place, it seems pivotal to consider other approaches to improving parliamentary oversight. For instance, Iyoha and Oyerinde (2010); McMillan (2004) suggest that strengthening the profession is more rewarding than launching more controls. Data from the Norwegian case shows for instance how some of the informants question the competence of the OAG in carrying out area-specific evaluations and scrutiny. Although it might be valuable lessons to be learned from interacting with the OAG, as acknowledged by one of the informants, it rests upon the (perceived) robustness of the scrutiny undertaken.

Furthermore, the increased and intensified controls have amalgamated into growing frustration and unintended behavioral responses. According to the data material this has led public servants to alter the way they do their job. Three main unintended consequences are depicted from the data material.

Firstly, critique over details and failure to succeed 100 % in everything they do give impetus to lowering the ambitions and goals amongst public servants. The end result is therefore that increased controls and parliamentary oversight might decrease rather than increase performance. Secondly, the data material shows how the use of public servants' internal documents has changed along the way. Particularly the so called R-notes—representing an off-limits area to the OAG—have grown in popularity amongst public servants. In this way, steadily intensified parliamentary oversight controls and scrutiny have led to increased opaqueness of public servants' work processes, rather than to increased transparency. Incompatible accountability pressures challenged the public servants, making it difficult for them to account for their conduct. As a result they sought ways to escape from parliamentary oversight scrutiny, rendering it difficult or impossible to comprehend what is undertaken by the public servants—making their actions opaque.

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Thirdly, the OAG sometimes launches investigations—according to the informants—without having a clear mandate from the parliament. This makes it difficult for public servants to know exactly what is expected from them and how to respond to the critique. In this way, rather than clarifying roles and performance expectations, parliamentary oversight controls and scrutiny contributes to mystify public servants’ roles and performance expectations.

As a result, the intention with parliamentary oversight is distorted, depicting the limitations of accountability. This exacerbates the difficulty of the “opaque self”, and helps to explain why some public servants seek to ignore accountability. It furthermore instigates questions about the ethics of accountability. In such states, the parliamentary oversight therefore ends up being a monologue rather than a constructive dialogue (seeking to find ways to improve performance). Consequently, there is a need to readdress the other side of parliamentary oversight, both in terms of re-establishing a dialogue with those held accountable, but also by paying more attention to the unintended consequences that derive from pushing parliamentary oversight controls and scrutiny too far.

One limitation with this study includes the lack of in depth interviews. Future studies could therefore benefit from a different data collection design. In particular, upcoming studies are advised to explore how “quantitatively” driven PO controls impact on control subjects’ willingness to cooperate with those carrying out the controls. Similarly, how fragile are control subjects’ willingness to cooperate (with those carrying out the controls) with respect to the way they perceive the handling of the communicative aspect of the PO controls? Finally, which of the two—number of PO controls or the quality of the PO controls—are more likely to bring about diametrical repercussions?

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The changing landscape of Higher Education: from assumptions like 'students are not customers' to something quite different

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Introduction

Academics are living through significant change, embroiled in its complexity and sense of cumulative becoming. The higher education (H.E.) sector is evolving into something that it was not, making our day-to-day working patterns different in considerable ways. Several once taken-for-granted assumptions, unquestioned beliefs underpinning the very fabric of H.E., have not only been challenged in recent times but actually been ruptured and to some extent displaced by new emerging ways.

For instance, a long-standing given in H.E., that 'students are not customers of academics', no longer seems to hold to the level it did say just 10 years ago; nor would 'research is everything', nor would the assumption that 'academia is a safe job, underwritten by government'. These assumptions, amongst probably many more, will be familiar to many readers, in particular to those colleagues who have worked in research-focused universities for more than two decades. But equally, the same reader is likely to have questioned the continuation of such phenomenon in more recent times.

The main aim of this paper is to unpack and understand the nature of such significant changes in the H.E. landscape in recent times. Much of this change is driven by outside, broader factors (e.g., government policy) on the other hand, yet a great deal of the unfolding journey is also shaped by agency *within* H.E. (e.g., management styles). In particular, I aim to highlight how new emergent practices which collectively I call *financialization* have become prevalent across the sector and, as such, constitutes a key driver, as well as an important outcome, of the institutional change that we are living.

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Financialization describes a multitude of things which, in general terms, relate to how the H.E. sector is nowadays more than ever managed by, and judged, on its financial performance. Broken down, it essentially consists of keen attention towards costs and other financially-oriented metrics, cost-revenue analysis management, key performance indicators, forecasting, and strategizing around financial numbers. In some respects, there is nothing necessarily so new about this, in the case of the H.E. sector. Universities have always been very costly organizations, but traditionally they have also been heavily subsidised by the Government. They have always had some degree of accountability; however, the difference today is in terms of the sheer magnitude and pace at which financialization is sweeping through this landscape.

My personal interest in this subject is twofold. First, I have an interest in what is happening as an employee within the H.E. sector; and, second, as a researcher, my curiosity is particularly honed towards why and how the change processes evolve as they do over time. I shall endeavour to focus predominantly on the latter of these two interests and, from this, also consider some of the potential consequences and implications of this unfolding story.

The remainder of the paper is structured as follows: next, I shall briefly outline the processual methodology adopted in the research. The case study then follows - i.e., a study of key temporal aspects of the H.E. sector over the last two decades. So, I begin by describing the H.E. sector in the early 1990s, when I personally entered the academic profession as a research assistant, and for which I highlight important guardians of continuity. Next, the case description focuses on the nature of more recent and present-day changes within the H.E. sector, including an emphasis on some of the key drivers of change. Finally, there is a discussion of some of the consequences and implications which I draw from the case, including some questioning of how financialization has seemingly and widely been assumed to represent the 'best' way forward in managing tomorrow's universities and the H.E. sector more generally.

A processual approach

This paper adopts a processual methodological approach (Langley et al., 2013) in attempting to unravel and make sense of the dynamics of H.E. during the last two decades. Temporality is key in a processual approach – i.e., a predominant interest in how and why phenomena evolve over time as they do, as opposed to a predominant

emphasis on outcomes or a journey's end. More specifically, the present process-oriented research will focus attention on how and why H.E./organizational phenomena emerge, settle and change through time.

Temporality is highly relevant to understanding cumulative organizational phenomena, because tomorrow's organizations are embroiled in ongoing, complex challenges *over time* – not least due to their fast-moving, inter-connected and globalised nature. Yet, the social sciences tend to be dominated by 'static' research approaches which prioritise abstract correlations between dependent and independent variables, and espouse to *know-what* modelling of 'best' organizational practice.

There is an opportunity to push the boundaries of organizational analyses, and social science more generally, by developing the processual alternative. Processual research incorporates notions of causality which are constituted in sequences of interconnected events, and a fundamental aim is the development of *know-how* and pattern-seeking theorization.

Organizations are immersed in continuous and cumulative uncertainty and change, and it would seem an opportune time to pursue new conceptualizations of the organization field which are sensitized to all things that *flow*. In the social sciences, more specifically, this will involve the development of perspectives that depart from timeless concepts, which review embedded taxonomies, and that substitute complexity for linear causality.

Our case setting is the H.E. sector, particularly that part which involves English universities², which represents an organizational landscape that has recently gone through radical change and where further change seems inevitable. The HE sector thus provides an empirical setting where complex organizational processes can be researched. And, while there is a plethora of prescriptive and policy-grounded research which promotes the practices that HE institutions 'need' to follow in order to prosper in their new time and space, the vast majority of this research is grounded in static methodological approaches. In contrast, the present approach aims to balance such contributions with research that critically unpacks the cumulative processes of change in this vitally important sector.

² The main reason for focusing primarily on English universities is twofold: (1) I have been working for an English university for the previous 5 years, and (2) there is a particular difference between English and, say, Scottish universities as far as recent significant changes in student fees structures are concerned.

UK academia in 1993

My first taste of the academic field was as an economics undergraduate student, enduring three years of ‘rational economic man’ and ‘equilibrium’. Armed with the various models and tools of neoclassicism, I then entered the auditing field with one of the Big 4 accountancy firms, although I soon discovered that there was a greater need for a green-inked pen than for tools of rational behaviour and equilibrium forces to fulfil my duties in this vocation.

I didn’t last too long as a trainee auditor, just over a couple of years, and I went back to (higher) education. I returned to my old stomping ground of economics, self-funding a Masters in economics at the University of Manchester. It was pretty much more of the same – i.e., rational, optimizing models of economic outcomes, the major difference was stretching my only-adequate mathematical skills to their limit.

During my Masters I began to develop a particular interest in the ‘theory of the firm’, and it was then that I had my first exposure to more heterodox economists like Veblen (1898), Galbraith (1958) and Hodgson (1988). These (and other non-mainstream) writers began to help me to make more sense of the organizational field (i.e., the accountancy firm, and its clients) that I just spent two years breathing-in.

As a trainee auditor, you normally experience different client-organizations at least every other week. I personally felt that, in a reasonably short space of time, I had learned a lot about the organizational world, including some degree of recognition of the many subtle and often tacit differences from one organization to another, e.g., differences in terms of structures, procedures, personalities, perceived identity, ambition, and much more. I also think that it was during my auditing days that I became more intrigued and curious as to what made an organization tick (or not) over time?; what, how, and why do some things change – sometimes expectedly, sometimes not?; who were the key, influential players inside an organization, and why? These sorts of questions have stayed with me to the present day.

I began working in academia for proper in 1993. A research assistantship came up, literally across the road from where I was doing my masters in economics, in the Manchester School of Accounting and Finance. The research project was an investigation of whether management decisions were dominated by the statutory requirements of external financial requirements (cf. Johnson and Kaplan, 1987), a quite convenient marriage of my own (limited) works experience in auditing and my keen interest in the economists’ theory of the firm, respectively.

Engaging also in a PhD, I immersed myself into reading huge amounts of literature in the heterodox economics field, and supplemented this also with social theorists whom I sensed might help to extend (though I probably didn't realise it so much at the time!) the sort of methodological and theoretical framework that I was rather unknowingly aiming for, e.g., the works of Giddens (1984) and the 'new' institutional sociologists (e.g., DiMaggio and Powell, 1991).

In no time, I approached a university in the same way that I had acquired a habit of doing in my auditing days; that is, I continuously and consciously took stock to try to appreciate what 'makes' this particular organization – not just the people and their oft-habitual behaviours but also the various rules, practices, processes, etc, who are the people who 'get things done', which practices are generally quite stable and rather predictable, and why do some things change, plus lots more.

The first, most striking observations that I made were of three 'in stone', unquestioned and seemingly taken-for-granted assumptions throughout the circles that I was now engaging in. The first was an assumption that 'students are not customers', the second was that 'research is everything, and nothing else matters so much', and the third was that 'we're a safe sector, we're Government-funded'. These three things were continuously reiterated to me by my peers, they seemed to be common ground for colleagues throughout my 5* research-focused academic department, but I would argue that they also resonated for the most part with all research-focused academic units at the time. Drawing from my own PhD and early publications, I would argue that such assumptions had become *institutionalised* (Burns and Scapens, 2000).³

There were numerous and reinforcing drivers for such unquestioned ways in English universities at the time. For instance, and first, although maintenance grants for students had steadily declined in previous decades and student loans to fund 'university living' were becoming more common, all domestic students still had their tuition fees covered by government funds. Second, research achievement – particularly the quality of articles written by scholars in highly-regarded peer-review academic journals – had become ever more important since the launch of the inaugural 'research assessment exercise' in 1986. Moreover, importantly, such assessment exercises were aligned to significant financial rewards for universities.

³ Burns and Scapens defined 'institutions' as "shared taken for granted assumptions" *within* organizations, which are embedded in the rules and routines that shape actions (2000, p.8). Institutional change, though infrequent, would reference to the displacement of existing institutions with new ones, although *total* displacement (of the 'trace' and memory) is unlikely.

Third, while the previous few decades had witnessed a steadily decline in the total amount of funds allocated to universities by the UK government, it was still a generally well-subsidised sector, and there was still significant amounts allocated to research councils – the State funding mechanism was historic and generally reliable. Fourth, in 1993, the academic field was probably more national than international, email was only just beginning to surface as a common tool within academia, and the Internet was still a few years away before it started to have an impact in the sector. So, the university market was fairly localised, and there was only probably as much competitive pressure in such locale as had previously existed over several decades. By 1993, then, the H. E. sector in England was under little pressure to change, there was an absence of noticeable clamouring for fundamental change from any particular groups or key individuals – students at that time were relatively powerless. And, commonly-held assumptions such as those mentioned above were continuously reinforced through time, taking its people (in particular research-oriented scholars) with them, as an embroiled element of such reinforcement processes – they never seemed to be questioned or challenged in any meaningful way.

UK academia in 2014

Fast-forward 21 years and the situation for England's universities has now become extremely different. The three aforementioned institutions have all been more or less blitzed and no longer have given status, and there are many other important, new features in the sector that just didn't represent a 1990's English university. In this section, I try to capture some of the more significant features of today's H.E. sector, highlighting amongst other things some of the main drivers underpinning how the changes have unfolded as they did through the last two decades. I also include a short anecdote of a recent experience I had which was really the catalyst for my intrigue into (what I regard as constituting) fundamental and far-reaching *institutional* change, still happening now, in the field in which we work.

Change drivers

Since the 1990s, global H.E. has been under considerable pressure from respective governments, English universities being no exception, to become more accountable and to generally convey more value for taxpayers' money. There have

been multiple reviews and reports which have fuelled and furthered such moves toward more commercially-oriented organizations, e.g., Dearing Report (1997).

In 2012, the UK government implemented recommendations of two White Papers from the previous year, (1) ‘Students at the heart of the system’, and (2) a new regulatory framework for the H.E. sector. These had far-reaching impact(s) on the entire academic landscape, including and probably most significantly, within the English H.E. sector. First, the UK government has slashed, practically wiped out its contribution towards university teaching costs, and replaced this with a new system whereby (English) universities elect the tuition fees they wish to charge prospective students, up to a maximum of £9k per annum. This of course has a fundamental affect on the student-university relationship. Second, academic research has also taken a massive hit in that: (1) the government funding that directly flows to universities from the research assessment exercises has shrunk significantly compared to just a decade ago, and (2) the allocation of government funds to research councils has also been dealt a huge hammer blow. Third, the UK government has opened up the market-place, in allowing the formation of new private (i.e., non-funded) universities.

These represent, as I see it, some of the main (though not necessarily the only) drivers of recent change in England’s universities. Such changes to the H.E. landscape have, through both external requirement *and* internal agency, catalyzed the emergence and creation of new forms of practice in the sector. I shall discuss some of these new and emerging practices below. But, first, I shall briefly offer a personal anecdote, which brought home to me recently the significance of the changes that we (academics) are living through.

An uncomfortable moment

In March (2014), I was keynote speaker for a conference organised by the Chartered Institute of Management Accountants (CIMA), in London. The 200+ audience comprised mostly qualified accountants who worked in the H.E. sector across the UK, and also a handful of very senior university managers including Vice-Chancellors. I opened the conference in the morning session with a talk that was angled at some of the behavioural issues when implementing organizational change, although I sensed this was not entirely what the audience had expected from me. The broader aim of the conference was about how make H.E. institutions more ‘efficient’ and ‘cost effective’. My task was specifically to discuss how management accounting

might possibly augment these ambitions in the sector, and I did say some things (though not too much) on what ‘might’ be gained from such tools as the balanced scorecard, benchmarking and more. I did, however, caveat my discussion of such tools with a ‘health warning’ and then spent proportionately more of my time trying to convince the audience (but likely failing) about how unpredictable and challenging the implementation of such tools can become in practice.

I guess that I was generally well-received – at least, the audience were incredibly polite and relatively appreciative; I had got away with it. The next speaker, a consultant from one of the Big 4 accountancy firms, seemed to attract more attention, at least judging by the number and type of questions he was given, when he discussed the university ‘TRAC’ system which is effectively an activity-based costing system that tries to better calculate where academics’ costs are incurred.

But it was the third presentation which really set the conference room alight; namely, a presentation given by the finance director of a new private university, BPP. His university is of course not accountable to government, and receives no public funds, it is a commercial outfit. And, the significance of just *how* different his workplace is to mine, and really epitomising the magnitude of change in the H.E. sector in recent times, came to me when this speaker said: “We *sell* our degrees to both home/EU and overseas students”.

It was his use of the word “sell” which, in particular, drew my attention to (the confirmation of) just how different the H.E. sector had become, or at least will likely *become*, now infused with practices and assumptions that had not previously existed. The same finance director captured his audience with his commercial astuteness and a language that oozed of an accountant whose main task was unashamedly to earn profits for his university. He outpoured a whole array of commercially-oriented (though fairly traditional MA) tools which he was using; and his whole remit came across as being in the field for cutting and managing costs, targeting margins, achieving pre-determined ratios, and satisfying the customer.

The whole audience embraced him, certainly more than they had appeared to take to me, and everyone seemed to want a slice of his cake. At the same time, I began to sink in my chair, as I felt everyone’s stare onto my back, because following the last two presentations (if not even before this day!) I was clearly viewed as an expensive resource and, even more significantly, it seemed that the accountants were more than ever determined to ensure that they had the means to say so.

This got me thinking; in particular, I was curious about the extent to which, in the context of their considerably changed and changing landscape, public sector universities were also engaged in greater commercial savvy and more business-orientation than had previously not been the case. Were universities in general becoming more financialized, steered both operationally and strategically with positive economic returns in mind, and where accountants are likely to assume more elevated and powerful roles than they once did in that sector?

Towards the present-day

The CIMA conference experience was a real eye-opener for me, and ever since I have been particularly intrigued to try to see and understand how the journey continues to unravel in the H.E. landscape. As I have intimated already, I strongly believe that we are living through a milestone period when once unquestioned and long-standing assumptions underpinning the sector, particularly amongst its research-oriented academics, are changing. More to the point, I would argue that the H.E. sector is currently in the throes of *institutional change*.

There is much to be observed and seen, concerning the unfolding nature of these developments in a very important sector. For instance, there is a plethora of prescriptive and policy-grounded research and commentary which generally promotes the new management practices that H.E. institutions ‘must’ follow in order to prosper in their new time and space. Much of this literature, and much of what we also see *in practice*, represents the promotion of financialization, whereby universities now increasingly measure, control and evaluate achievement through financially-oriented performance indicators. There is plenty of advice on offer from professional training firms who have recently swamped the H.E. market with courses on basically ‘how to improve the efficiency and effectiveness of a university’ or to ‘make your university leaner’. Equally there are many more courses on offer, and publications at hand, for learning, say, about cost management in universities, ratio analysis, KPI targeting, pricing, benchmarking, and much more.

As a professorial researcher in a Russell Group university, I have never felt so subject to measurement than I have (increasingly) over the last year, both individually and collectively (i.e., as a member of the Accounting group, or the Business School). Particularly at management level there has been a noticeable push on measuring and managing costs and other financial metrics, set against (hard-to-predict) revenues, and

much of this activity filters down, directly and indirectly, into the individual academic's field. Accounting per se has become more prominent in day-to-day university life – e.g., seen in the manner by which faculty research support, for conferences, etc., has become a far more closely monitored exercise which requires significantly more bureaucratic steps to attend to before an academic boards any plane to share ideas with like-minded thinkers.

Accounting 'tools' are entering, and becoming more common, in the day-to-day life of universities, especially at management level. There are plentiful cost and value-for-money exercises, not just cost-cutting but more of generally all-round cost management. Revenue management has risen in terms of its priority and importance, although managers still struggle in this respect to the extent that much revenue information in the H.E. sector is not available until probably after it remains useful. Key performance indicators are nowadays more commonplace, often integrated within some kind of 'balanced scorecard' model, and reporting and review cycles would appear to be getting shorter. Also there is strong evidence that benchmarking is happening more and more, compared to previous years – e.g., comparisons across individual faculty, departments, Schools and Colleges, and Universities; but also benchmarking over time, focusing on trends, etc.

The same kind of thing is also more noticeably and increasingly changing the nature of strategy within universities. First, university strategy has on the whole been reconfigured into shorter windows (i.e., a 3 year strategy is more common and taken as being more useful than any 10-year plan), explicitly stated as being 'living' or 'rolling' plans such that they are probably best described as *strategizing* rather than strategy documents. Such strategizing, particularly at management levels, is very much geared towards long-run financial health, and university accountants (and their 'accounts') appear to be assuming positions of considerably elevated status than they had previously in the H.E. sector.

Discussion

Institutional change?

I began this paper by suggesting that academics were living through, and in the throes of, significant *institutional* change in their sector, whereby once unquestioned assumptions underpinning their work environment had not only been challenged in recent times but were also in serious doubt as to their longevity or even

their existence today. As illustration, I questioned whether academics in research-focused universities today could confidently claim, the following three things, namely: (1) that students are not customers of academics, (2) that research is everything, and nothing else matters so much, and (3) that academics work in a safe sector, with the safety net that is called ‘Government’.

First, can we really still contest the notion of ‘students as our customers’? The growing evidence is: clearly not! For instance, the new fees structure has completely altered the university-student relationship; universities are now trading products as opposed to funded services. Also, in the last few years the ‘National Student Survey’ has elevated into being one of the key metrics and rankings within the H.E. sector, and university managers rally their troops at ‘survey time’ to encourage strong (and hopefully positive) student input.

I was also told an interesting story a few months back by a teaching colleague of mine at Exeter, which I found very interesting. His son is studying at university and he was telling his dad how he and some friends had sat down one day to estimate what they thought one lecture for a particular module was costing *them* (the students). Moreover, when a lecturer failed to turn up to class one day, he and his friends began to question whether they should be entitled to a refund. This suggests that for the students at least there are fundamental changes underway, already happened, in terms of their assumptions concerning student-university ‘trading’. This way of thinking, I suggest, is bound to deepen given the nature of students’ fees structures now, and it will be interesting to see just how these dynamics unfold and the further implications that emerge. But it will also be interesting to see what develops from a university, and particularly an academic, standpoint. It seems that the pace of institutional change amongst students would on the most part be much quicker than the average research-academic. Indeed, there are probably still a sizeable number of research-academics who refuse to shift from their age-old assumption that ‘students are not customers’; and, this being the case, there is likely to be resistance and challenges ahead. Possibly, who knows, at least some academics will (e.g., through surrounding themselves with research income, maybe?) be able to avoid forced entry into the new surroundings where student is customer?

Second, can we still hold that ‘research is everything, and nothing else matters’? Again, this would seem unlikely in the long-run. To begin with, universities are under immensely greater stress to bring in revenues, they have lost the bulk of

government hand-outs and research alone will not reach anywhere near the necessary revenue levels needed to ensure the sustainability of a university. This is why the days of 'free research', e.g., 40% of research active faculty's workload devoted to research, are probably numbered, if not altogether dead. In short, research cannot 'be everything' because 'it will not pay' by itself and more and probably different revenue streams will likely need to be given greater priority. Teaching is the obvious income stream, but we can probably expect greater competitive behaviours, product differentiation, marketing 'wars', and more, in the not-too-distant future. Other income streams will probably emerge, if they are attainable – e.g., business partnerships, sponsorship, and more.

But also, even if our research can still maintain high and subsidized status in some research-oriented universities, the nature of our research is also likely to come under greater pressure (to change), thus the 'research' in 'research is everything' is redefining over time. For instance, changes in the mechanics of external research funds will probably re-shape the nature of our research. Aside of the fact that there is generally considerably less funds available to research councils, there are new and very clear boxes to tick in tomorrow's grant-getting. The overall drivers, as I see it, and all intertwined with an undercurrent of getting the most out of scarce funding, are: value-for-money, cross-disciplinary and multi-institutional ('pooled') input, and impact. If academics can get these things right in their applications for external research income then, for a select few maybe, research may remain 'everything', but for most it is more likely that 'expensive' research can no longer be afforded as free by universities, and that academic curiosity will be under serious threat.

Third, as academics, can we still claim to be working in a 'safe' environment? Again, I would suggest that the answer to this also has to be 'No'; while the H.E. sector as a whole claims to be in a generally healthy state, questions can still be made surely about the longevity of the configuration that makes up that sector today. Notwithstanding the problems underpinning university pension schemes (though our sector is not unique in this), universities are scrambling for new positions in a new environment to which most are alien. In fact it is the likes of BPP and other private universities which are probably finding this journey the 'easiest' at the present time, because they are basically engaging in more of the same, but probably more aggressively.

Quite simply, government funds have been swept from under H.E.'s platform, so this is bound to be having, and will continue to have, a profound impact on the nature of its environment. What *matters*, what is targeted, what is prioritized, what will become assumed to be 'given ways', and much more are evolving into situations different; and the main certainty is that these phenomena will not resonate with ten years ago. Will we see mergers, acquisitions, closures even? Probably, but who knows, we will know with the unfolding of tomorrow's journey. But the 'safe', plodding, independent but highly-subsidized university of old has most certainly gone, and new alternatives are emerging. This process will be an interesting dimension particularly in terms of the identity of universities, and how they might (not) choose to manage and manipulate that identity.

Financialization

In attempting to unpack and understand the nature of the institutional change in the H.E. sector over recent years, I have stressed the significance of undercurrent and new emerging practices which collectively I have termed *financialization*. Financialization, I argue, has recently and quite rapidly become prevalent across the sector, constituting both an important driver *and* outcome of the institutional change.

The unfolding story of institutional change is rich with interesting dynamics, the study of which should be increased and continued in the future. There's more to be learned, for sure, about the *institutional contestation* that occurs as new directions (mis)align differently with the various taken-for-granted assumptions in a university locale. For instance, we have already discussed different reactions to changes in the relationship between student (as customer) and academic faculty; more specifically, students appear to have less-engrained institutional 'stock' and personal incentive to support the notion of 'students as customers', whereas the longevity and embeddedness of 'students are *not* customers' appears to be the principal reason for sluggishness in change at faculty level.

The dynamics as conveyed relate both to structure (cf. institutions) *and* agency (cf. action), and therefore do not over-emphasize one or the other, thus avoiding primary allegiance to either 'tall' or 'flat' ontology (Seidl and Whittington, 2014). At several junctures in the paper I have tried to highlight both institutional mechanisms, within *and* outside of a university, and also the reactive *and* proactive actions of groups and individuals within a university. Academic managers in particular have

driven the recent changes that we are now embroiled in; much of what we now face in terms of financialization is of their making.

The mobilization of power and politics was also apparent in the process of change – for instance, it is pretty clear that senior management can press their plans and wants on their faculty, but some faculty for their part also have some plans for avoiding the perceived pitfalls of new ways (e.g., strategies of attaining external research income, leaving the research family, etc.).

Critiquing the underpinnings of change

I have already highlighted that there is much to be observed and seen concerning the change taking place in the H.E. sector. There is, for instance, a plethora of prescriptive and policy-grounded research and commentary which generally promotes the new management practices that H.E. institutions ‘must’ follow in order to prosper in their new time and space. Much of this literature, and much of what we also see *in practice*, represents the rhetorical promotion of financialization.

However, there is presently a dearth of more critically-grounded research into the rolling-out of financialization. And, with this in mind, I would encourage greater exploration of how financialization is (or, maybe is *not*?) taking root in the HE sector. But, as important, I would encourage more critical attention towards the philosophical foundations of such HE policies. That is, financialization appears unchallenged as ‘best way’ to steer the sector into its future, an assumption with little apparent questioning.

Yet, financialization comes loaded with increased adoption of (most management accounting) tools which, in turn, are underpinned by ‘optimizing’ neoclassical economic theory, and premised on an overriding assumption that organizations exist primarily to make financial surpluses. So, grounded in this line of inquiry, I would encourage future engagement in more critical consideration of the ideological aspects of today’s HE policies. In particular, I would stress a need to focus on the potential effects (e.g., broader social impacts) of the narrow, financially-oriented approach that now seems to underpin the field of academia.

There would seem to be several paradoxes, both empirical *and* theoretical, that are worthy of further exploration. For instance, whereas the strategizing of most of today’s universities appears firmly rooted in financially-oriented outcomes, at least some of the institutionalized values, beliefs and wider expectations of H.E. stretch

further and into different realms - e.g., social well-being; safe, secure and sustainable society; and a 'happy society'. As such, it would seem that the accounting practices which are facilitating the financialization process (e.g., financial metrics, KPIs, etc.) are becoming an *end* (an outcome of confirmation against financially-grounded targets) rather than a *means* for assisting the ongoing achievement of broader, societal goals.

Closing remarks

The primary objective of this paper was to unpack and better understand the recent institutional change that continues to unfold in the H.E. sector. I have explored the drivers of change, the dynamics of the change process or, alternatively, the source of no or little change, with particular reference to universities in England. The discussion has highlighted an importance of the so-called notion of financialization, which put simply represents an elevation of financial outcomes in the long-run management of universities, frequently underpinned by an increase in the use of management accounting tools and a more prominent role for university accountants. But, as well as contributing new and necessary insight into this very important field of institutional change, I also closed the paper with a brief discussion of how more critically-grounded future studies might do well to question and interrogate the deeper philosophical roots of the unfolding changes in the H.E. sector.

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Performance management in Spanish public hospitals: The role of accreditation as a quality control mechanism

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ABSTRACT

Improving quality while reducing costs and expenditures represent a real challenge for healthcare organisations. Using Adler and Borys’ (1996) framework this study investigates the coercive and enabling control role of accreditation and its effects on the behaviour and perception of organisational members. The design of a qualitative and interpretive approach based on case studies of two public hospitals is used to examine the impact of an acute care hospital accreditation system in one regional area of Spain, Catalonia. Semi-structured interviews, observation and varied types of documentation are used as a triangulation technique to strengthen the credibility of the issues investigated. Findings underline the catalyst and ambivalent role of accreditation in achieving a balanced mixture of both control dimensions. Coercive and enabling features are related to quality assurance and continuous quality improvement principles, respectively. These results point to the importance of developing and using control systems that integrate compliance to standards with transparent and collaborative mechanisms.

Keywords: accreditation; coercive control; enabling control; healthcare; hospital; performance measurement; performance management; quality management; Spain

1. Introduction

Limited economic resources and concerns about the sustainability of modern healthcare systems are driving countries around the world to adopt policies and practices aimed at reducing inefficiencies. Hospitals are regarded as complex organisations due to their multiplicity and ambiguity in terms of stakeholders and objectives (Adler et al., 2003; Abernethy et al., 2007; Eldenburg and Krishnan, 2007). For instance, cost control and quality improvement are seen as intertwined aspects because of the growing pressure to deliver best quality of services at lower costs (Kaplan and Porter, 2011; Cardinaels and Soderstrom, 2013; Häkkinen et al., 2014). However, it is unclear whether these two strategic objectives are complementary, contradictory or incompatible with one another (Fleming, 1991; Morey et al., 1992; Carey and Burgess Jr., 1999; Leatherman et al., 2003; Hvenegaard et al., 2011; Hussey et al., 2013).

The rise of healthcare costs and expenditures over the past three decades has stimulated the development of more sophisticated cost control and accounting systems (Ellwood, 1996; Preston et al., 1997; Hill, 2000; Lehtonen, 2007; Chapman et al., 2014). Cardinaels and Soderstrom (2013) argue that this historical emphasis on cost control has shifted to a new emphasis on better quality. Many countries have experienced a move from reimbursement schemes focused on cost containment (i.e., the introduction of Prospective Payment Systems based on Diagnostic Related Groups and Case-Mix accounting¹) to the implementation of performance-based systems more focused on quality-related issues. Although healthcare organisations have a long tradition of measuring performance, most research has concentrated on the design and use of the Balanced Scorecard (Aidemark, 2001; Inamdar and Kaplan, 2002; Gurd and Gao, 2008; Aidemark and Funck, 2009; Dyball et al., 2011; Kollberg and Elg, 2011) and the consequences of implementing benchmarking systems (Llewellyn and Northcott, 2005; Eldenburg et al., 2011). The roles and effects of other performance measurement systems such as quality management tools in healthcare settings still remain an underexplored and challenging topic in the management accounting literature.

The purpose of this paper is to examine the use of an external Management Control System (MCS) to manage the trade-offs and tensions between potentially conflicting objectives of cost and quality. In particular, the focus is placed on an acute care hospital accreditation system based on an adapted version of the European Foundation Quality Management (EFQM²) model. While healthcare accreditation has become a widespread

¹ Under Prospective Payment Systems (PPS) hospitals are reimbursed using fixed pre-determined reimbursement rates for service packages based on Diagnostic Related Groups (DRGs) which categorise patients into different classes in view of clinical similarities and also consumption of hospital resources. Each DRG is defined on the basis of the principal diagnosis, secondary diagnosis, surgical procedures, age, sex, and discharge status of the patient treated. The main objectives of Case-Mix accounting are to provide a complete financial picture of the costs of treating individual patients, and the costs of treating different patient groups. (Lehtonen, 2007)

² The EFQM is a Total Quality Management approach created in 1988 by the presidents of 14 major companies in Europe. It provides a graphical framework which is used to conduct self-assessment as well as external evaluations. Inspired by the Malcom Baldrige award in the U.S. follows the Donabedian principles of structure, processes and outcomes stressing the importance of organisational development (Heaton, 2000). At present more than 30,000 organisations in Europe use the EFQM model (EFQM, 2014)

instrument promoted by national governments to assess quality standards³ in terms of assurance and continuous improvement (Pomey et al., 2004), a number of issues related to its suitability, applicability and impact remain disputed in academia. This dual role embracing performativity and accountability to guarantee that public funds are appropriately invested is used to investigate how accreditation can assist hospitals in the pursuit of cost-effectiveness and better quality of care.

This study explores the use and impact of a mandatory acute care hospital accreditation system in one regional area of Spain, Catalonia. An interpretive and qualitative approach based on case studies of two public hospitals examines the perceptions of primarily top management teams (TMTs) and secondly middle level managers and external participants familiar with the accreditation process (e.g., the accreditation team from the Catalan Health Department and some individuals from recognised healthcare organisations). This research builds on 49 semi-structured interviews, non-participant observation and varied types of internal and external documentation over a two year period. The process of re-accreditation and external audit during 2013-2014 is perceived by participants as a constructive opportunity to analyse significant changes and upcoming challenges. A variety of benefits and disadvantages underline the complexity arising from assessing and measuring hospitals performance against predetermined quality standards.

Accreditation is seen as a bureaucratic mechanism used to formalise and control organisational behaviour. Following the comparative study examining French and Canadian accreditation systems by Touati and Pomey (2009) this study employs the ‘coercive and enabling’ bureaucracies’ framework (Adler and Borys, 1996) and its four key design attributes (repair, flexibility, internal transparency and global transparency) to examine the trade-offs and tensions of managing opposing and sometimes conflicting roles of MCSs (Mundy, 2010; Tessier and Otley, 2012). Enabling controls are viewed as formal mechanisms designed to assist employees to deal more successfully with difficulties as opposed to more conventional command-and-control managerial styles (coercive systems) often designed to act as infallible and fool-proof instruments that restrict employees’ capabilities (Ahrens and Chapman, 2004). Tensions caused by a number of constraining design features and the possibility to assist organisations on quality improvement activities illustrate the ‘coercive and enabling’ role of accreditation in this particular investigation. On the one hand, the compulsory nature of the accreditation and some restrictive and rigid design characteristics in terms of flexibility and repair exemplify the coercive role of control systems and its negative perception amongst employees. On the other hand, higher levels of transparency and new opportunities for collaboration and cooperation between organisational members enable accreditation to be perceived positively in the two hospitals examined.

³ Definitions of ‘standards’ differ in terms of meaning and scope (Timmermans and Epstein, 2010). In a broad sense, standards are seen as “*norms selected as a model by which people, objects or actions (including government itself) can be judged and compared, and which provide a common language to evaluators, the evaluated and their audiences*” (Ponte et al., 2011, p. 1). They are key elements of Total Quality Management (TQM) practices, aiming at developing better structures and processes in healthcare provision, particularly in hospitals (Grol, 2000).

Taking into consideration the particularities of the accreditation context, the dual enabling-coercive role of control systems and the literature on the intended-unintended consequences of implementing control systems (i.e., Bevan and Hood, 2006; Kelman and Friedman, 2009; Lapsley, 2009), the aim of this study is to address a general inquiry (*question (i)*) and three specific research questions (*questions (ii), (iii) and (iv)*):

(i) How is accreditation used to manage the simultaneous pursuit of cost reduction and quality improvement in public hospitals?

(ii) How do differences between the government intentions (i.e. enabling/coercive) and management perceptions (positive/negative/neutral) towards the use of accreditation impact on performance management?

(iii) How is a regulatory and prescriptive accreditation system used as control mechanism to promote higher levels of transparency?

(iv) What are the intended/unintended consequences associated with the use of this specific hospital accreditation system?

Despite the fact that healthcare accreditation is a long-established and well documented evaluation method, research in the management accounting literature is scarce (Agrizzi and Agyemang, 2014). The majority of accreditation studies have been published in healthcare and policy oriented journals examining the positive and negative impacts of its implementation. Limited attention has been placed on the perception of those individuals involved in the process. Therefore, this study aims to expand the reduced number of studies investigating the interaction and dynamics between the coercive and enabling role of controls (Free, 2007; Cools et al., 2008; Jordan and Messner, 2012) and its consequences on the perceptions of organisational members. Theoretically, the accreditation illustrates an external control system where coercive (i.e., rigid system with obligatory standards) and enabling features (i.e., promoting quality improvement through higher cooperation and transparency across departments) exist side by side (Ahrens and Chapman, 2004), they are part of the same control continuum (Stansbury and Barry, 2007) and they are not mutually exclusive (Free, 2007). Furthermore, this study contributes to recent calls made by Cardinaels and Soderstrom (2013) to investigate how hospitals manage simultaneously cost and quality objectives and how quality incentives and practices affect accounting and control practices.

The rest of this paper is organised as follows. First, it outlines some key characteristics related to contemporary Performance Management & Measurement Systems (PMSs). Then, an overview of accreditation examines the impact and consequences on healthcare organisations. Third, Adler and Borys' (1996) framework is introduced as a theoretical lens to analyse the coercive and enabling features of control systems. Fourth, the research design and methods selected to conduct a case study approach are described to give coherence and rationale to this investigation. Fifth, initial findings and results based on a partially completed data analysis are depicted. Finally, a concluding section discusses some of these preliminary findings.

2. Contemporary Performance Management & Measurement Systems

“Standard Costing and Budgeting, Return on Investment, Discounted Cash Flow, Breakeven Analysis, Activity Based Costing, the Balanced Scorecard and much more all share this aspiration to create and shape the capacity of individuals to calculate and to measure the performance of themselves and others” (Kurunmäki and Miller, 2006, p. 87).

In a broad sense, Management Control is concerned with the accomplishment of goals and objectives (Anthony, 1965; Otley and Berry, 1980; Merchant and Van der Stede, 2007). Management Control Systems (MCSs) symbolise attempts made by organisations to design effective mechanisms to implement intended strategies and accomplish these desired goals and objectives (Langfield-Smith, 2007; Merchant and Otley, 2007; Ferreira and Otley, 2009). MCSs are then regarded as fundamental to the strategy process and useful instruments for strategy implementation (Simons, 1995). Although the interplay between MCSs and strategies has long been discussed by academics, researchers and practitioners (Nixon and Burns, 2012), there is still limited knowledge about this dual relationship, particularly at middle and lower management levels (Simons, 1995) and on the effect of MCSs on strategy or vice versa (Kober et al., 2007).

A key component and subset of MCSs is ‘performance management’ & ‘performance measurement’ systems. Although both terms describe similar processes (Lebas, 1995; Otley, 1999; Smith, 2005) and are often used interchangeably in the literature, performance management denotes a more general approach including those instruments used by managers to improve organisational performance (Ferreira and Otley, 2009) whereas performance measurement is considered as a subcategory of performance management focused more closely on indicators, metrics or measures to evaluate performance issues (Otley, 1999; Goh, 2012). Nonetheless, both practices embody a managerial activity concerned with the accomplishment of specific outcomes or results where managers influence people behaviours to put into practice the organisational strategy and goals (Stringer, 2007; Broadbent and Laughlin, 2009; Adler, 2011).

Over the past two decades, a whole array of ideas, initiatives and managerial styles developed in private organisations have been introduced in the public sector (Lapsley, 2008). This influential change, frequently labelled under the term ‘New Public Management’ (NPM) (Hood, 1991) has stimulated the proliferation and popularity of performance measurement instruments attempting to improve the effectiveness, efficiency and accountability amongst public services (Hood, 1995; Modell, 2004; Jansen, 2008). As part of this transformation, the healthcare environment has undergone significant changes and reforms (Aidemark and Lindkvist, 2004; Nyland and Pettersen, 2004; Pettersen, 2004; Kurunmäki and Miller, 2006; Kober et al., 2007; Chang, 2009; Ellwood, 2009) and governments have been progressively placing higher demands for improving efficiency and delivering ‘value for money’ (Chang, 2006) by means of containing costs and increasing quality (Kelly, 2008; Boyne and Walker, 2010).

Furthermore, this NPM reform has caused a noticeable change in focus from a reliance on traditional input-oriented processes to strategic performance measurement systems (PMSs) based on more balanced and comprehensive approaches (Ballantine et al., 1998; Kloot and Martin, 2000; Aidemark, 2001; Pettersen, 2004; Lehtonen, 2007). Thus, these ‘contemporary PMSs’ (Franco-Santos et al., 2012) which include financial and non-financial measures linked to the organisation’s strategy (in the case of the Balanced Scorecard, for instance) have intensified the importance of examining the relationship between strategy, control and performance. Although these innovative methods and measurement tools have become critical to evaluate quality improvement or overall organisational performance (Llewellyn, 1998; Adolfsson and Wikström, 2007; Aidemark and Funck, 2009), there are still a number of obstacles hindering the accomplishment of desired goals and enhanced performance (Bowerman et al., 2001; Nørreklit, 2001, 2003; Malina et al., 2007) and causing to some extent negative, unintended or dysfunctional consequences (Llewellyn and Northcott, 2005; Bevan and Hood, 2006; Kelman and Friedman, 2009; Lapsley, 2009; Mannion and Braithwaite, 2012).

A common concern in the literature is that although more balanced and multifaceted approaches tend to assist and facilitate decision-making activities, financial and quantitative assessments still disregard the quality facet of services since qualitative performance measurement is more difficult to evaluate (Vaivio, 1999; Kloot and Martin, 2000; Pollit, 2006). This complexity arising from the measurement of qualitative performance (for example, innovation success or failure) has tended to increase the focus of many organisations on measuring simpler and more controllable quantitative financial indicators (Jenkins et al., 1998; Newberry and Pallot, 2004). Correspondingly, Verbeeten (2008) argues that the trade-off between quantitative information represented by short-term performance targets (i.e., quantity produced and level of efficiency achieved) and qualitative information characterised by long-term or strategic performance objectives (i.e., quality and innovation) still remains a key challenge for public organisations.

In the healthcare context, performance measurement is even more complicated because ‘quality’ is not a straightforward concept. Measuring quality in industrial activities is somehow much easier because organisations manufacture relatively simple and specific products. Processes and practices are entirely oriented to these products making performance measurement more uniform, homogeneous and predictable. In contrast, healthcare systems operate in organisational settings with multiple objectives and stakeholders, a broad variety of products/services and sometimes its intertwined nature poses challenges to understand the value, causalities and relationships between such products/services and their processes (de Bruijin, 2002). Another complexity of examining quality in healthcare constitutes the numerous interpretations and perspectives followed in the literature (Donabedian, 1980; McGlynn, 1997; Jun et al., 1998; Shaw, 2004; Arah et al., 2006). These multiple viewpoints have been frequently categorised into *measurable indicators* such as mortality, intermediate outcome indicators (i.e., medical errors, infections and complications), or process indicators (i.e., unexpected readmissions and average length of stay) (de Pouvourville and Minvielle, 2002) and *labels* including

dimensions such as safety, equity, accessibility, appropriateness, acceptability, comprehensiveness, efficacy, effectiveness, efficiency or patient centeredness (Institute of Medicine, 1990; Woodward, 2000; Fletcher, 2001). For this reason, governments and regulatory bodies use comprehensive strategic programs to evaluate the quality of care and overall performance delivered by healthcare organisations (Øvretveit and Klazinga, 2012). Accreditation policies, benchmarking systems, clinical practice guidelines, national quality strategies or financial rewards/penalties schemes are examples of such large-scale quality systems (Øvretveit and Gustafson, 2002; Groene, 2011).

3. Overview of healthcare accreditation systems

“(...) Prior research has focused heavily on accounting systems that hospitals implement in response to pressure from regulators and insurers to reduce costs. This focus has been driven by the historical emphasis on cost containment by regulators and insurers. (...) More studies are needed to understand how hospitals balance cost reduction with care quality and how quality incentives impact hospital accounting, control, and governance systems” (Cardinaels and Soderstrom, 2013, p. 677).

Two of the most common approaches to address quality evaluations are quality assurance and quality improvement (Adler et al., 2003; Øvretveit, 2003). On the one hand, quality assurance refers to the mechanisms applied to certify compliance with a minimum set of pre-established quality standards. On the other hand, quality improvement denotes a continuous process of enhancing quality levels by identifying and implementing varied strategies, measuring performance, and evaluating results and outcomes (Woodward, 2000; Donabedian, 2003). Quality improvement also entails an evolving process that influences personnel, organisational and cultural structures due to the ongoing development of practices and attitudes that promote transparency and corporate responsibility among managerial and medical staff (Shaw, 2004). This dual role relates, in particular, to hospital accreditation because it has been frequently used as a quality assessment method that recognises both assurance and improvement (Arce, 1998; Woodward, 2000; Øvretveit 2003; Pomey et al., 2010). Its combination of assessment against predefined standards and supervisory function encouraging cultural changes encapsulates some of the key purposes of accreditations as, for example, the pursuit of measurable and sustainable improvements over time (Scrivens, 1997; Arah et al., 2006).

Adler et al. (2003) argue that a noticeable aspect of quality management systems in hospitals is the shift from ‘assurance’ of minimum acceptable levels of quality to ‘continuous improvement’ in order to guarantee that over the years average quality levels increase and discrepancies in results and outcomes are reduced. They sustain that: *“(...) The focus thus broadens to include a whole host of processes contributing to the quality and cost of care, and it shifts from post-factum assessments to pro-active improvement initiatives, from a focus on people as the source of errors to a focus on systems and processes, and from a focus on outliers to a focus on common variance. Whereas*

credentialing sought to screen out the incompetent few, the focus now shifts to continuously upgrading everyone's knowledge and skills" (Adler et al., 2003, p. 17). Similarly, Pomey et al. (2004) support the viewpoint that current accreditation processes are evolving from quality assurance to quality improvement. This transformation in quality management and accreditation systems denotes as a result a move from external reviews and yes/no standard checklists to a new measurement approach centred on internal reviews and self-assessments, active role and participation of personnel, quantifiable improvement over time, and focus on activities linked to patient satisfaction, patient safety or prevention of medical errors.

Healthcare performance assessments using standards and guidelines have proliferated since the 1990s. One of the main rationales underlining the evaluation of healthcare activities against quality standards is the identification and recognition of successful organisations. This formal recognition by means of an organised and methodical process is commonly referred to as accreditation. In a broad sense, accreditation is a formal, rigorous and well-established assessment process used to evaluate and promote effective and efficient ways of delivering specific standards (Pomey et al., 2010). In the healthcare context, accreditation is a widespread tool used by governments to regulate and guarantee a selection of quality specifications linked to patient care and safety (Shaw, 2006; El-Jardali et al., 2008). In order to attain public recognition, accreditation programmes follow a sequence of stages comprising self-assessment, on-site survey, peer review interviews, an official report (with or without recommendation), an award or refusal, and follow-up evaluations to guarantee that organisations maintain certified quality levels (Shaw, 2004; Touati and Pomey, 2009; Braithwaite et al., 2010; Pomey et al., 2010). Participation is voluntary or obligatory depending on the particular characteristics of regional or national legislations (Shaw, 2003). However, current regulation and legislation trends in the healthcare industry indicate a growing expansion of mandatory accreditation (Touati and Pomey, 2009).

The literature on the role and consequences of healthcare accreditation has predominantly focused on changes in professional, managerial and organisational practices, impact on healthcare outcomes, and patient satisfaction. Despite the fact that a large number of investigations recognise the positive impact of accreditation on quality and organisational processes, research to date reveals a complex picture with a mixture of unclear, conflicting and inconsistent findings with regard to quantifiable improvements delivered by hospitals (Øvretveit and Gustafson, 2002; Shaw, 2006; Greenfield et al., 2007; Greenfield and Braithwaite, 2008; El-Jardali et al., 2008; Nicklin and Dickson, 2009; Pomey et al., 2010; Braithwaite et al., 2011; Greenfield et al., 2012; Hinchcliff et al., 2012; Mumford et al., 2013; Ng et al., 2013; Nicklin, 2013). For instance, accreditation systems are seen as quality improvement processes that stimulate professional development, encourage organisational and clinical practice changes, provide better information for decision-making to numerous stakeholders, promote accountability, reinforce local and regional communities' confidence in their healthcare organisations, and operate as an effective mechanism to reduce unnecessary costs and

increase efficiency. In contrast, concerns related to work overload, increase of administrative tasks, resistance to change, opportunistic behaviour and maintenance costs undermine a positive implementation of accreditation programmes (See Table 1 in the Appendix for an overview of the advantages/disadvantages of healthcare accreditation).

The Catalan Accreditation System

The Spanish healthcare system is tax-based and integrates an extensive variety of services combining aspects of public and private care (Acerete et al., 2011). It is based on a decentralised model where the provision of healthcare services is managed by the different regional autonomies (Lopez-Casasnovas et al., 2005; Álvarez and Durán, 2013). The Central Government holds authority over specific areas such as basic legislation and coordination, financing, pharmaceutical and international health policies. In contrast, regions or Autonomous Communities (AC) are responsible for its own organisational structure, purchasing and service provision, planning and accreditation (Sánchez-Martínez et al., 2006). Typically, the structure of regional healthcare systems comprises a ministry in charge of regulation, planning and policy activities, and a regional healthcare service acting as a provider (García-Arnesto et al., 2010).

Regional authorities hold as a result full responsibility for authorisation and accreditation of healthcare organisations in their territory. Catalonia, one of the seventeen regions in Spain, has a long tradition in hospital accreditation (Fortes et al., 2011). In the early 1980s and after the transference of healthcare responsibilities from Spain to Catalonia, the Catalan Department of Health & Social Services introduced an external quality accreditation system for acute care hospitals (Healy, 2011). This pioneer experience standardising healthcare quality provision offered by public and private hospitals became the first accreditation model established in Spain and Europe (Heaton, 2000; WHO, 2003). Although accreditation is theoretically voluntary, in practice hospitals that wish to secure a contractual agreement with the Catalonian Health Service (CatSalut⁴) must be accredited (See Table 2 in the Appendix section for a brief summary of the key historical accreditation developments in Catalonia).

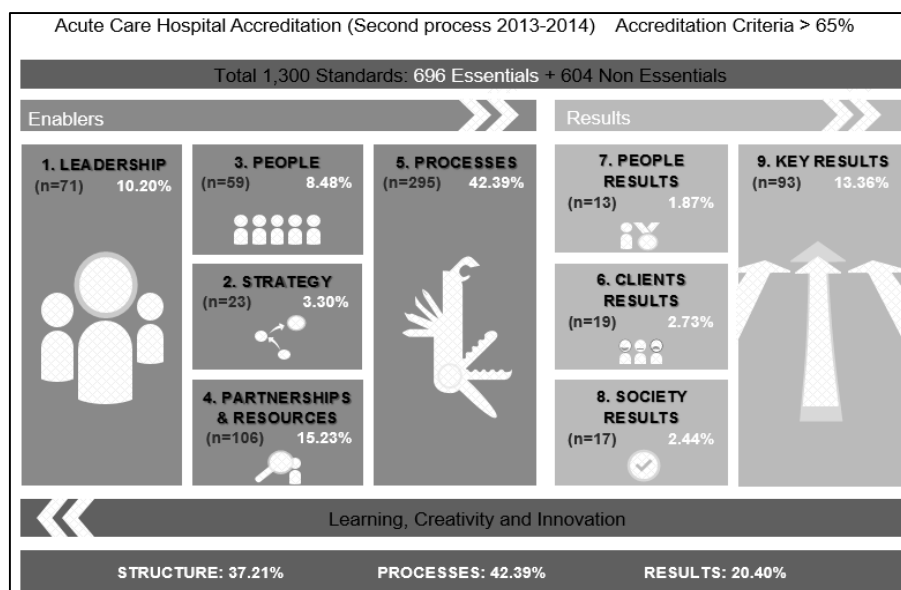
The accreditation in Catalonia follows a four-stage process including self-assessment, external assessment, commitment to quality through the implementation of an improvement plan, and certificate attainment. The current acute care hospital accreditation system was developed by the Catalan Health Ministry and is based on the Excellence Model of the European Foundation Quality Management (EFQM) combining standards from the International Joint Commission (IJC) and the International Organization for Standardization (ISO). Besides, a review examining the experiences with accreditation in Canada, France and the U.K. was used to design the current Catalan model. During the first version of this model in 2007-2008, 83 hospitals were accredited

⁴ CatSalut is a government institution that operates as a public insurer, recognises health requirements and needs, purchases services into an internal market to public and private providers (i.e., hospitals) and evaluates healthcare issues (Gené Badia et al., 2008)

achieving an average compliance to required standards of 82.6% (López-Viñas et al., 2014). In the second process of accreditation in 2013-2014 a total number of 69 hospitals went through the process of “re-accreditation”. Hospitals are audited by an independent external institution through the visits to the different hospital’s departments or units and numerous interviews with organisational members. Accreditation is awarded for a period of three years⁵ and hospitals must achieve at least 65% of the total standards to be qualified. An on-going improvement quality plan related to those standards not accomplished is carried out during this three-year period.

Management control systems aim to achieve organisational strategies by controlling resource inputs, influencing the transformation process, and monitoring results or outputs (Daft and Macintosh, 1984; Parker et al., 1989). Therefore, hospital accreditation is seen as an external MCS where standards describe how different ‘structures’ (i.e., personnel, equipment), ‘processes’ (i.e., medical protocols, clinical flows) and ‘results’ (i.e., outcomes related to mortality or readmissions) are used to assess the activities and processes carried out in the different departments. The actual model includes 1,300 standards (696 essentials and 604 non-essentials) and hospitals are evaluated on the essential standards which are classified under nine dimensions: Leadership, Strategy, People, Partnerships & Resources, Processes, Customer results, People Results, Society Results, and Key Performance Results (see Figure 1). Although this model provides a comprehensive organisational picture, emphasis is primarily placed on Processes and secondly on Partnership & Resources and Key Performance Results (see table 3 in the Appendix for an overall view of essential standards). A number of those 604 non-essential standards have the potential to be incorporated in the next re-accreditations and represent a self-assessment incentive to engage in continuous quality management practices.

Figure 1. Acute care hospital accreditation in Catalonia



⁵ The delay in more than three years in the second accreditation process came after two postponements made by the Catalan Health Ministry.

4. Theoretical framework

“It is well established in the literature that accounting information usually does not capture all the dimensions of performance considered relevant for an organisation or manager. If for example, a hospital is managed exclusively on the basis of cost and revenue information, then it is likely that some arguably important dimensions of its performance, such as the quality of patient care, will receive insufficient attention. In such a case, accounting information can be considered an incomplete representation of organisational performance and thus also an incomplete guide for appropriate action (Hopwood, 1972). Does such incompleteness pose a challenge for the realisation of an enabling form of control?” (Jordan and Messner, 2012, p. 546-547).

Accounting research has increasingly adopted a comprehensive and multidimensional theoretical approach to examine how organisations can accomplish their desired goals and objectives (Berry et al., 2009). Even though a mixture of various concepts related to strategic management, public administration, institutional, organisational and behavioural theories will be used in this research, the primary tool will be based on the ‘coercive and enabling’ bureaucracies framework developed by Adler and Borys (1996) and introduced in the management control field by Ahrens and Chapman (2004).

MCSs are commonly viewed as organisational processes and practices with two complementary functions (Mundy, 2010; Ylinen and Gullkvist, 2014). They are used to control the achievement of organisational strategic objectives and to assist as well the tasks of employees which involve new opportunities and ways of doing things (Simons, 1995; Ahrens and Chapman, 2004; Davila et al., 2009; Adler and Chen, 2011). These opposing and sometimes conflicting interests require managing organisational goals while providing employees with some degree of autonomy and flexibility in decision-making and problem-solving situations (Speklé, 2001; Sprinkle, 2003; Tessier and Otley, 2012). This type of balance comprising trade-offs or tensions between twofold roles has generally been categorised in the literature in terms of ‘mechanistic-organic’ (Chenhall and Morris, 1995), ‘tight-loose’ (Merchant, 1985), ‘diagnostic-interactive’ (Simons, 1995) or ‘coercive-enabling’ (Ahrens and Chapman, 2004) controls.

Adler and Borys (1996) suggest that depending on the type of formalisation managers are confronted with (coercive vs. enabling), their attitudes to control will differ. ‘Coercive’ systems are characterised by formal detailed rules to enforce compliance and control employee behaviour (sometimes by means of sanctions/punishments) whereas ‘enabling’ systems refer to rules and guidelines encouraging employees to develop their own capabilities, respond effectively to uncertainties and facilitate decision-making activities (Ahrens and Chapman, 2004). Furthermore, Adler and Borys (1996) recognise three types of attributes to classify coercive-enabling systems: (i) the features or characteristics of the system, (ii) the design process of the system, (iii) and the different uses of the system. They argue that the design and objectives of control systems are determined depending on how they are employed. Thus, a system designed with coercive elements should be used in a coercive manner, while a system conceived with enabling

characteristics will be better managed in an enabling way. When features and uses are aligned (e.g., coercive attributes with coercive uses or enabling attributes with enabling uses) the system will lead to its planned or intended purposes. In contrast, a mismatch between attributes and uses will cause unintended or even dysfunctional outcomes⁶.

In order to establish whether a control system is enabling or coercive, the purpose of Adler and Borys (1996) is to identify why and how MCSs might be used to assist rather than constrain operational management (Ahrens and Chapman, 2004). Adler and Borys (1996) also suggest the examination of four general and integrated characteristics (repair, flexibility, internal transparency and global transparency) to achieve a better understanding of the formal control mechanisms. First, *'repair'* refers to the characteristics within the system that permit employees to improve or change work processes. It relates to the extent to which employees are allowed to fix and repair breakdowns and continue working without further interruptions. It also represents the degree of autonomy that individuals have to use their own judgements to make appropriate adjustments to prescribed rules and protocols. For example, repair involves managers' consent and ability to modify the definition and measurement of performance indicators (Wouters and Wilderom, 2008) or the encouragement of knowledge creation by using prototypes and experimenting with contextualised data (Wouters and Roijmans, 2011). Second, *'flexibility'* denotes the extent to which formal systems provide employees with different choices and alternatives to proceed in completing their tasks. It refers to the level of discretion that employees have over the use of a determined systems. Illustrations are provided by Free (2007) in one of the two case studies when the 'category management' relationship between retailers and suppliers led to a process of adaptation to individual needs and greater focus on customer's knowledge or Jørgensen and Messner (2009) in their study about process control system for product development where specific guidelines were modified or adjusted to suit the individual development product characteristics. Third, *'internal transparency'* represents the degree of available information for employees to understand and recognise the quality of the system and its status. It relates to the extent to which users are able to see through and understand the logic of the system. This transparency indicates situations where employees develop a better understanding of their local processes (i.e., own department or business unit). For instance, in order for an output control system to be transparent, target values for performance need to be communicated to managers (Ahrens and Chapman, 2004). Chapman and Kihn (2009) see enabling budgeting practices as mechanisms that clarify activities, increase the operational knowledge and guide to a better understanding of revenue/cost levels carried out in the business units. Finally, *'global transparency'* symbolises how employees perceive the overall system in which they operate. This type of transparency is associated to the extent to which users understand the upstream and downstream inferences of their work. In the health environment, global transparency will allow employees to see how their departmental or unit work contributes to the overall

⁶ An example of these unintentional consequences is the concept of 'mock bureaucracy' (Gouldner, 1954) which reflects how managers and employees are aware of certain organisational rules but they intentionally decide to ignore them because neither party wishes to enforce these rules (i.e., rules are promoted due to its symbolic attributes but ignored in real practices)

hospital objectives. Chapman and Kihn (2009), for instance, argue that in the context of budgeting practices, global transparency is accomplished when it increases managers' understanding of the organisational strategy. Similarly, Free (2007) shows that global transparency is enhanced when information sharing between retailers and international suppliers involves proactive supplier participation, joint forecasting and cost sharing.

Previous research examining the 'coercive-enabling' framework in the management control literature is relatively limited. Features related to the design, implementation and use of several management systems such as budgets, costing systems, PMSs and IT systems have been investigated to evaluate their coercive or enabling nature. The traditional viewpoint of Adler and Borys (1996) suggests that organisations should select either a coercive or enabling strategy to determine their governance procedures. However, Ahrens and Chapman (2004) in their UK restaurant chain's study argue that managing organisations using a unique management system may not be feasible and it could be possible to use both systems simultaneously. Enabling systems are viewed as control instruments that supports twofold roles: 'flexibility and efficiency' (Ahrens and Chapman, 2004; Naranjo-Gil and Hartmann, 2006; Jørgensen and Messner, 2009) and 'business partner and corporate policeman' (Hartmann and Maas, 2011).

While different lines of reasoning support the two types of control systems, previous research has primarily focused on enabling features due to their positive results in terms of design and use of MCSs and organisational performance (Ahrens and Chapman, 2004; Wouters and Wilderom, 2008; Chapman and Kihn, 2009; Jørgensen and Messner, 2009; Wouters, 2009; Wouters and Roijmans, 2011; Groen et al., 2012; Jordan and Messner, 2012; Mahama and Cheng, 2013). Examples of successful enabling mechanisms include employee engagement, experience-based development, time and autonomy to experiment, higher transparency, organisational professionalism, support and clear communication from top management, availability of modern IT systems (e.g., SAP), strategy alignment, and new opportunities to develop personal skills and capabilities.

Despite the fact that coercive and enabling systems exist side by side (Ahrens and Chapman, 2004), they are part of the same control continuum (Stansbury and Barry, 2007) and they are not mutually exclusive (Free, 2007), research has tended to separate them using positive or negative connotations or perceptions. If employees recognise that formal systems support them to better master their jobs, then control systems are received positively. In contrast, if employees feel that top management use enforcement and compliance, formal systems are perceived in a negative sense. However, coercive systems are necessary for control purposes and they should not always be linked to negative and undesirable outcomes. Taking into account the accreditation and coercive-enabling literatures, it can be argued that hospital accreditation systems have simultaneously coercive (i.e. quality assurance) and enabling (i.e., quality improvement) attributes. Besides, healthcare settings appear to be a suitable and underexplored approach to investigate how performance management captures the relationship between cost containment and quality enhancement.

5. Methodological approach and research methods

This study follows a qualitative and interpretive approach based on case studies of two public hospitals in one regional area of Spain, Catalonia. The selection of the case sites was based on similarities in terms of public ownership, willingness to participate and geographical proximity. Furthermore, the nature of the research emphasises the role of management accounting practices in everyday life, in its commonplace setting. Data collection consist of face-to-face semi-structured interviews, different forms of archival records and documentation, and observational information arising from interviewees' attitudes, awareness of events and personal perceptions. Interviews were conducted using the principles and guidelines for qualitative research. A meticulous and rigorous approach comprising informed consent and protection of confidentiality was strictly followed during the entire process (Denzin and Lincoln, 2011). Ethical approval was given by the NUI Galway Research Ethics Committee. As a result, triangulation of data (Flick, 2002; Ahrens and Chapman, 2006) is used to reinforce the credibility and reliability of the issues investigated (Patton, 2002; Yin, 2009). The use of multiple research sources enables to address a broad variety of issues and explore how internal and external attributes influence healthcare accreditation processes.

In order to understand current challenges faced in the healthcare environment, several pilot interviews were completed during April – May 2012 and January 2013 with top managers and a hospital director in three hospitals. The topics discussed during the interviews were derived from the control and performance management literatures. Those interviews enabled discussion of some of the issues associated with control systems (i.e., budgeting systems, funding mechanisms and costing systems), different managerial instruments used for performance management and measurement (i.e., benchmarking tools, scorecards, dashboards and total quality management techniques) and main strategic objectives and goals. One of the main purposes during this initial stage was also to confirm and secure access and plan further interviews with key informants over the following months. Therefore, a professional and honest relationship with the gatekeepers in each organisation assisted the researcher in the selection process for potential interviewees in the following stages. As previously used in numerous accreditation qualitative studies (Jaafaripooyan et al., 2011), purposive sampling method (Patton, 2002) was employed to select key organisational members familiar with the process.

Good practice in the data collection process and analysis of the preliminary findings has been rigorously followed and adhered to (Eisenhardt, 1989; Ahrens and Dent, 1998; Adams et al., 2006; Yin, 2009). The data collection process includes two stages based on the agreed interviews for 2013 and 2014. The first phase of data comprises eighteen interviews with top managers/directors from the healthcare service departments (medical and nursing units) and supporting activities (accounting and finance, human resources, general services, maintenance, and information systems) in the selected hospitals during June – August 2013. This exploratory stage was indispensable to validate the suitability and appropriateness of the 'coercive and enabling' framework in the healthcare context and recognise the critical role played by the accreditation process. The second phase was

carried out during January – May 2014 and consists of twenty-seven interviews with Top Management Teams (TMTs), middle managers and several individuals belonging to recognised institutions familiar with the accreditation system (see Table 4 in the Appendix section for a summary of the interviews carried out to date). A key objective was to examine the four dimensions of the coercive & enabling framework: repair, flexibility, internal transparency and global transparency. The role of accreditation as a catalyst for cost control and quality improvement and other issues related to the effectiveness, changes and effects of the re-accreditation were also investigated. Although the original research plan was to examine three hospitals, factors beyond the control of the researcher (i.e., the possible privatisation of one of the organisations and numerous impediments to facilitate and arrange interviews with key informants) made possible to investigate only two organisations.

Most interviews were digitally recorded and when this procedure was not feasible, extensive notes were taken during each session. Shortly after interviews, more detailed notes were written to capture valuable perceptions and personal reflexions. Each interview has been transcribed (either in Spanish or Catalan languages) by the researcher to identify and classify data into similar topics and common themes. Transcriptions were followed by a manual coding process to facilitate the identification of relevant issues prior to further interpretation. This coding approach facilitated the creation of deductive codes related to the enabling-coercive framework as well as inductive codes derived from the participants' interviews (Fereday and Muir-Cochrane, 2006). Interviews were also supplemented by document analysis of internal information (i.e., hospital reports, protocols, clinical processes, improvement plans, accreditation reports) and external documents (related to the Catalan Health Department) to gain in-depth insight of the accreditation process. The researcher is currently using NVivo qualitative data analysis software (Bazeley, 2007) to undertake a more detailed and rich analysis by themes and sub-themes as well as searching for differences on participants' perceptions (Miles and Huberman, 1994). Arranging information chronologically and recognising emerging patterns, common topics and key constructs (Eisenhardt, 1989) has been consistently used as a research strategy to examine 'coercive and enabling' control studies (Ahrens and Chapman, 2004; Free, 2007; Cools et al., 2008). The purpose is to identify expressions and quotes about participants' perceptions to classify whether accreditation is perceived as a coercive or enabling system.

The design of this field study research includes two healthcare organisations being referred to as 'Hospital L' and 'Hospital S'. The name of the hospitals has been modified to preserve the anonymity and confidentiality of the sources investigated. On one hand, '*Hospital L*' is a large high-technology hospital with almost 1,000 beds covering an area of two million population. It is owned by the Catalonian government and has a 'traditional public model' of governance. The majority of the staff are statutory employees (i.e. civil servants) and the administration of the hospital is under the supervision and organisation of professional managers. This hospital is one of the top performers in Spain and since 2000 has been frequently awarded with prestigious prizes due to its extraordinary levels of quality excellence. On the other hand, '*Hospital S*' is a small basic general hospital

with less than 100 beds covering an area of reference of 50,000 people. Its 'foundation' legal status indicates that it is a public not-for-profit hospital that work as an autonomous accountable organisation (López-Casasnovas et al., 2009) and is regulated by private law with a certain level of autonomy regarding healthcare services. The hospital has non-statutory healthcare professional staff and it is a self-governed organisation where top management has certain degree of freedom to manage its own cash flows, decide where to invest and whether to buy or lease assets.

6. Initial findings and results

In this section, a summary of the initial findings based on observations and comments from the two data collection phases is presented. In order to understand the course of re-accreditation is important to underline several significant changes perceived by participants between the two most recent accreditation processes. First of all, the economic context has changed. The first accreditation (2007-2008) using the actual model (a modified version of the EFQM) was evaluated at the end of a booming and prosperous period whereas the second accreditation or re-accreditation (2013-2014) has been examined on a period of recession and austerity. This second accreditation was deeply influenced by the NPM rationale of 'more with less' emphasising the achievement of similar levels of activity with less workforce and resources. Second, higher demands and expectations from the Government and changes in the auditing process ('more action, less documents') have pushed organisations to attain better results. Third, a transition era in terms of technological developments ('from paper to digital') has created a large increase of medical and clinical information sharing. Finally, organisational structures have evolved to new managerial styles involving higher participation from top management level, greater delegation and engagement with lower-level staff, multidisciplinary cooperation between departments and units, and higher collaboration between healthcare organisations. In this context, a shared concern by a number of participants regarding the next re-accreditation process is clearly articulated by Klazinga (2010, p. 26): "*Apart from the challenge of measurement, the management challenge remains of how to link outcome measures to policy initiatives, such as financing (associating resource allocation to performance) or national quality improvement programmes*".

Interviewees acknowledged the crucial role of accreditation as a lever of change (Cooper et al., 2014). Recommendations made by the accreditation surveyors in previous visits helped hospitals to promote and develop changes. Particular examples include better use of indicators for decision-making, better clarification and interpretation of rules and processes by creating new protocols or improving existing ones, the creation of organisational structures and functions dedicated exclusively to quality and safety issues, multidisciplinary collaboration at clinical levels, and significant improvements on information management practices (i.e., digital imaging processes, integration of patient information, confidentiality issues) and patient safety procedures. A combination of good leadership, clear definition of strategies and processes, appropriate personnel management and efficient use of resource seems critical to achieve better results. On the

contrary, several negative effects are noticeable at professional levels, too. Work overload and administration burden due to an excess of paperwork leading to spending less time with patients are frequently mentioned. Some medical and nursing staff also perceive accreditation as a controlling and intrusive mechanism designed to scrutinise their activities rather than a quality management instrument promoting the development of collaborative healthcare practices.

According to Touati and Pomey (2009), the theoretical framework developed by Adler and Borys (1996) points out a number of contextual factors, which in the case of the accreditation context can encourage or restrain the development of an enabling system: (i) the *legitimacy* rationale: participating and collaborative cultures support enabling mechanisms; (ii) the *power distribution*: asymmetrical power causes managers blaming employees for poor results, this hindering learning activities; (iii) *external incentives*: organisations facing higher competition or demanding customers are expected to encourage a learning approach; and (iv) *institutional* actors: the viewpoint of an institution (i.e., the government accreditation body) affects the kind of bureaucracy that sets in a particular environment. The analysis of the interviews conducted during the second phase reveal a mixture a positive and negative factors related to the contextual factors affecting the design of the accreditation. The overall perception of participants on these contextual aspects shows to a certain extent that although the accreditation's design contains multiple constraining elements (i.e., rigidity and inflexibility) its use is fairly enabling. See Table 5 below for a summary of the main positive/negative contextual factors.

Table 5. Positive and negative impacts of contextual factors

Contextual factors	Positive impact	Negative impact
<i>Legitimacy of the process</i>	<ul style="list-style-type: none"> - Equal treatment for public and private organisations - Standards are seen as norms of excellence - Valuable opportunity to take stock of actual practices and conduct inventory - Indicators developed for the accreditation process help decision-makers 	<ul style="list-style-type: none"> - Standards of excellence are seen as requirement and inspection - Standards are seen as rigid, inflexible and prescriptive - Additional time spent on paperwork and administrative duties
<i>Power distribution</i>	<ul style="list-style-type: none"> - More delegation at lower levels and greater support from top management - Increases the power of some groups: quality coordinator, nursing staff, middle-level managers 	<ul style="list-style-type: none"> - Increases the power of the Health Department - Still limited participation of users during the accreditation process - Accreditation is seen as a top management tool
<i>External incentives</i>	<ul style="list-style-type: none"> - Accreditation's award - Reputation 	<ul style="list-style-type: none"> - Absence of economic/no economic rewards (i.e., more activity, extra formation) - Limited feedback from the Health Department (i.e., benchmarking)
<i>Institutional actors</i>	<ul style="list-style-type: none"> - Participation of professional associations and other healthcare institutions in the design and development 	<ul style="list-style-type: none"> - Compulsory status of accreditation enforced by the Health Department

The current and unfinished iterative analysis of this study recognises the coercive and enabling role of accreditation and its four fundamental characteristics (repair, flexibility, internal transparency and global transparency). The overall viewpoint of participants is that the accreditation system integrates relatively well both approaches. However, the enabling features of the control system are more noticeable and to some extent perceived more positively than the coercive features (see Table 6 in the Appendix section for some quotes of key informants during the first phase in Jun – Aug 2013).

The following summary underlines some preliminary findings related to the enabling and coercive framework:

Characteristics	‘Coercive’ features	‘Enabling’ features
<i>Repair</i>	- ‘Inspection’ and ‘scrutiny’ process: compulsory requirements for standards, users have limited opportunities to express their opinions	- Users are able to revise and modify indicators and protocols - Users can employ and integrate information systems technologies (i.e., different software programs) to required circumstances
<i>Flexibility</i>	- Strict rules and protocols reduce flexibility - Limited latitude and freedom to affect decisions	- Possibility of contesting the recommendations and conclusions made external audits
<i>Internal transparency</i>	- Uniform standards poorly adapted to different departments/units and some activities - Rules are communicated to users without explanations and rationale	- Better understanding of departmental processes because rules are explained (i.e., accreditation meetings) and users are able to make sound decision-making - Information sharing within department
<i>Global transparency</i>	- Viewed as a top management tool - Restricted access and limited information available to employees - Some issues with the Health Department: limited support and feedback, poor communication	- Better understanding of the strategic objectives and mission followed by the hospital - Support from top management - Multidisciplinary collaboration - Information sharing across departments and with other healthcare organisations

Furthermore, the accreditation model is seen as an effective management tool which recognises organisational efforts towards excellence on quality. The role of accreditation as a facilitator for quality assurance and continuous quality improvement is widely recognised as well in the two hospitals (Pomey et al., 2010). Even though the accreditation system is based on a managerial approach more focused on quality than costs, participants underline that both organisational objectives are not mutually exclusive. However, the function of accreditation as a catalyst to simultaneously improve quality and reduce or contain costs is not fully recognised due to the lack of evidence to corroborate it and the difficulties to capture and calculate the direct effects and relationships among them.

Despite the fact that performance measurement systems can contribute to the improvement of healthcare systems, measurement in the public sector can inadvertently stimulate a whole array of unintended consequences (Smith, 1995; Hood, 2007; Dahler-

Larsen, 2014). Following Mannion and Braithwaite's (2012)⁷ classification of dysfunctional effects in four categories (poor measurement, misplaced incentives and sanctions, breach of trust, and politicisation of performance systems) this study did not find hard evidence of such unintended and dysfunctional behavioural consequences. However, preliminary findings reveal to a certain degree some signs of 'poor measurement' in terms of *tunnel vision* (i.e., emphasis on those measures included in the essential standards disregarding other relevant but unmeasured elements of 'quality'), *quantification privileging* (i.e., concerns about how numbers capture complex social phenomena and the measurement of softer and qualitative facets of healthcare such as staff morale or culture) and 'misplaced incentives and sanctions' through *undercompensation* (i.e., lack of economic and non-economic incentives by means of rewarding organisations with new ways of financing or extra training when they achieve high accreditation scores).

7. Discussion and conclusion

A variety of aspects such as worsening economic conditions, growing and ageing population, dependence on expensive technological equipment, and higher expectations by patients and citizens (Spurgeon et al., 2014) are accentuating developments towards more responsive and sustainable healthcare systems. The provision of high quality services at reasonable costs is a common challenge faced by worldwide health systems. A central concern is that policies that aim to reduce costs, increase efficiency or promote higher competition may cause a reduction in healthcare quality (Or and Häkkinen, 2011). In such a context, professional groups (e.g. physicians, surgeons and nurses), market forces and regulation are key drivers that help organisations to improve quality and safety issues (Berwick et al., 2003). Similar to other powerful and leading sectors such as telecommunications or banking services, the healthcare industry is extremely influenced and regulated by governments. Compliance and regulation are used together to guarantee certain minimum quality levels, assist the government's function as the main healthcare purchaser, and respond to providers' efforts (e.g., hospitals and primary care centres) to increase the demand for services (Chang et al., 2014).

In order to overcome some of these challenges, the introduction of new managerial practices, accounting techniques and organisational incentives have changed to some extent the healthcare sector (Pettersen, 2004; Kurunmäki, 2004; Lehtonen, 2007; Dyball et al., 2011; Kaplan and Witkowski, 2014). In the public sector, concerns about improving control, facilitating decision-making and promoting performance measurement activities (Kurunmäki and Miller, 2006; Conrad and Guven Uslu, 2011) have popularised

⁷ They classified twenty different types of dysfunctional effects in the U.K. National Health Service in four groups: *poor measurement* (measurement fixation, tunnel vision, myopia, ossification, anachronism and quantification privileging), *misplaced incentives and sanctions* (complacency, silo-creation, overcompensation, undercompensation, insensitivity and increased inequality), *breach of trust* (misrepresentation, gaming, misinterpretation, bullying, erosion of trust and reduced staff morale), and *politicisation of performance systems* (political grandstanding and creating a diversion).

expressions such as ‘value for money’ and ‘more with less’ (Chang, 2006; Yang and Modell, 2013) to denote this emphasis for achieving greater efficiency within restricted resources. However, transformations and changes in healthcare are rather slow compared to other sectors and industries (Bohmer, 2010) and these innovative instruments not always have been able to assist organisations in achieving their desired objectives leading sometimes to negative, unintended or dysfunctional consequences (Smith, 1995; Llewellyn and Northcott, 2005; Mannion and Braithwaite, 2012)

A number of scholars argue that a close relationship between strategic objectives and management accounting systems is needed to face growing competitive pressures and promote long-term viability and clear strategic objectives (Kober et al., 2007; Franco-Santos et al., 2012). Contemporary PMSs (Franco-Santos et al., 2012) or Strategic Management Accounting (SMA) (Cadez and Guilding, 2008) are seen as helpful mechanisms to manage some of the problems related to the effectiveness of traditional control systems. Although healthcare organisations are adopting new management methodologies to reduce inefficiencies and enhance quality and patient safety, research is limited. As Lachmann et al. (2013, p. 337) point out: “..., *empirical evidence on the use of SMA practices in hospitals is scarce. In the hospital setting, the literature mainly analyzes conventional management accounting and control systems used in the context of environmental change (Abernethy and Brownell, 1999; Naranjo-Gil and Hartmann, 2006). However, it remains unexplored whether particular SMA techniques are implemented*”. Consequently, the study of a hospital accreditation system based on the EFQM model will expand the literature related to the impact and consequences of contemporary PMSs. Besides, the mixture of inconsistent and contradictory positive and negative organisational impacts in the healthcare accreditation literature reinforces the need for investigating this underexplored topic in the management accounting field.

Adler and Borys (1996) recognise that the design, implementation and use of formal systems can be assessed by examining four key characteristics: repair, flexibility, internal transparency, and global transparency. Depending on the features of this multidimensional approach, the role of control systems can be categorised as enabling or coercive. However, modern organisations frequently follow a mixture of both systems (Ahrens and Chapman, 2004) and is difficult sometimes to understand the implications and relationships between coercive and enabling mechanisms. Although enabling systems offer managers ways to deal with unanticipated or emergent contingencies, there is still a need to integrate or combine them with rigid and specific rules to achieve the desired organisational objectives. The limited attention in the literature to the association and interaction between coercive and enabling characteristics (Jordan and Messner, 2012) represents an excellent opportunity to examine performance measurement in healthcare settings.

Overall, this study is critical for several reasons. First, it aims to achieve a better understanding of how organisations manage the simultaneous pursuit of two challenging and sometimes conflicting objectives: cost reduction and quality improvement (Cardinaels and Soderstrom, 2013). Second, this study examines how Adler and Borys’

(1996) theoretical framework can be used to understand control differences in the healthcare context. Research using this particular framework is limited within public management and accounting literatures and almost non-existent in hospital settings apart from the quantitative study conducted by Naranjo-Gil and Hartmann (2006) and the accreditation's research carried out by Touati and Pomey (2009). This study investigates how the enabling and coercive features of an acute care hospital accreditation system impact on the integration of cost and quality objectives. Coercive controls are seen as restrictive mechanisms that hinder decision-making activities whereas enabling styles encourage higher flexibility, transparency and collaboration amongst departments. Accreditation systems encapsulate both lines of reasoning and recognise the coexistence of both approaches to successfully implement rules and processes. Quality assurance denotes compliance to predetermined quality standards whereas quality improvement promotes changes by incorporating new ways of doing. However, prior studies have primarily focused on the positive enabling features ignoring deliberately the coercive mechanisms related to the use of control systems. Therefore, this study aims to achieve a better understanding of situations where controls are perceived by employees as ambivalent, i.e., simultaneously coercive and enabling (Adler, 2012). Finally, it is crucial to examine how the current economic climate and austerity measures have affected performance management in the public sector. Although research on contemporary PMSs such as the Balanced Scorecard emphasise its capacity to enhance hospital performance (Gurd and Gao, 2008; Aidemark and Funck, 2009) it is also expected that various unintended or dysfunctional behavioural effects in healthcare organisations could emerge (Llewellyn and Northcott, 2005; Bevan and Hood, 2006; Kelman and Friedman, 2009; Lapsley, 2009; Mannion and Braithwaite, 2012). For these reasons, investigating management and accounting practices in the public sector is needed more than ever, particularly at a time when the 'language of cuts and costs' dictates any debate or discussion (Yang and Modell, 2013).

APPENDIX

Table 1. Advantages and disadvantages of healthcare accreditation programmes

Advantages	Disadvantages
<ul style="list-style-type: none"> - <i>Promotes change</i>: improves staff engagement and communication, promotes collaboration with external stakeholders, promotes organisational learning, decreases variance in practice among providers and decision-makers, promotes the use of ethical protocols, provides a clear vision for sustainable initiatives, better integration and utilisation of information (i.e. codification of policies, procedures and protocols), promotes a quality and safety ‘culture’ - <i>Encourages professional development</i>: reinforces interdisciplinary team effectiveness, builds team-working and collaboration opportunities, increased job satisfaction, sharing of best practice - <i>Increases compliance</i> with quality and safety standards - <i>Stimulates healthcare improvement</i> efforts: mitigates the effect of adverse effects, reduction of medical errors, enhances the reliability of laboratory testing, involve patients and families in quality management - <i>Increases efficiency</i>: reduces unnecessary costs, adoption of new processes and systems improving operational effectiveness, consciousness on the use of resources (i.e. medication), improvement of internal practices - <i>Improves public recognition and reputation</i> - <i>Provides opportunities for additional funding</i> 	<ul style="list-style-type: none"> - <i>Deterioration of working conditions</i>: work overload, administrative burden - Organisational culture of <i>resistance to change</i> - <i>Insufficient training and support</i>: doctors participation is weak - <i>Lack of applicable standards for local use</i> - <i>Funding cuts</i> and decrease on resources - Potential for <i>opportunistic behaviour</i> (i.e. gaming) - <i>Lack of participative incentives</i> - A regulatory approach focused on <i>mandatory participation</i> - <i>High costs</i> for sustaining accreditation programmes - After some years, organisations find accreditations are <i>no longer challenging</i>

(Own source: based on the studies conducted by Greenfield and Braithwaite, 2008; Pomey et al., 2010; Nicklin and Dickson, 2009; Ng et al., 2013, Mumford et al., 2013; Nicklin, 2013)

Table 2. Historical approach to the Catalan accreditation (Catalan Health Department, 2014)

<u>Timeline 1979-2013</u>
<p>2013: Start of the second accreditation period (2013-2016) for acute hospital care centres</p> <p>2009: Ceremony of hospital accreditation certificates</p> <p>2006: Celebration of 25 years of Catalonian accreditation</p> <p>2006: Start of the new accreditation model, regulated by Decree 5/2006 of 17 January</p> <p>2005: Presentation of the new Catalonian accreditation model for acute care hospitals</p> <p>2000: Creation of the Quality Assistance Advisory Council of the Health Care Department</p> <p>1992: Amendment of the 16 August 1988 Order, adapting the composition of the Advisory Committee for the Accreditation of acute care hospitals</p> <p>1991: Third accreditation process for acute care hospitals in Catalonia (10 July 1991 Order)</p> <p>1988: Creation of the Advisory Commission for the Accreditation of acute care hospitals (16 August 1988 Order)</p> <p>1983: Second accreditation process for acute care hospitals in Catalonia (25 April 1983 Order)</p> <p>1981: First accreditation process for acute care hospitals in Catalonia (21 November 1981 Order)</p> <p>1979: Transfer of healthcare competences to Catalonia</p>

Table 3. Distribution of essential standards in the second Catalan Accreditation Process

SECOND ACCREDITATION PROCESS (2013-2014) - Essential Standards (n=696)
<u>1. Leadership</u> (n=71, 10.20%) a) Leaders develop the mission, vision, values and ethical principles and act as a role model (n=4) b) Personal involvement of leaders to ensure the development, implementation, continuous improvement and performance management of the organisation's systems (n=50) c) Organisational leaders know their external stakeholders and create planning tools to understand, anticipate and respond to the diverse needs and expectations of these groups (n=14) d) Organisational leaders motivate people and give them support and recognition (n=3) e) Flexibility and change management. Leaders reinforce a culture of excellence within organisational members (n=0)
<u>2. Strategy</u> (n=23, 3.30%) a) The strategy is based on understanding the needs and expectations of stakeholders and the environment (n=8) b) The strategy is based on understanding the performance of the organisation and its capabilities (n=7) c) The strategy and its supporting policies are developed, reviewed and updated (included in Criteria 1 and 2a, 2b and 2d) d) The strategy and supporting policies are communicated, implemented and monitored (n=8)
<u>3. People</u> (n=59, 8.48%) a) Planning, management and improvement of human resources (n=20) b) Identification, development and maintenance of knowledge and people's abilities in the organisation (n=16) c) People involvement and responsibilities in the organisation (n=9) d) Existence of a dialogue between people and the organisation (n=7) e) People recognition in the organisation (n=7)
<u>4. Partnerships & Resources</u> (n=106, 15.23%) a) External partnerships management (n=22) b) Economic and financial resources management (n=6) c) Buildings, equipment, materials and natural resources sustainable management (n=49) d) Technology management (n=13) e) Information and knowledge management (n=16)
<u>5. Processes</u> (n=295, 42.39%) a) Design, management and improvement of processes (n=12) b) Products and services are produced, distributed and managed in the following categories: outpatient; urgent care; care hospitalisation; surgical care; laboratories; blood use and blood components; medication use; radiology, nuclear medicine and radiotherapy; rehabilitation; nutrition; files and clinical documentation; client management; infection prevention and control; clinical research; hospitality; warehouse; social care; client education; and ethics and client rights (n=275) c) Relations with clients (n=8)
<u>6. Clients Results</u> (n=19, 2.73%) a) Perception (n=14) b) Performance indicators (n=5)
<u>7. People Results</u> (n=13, 1.87%) a) Perception (n=3) b) Performance indicators (n=10)
<u>8. Society Results</u> (n=17, 2.44%) a/b) Perception and performance indicators (n=17)
<u>9. Key Results</u> (n=93, 13.36%) a) Results and key organisational indicators (n=7) b) Results and key economic indicators (n=5) c) Results and key operational indicators: key processes and support processes (n=81)

Table 6. Quotes and perceptions related to accreditation during Phase 1 (June – August 2013)
(Hospital L and Hospital S)

Job position	Quote	Type of feature	Effect
HR Deputy Director Hospital L	“For example, next week we have the hospital accreditation (...). Everything is protocolised (both healthcare and non-healthcare activities). Here at the Human Resources department we have... many protocols. Why? Because it is critical. And can we say that is it a coercive situation? Well, there are a protocols to be followed and it is clear that it is the only way to be organised and to do things properly (...)”	Flexibility, Repair	-
Nursing Head of Quality & Safety, Hospital L	“It is important to follow protocols and work procedures, and we need to continuously revise, review and measure them to ensure healthcare quality”	Repair	+
Nurse, Hospital L	“This year we have worked very hard on the whole subject of procedures and protocols: updating procedures, latest versions available on the intranet, classification by categories (general, respiratory, etc.) (...) It was a personal project in our department and people were highly committed... even a few times nurses reviewed more protocols than originally planned because they thought they were obsolete”	Repair, internal transparency	+
Nursing Director, Hospital S	“We have many protocols... more than three hundred and we are always changing and revising them every two or three years (...) Despite having many protocols you always find something that it has not been protocolised (...) In fact, we are continuously creating new protocols and procedures (...) sometimes we use protocols from larger hospitals or we adapt them to our specific characteristics (...) For example, a few days ago we finished the protocol ‘Actions delegation: Endoscopy sedation multidisciplinary team’ created by the anaesthesia nurse and the endoscopist. This was the version 2 and it was originally created in 2012 but now we had to renew and change some aspects”	Repair	+
Technical Services Director, Hospital S	“During the accreditation self-assessment process we detected the need to create a single record document summarising all the protocols and procedures in place (...) Basically it is an Excel document with all the institutional documents classified according to the type of document (e.g. medical reports, protocols, informed consent forms, etc.) indicating the date of creation, updating and reviewing (...) To do this, we had to create ‘the protocol of the protocols’ and includes who is responsible for the documents, how were created, how to update them, revision date, whether to go or not to the intranet, etc. This protocol has its own importance because it has helped to clean up a bit our previous mess (...) some protocols were in local computers while others were in common repositories, different updating procedures, same document had several versions, etc. Everything now is placed in a common repository, it is available online, backup copies are constantly created, etc. This really has helped us to clean up and create some order!”	Repair, Global transparency	+

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Paper in progress for Workshop and PhD seminar

Exploring Russian government budgeting in its context

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Abstract

Purpose – the purpose of this paper is to contribute to knowledge about Russian public sector budgeting in times of change by exploring the emergence of new norms for the Russian central government.

Design/methodology/approach – in this paper budgeting is viewed as a social institution. A frame of reference consists of classical neo-institutional theory and its recent incarnation, known as institutional logics approach. Document search, supplemented with in-depth qualitative interviews, represents the main method of gathering data for this paper.

Findings – An assiduous endeavor to provide an understanding of an emergence of new Russian government budgeting system is undertaken in this paper. As our evidence indicates, it now represents a kind of hybrid model influenced by the ideas of New Public Management, those ideas stemming from the Russian past, as well as a strong rhetoric of Russian officials aimed at boosting the image of the Russian state as a modern sovereign and independent player.

Research limitations/implications – this paper focuses on budgeting provisions issued over the last decade at macro-level and does, therefore have limitations with regard to scope. The findings of the paper may inspire further research on the implementation of described changes at micro-level, including regional and local governments as well as public sector organizations.

Originality/value – In line with the existing research on Russian governmental accounting (see e.g. Bourmistrov and Mellemvik, 1999, 2002; Bourmistrov, 2001, 2006; Timoshenko, 2008; Timoshenko and Adhikari, 2009a, 2009b, 2010; Adhikari et al., 2012; Bourmistrov and Antipova, 2013), this paper strives to introduce rather unexplored phenomenon of Russian governmental budgeting to international research community. A theoretical contribution is linked to the literature on accounting/budgeting hybrids as a recently emerged way of seeing the outcomes of public sector reforms. The study ensues from viewing national traditions as one of competing logics triggering the reforms along with New Public Management logics.

Key words: *Russian public sector, budgeting reforms, New Public Management, New Public Governance, Neo-Weberian State, Institutional Logics, hybridization and hybrid models.*

1. Introduction

Public sector is a significant part of global and national economies. It contributes with around 30 per cent to the world's gross domestic product in terms of expenditures, ranging from 11 to 51 per cent in national economies (Bandy, 2011). Until the end of 1970's the ideas of Weber's (1922) rational bureaucracy had constituted the theoretical foundation for managing public expenditures and the provision of public services (Pollitt and Bouckaert, 2011). Among other things, these ideas included, but were not limited to, detaching public administration from political agenda but seeking for a good or right behavior of public sector administrators in performing their tasks (Wilson, 1887). Over the last three decades we have witnessed substantial efforts to reinvent public sector worldwide. "*New Public Management*" as a comprehensive package of ideas (Hood, 1991), variations of a theme (Hood, 1995), or as a label for the clusters of reforms, has been on the top of the agenda in public administration in the West (Hood, 1991; OECD, 1995). Having become increasingly known as a more or less global trend (see e.g. Sahlin-Andersson, 2001), this development has envisaged the manifestation of a paradigmatic shift, i.e. a change from the traditional bureaucratic model invented by Max Weber towards the management model. While the idea under the former was the efficient execution of legal authority and power, the idea of "New Public Management" (NPM) has been the efficient management of public resources in a more businesslike way as a result of a new economically defined role of state operations and functions (Budäus and Buchholtz, 1996; Naschold, 1995; Eliassen and Kooimann, 1993). Among the claimed arguments for NPM reforms, there has been more efficient and effective use of resources, augmented accountability, greater focus on outputs, and better performance (Hood, 1991, 1995; Boston *et al.*, 1996; Olsen *et al.*, 2001; Mellet, 2002).

Along with many accomplishments, NPM has received a lot of criticism from academia and professional community (see e.g. Lapsley, 2008, Drechsler and Kattel, 2008). As documented by e.g. Brunsson and Olsen (1993) more than two decades ago, this criticism has partially stemmed from a general notice that public sector reforms rarely go as expected or designed by policymakers. It is worth noting here that the existing patterns examples of successful implementation of public sector reforms have been often described by those authors affiliated with international financial institutions such as International Monetary Fund (Dabla-Norris *et al.*, 2010) and Organization of Economic Cooperation and Development

(Ruffner, Sevilla, 2004, Webber, 2004). At the same time, academic researchers have unveiled a huge gap between the ideal reform concepts and the application of new financial instruments (Bogt and Van Helden, 2000). The resilience of traditional public sector financial instruments in some of the leading Western economies has been claimed as an important implication for the reform process (Jones et al., 2013). Among those vivid examples of NPM-like reforms with national “flavor” are e.g. the “New Zealand model”, the Canadian and the Belgian models, as well as the German one, just to name a few (Pollitt and Bouckaert, 2011). Furthermore, new trends have been recently emerged in the literature, threatening to challenge the ideological leadership of NPM in the field of public sector reforms and even to dismiss it. As Pollitt (2009) has pointed out, traditional bureaucracy excels post-bureaucratic forms of organization in terms of organizational memory and capability of learning from experience. In turn, Drechsler (2013) has introduced three potential paradigms of governance and administration: Chinese, Western and Islamic, thus accentuating the significance of national (regional) contexts in public sector developments. Furthermore, as documented by Pollitt and Bouckaert (2011), many national or regional models have been established by distinguishing themselves from Anglo-Saxon model (e.g. Nordic model in Veggeland, 2007), implying that the most far going changes on the NPM track have been achieved in Anglophone countries.

However, despite criticism of many aspects of NPM for its declared merits, there is still a wide consensus in the literature (see e.g. Lapsley, 2008) that NPM will continually stay attractive for policymakers in the foreseeable future and challenge public sector managers while facing resistance and opposition from profession. As a matter of fact, the recent literature on NPM may be channeled into two streams. One strengthens the trend of government reduction while concentrating wider on inter-organizational settings known as New Public Governance (Osborne, 2010). The other brings evidence of different model, partially re-inventing the merits of historical ancestor of NPM – Public Administration. This is what has come to be known as Neo-Weberian state (Drechsler and Kattel, 2008; Lynn, 2008; Pollitt and Bouckaert, 2011). Interestingly enough, Pollitt and Bouckaert (2011) insist on the existence of three recently emerged big models of public sector reforms: New Public Management, Neo-Weberian State and New Public Governance. At the same time, as Wiesel

and Modell (2014) have reported, the governance logics assigned to these three models may all coexist together through the process of hybridization.

Hybridization and hybrids are deemed not only promising in terms of their scientific value, but also seem to be more realistic approach for practitioners, especially policymakers and reform designers. The research on hybrid models has gained in significance in recent years and streams roughly into two major directions (Wiesel and Modell, 2014). One examines the process of hybridization (Kurunmaki, 2004; Kurunmaki and Miller, 2006, 2011; Wiesel and Modell, 2014), while the other investigates hybrid forms of organizations (Brown et al., 2003; Jacobs, 2005). The contexts taken for the research on hybridization and hybrids have first and foremost covered OECD nations such as Australia, Finland, Germany, Italy, Sweden and UK (Pollitt and Bouckaert, 2011), while there is still a paucity of systematic research efforts on public sector reforms in developing countries and those in transition, including former Soviet bloc and its core – the Russian Federation.

Throughout the history, the Russian Empire, the Soviet Union and then the Russian Federation represent an example of a society modernizing itself through rapid changes affecting social sphere and being affected by leading ideologies (Bourmistrov, 2001). The role of the state in production of public goods and commodities has been changing, albeit it has always stayed remarkably significant. Some researchers have claimed that changes in Russia's nascent public sector have served not for enhancing instrumentality, but rather for supporting the legitimacy of the Russian state on the international arena (Timoshenko, 2008; Timoshenko and Adhikari, 2010). Although on-going changes fit seemingly well with Russian top political agenda, they have come into a contradiction with the existing accounting tradition, as evidenced by Antipova & Bourmistrov (2013). Such a behavior may pursue to provide a good image of the Russian state for foreign investors and state leaders, as well as for supra-national institutions like the International Monetary Fund. Neo-institutional theorists could argue that this is quite anticipated situation providing that such changes are viewed as going from the top and seen as an adaptation to the environment (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). However, bearing in mind the presence of strong Russian accounting traditions (Bourmistrov, 2001; Antipova & Bourmistrov, 2013), there could also be enough space for competing institutional logics fostering the hybridization process and giving rise to hybrid models. For instance, it may be assumed that New Public

Management could be one logic in place, competing with the Russian tradition (e.g. Public Administration tradition) as the other logic. Changes in Russian public sector thus may be comprehended as part of an interactive process of institutional development rather than solely the outcome of legitimization or isomorphism.

With some minor exceptions, a current body of research on recent developments in Russian public sector is meager. While developments in Russian central and local government accounting are already studied by Western researchers, there is conscious absence of rigorous research efforts on the Russian government budgeting system in Western English-language literature. Indeed, there is virtually nothing about Russian central government budgeting in CIGAR's publications and in most of international accounting and budgeting research networks, workshops, and groups. Such a paucity of knowledge can be considered a valuable source of motivation to augment our knowledge in the field of Russian central government budgeting, both in terms of theoretical development and empirical knowledge. That is why the present research is intended to contribute to the literature by enhancing our knowledge about an "unknown" budgeting system.

Based on the mentioned above, the purpose of this paper is to contribute to knowledge about Russian public sector in times of change by exploring the emergence of new norms of budgeting for the Russian central government. A time span for the research covers a period commencing from the outset of a new millennium and continuing until recently, with the most significant government initiatives discussed. Noteworthy, the paper focuses on budgeting provisions issued over the last decade or so at macro-level and does, therefore have limitations with regard to scope. Document search, supplemented with in-depth qualitative interviews, represents the main method of gathering data for this paper. A theoretical contribution is linked to the literature on accounting/budgeting hybrids as a recently emerged way of seeing the development and the outcomes of public sector reforms. The findings of the paper may inspire further research on the implementation of described changes at micro-level, including regional and local governments, as well as public sector organizations.

The remainder of the paper is organized as follows. The next section offers an overview of the previous research on governmental budget where budget is understood as social

construction. A theoretical framework is then introduced, consisting of classical neo-institutional theory and its recent incarnation, known as institutional logics approach. Section 4 deals with methodological issues pertinent to the present study. Section 5 gives a more contextual understanding of broader public sector reforms in Russia and recent alterations in Russian governmental budgeting brought about by the federal government. In the penultimate section, the viewing of budgeting as a social institution is utilized in attempts to gain a clearer understanding of what eventually affected the thinking round Russian government budgeting to change the reform path. Section 6 presents some concluding remarks and proposals for further research.

2. Budget as a social institution

Budget can represent different meanings for different purposes. It may be a calculative practice. It may be a technology to predict and describe a future. It may be used to set purposes and put price labels on them thus providing a possibility for making choices or, in other words, serve as a decision-making tool. It may be seen as a contract, as a law or a rule to follow and a precedent to reproduce (Wildavsky, 1974). In a democratic governance model budgeting in a public sector is considered as an organizational practice assisting local actors to manage local economy and welfare production, meaning that budget provides finances and an important element in democratic governance where the wishes of individuals (e.g. electorate) as well as resources are meant to be converted into collective action by discovering and implementing policy coalitions (March & Olsen, 1995). Budget may be treated as a management accounting tool thus performing the main functions that are assigned to accounting: support of legitimation and the exercise of power (Mellempvik et al., 1988; Gårseth-Nesbakk and Timoshenko, 2014). Accounting is viewed as *socially constituted* or *socially constructed* (Grønhaug et al., 1997; Garrod and McLeay, 1986; Laughlin, 1988; Dillard, 1991), meaning that the computational practices and techniques of accounting are “intrinsically and irredeemably social” (Miller, 1994: 4). Having originated from institutional theory in general and the concept of legitimation in particular, this view tends to define the phenomenon being researched as:

“... a set of practices that affects the type of world we live in, the type of social reality we inhabit, the way in which we understand the choices open to business undertakings and individuals, the way in which we manage and organize activities and processes of diverse types, and the way in which we administer the lives of others and ourselves” (Miller, 1994: 1);

Using a similar vein of thought, Miller (1994: 4) spoke of the power of accounting to create

“... a particular realm of economic calculation of which judgments can be made, actions taken or justified, policies devised, and disputes generated and adjudicated”.

In this article an understanding of budget as of a social institution is being developed. Thus

by institution authors mean:

“an (observable) pattern of collective action (social practice), justified by a corresponding norm”

Czarniawska, 1997 in Czarniawska, 2009, p. 423

Our aim is to construct the view of budget as of a social institution in the context of society in transition.

To be developed...

3. Institutional theory on organizational changes and reforms

Institutional theory has been a dominating approach in describing organizational changes in European and American social sciences for last 50 years. It focuses attention on the relationships within and among organizations. Some of the most well-known understanding of these relationships brings us to the categories of organizational structure as a myth and ceremony (Meyer and Rowan, 1977) and isomorphism of three types – normative, coercive and mimetic (DiMaggio and Powell, 1983).

As Czarniawska (2008) takes it:

“institutional theory is not a theory at all, but a framework, a vocabulary, a way of thinking about social life, which may take many paths”

Czarniawska, 2008: p. 770

Institutional logics authors see themselves as successors of new institutionalists sharing with Meyer and Rowan (1977) and DiMaggio and Powell (1983) a concern with how cultural rules and cognitive structures shape organizational structures. However their main focus is not on the isomorphism,

“but on the effects of differentiated institutional logics on individuals and organizations in a larger variety of contexts, including markets, industries, and populations of organizational forms” Thornton and Ocasio, 2008, p. 100

Moreover, the approach of institutional logics

“provides a bridge between the macro, structural perspectives of Meyer and Rowan (1977) and DiMaggio and Powell (1983) and Zucker’s more micro, process approaches”

Thornton and Ocasio, 2008, p. 100

Institutions are known to constrain actions. However, institutional logic trend-setters state that institutions also provide sources for agency and change. This is associated with the contradictions between or among different logics. In these contradictions individuals and groups can find sources for transforming individual identities, organizations, and society (Thornton and Ocasio, 2008).

Institutional logics are defined as

“the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality”

Thornton and Ocasio, 1999, p. 804

To be developed..

4. Research method

This study focuses on the normative aspects of changes in budgeting for the Russian central government. Thus, the main interest here is to identify and describe those reform ideas as they are first and foremost reflected in official documents. Through analyzing documents themselves and conducting non-structured interviews with experts and public sector practitioners, we are intended to construct an analytical overview of budget reform sequences that have taken place in Russia's public sector since the beginning of a new millennium until recently. The relevant articles on the topic, authored by top-level government executives, are also considered the primary data. Following terminology, suggested by Pollitt and Bouckaert (2011) official documents represent decisions, while interviews and papers are "talks".

Table 1. Researching public management reforms

Stage	Description	Research?
Talk	More and more people are talking and writing about a particular idea (e.g. contracting out)	Quick and cheap. Monitoring what people are talking and writing about is fairly straightforward
Decision	The authorities (governments, public boards, etc.) publicly decide to adopt a particular reform	Again, quick and cheap. The public decisions of the authorities can usually be located quite quickly (on the Net, often without leaving one's desk)
Practice	Public sector organizations incorporate the reform into their daily operational practices	Probably requires expensive and time-consuming fieldwork. This needs both funding and access
Results	The results (outcomes) of the activities of public agencies change as a result of the reform	Final outcomes are frequently difficult (and expensive) to measure. Even more frequently there is an attribution problem, i.e. one cannot be sure how much of the measured change in outcomes can be attributed to the reform itself, as opposed to other factors

Pollitt and Bouckaert, 2011, p.13

Budgeting norms are easily accessible and publicly available on the Internet (see e.g. the Federal Ministry's of Finance website www.minfin.ru and ...) and in libraries. In searching for them, snowballing sampling is largely utilized, giving rise to a rich collection of normative documents. These includes various laws, presidential decrees, cabinet resolutions, concept

papers, and ministerial orders, which all contributed to a better understanding of the process of budgetary development and changes in the Russian public sector. A full list of norms employed for studying budgeting at the macro-level is contained in Appendix 1. While collecting and assessing these norms, it is essential to assemble them with respect to a particular transition period, their institutional source, and the degree of accounting regulations laid down in them.

The search for official documents is supplemented by informal face-to-face interviews with public officials embedded in the budgetary changes. These are undertaken with the aim of boosting the level of detail and care. The primary aim of these interviews is to get acquainted with outgoing and emerging budgeting norms in order to reveal differences and commonalities in their content, to make sense out of them, and to enhance confidence in our own comprehension and interpretation of them being correct.

Besides this, a multitude of other independent and additional “texts” available throughout the study (i.e. those from Russian and international budgeting textbooks, articles, press clippings, ...) were utilized. A large portion of these texts was derived from the Internet (see Appendix 2).

As observed throughout the data gathering process, a number of publications tackling the topic of public sector budgeting have considerably grown over the last few years. Indeed, while Russian government budgeting was drawn little academic and official attention in the 1990’s, the situation varies dramatically now. To illuminate this, the launch of the Budget Process Reform Paper for 2004-2006 made a shift from ... towards ... an urgent task. In response, Russian accounting and budgeting journals such as “*Finansy*” [Finance] and “*Budget*” [Budget], just to name a few, advocate the move towards an up-to-date ... budgeting system in their pages.

5. Empirical section

Throughout the history, the Russian Empire, the Soviet Union and then the Russian Federation represent an example of a society modernizing itself through rapid changes affecting social sphere and being affected by leading ideologies (Bourmistrov, 2001). The role of the state in production of public goods and commodities has been changing, albeit it has always stayed remarkably significant. After the demise of the Soviet Union in 1991, Russia went through many turbulent times on its way towards a full-fledged market economy and democracy. Despite a severe and devastating economic recession throughout the nineties, a myriad of different ideas and policy measures aimed at reforming and modernizing Russian society had been put into an agenda. This enabled formation of the basic institutes of the market economy and democracy in the country. As a consequence, the relationship between the Russian state and the rest of the economy, as well as the rules of the game, had dramatically been altered. A totalitarian economy had gradually been superseded by a competitive market economy, giving rise to a nascent Russian private sector. The latter was considered a key factor for laying down the foundation for subsequent economic growth.

While the country had made some important strides towards establishing a robust private sector under Yeltsin's reign, the development of the government sector appeared to lag far behind. Albeit the economic conditions had undergone significant alterations, those public organizations rendering social services in such areas as education and health care remained virtually unchanged since the Soviet era (see e.g. Tokarev, 2000; Beliakov *et al.*, 1998; Tragakes and Lessoff, 2003). Additionally, corruption became a serious problem (EBRD, 2004). According to Transparency International's Corruption Perceptions Index for 2004, Russia's score of 2.8 out of 10 (where 10 is "clean") suggested that corruption was "rampant" and endemic (Transparency International, 2004). The Russian score was better than most CIS countries, but well below that of the advanced transition economies, placing the Russian Federation amongst the most corrupt countries in the survey. The 2002 Human Development Report provided similar evidence by ranking the RF below the average in terms of government effectiveness and an aggregate index for democracy titled "Voice and Accountability" (Saghal and Chakrapani, 2002).

Since President Putin came into the Kremlin in 2000, questions of how to modernize Russian public administration came to the fore, heralding the launch of a more or less comprehensive policy pattern. During his first four-year term in office, Putin had shown himself determined to build *a strong state* and use it to tackle all Russia's problems. As he elucidated this himself:

“For Russians, a strong state is not an anomaly... Quite the contrary, [Russians] see it as a source and guarantor of order... and the main driving force of any change” (Business Week, 2000)

So, during the recent decade Russian state has significantly increased its presence in the national economy (IMF, 2013). First, this was done through state-owned companies, state corporations and enterprises that produce around 50% of Russian GDP (OECD, 2013). Second - through the growth of public expenditure from federal and regional budgets that in total represent around 37.5% of country GDP (data from Russian Ministry of Finance and Ministry of Economic Development web-pages, calculation made by authors for 2012).

Since Putin's easy re-election in the first round in 2004, reform energies were intensified with rapid velocity. In this context, appeals for boosting efficiency, effectiveness, and accountability began to be widely heard in the country, serving as truths, in the name of which, the Russian state was to be revitalized. Driven by a motto to double Russia's GDP by 2010, a series of initiatives were put forward by government officials, signaling a clear-cut shift in the ideology in Russian public administration (Russia Journal, 2004b). In fact, the decision to radically transform the Russian state was based on the recognition that a public sector modeled on the needs of central planning was ill suited to the demands of a market economy (World Bank, 2003). This initiated the need for important institutional reforms to be introduced. According to EBRD (2004), such reforms were necessary in order to “increase confidence in the state institutions, to strengthen their policy and reform implementation capacity, to effectively rein in corruption, and to raise efficiency and quality of public services” (p. 20).

Amongst those reform efforts, the modernization of the whole budget process was announced to be at the core of the Russia's program of economic transformation and development with the primary goal of “boosting accountability in government

expenditures”. Advocates of the reform stressed that granting managers more autonomy in place of asking them for more accountability for the consequences of their decisions would enhance the quality and efficiency of provided services (Avdasheva *et al.*, 2005, Tambovtsev, 2004). Referring to former Russian Prime Minister Mikhail Fradkov, “the budget policy’s restrictive impact on [business] opportunities, its inability to maximally make use of federal finances, and the necessity to create conditions that correspond to government priorities” were claimed as the main drivers for the change (Russia Journal, 2004a).

The importance of these efforts could hardly be emphasized enough as they were laid down in the *Concept of the Budget Process Reform for 2004 – 2006* endorsed by Cabinet Resolution # 249 on May 22nd, 2004 (hereafter, *the concept*). This was followed by an April 30th Russian Cabinet’s of Ministers Resolution # 225 creating a commission for augmenting the efficiency of government expenditures under the chairmanship of the Deputy Prime Minister Alexander Zhukov, empowered to guide this reform effort (Finansovya Gazeta, 2004; Diamond, 2005). Deputy Prime Minister Zhukov stressed that implementing the *Concept of the Budget Process Reform* would be a step of vital social significance as it would make government expenditures clear and transparent to each Russian citizen.

The launch of the *Budget Process Reform* in effect caused quite a stir in Russian mass media. Colorful headings like “A Reform for the People”, “A Real Breakthrough in Boosting the Efficiency”, or “A Budgetary Revolution” abounded in Russian newspapers (see e.g. Kommersant; Finansovye Izvestia) and Internet sites. Indeed, the search for its title in www.yahoo.ru and www.google.ru resulted in more than 400 different references (links) in each data-base. According to NEI-Moscow News (2004), the reason for this was pretty obvious, namely to make government officials work for the citizens, and to hold them accountable to the latter. All this could be traced back to the 2001 Budget Message of the Russian President to the Federal Assembly explicitly addressing the need for “furnishing a real openness and transparency of budgets and budgetary procedures at all levels of the budget system”. Although in diverse ways, this message was increasingly reiterated by the Russian President in the subsequent years. For example, in his 2002 Budget Message President Putin spoke of public information that would transparently disclose those financial flows released to various budget recipients in order to support their activities. Last, but not

least, in his 2005 state-of-the-nation address, Putin underscored the right of all Russian citizens to having equal access to public information.

The main objective of the reform process, as stated in *the concept*, was “to lay down preconditions and prerequisites for the most effective allocation and management of government finances by appropriate prioritization of various governmental activities considered to have critical bearing on a country’s development” (p. 2). In essence, the reform process was meant to move away from the costs and inputs [*administration of resources*] towards goals and outputs [*management by results*] by “strengthening the accountability and widening the managerial autonomy within a medium-term financial planning framework” (p. 2). The adoption of a modern budget management model, directly translated from Russian as “results-oriented budgeting”, was said to be “the nucleus of the up-to-date organization of the budget process” (p. 3), aimed at forging a more direct link between allocating resources through the budget and performance in reaching stated government objectives.

As derived from above, the main idea behind *the concept* was to make administrators of budget funds (line ministries and agencies) more accountable and to better monitor their performance. In this model, the budget is to be formulated on the basis of a clear-cut *ex-ante* specification of the performance expected of each budget administrator. As a repercussion of the transformation process, budget appropriations are to be directly linked to the various government functions and divided into distinctly individual programs. To be meaningful, they are to be set in a medium-term budget framework, in the sense of a rolling forecast of fiscal aggregates for the budget year plus two forward years (see more in Petrov, 2005; Lavrov, 2004).

The resources allocated to the programs are to be determined and grouped under responsibility of administrators of budget funds (so-called “Subjects of Budget Planning”). The latter are to be given the degree of managerial autonomy and freedom in decision-making they need to achieve the tasks assigned to them. For instance, *the concept* allowed allocations to be freely redistributed by administrators within each program. At the same time, as was clearly emphasized in the text of *the concept*, line ministries and agencies are to be held directly accountable for meeting a contracted level of outputs by carrying out

monitoring and subsequent external audit of finances and results of activities, so that good budgetary performance would be rewarded while poor performance would be penalized.

Perhaps most importantly, a new reform agenda embarked on in Russian general government sector was announced to encompass the following five policy headings:

1. *Modernizing the budget classification and government accounting.*
2. *Distinguishing between the present (“deystvuushikh”) and new proposed/assumed policy (“prinimaemykh”) commitments when preparing the budget.*
3. *Enhancing medium-term financial planning.*
4. *Developing and expanding program- and performance-oriented methods of budget planning.*
5. *Improving and streamlining those procedures for budget preparation and budget approval.*

To begin with, none of the aforementioned budgeting goals in support of boosting accountability, transparency, effectiveness, and efficiency in government expenditures was expected to be achieved without related changes in the accounting system. This was also quite evident from the 2004 Budget Message of the President to the Federal Assembly which stressed “the need for a system of government accounting that was capable of not merely controlling the use of budgetary expenditures, but assessing the effectiveness of their use as well”. That is why reinventing Russian public accounts occupied the leading place among those policy directions laid down in *The Concept of the Budget Process Reform*. Along with the budget classification, the reforming of Russia’s public sector accounting system, as stated in *the concept*, was

“... a necessary and indispensable precondition in modernizing a country’s budget process. Both the budget classification and accounting system should become a reliable tool that ensures transparency of those activities of the state bodies and administrators of budget resources, and provides with a wealth of financial information required throughout all the phases of the budget process, emanating from the analysis of the previous period’s financial results, to the preparation and

presentation of the draft budget, and its execution throughout the fiscal year up to the generation of final accounts” (p. 4).

Under this rubric, the objective of the transformation process was declared twofold. One was to make the budget classification closer to international best practice by incorporating the IMF GFS classification methodology. Another objective was to introduce a Chart of Accounts, integrated with the budget classification, so that all spending units would be brought under a single budget classification and a single Chart of Accounts. The purpose of so doing was to enable the effect of decisions made in the fiscal and budgetary sphere on the stock of assets and liabilities to be judged upon, as well as for the assessment and preparation of reports on budget execution.

The *second* policy measure was intended to cut significantly down the time devoted to the process of budget formulation and approval. To make things clearer, present commitments are those obligations which are predetermined by varying compulsory provisions and regulations endorsed earlier and liable to be included in the budget automatically. On the other hand, the new assumed/proposed policy commitments envisage those expenditures, the insertion of which into the budget is dependent upon decisions being made directly in the course of budget preparation for the next fiscal year. To be included in the budget, the latter are to be subjected to thorough scrutiny. As were recognized, nearly 90-95 per cent of commitments were already “locked-in” so the truly new programs occupied 5-10 per cent of the budget (Diamond, 2005).

The *third* element of the reform package aimed at ensuring the augmented reliability of medium-term forecasting for those resources available to budget managers. Specifically, the budget for the forthcoming fiscal year is to become a constituent part of an annually updated rolling multi-year (normally three-year) fiscal document. In analogy with Soviet five-year plans, some Russian mass media nicknamed these as three-year plans (Finansoye Izvestia, 2004a, 2004b).

The *fourth* direction was declared to be the keystone of the reform package, directed at establishing a procedure for assessing the effectiveness of budget expenditures. Viewed in this way, it presupposed a step-by-step move away from the view of budget as primarily

focused on resource allocation and input control (so-called *smeta* financing or resource management) towards program and performance-oriented budgeting.

Finally, the *fifth* area of the transformation process envisaged the streamlining of procedures for budget preparation and budget approval to also meet the requirements of medium-term performance-oriented budgeting. In particular, *the concept* proposed the draft law on the federal budget for the next fiscal year to be approved in three readings as compared to the previous four. Above all, *the concept* substantially extended the power of the executive bodies in the course of budget execution.

Since the concept was put into force, fast and rapid changes may be witnessed on both federal and regional levels of state. Some practitioners see these changes as constant ongoing process:

“Doing reforms is like riding a bicycle: if you stop turning pedals – you fall”.

Informant 1, 2013

However, government executives, officially responsible for policy-making in governmental budgeting claim that there are clear stages and milestones that may be traced in this sphere after 2000:

Table 2. Milestones from Lavrov, 2005:

Milestone	Period	Corresponding document (if applicable)
Stage 1 – management of expenditures <ul style="list-style-type: none"> - Balance of budget - Cash-based accounting - Treasury - Targeting expenditures according to plans - Methodology of financial support redistribution 	Before 2000	Budget Code -1998;
Stage 2 – transition period <ul style="list-style-type: none"> - <i>Performance oriented budgeting</i> - <i>Medium-term expenditure framework</i> 	2001-2008	The Concept of reforming budget process in Russian Federation in 2004-2006; Budget Code - 2004
Stage 3 – management of results <ul style="list-style-type: none"> - Separation of budget system levels - Mid-term planning 	After 2008	

<ul style="list-style-type: none"> - Target and Result oriented budgeting - Reorganizing of budget entities - Accounting and reporting according to international standards 		
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Table 3. Milestones from Nesterenko, 2008:

Milestone	Period	Corresponding document (if applicable)
Stage 1 <ul style="list-style-type: none"> - strengthening the budget execution system; - reporting, based on cash accounting; - providing external control of budget execution 	Before 2004	Budget Code -1998;
Stage 2 <ul style="list-style-type: none"> - balancing expenditures of public entities with their resources 	2004-2008	The Concept of reforming budget process in Russian Federation in 2004-2006; Budget Code - 2004
Stage 3 <ul style="list-style-type: none"> - implementing mid-term result-oriented budgeting; - reporting on financial condition of public entities, based on accrual accounting; - implementing internal control and audit 	After 2008	Budget Code - 2007

So, since 2000 until 2014 there have been several stages and milestones in the change of the normative framework regulating how the budgets are done. Although previous changes have also been significant, in this article 2004 is taken as a starting point. The reform of the governmental budgeting in Russia was announced in 2004 by approving “The Concept of reforming budget process in Russian Federation in 2004-2006” (Rossiyskaya Gazeta, 2004). In their rhetoric Ministry of Finance officials address to foreign experience and use the term “performance-oriented budgeting” (Lavrov, 2005). The 10-year period ends with the address of Russian President to Russian Federal Assembly in 2013 (Annual Address of President of the Russian Federation to Federal Assembly, 2013).

The performed analysis resembles the sequencing approach – “should do” and “must do” for donor community, promoted by authors or editions, close to IMF or other international financial institutions (Allen, 2009; Bietenhader and Bergman, 2010).

Table 4. Summary of empirical findings

Evidences of NPM-like approach	Evidences of non-NPM approach(-es)
<ul style="list-style-type: none"> - Appeals to NPM rhetoric (performance, efficiency) - Move towards accrual-based accounting and budgeting - Sequencing methodology - Treasury, Accounts Chamber, ... - Mid-term expenditure framework - Performance measurement - Program-Based Budgeting - Creation of special-purpose-vehicles for provision of public services - Education for government: “manager” qualification - Hiring managers and top executives with business background - 	<ul style="list-style-type: none"> - Appeals to sovereignty and modernization of the state - Resilience of cash accounting, parallel and hybrid systems - Federal law on strategic planning: - 6-year plans for the country, agencies, regions and industries - budget is subordinate to plans - New public service entities are created as multi-functional centers - Academy of Public Administration as the main education institution - A special legislation for public servants that puts them outside from “normal” labour relationships -

To be developed..

6. Discussion

To be developed..

7. Conclusions

In the last few decades we have witnessed substantial efforts to reinvent public sector worldwide. Since early 1970-s significant attempts to modernize public sector has been made worldwide under New Public Management (NPM) paradigm as a response to government growth and several other challenges (Hood, 1991, 1995) implying rationality in a line with neo-classical shift in economics, seeking to make public sector more effective and efficient through applying business practices.

Although the United Kingdom, New Zealand, Australia and other OECD countries were the earliest adopters of NPM, we see today to some extent controversial trends. On the one hand Anglo-Saxon community has been intensively promoting NPM reforms through international organizations such as International Monetary Fund and World Bank to developing countries with sometimes fruitful examples (see IMF, 2006 for Malaysia case; Timoshenko & Adhikari, 2010 for Nepal; Kuruppu, 2010 for Sri Lanka and many others). But on the other hand the reforms within NPM ideology seem to have not been implemented in its pure sense in some European continental countries, resulting to decoupling between intended and achieved results and sometimes giving birth to hybrid models (see Luder, 2002 for Germany and Van Helden, 2000 for Netherlands).

Although the Russian context with the developments in Russian society is distinct from Western and Central Europe, we may witness the similar processes of hybridization and “nationalization” of NPM-like reforms. An assiduous endeavor to provide an understanding of an emergence of new Russian government budgeting system is undertaken in this paper. As our evidence indicates, it now represents a kind of hybrid model influenced by the ideas of New Public Management, those ideas stemming from the Russian past, as well as a strong rhetoric of Russian officials aimed at boosting the image of the Russian state as a modern sovereign and independent player.

To be developed..

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Appendix 1

The list of documents that have been analyzed in this paper

1. О бюджетной политике на 2000 год: бюджетное Послание Президента РФ Правительству РФ от 12 апреля 1999 г.
2. Программа развития бюджетного федерализма в Российской Федерации до 2005 г.
3. Концепция реформирования бюджетного процесса в Российской Федерации в 2004-2006 гг.
4. О мерах по повшению результативности бюджетных расходов: Постановление Правительства РФ от 22.05.2004 №249 (в редакциях: от ... №...; от ... № ...)
5. Постановление Правительства Российско Федерации от 06.03.2005 №118
6. О бюджетной политике в 2010-2012 годах: бюджетное послание Президента РФ Правительству РФ от 25.05.2009
7. Распоряжение Правительства РФ от 11.11.2010 №1950-р «Об утверждении перечня государственных программ Российской Федерации»
8. Редакции Бюджетного кодекса Российской Федерации:
 - а. Федеральный закон от 07.05.2013 №104-ФЗ
9. Государственная программа РФ «Создание условий для эффективного и ответственного управления региональными и муниципальными финансами, повышения устойчивости бюджетов субъектов Российской Федерации»
10. Программа повышения эффективности бюджетных расходов в Российской Федерации на период до 2012 г. 2010 г.
11. Методические рекомендации по подготовке Докладов о результатах и основных направлениях деятельности субъектов бюджетного планирования

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Success and fail of participatory budgeting: comparative study
of two experiments in Russian local governments

Success and fail of participatory budgeting: comparative study of two experiments in Russian local governments

Abstract:

This paper is aimed to add new knowledge about participatory budgeting practices in less developed countries, mainly the case of Russian Federation is investigated. During the period of 2000s Russia has integrated (or has been integrated) to NPM and NPFM trends of public changes. As a result a huge package of reforms (“reform bombing”) was initiated by central authorities affecting various budgeting, accounting and managerial practices all over the country. Responses for reforms are not clear in Russia and worth to investigate. In this paper we focused on quite unusual Russian practice internationally known as “participatory budgeting” (PB) which emerged in several Russian local governments as response to “increasing efficiency and transparency of public sector”. Mainly comparative study was done as a study of two practices of “participatory budgeting” experiment in Russian local governments. Based on interviews, observations, secondary and primary data we try to understand why participatory budgeting experiment (as innovation) fail in one case and “success” in another one.

Key words:

Participatory budgeting, reforms, Russia, local government, transparency, communication, innovation

3 bullets (the Craft of Research):

- 1. Topic: I’m studying** participatory budgeting practice in Russian local governments in a period of extensive public sector reforms
- 2. Question: because** I want to find out how such innovations as participatory budgeting emerge and survive
- 3. Significance: in order to help my readers understand** the nature of innovations in public sector.

INTRODUCTION

New Public Management (NPM) has been vileyly discussed by the scholars more than twenty years (Denhardt, 2004; Gualmini, 2008; Hood, 1991, 1995; Špaček & Malý, 2010; Weimer, 1994) as important part of developing efficient government practice, mainly such elements as performance measures, result control, decentralization and market-orientation choice flexibility, and transparency (Timoshenko & Adhikari, 2009a, 2009b). Last decade some authors claim that NPM “lost ground” (Christensen & Lægreid, 2006; Lynn Jr, 1998). At the same time Drechsler (2005) talked much about “Adieu NPM”, but still adding that it’s “very much alive and kicking” yet. According to De Vries & Nemeč (2013, p. 13) NPM is still used to support process improvements and “it is far from certain which way the public sector is heading in the so-called post-NPM era”.

Nowadays some countries are still implementing NPM related reforms and other countries have chosen alternative paths as a “more or less complex mixture of public management reforms” (De Vries & Nemeč, 2013, p. 10).

Lots of studies were focused on NPM related reforms in developed countries. But fewer studies were devoted to investigating public sector reforms in less developed countries and countries with transitional economy. Russia is one of such countries to focus as a country with long history of changes from the “Tsar autocracy” through “Soviet times” and transition to market reforms economy. At the outset of the new century New Public Management trends came (or were “let in”) to Russia to modernize and render more efficient to the public sector and give greater cost-efficiency for governments. This trend gave a starting point for dynamic extensive public sector reforms in Russia, which affected various aspects of public sector, mainly the budgeting and accounting practice throughout the country at federal, regional and local levels.

The ideas of reforms were “to ensure transparency of the movement of budget funds and increase efficiency of public funds spending” (Tatyana Antipova & Bourmistrov, 2011, p. 1) and to give more autonomy for local governments. The core changes for public sector as a part of “A budgetary revolution” was introduction of management for results and a shift from traditional cash accounting towards businesslike accrual accounting (Timoshenko, 2008).

Lots of studies were done related to the issues of budgeting reforms in Russia by Russian authors. Most of these studies were conducted by Russian authors and mainly focused on issues related to problems of budgeting reforms in Russia (Lavrov, 2005; Ovchinceva, 2009; Serplin, 2005; Starodubrovskaya, 2008) that there are a lot of challenges for local and regional governments. The same point was continued by foreign authors, mainly the representatives of Norwegian research school. Antipova and Bourmistrov (2011; 2013) describe Russian accrual accounting reforms (starting from 2004) and analyze its adoption, mainly using “travel of ideas” they found contradiction between the international legitimization of Russia and Russian public sector accounting traditions. According to their study reforms have “never gained a proper momentum and stuck in technicalities” and “...new system of accounting and reports in Russian government is a kind of “hybrid” system which combines historical “sediments” of the past and only some “innovations” of today”. Konstantin Timoshenko has several own and joint articles (Adhikari, Timoshenko, & Gårseth–Nesbakk, 2012; Timoshenko, 2006, 2008; Timoshenko & Adhikari, 2009a, 2009b) focused on investigation of public sector reforms in Russia on central and local contexts. He found out that implementation of budget reform was better comprehended in terms of legitimacy rather than in terms of instrumentality for central authorities in Russia.

To sum up, according to existing literature Russian public sector reforms represent “top-down” push process (Tatiana Antipova & Bourmistrov, 2013) initiated by central authorities. Gaining

more international legitimization for central authorities than instrumentality (Timoshenko & Adhikari, 2009a), reforms spread from the top to down levels (regional and local governments) as modernization process which actually contradict with the Russian public sector tradition (Tatiana Antipova & Bourmistrov, 2013).

At the same time these studies focus on implementation of reforms in federal and regional level (and state entities), but a lack of knowledge appears in the field of local (municipal) level, mainly how reforms were reflected by municipalities.

According to De Vries & Nemeč (2013, p. 13) there is no uniform adaptation of public management reforms and each country makes its own translation combining old and new traditions. At the same time it worth to mention the importance of local context in studying financial aspects of changes in a public sector (Timoshenko, 2008). And the significance of local contexts in reinventing the reform templates should not be underestimated (Czarniawska & Joerges, 1996).

The municipal level as a local context has even greater specifics than the regional level (Ovchinceva, 2009): according to Russian legislation local governments are forced to take responsibility for the development prospects of the municipality and therefore adequately assess their capabilities and resources; municipality is the closest level of government to the people, which has ample opportunities for attracting people to the evaluation of its performance; in the municipal level the majority of public services are provided and the municipality is responsible for providing them. Thus, closeness to people, performance evidence exactly at the municipal level indicates the applicability and possibly greater clarity, transparency, effectiveness of public sector reforms, thereby this reasons stress the importance of studying local governments.

According to legislation Russia as federal state has three levels of management: the federal level, regional level and local (municipal) level. And there are more than 22 000 local governments in Russia (Belenchuk, 2013). Municipalities took the existence in 1995 with a new federal law "On General Principles of Local government in the Russian Federation" August 28, 1995 N 154-FZ with subsequent amendments of articles. After that in 2009 regulation of municipalities was introduced as a new federal law "On General Principles of Local government in the Russian Federation" October 6, 2003 N 131-FZ with subsequent amendments of articles. According to Bourmistrov (2001) "municipalities have not formed their identities yet", but after more than ten (almost twenty) years of forming and reforming, we claim that municipalities as units in Russia are institutionalized and as type of local governance municipalities have a great interest for investigation.

Thus, Russian local governments represent a huge gap of unknown practices. These practices can tell a lot about how centrally-driven reforms are perceived and settled down in local settings, for example budgeting reform adoption, but

"Public sector reforms are not only budgeting reform... We face a lot of reforms and it looks like a constant bombing: new statues, degrees come very often to different departments and you should always be ready for siren"

(the Deputy Head of Administration of North-West Municipality)

So how do municipalities respond to this "bombing"? Do they "defend", move to the "shelter" or pretend that they "give up" or really "give up"? So how do they manage with this "constant bombing"? In this paper we don't watch to this battlefield and don't try to understand the rules. Instead we see this "reforms' bombing" environment as a context. It looks like the constant "bombing" process don't give any chances for municipalities to develop their own practices and

just give some time to react for new “bomb”. But reality shows that own practices are possible. It’s extremely interesting to see that except centrally-driven changes some new local practices emerge in Russian municipalities, such as participatory budgeting. We don’t know how and why they emerge and mainly how they survive, spread or die.

Thus, the focus of this article is investigation of “participatory budgeting” experiment in Russian local governments as a local practice which emerged in “reforms’ bombing” environment. In this paper we try to find out **how participatory budgeting emerged and developed in Russia** in order to understand the nature of innovation’s adoption.

Mainly comparative study was done as a study of the same experiment of “participatory budgeting” in two different Russian local governments. Based on interviews, observations, secondary and primary data we try to understand why participatory budgeting experiment (as innovation) fail in one case and success in another one.

The remainder of the article is organized as follows: first, theoretical framework of paper will be introduced as **glasses with budget, transparency and ?institutional? lenses**; the next section gives methodological considerations for the article; further the participatory budgeting concept is introduced as giving a short history, main ideas and development of this concept around the globe; after that two Russian local governments are examined as successful and failed cases; the last two sections give discussion and conclusion of the article.

THEORETICAL FRAMEWORK (open for suggestions)

Budgeting

*“It’s clearly a budget. It’s got a lot of numbers in it”
(George W. Bush)*

Budgeting is a significant mechanism of economic management and planning, it transforms financial resources into people’s needs and goals as allocating resources (Wildavsky, 1986, 2001). Budgeting has a lot of different but on the same time interconnected functions. Budgeting can be seen as management control system. At the same time budgeting is translating financial resources into human purposes. Budget represent a record of the past and at the same time is a statement about the future. Budgets are plans as they try to determine future states of affairs through a number of current actions. Moreover, budgets are predictions because they specify links between words and numbers on the budget documentation and future human behavior (Wildavsky, 1986). Wildavsky& Swedlow (2001) defines the following functions of budgeting: control function, efficiency measurement and instrument of management and planning.

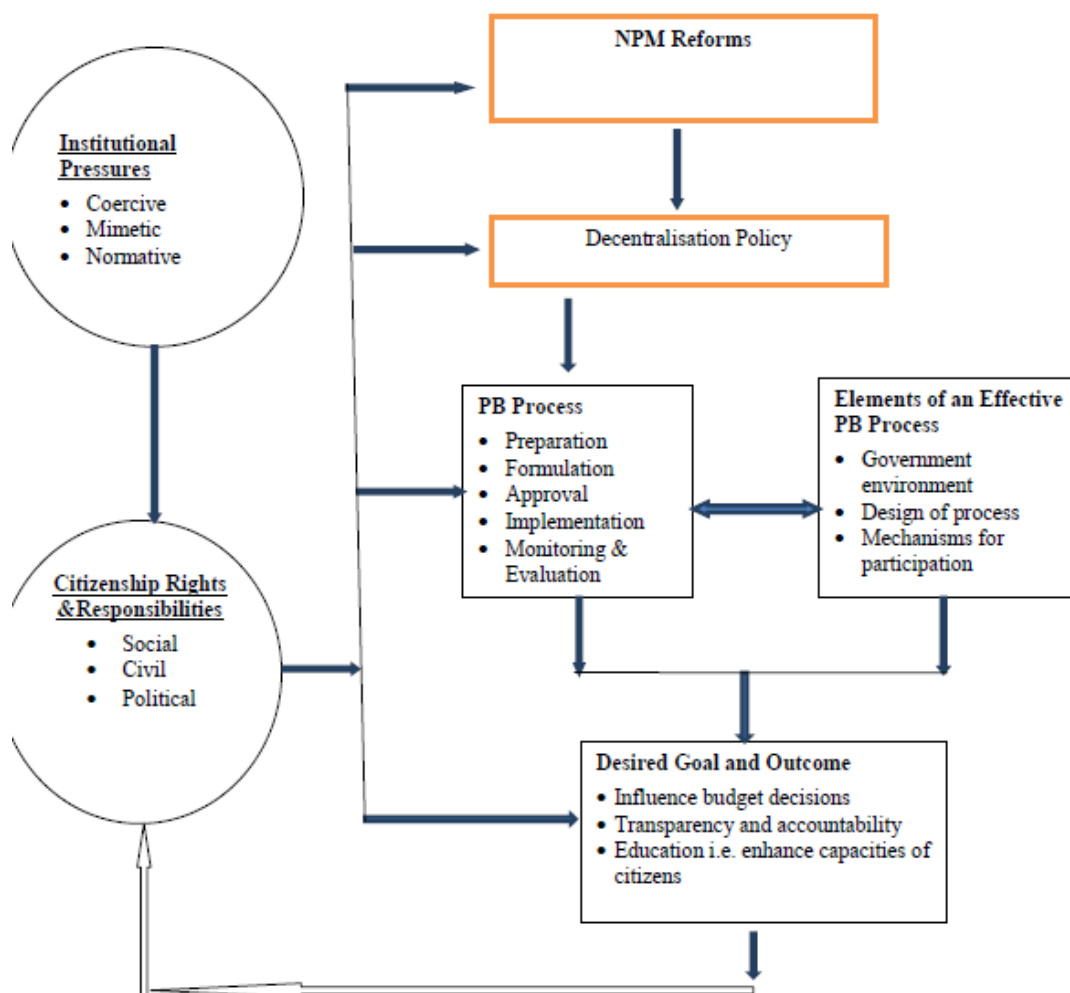
Budgeting has a direct link with accounting (Høgheim, Monsen, Olsen, & Olson, 1989). The budgeting is a basis for the government actions. The results of transactions and actions are reordered in accounts that are used for the next year budget in turn. Therefore, the fundamental purpose of governmental accounting use is monitoring of budget execution and the using for the new budget creation (Timoshenko, 2006; Timoshenko & Adhikari, 2009b).

Despite the long time of existing, the budget system continues to change and be developed around the whole world. Nowadays the transition from traditional incremental budgeting discussion (Fölscher, 2007; Good, 2011; Jones, Baumgartner, & True, 2002; Weimer, 1994;

Wildavsky, 1964, 2001) to results-based budgeting (Rose, 2003; Schiavo-Campo, 2007; Schick, 2003) took place as response to NPM agenda. Results-based budgeting gives opportunity to link the results obtained and the budget, giving more transparency and efficiency.

The transparency of the budget presentation in linking expenditures to activities is essential (Wildavsky, 2001). It was already discussed that governmental budget has broad range of functions. One of the goals of governmental financial reporting is state's accountability. Budget can function as message and a mean of communication between government and society, forming relations based on trust (Wildavsky, 1986). Communication theory (Madigan, 1985) can be used for understanding this function of budget. Talking about budget as a communication, transparency issues can be defined (Benito & Bastida, 2009; Kaufmann & Bellver, 2005; Robinson, 2006).

Using Kasozi-Mulindwa (2013) theoretical framework:



METHODS

The goal of this paper is to give additional knowledge how such experiments as participatory budgeting emerge, develop or die in constant changing public sector environment in Russia. As

an instrument for achieving this goal the comparative study of two municipalities will be presented. Multiple methods of data collection technique are used, mainly documentary analysis, observations, interviews (semi-structured and in-depth) with representatives of different departments at municipalities (using existing contacts as “to be more successful” (Buchanan, Boddy, & McCalman, 1988)).

First, the documentary analysis of official documents of Russian Federation and previous publications is done, giving ability to understand Russian “reforms’ bombing” context.

Then the local practices were examined:

- 1) the case of participatory budgeting in north-west municipality was observed as analysis of online video and text chronology and two interviews were conducted (it’s planned to be more): with coordinator of participatory budgeting (50 minutes, tape recording) and the Deputy Head of Administration, Chairman of the Finance Committee of Sosnoviy Bor Municipality (35 minutes, without tape recording).
- 2) the case of participatory budgeting in high north municipality will be introduced.
- 3) **Kasozi-Mulindwa (2013) framework for comperison:**

Figure 2.3 summarises the participatory budgeting literature reviewed.

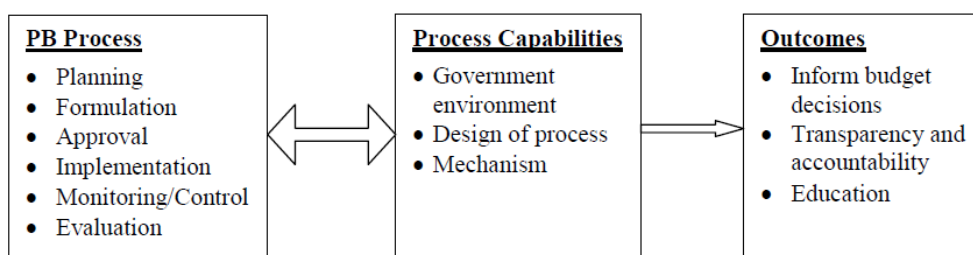


Figure 2.3 Participatory Budgeting Framework

PARTICIPATORY BUDGETING

The term “participatory budgeting” (PB) first appeared in Brazil in 1989 and became a “symbol of democracy” and successful model of budget participation around the world (Sintomer, Herzberg, & RÖCKe, 2008). For more than 20 years history the term has a huge amount of definitions which generally connected with such slogans as “good strategy for poverty reduction” (Kasozi-Mulindwa, 2013), “new concept of citizen participation” (Miller & Evers, 2002) and just a good budgeting method where all stakeholders can participate in budgeting process (Shah, 2007).

In general, the participatory budgeting is an approach to budgeting where all not elected citizens are allowed to participate in public finance allocation (Sintomer et al., 2008) and contribute to decision-making of public budget (Goldfrank, 2007), i. e. “participation” of citizens in public finance budget is expected.

Starting from Porto Alegre in Brazil (Pinnington, Lerner, & Schugurensky, 2009) more than 20 years ago, the concept of PB began to spread internationally all over the world and adopted in different contexts. Moving from hundreds of cities in Latin America, participatory budgeting spread to North America, Europe, Asia and Africa. In Europe PB became a highly dynamic process where a number of experiments has increased rapidly from 6 to more than 100 in 2000-2005s (Sintomer et al., 2008). Such countries as England, Germany, Italy, France and Spain initiate such experiments all over the country (Allegretti & Herzberg, 2004). According to Worldwatch Institute (2007) there were more than 1200 experiments of PB around the world in 2007.

Developing in space and time the goals and principles of PB practices were different from one country to another one. According to Sintomer et al. (2008) importation of successful Brazilian case of Porto Alegre has been “highly differentiated process”, relying not on one procedure but rather on a multitude of devices. In developing countries, PB was used as political and social tool (Kasozi-Mulindwa, 2013). Some countries adopt PB as instruments of legitimacy to get funds, other countries as NPM trend or strategy for poverty reduction. This points the importance of local context because each country (and local) context is different. Thus, practices are different and what was called participatory budgeting in Brazil can be different thing in other countries. Indeed, many researches prove that, showing the various PB adoptions all over the world (see for example Abers, 2001; Allegretti & Herzberg, 2004; Kasozi-Mulindwa, 2013; Sintomer et al., 2008). But on the same time there are some legitimate formal and established principles and processes which in some extent represent the general picture of PB.

A common way of PB stages can be seen as follows: diagnosis, deliberation, collective decision-making, execution and monitoring (Pinnington et al., 2009). Or alternatively PB represents a process that involves formation, approval, implementation, control, monitoring and evaluation of public recourses (Kasozi-Mulindwa, 2013).

Traveling around the world, PB concept deeply rooted in the principles of democracy, social justice, citizen control, education, transparency and accountability (Goldfrank, 2007; Kasozi-Mulindwa, 2013; Pinnington et al., 2009; Sintomer et al., 2008). These principles as part of PB were widely discussed by the scholars testing on different countries' settings. Some of them showed that PB has a “success story” of these principles (Abers, 2001; Allegretti & Herzberg, 2004; Avritzer, 2006), but the others gave evidence that PB could be a “shield”, “show” and “ritual” to gain legitimacy (Kasozi-Mulindwa, 2013) and real PB could fail and give contradictory results. Following this logic, the research community around the world focused on such directions as preconditions of PB practices, the design, process and outputs of PB in different countries, mainly focused on municipalities and cities in developed and developing countries (for example Ebdon, 2002; Ebdon & Franklin, 2004). At the same time comparative research was increased last decades giving ability to see different interpretations of PB and showing the complexity of global panorama.

Talking about link between NPM and PB it is worth to say that participation by all stakeholders in the budgeting process is at the centre of NPM reforms in public sector financial management (Kasozi-Mulindwa, 2013). Thus, PB adoption can be a trend or ritual exercise driven by NPM reforms. According to Kasozi-Mulindwa (2013) PB can be a good symbol of legitimacy both

for NPM and ordinary citizens, but not always gain real instrumentality such citizens' participation in decision-making and increasing transparency & accountability. In most cases in developing countries adoption of PB is centrally driven and seen as additional "window" to get funds from donor countries with NPM reform package. But what happens when country adopts NPM reforms without need of funds? When centrally driven package of reforms doesn't say directly about participatory budgeting, but PB practices emerge on their own merit?

As it's written earlier, last decade Russia has integrated (or has been integrated) to NPM and NPFM trends of public changes reinforcing a huge package of reforms ("reform bombing") by central authorities. Moving down from central level to regional authorities and local governments reforms got different responses. It looks like there is no time and funds for local governments to take some initiative, but the data shows quite interesting results, mainly PB emerged in several Russian municipalities with different ways of development. In this paper we try to understand **how PB emerged in Russian local governments in context of reform bombing and why it survive and fail?**

Using Kasozi-Mulindwa (2013) framework for comparison, the following section represent the description of Russian "reform bombing" context and comparison of two PB experiments in Russian municipalities.

RUSSIAN "REFORMS' BOMBING" CONTEXT

As it was mentioned before, the period of 2000s was covered by extensive public sector reforms which was called one of the respondents from municipality as "reforms' bombing". The key task was to create maximum opportunities for both federal and municipal authorities to deal with development of local areas effectively and free from conflict. And of course Russian regional authorities were also involved into reforming process.

In 2004 the Concept of the Budget Process Reform for 2004-2006 was introduced as "A reform for the people," "A real breakthrough in boosting the efficiency," or "A budgetary revolution" (Timoshenko & Adhikari, 2009a). In 2006 the Concept of increasing the efficiency of intergovernmental relations and the quality of management of state and municipal finance in Russia took place. 2003-2009 the reform of local government took place as Federal Law № 131 "On General Principles of Local government in the Russian Federation". In 2006 Concept of the Administrative Reforms for 2006-2008 was approved. And finally the concept of program-based budgeting took place in 2013. That's quite difficult to analyze the whole legislation connected with public sector reforms, there are hundreds of pages of material (laws, statutes, reports, degrees) about reform process on official web-site of Russian Ministry of Finance. Several studies tried to analyze this huge package of budgeting reforms (Tatyana Antipova & Bourmistrov, 2011; Tatiana Antipova & Bourmistrov, 2013; Timoshenko, 2006, 2008; Timoshenko & Adhikari, 2009a, 2009b).

Talking about the budget reform in particular, the main features were:

- moving to the results-based budgeting at all levels of government. This process of transition was declared on step by step amendments to the budget process (three years planning and orientation towards results). At the same time, a number of new norms, laws, decrees have been issued by the government and municipalities are to follow them, because these norms and decrees have the force of law;
- within the reform boundaries the activity of the Federal Treasury has been changes as it has become the only state cashier, and the most important task of it is to ensure the safety of funds of budget managers and accumulate it in the single treasury account;
- the status of the Chamber of Accounts as a permanent body of the state financial control has been consolidated. The Departments of Chamber of Accounts and Federal Treasury execute the power at regions, districts, and cities;
- within the reform boundaries the system of accounting and reporting, treasury and banking has been changed. In particular, it has been decided to use accounting on an accrual basis, a new procedure was introduced for treasury execution of the federal budget. The payment order includes specific details (budget classification codes), which provided an opportunity for their automated processing. According to the reform changes, the system of accounting and budget classification should ensure transparency of public bodies and provide precise information at all levels.
- within reform process the inter-budgetary relations have been changed, mainly funds are allocated not by almost equal parts among all institutions, but in accordance with programmes supposed by these institutions. By doing so, competition among institutions is intended to be increased and they have got more initiative as prescribed by two NPM dimensions: managerialism and marketisation (Schick, 2003).

During all years of municipal reform in the Russian Federation all transformations of municipal level of government were oriented on creation of conditions for independent realization of municipal functions and also on for further independent social and economic development of municipalities. Despite more than decade of reforms, which have led to some positive (what is quite arguable) developments, unresolved problems still continue. This is a problem of excessive (and for some municipalities - insufficient) competencies and their underfunding (due to contrasts with the tax base and economic opportunities of the territories), and many others.

It became clear that one can not apply the same approaches to the formation of the content and scope of competencies to all municipalities. It is necessary to consider the diversity of local conditions. Useful in one town, a particular model may not work in another. This is especially true with the question of the scope of competencies. Some municipalities have sufficient economic base and can perform not only their own, but also additional competencies delegated by the regional authorities. Other municipalities cannot perform even the minimum function, for example, due to small population and remoteness of the area. As president Putin said "The main goal is to find a balance between the amount of competencies and resources of municipalities, but this balance should be looked for a long time".

Thus, the problem of sufficient base for financial and economic autonomy is the key problem of municipal level of government. At the same time a system of evaluation of the effectiveness of local government is introduced in the Russian Federation. The list of indicators of the efficiency

of local governments of city districts and municipal areas is approved by the Decree of the Russian President of 28.04.2008 No. 607 "About an assessment of efficiency of local governments of city districts and municipal areas". The main attention is paid to indicators which generally depend on activity of local authorities and characterize quality of life of the population, extent of introduction of new methods and the principles of management. Therefore even in rather difficult conditions municipalities are compelled to introduce the new principles of management and interaction with the population.

Now the special attention is paid to openness and transparency of activity of municipalities, and also creation of effective communications with inhabitants. Carrying out reforms of municipal management, the federal authorities demand increase of these parameters and introduction of the participatory budgeting is the answer to these requirements. The system of citizen participation is declared in many municipalities, but the quality of introduction of this system and the final result differ strongly. Some municipalities seek to reach real participation of the population in distribution of the budgetary resources, it is enough to another to report about increase of transparency of the budget and improvement of communications with the population.

Summing up, municipal reform in Russia, including the budget reform, became a respond to the changing world trends (under NPM umbrella) and has been represented by huge package of legislation documents, which were developed on the “top” and began to penetrate to the regional and local settings as “bombs” which should hit the target. Watching to this “reforms’ bombing” as a context and trying to understand the content of this “bombing”, we investigate several municipalities’ practices of PB experiment. The emergence of PB experiments in several Russian municipalities may be indirectly connected (should be proved) with federal law #8 adoption as one of the “bomb” which was thrown by Russian central authorities in 2009 “to ensure transparency and openness of the budget and the budget process to the public” (Annual Budget Message of the President of the Russian Federation to Federal Assembly on the 28th of June, 2012). In the year 2014 the President declared: “Russia now is among the top ten countries according to the International Budget Partnership index of budget transparency... Information published in the public domain enables citizens to get an idea about the scope of budget spending and realize the effectiveness of costs and intended use of funds”.

COPMPARETIVE DATA (in process)

Municipality “Sosnoviy Bor”	Municipality “Murmansk”
<p><i>Short description of municipality:</i> Sosnoviy Bor is a town with population of 68 thousands people. Location is North-West Russia (Leningrad region). Past, present and future of Sosnoviy Bor inextricably linked to the Leningrad Nuclear Power Plant-branch "Rosenergoatom". More than 500 large, medium and small organizations operate in Sosnoviy Bor. These are companies of different directions and forms of ownership, including the use of high technology. Major industries are manufacturing, construction, science, transport and communications. Sosnoviy Bor has 29 institutions of the education. There are 120 different kinds of sports facilities. About 10,000</p>	<p><i>Short description of municipality:</i> Murmansk is a city with population of 300 thousand people. It is the world's largest city located beyond Arctic Circle. Murmansk is the largest port on the shores of the Arctic Ocean and the only port to remain ice-free all year round. The Arctic seaway stretching along the northern and eastern coast of Russia up to the Pacific Ocean takes its start from the port of Murmansk. As Murmansk is a maritime town, all large enterprises are connected with the sea. Major industries are: fishery and fish processing, sea transport, ship repair, sea, rail and automobile transportation, metal working, the food industry, sea geology. Murmansk has 227 institutions of</p>

<p>residents are engaged in sports clubs (www.sbor.ru).</p>	<p>the education. There are 304 different kinds of sports facilities. (http://mun.gov-murman.ru/).</p>
<p><i>PB roots:</i> The project didn't appear in municipality originally, but was initiated by initiative research group of European University in St.-Petersburg jointly with Kudrin's Fund in 2013. The main focus of the project is participatory budgeting. The research group of 3 people made presentation of the project for municipal administration and asked to arrange PB experiment in municipality. The research group used Brazilian model of PB as frame for experiment. The main source of data was literature from internet in English. PB goal is "development of access to budgetary financial data, federal, state, local, etc. and learning how to use these data", "citizens become familiar with how the process of the formation and execution of the budget is going"</p> <p>Goal for European University: test "whether PB is applicable in Russian local governments".</p> <p>The PB experiment was called "I plan Budget"</p> <p>The source of finance: minipality funds 20 mlns roubles from the 1 535 billions budget (1,3 % of total municipal budget).</p> <p>Goal of the experiment: "Our task now is not to reform the budget process, not to reform governments, our task is to add a channel of communication between officials and citizens, which would effectively solve the problems that are pushed participants in our project".</p> <p>Preconditions: 1) balanced budget 2) the desire of local authorities to co-operate 3) sufficient activity of the population 4) and the fact that major infrastructure problems are solved. "Municipality should be without serious problems that may call into question the very existence of the municipality. Of course, there are own problems, but at the same time, the municipality is rich enough to afford some of the budget for the distribution of the citizens. This municipality has no such problems as fixing hot-water pipes... and it's developed enough to maintain good living conditions"</p> <p>First Expectation: "we were not expecting anything really specific and the project could finish at any stage".</p>	<p><i>PB roots:</i> The "3D Budget" project was initiated by the head of municipality Alexey Veller. He was supported by the head of administration of Murmansk Andrey Sysoyev and the Council of deputies. Idea of the project: the residents of Murmansk don't show any activity in public hearings, therefore it is necessary to find such form of work with the population which allows considering opinion of citizens at the discussion of distribution of the budgetary funds.</p> <p>The PB experiment was called "3D Budget". The name comes from the three Russian words beginning with the letter 'D' (the direct translation - let's divide money).</p> <p>The source of finance: minipality funds</p> <p>Goal of the experiment: "This project aims to bring to the budget process hundreds and thousands of people. In addition, the outcome of the project should be to identify the most significant social problems from the standpoint of Murmansk citizens. All this contributes to a socially-oriented budget".</p> <p>First Expectation: Many organizers of the project had doubts, even scepticism.</p>
<p><i>PB design and mechanisms for participation:</i> citizens form special commission of 15 people. Credentials of Commission are extremely limited. Commission members must choose a theme for budget application for 2014, to form this application and hold it through the appropriate committee of administration and budget committee. Application must be included to the total municipal budget for 2014 and this budget should be accepted by deputies. The commission deals with the distribution of funds, it operates a couple of months and going to a couple of times a week for the exchange of information for dealing with officials. The main task is to agree on the projects to be realizable,</p>	<p><i>PB design and mechanisms for participation:</i> The first stage (September 2013): A questionnaire is designed for the citizens. It can be filled in on paper or on the Internet. The questionnaire consists of two parts. First of all citizens are asked what expenses they consider priorities for the city of Murmansk in 2014. Secondly people are asked about whether they support the social projects of administration of Murmansk. The second stage (4th of November 2014): "Sawing" the budget in the central square of the city. In Russia it is a non-working day. A lot of people come with their families to the central square of the city. This time they can find there a beam that symbolizes budget. The beam</p>

<p>contain certain funds. After that, the work begins with the working group and the implementation of selected initiatives begins. They are implemented 3-4 months.</p>	<p>is divided into 9 sectors (the same as in the questionnaire). 12 500 small holes are made in the beam and 12 500 sticks are prepared for voting. Everyone can get one stick and put it in a hole in the selected sector. A few hours later the beam looks like a big hedgehog. It is time to saw a beam on 9 pieces and see what pieces are longer. Finally part of the budget is to be formed in accordance with the wishes of the citizens.</p>
<p><i>Government environment for PB:</i> Several official documents from administration regarding PB experiment Funds for budget allocation are 20 mln. rubles for 2014 FZ №8 2009 "On providing access to information about the activities of state bodies and local self-government"</p>	<p><i>Government environment for PB:</i> Several official documents from administration regarding PB experiment. Funds for budget allocation are about one billion rubles for 2014.</p>
<p><i>PB process:</i></p> <p><i>Preparation:</i></p> <ol style="list-style-type: none"> 1) 1st of March 2013 - PR-company took place (organised by city administration) – news about the project in the internet, TV and newspapers. 2) Registration of potential participant 3) 12 April 2013 - Presentation of the PB 30 minutes: what is participatory budgeting; how it will be; the goals. 4) 13 April 2013 - 30 minutes : 79 candidates; 15 people are selected; 15 people reserve. 15 citizens, randomly selected by lottery, will be included in a special commission and will take part in the formation of budget applications for the total sum 20 mln. rubles for 2014. Commission members must choose a theme for budget application for 2014, to form this application and hold it through the appropriate committee of administration and budget committee. Application must be included to the total municipal budget for 2014 and this budget should be accepted by deputies. 5) 17 April 2013 – 1st meeting of the Commission - 1 hour in the evening: introduction of moderator; introduction of participants, observers and rules; presentations of proposals for municipal funds spending. 6) 19 April 2013 – 2nd meeting of the Commission: 1 hour in the evening: lecture “How urban space is organized” 7) 24 April 2013 – 3rd meeting of the Commission: 1,5 hour in the evening: reviewing proposals, questions and answers; voting for proposals; sports block applications got the most votes; mainly proposals for creation and renovation of sports fields, creation of a bike route and cycling infrastructure in the city. <p><i>Formation:</i></p> <ol style="list-style-type: none"> 1) 28 April 2013 – 4th meeting of the Commission. 1,5 hour meeting with representatives of administration: Chairman of the Finance Committee; Deputy Chief of the Capital Construction Departments; Head of external improvements and road infrastructure; Reviewing the proposals and giving the comments; Question and answers; “Everything is not so simple”. Lots of thing should be discussed. “You don’t know how it’s difficult to manage!” 	<p><i>PB process:</i></p> <p>Preparation</p>

2) 6 May 2013 – 5th meeting of the Commission - 1,5 hour meeting: creation of the working group (3 persons from commission); the working group is responsible for communication with administration; discussion of the results of meeting with representatives of administration; discussions of proposals and creation of detailed application; debates!

3) 8 May 2013 – 6th meeting of the Commission - 1,5 hour lecture about budget process: theory and practices, tendencies and trends in municipalities.

4) 17 May 2013 – 7th and the last meeting of the Commission - 1,5 hour meeting: new sport facility will be created as the total proposal of the commission; the working group is responsible for realization of this proposal through all circles of the agreement; totally the proposal have to become an expenditure item in the budget for 2014, in 2014 the working group have to track the implementation of this budget item;

5) At the end of the meetings of the budget committee supported the authors of proposals for sports fields and landscaping included in the working group in the administration, which was engaged in the practical implementation of these projects. Both projects were accompanied by Department of improvements and road facilities and the Department of Capital Construction. Work on proposals lasted from June to November of 2013. The aim of this work - making proposals of the Commission in the full budget request. It is important to emphasize that the work was carried out jointly by the administration and members of the commission. In separate meetings held during these few months, the working group has tried to maximize the number of wishes come from the members of the commission and add them to the budget proposals 2014.

Approval:

1) 18 June 2013 – 1st meeting of the working group. 1,5 hour meeting: 3 persons of the working group + Deputy Head of Administration in Social Affairs + Chairman of Finance Committee +Deputy Governor; Discussion of application; Some suggestions and corrections.

2) All calculations, technical documentation and other documents are made by the city administration. Projects are included in the budget lines of the relevant committees.

3) The idea is to get people involved into the process. This is followed by the standard scheme, where the municipality allocates funds and ideas of working group are considered along with the other projects during public hearings about the budget.

4) While members of the working group engaged in organizational issues, citizens collected signatures against the construction sport facility in their backyard; As a result changing place and project documentation;

5) The main risk is approval of ideas by Municipal Deputies.

6) 20 November 2013 –hearings about the budget

7) As a result, 2 budget proposals of the commission members were included in the budget for

<p>2014, subsequently approved by the Municipal Council for the total sum 1,079 million rubles (0,09%) for 2014 and 19 million rubles for 2015.</p> <p><i>Implementation</i></p> <ol style="list-style-type: none"> 1) Two purchase procedures for 1,079 million rubles. 2) 2014 – construction of sport park + bicycle parking <p><i>Monitoring and Evaluation</i></p> <p>City administration and working group</p>	
<p><i>Outcomes of PB:</i></p> <p>Influence budget decisions – citizens has limited influence (only 1,5% of the budget). Public officials make decisions – Partial Broad Participation (Moynihan, 2003)</p> <p>Transparency and accountability - “Provide access easily, harder to get people interested . What currently exists, if you see a budget made-up by the CSC codes , it is incomprehensible to most deputies and it dealt only those officials who are responsible for it and may be a couple of deputies who know something about the budget process ... you need to give people the opportunity to work with budgets. People have a lot of ideas, but they do not know what to do with them, they come to administration, and they say that your ideas are unrealizable, and they go without anything.”</p> <p>The social web network was created by citizens. There are a lot of discussions about municipal budget in this network.</p> <p>Education, i.e. enhance capacities of citizens – citizens who involved to the process began to understand how budget process goes and how actions and decisions take place.</p> <p>Administration gets “two bonuses”. “Firstly, a new form of working with people dedicated budget, because now there is budget hearings they held in each municipality. There come three men brawl at the meetings, and leave with nothing. And here is a brand new form of discussion on the budget. Second, there are very limited resource for municipal deputies in the cities, i.e. mayors expect that these programs will involve such people that can later be manipulated as a municipal deputy and it will be much easier to communicate with them than it is now.”</p> <p>“Just municipality understands that communication with citizens is weak now, people do not hear each other and sources of new ideas are not enough”.</p> <p>“The project affects everyone - citizens, administration, deputies, the relations between the people and the administration”.</p> <p>“The administration of the project affected by the fact that they are not used to work in such format (from comfort zones to the stretch ones?). There are a lot of ideas (projects) from the people. And much work should</p>	<p><i>Outcomes of PB:</i></p> <p>Influence budget decisions (?) - the result is confirmed only by the statements of the administration of Murmansk in mass media.</p>

<p>be done to evaluate project - the working group is created, which includes representatives of the relevant departments of the committees, which can give comments on each and applications. Administration officers are not used to work like that. When we attend meetings, we see how hard they talk with each other.”</p> <p>“These working groups contribute to the improvement of contacts within the administration itself. Especially when the project involves several departments of the administration.</p> <p>It turns out that there is reduced power distance. “Yes, and very strong. I do not know of any other situation when the head of municipality can seat at the same table with the citizens together and watch over the map and decide where best to implement a particular project . This is a great step forward”.</p> <p>“People wean o to see their enemies in officials, because when they work together on something, they change style of conversation and ideas about the work. People begin to offer constructive ideas”.</p> <p>Legitimacy for central authorities as a good example of communication between citizens and administration.</p>	
<p><i>Actors and roles:</i> City administration – facilitator, consultant and technical professionals University – coordinator, consultant, facilitator Municipal council – guardians Citizens - spenders Working group – representatives of spenders Newspapers – PR company Social network – communication channel</p>	<p><i>Actors and roles:</i> City administration Council of deputies Citizens (about 25 000) Public council of the city Mass media</p>
<p><i>Development of experiment:</i> “We would like that people can dispose of large sums, that they have experience in similar projects and know what projects are feasible, which can be supported. They should focus on what is happening now in the budget programs. Now this is a contest of ideas and work on implementation. The main difference - that we involve people in the process.” Several municipalities try to adopt the same practice.</p>	<p><i>Development of experiment:</i> Experiment isn't planned to repeat. The attention switched over to the project of the Internet portal of the budgetary system of Murmansk region "The budget for all".</p>

DISCUSSION

CONCLUSION

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THE ROLE OF ACCOUNTING INSCRIPTIONS IN FRAMING CROSS-BOUNDARY HEALTH CARE SERVICE PROVISION

- a case study in the Norwegian health sector

Working paper
1st Draft

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Preliminary Abstract

Drawing on a field study of the inter-organizational relationship between a hospital and a municipality this paper analyzes how an accounting innovation, in the shape of a financial incentive arrangement, became involved with promoting a governmental program involving a redirection in coordination of health care service provision across organizational boundaries. Drawing on actor-network theory the paper demonstrates how various inscriptions are built and configured in efforts to frame organizational action. Tracing the connections between various inscriptions and processes of translation the paper shows that accounting becomes important in making patient flows calculable and that the creation of calculability is a powerful means for promoting a governmental program of action and reconfiguring organizational behavior. The paper contributes by highlighting the role of inscriptions in reconfiguring accountabilities and the importance of investigating the interrelatedness of inscriptions when attempting to understand the performative role of accounting. It is argued that to understand how accounting is implied in the regulatory and managerial game, accounting innovations [inscriptions] need to be investigated as entangled in a larger nexus of efforts to promote a certain program of action.

Originally submitted abstract:

This paper investigates the role of accounting inscriptions in the cross-boundary relationship between separate, but inter-related, public sector organizations. The paper departs from the recent reforms in public sector health-care service provision in Norway, a national initiative involving a redirection in horizontal coordination within and across organizational boundaries. Providing a unique empirical account of how inscriptions travel through organizations the paper aims at contributing to the understanding of how accounting numbers are used and function in the interplay of actors and to the understanding of how inscriptions are negotiated (translated) and mobilized in processes of changing interactivity. To achieve this we draw on actor-network theory in the analysis of fieldwork from an in-depth case study of the relationship between two separated health authorities over a one-year period. Following ongoing processes of negotiation and translation the story shows that accounting numbers become focal in managerial and operative discourse, and come to be important mediators for practice both internally and between interactive parties.

Key words: inscriptions, mediators, actor-network theory, translation, framing, quantification.

Introduction

The purpose of this paper is to examine the role of inscriptions in framing cross boundary health care service provision. Drawing on a field study of the relationship between a hospital and a municipality jointly responsible for providing health care services to a large regional public, the paper analyzes how accounting inscriptions got involved with promoting a new way of coordinating action across organizational entities [...]

In 2008 the Norwegian government introduced “The coordination reform” (HOD 2008a). The reform is arguably one of the most fundamental changes in Norwegian health policy during the last decades. The reform addresses societal challenges related to both a patient-care perspective and to economical perspectives. The reform highlights three major challenges to the Norwegian health care system. Firstly patients’ needs for coordinated services are not sufficiently answered and services are fragmented. Secondly, service provision is characterized by shortcomings in efforts to limit and prevent illness. Finally, the demographical (and epidemiological) development and changes in disease patterns presents challenges that will threaten the society’s economical sustainability. The Norwegian health care system is divided, largely, into two levels of service provision; specialist health care services provided through **stately** regional health enterprises and hospitals, and generalized (**or primary**) health care provided by the municipal sector. The recent reform is built on the assumption that both from a medical and economic perspective better coordination between health authorities should be (one of) the most important areas of development. Coordination, as it is defined by the Norwegian department of health care, is then “[...] a notion describing the health and social care services’ ability to share tasks among them in order to reach a common, agreed goal, and the ability to conduct the tasks in a coordinated and rational manner” (HOD 2008a, p. 13). The reform is presented under the **vision** of “proper treatment – at the right place – at the right time” (HOD 2008b, p. 1). The main approaches prescribed in the reform is related to developing a clearer patient role, establishing a new role for the municipalities in the provision of health and social care, developing the specialist health care services in order for them to make greater use of their specialized capabilities, facilitate clearer prioritization of holistic approaches to episodic patient care¹ and the establishment of economic incentives. In other words, a complex array of goals, strategic intents and actions. These approaches are interrelated and multifaceted, the perhaps most intriguing aspect of this is however the prescribed **general** shift in task division and the accompanying/ attempts at promoting this through the establishment of various financial incentive arrangements.

//Payment for dischargeable patients – the incentive arrangement//

¹ Episodic patient care – pasientforløp (patient careers).

The coordination reform, as most larger governmental reform programs, entails the introduction of multiple financial incentives aimed at promoting the desired outcomes of reorganization. The perhaps most visible and arguably most influential change introduced through the coordination reform is that of obligatory payment for dischargeable patients in specialist health care, which will hereafter be termed PDP, or *Payment for Dischargeable Patients*. The arrangement involves a restructuring of block-funding to the layers of the health sector, where funding is moved from the specialist health care to the municipal sector. 600 million NOK is transferred from state health enterprises to municipalities. The PDP, as an incentive arrangement, is built upon the introduction of a price mechanism where municipalities are obligated to finance hospital care for dischargeable patients. [...]

(In this early version of the paper the PDP as an incentive arrangement is described in larger detail in the empirical section of the paper. The current introduction of the PDP in the paragraph above will be extended and reworked to incorporate a good illustration of the arrangement as an accounting innovation in the introduction to the paper. The paragraph above is included in this draft just to give the reader a short statement on what is being discussed. A further introduction can be found later in this version; pp. 15-16.)

//Inscriptions//

The concept of *inscriptions* includes many things (Robson 1992) and Latour (1999b, p. 306) defines this as any type of materialized sign that is constructed through translations, it could include a single sign, an archive, a document or a note on a piece of paper. Put generally the term inscription denotes a materialized trace of a translation. These traces are the ones this paper is concerned with accounting for, as a reconstruction of a series of translations. According to Latour (1996b) inscriptions are, most commonly, two-dimensional, superimposable and combinable. Hence he also terms them “immutable mobiles” as they are always mobile, and whilst allowing new translations and articulations they keep some relations intact. Inscriptions become important as conversions of local events into mobile entities with the potential ability to create, capture, *safehouse* and contest claims about other places and times (Preston 2006 in Qu & Cooper 2011, p. 345). In this sense these materializations are potentially important in stabilizing, or destabilizing, organizational practices. Inscription devices have the potential to enroll users and to make ideas and actions happen, (Quattrone 2009; Qu & Cooper 2011). Qu & Copper (2011) stress that whilst acknowledging the potential importance of inscriptions in developing accounting technologies, it is evidently not only about inscriptions. Inscriptions do however play a significant role in “selling” these technologies. This perspective is also fundamental to this paper. Whilst central inscriptions that introduce the technology, in this case the PDP, are important they are only so in terms of their relatedness to other ((also non-numerical)) inscriptions and the way in which they are used by various

((participants/groups of participants)) actors. Thus concern is primarily directed at the role of inscriptions as entities in the wider organizational assemblages, and as investments promoting a certain program of action.

We would seldom find inscriptions that are disconnected from other inscriptions, other non-human or human actors, which would in case make them irrelevant – we would not be able to trace them without their associations (ref). The aim of this approach is to trace the association between various inscriptions and their associations through the actions of actors. Latour (1999b) focuses on the role of inscriptions, as “immutable mobiles”, in creating references. When inscriptions are “[...] cleverly aligned they create the circulating reference” (Latour 1999b, p. 307). The idea of aligning inscriptions with other, and further inscriptions, as well as associating these with other allies, non-human and human, is illustrated by Latour (1991) in his example of European hotel keys. To persuade hotel guests to leave their key when leaving the hotel the hotels developed inscriptions in the form of posters and notes informing the customers to leave their keys at the desk. These efforts were not sufficient to persuade customers to do so. To strengthen the reference they added further inscriptions in addition to adding metal weights to the keychain. The key was translated into an annoyingly heavy object the guests could leave at the desk to avoid having to drag around, a transformation from a (moral) obligation to something the guests were happy to do. This sort of chain of translation, or creation of circulating reference, is that which this paper seeks to reconstruct.

//Existing literature and contribution//

The paper is closely linked to the literature that investigates the role of inscriptions in the making of general and localized accounting technologies (Ezzamel et. al 2004; Preston 2006; Robson 1992; Qu & Cooper 2011). The paper contributes to this literature by focusing on the interconnectedness of numerical inscriptions and other non-quantified inscriptions as a nexus of materialized traces reconstructed from various actors’ attempts at promoting a certain way of conduct. Many have highlighted the importance of tracing the inscription building process (e.g. Robson 1992, Briers & Chua 2001, Qu & Cooper 2009) and the need to focus on how these in their various forms are mobilized, how they are produced and distributed and how they stand up to the tests of the elements. Such is also the sentiment of this paper, it does however place greater emphasis on the consecutive works of translation following an implementation of an accounting innovation aimed at fortifying its connected program of action. As Qu & Cooper (2011) who stress that the inscription building process is one of continuous character this paper seeks to unravel an ongoing process in which yet newer inscriptions are construed to replace the older or to reconfigure their connections and use. By focusing on the connection of accounting inscriptions to other non-numerical

inscriptions, to an even greater extent, the paper seeks to contribute to the understanding of how accounting becomes entangled in organizational practice and becomes crucial to instill a new way of performing services.

//Structure// - the paper is organized as follows.

The paper is organized as follows. The succeeding section elaborates on and discusses the importance of inscriptions in the establishment of organizational practice. The third section of the paper outlines the research process and the empirical field work. The fourth section of the paper introduces, in greater detail the PDP arrangement and the various actors involved in a theorized account of the interrelatedness of various inscriptions and the framing process. The paper is concluded by emphasizing the role of inscriptions as important mediators of organizational action and the importance of investigating the interrelatedness of various inscriptions in order to understand how accounting numbers become entangled in practice. [...]

This needs to be written once it becomes clear how the introduction should incorporate the ideas of centers of calculation and the creation of calculable spaces, including the notion of calculability and calculative agency.

Theoretical points of departure

//Introduction to theory – inscriptions again//

Inscriptions, in the form of for instance paperwork, charts or pictures have been argued to hold several rhetorical advantages as they are considered as mobile, immutable and re-combinable (Chua 1995). Robson (1992) defines inscriptions as material translations of the setting that is to be enacted, at such they have the ability to transcend between the context of action and actors remote to that context. Defining inscriptions largely from their ability to enable ‘action at a distance’, or rather mediate problems of distance, Robson (1992, pp. 692) builds on Latour (1987) to elaborate on three mutually related qualities of inscriptions; mobility, stability and combinability. Mobility refers to the inscriptions ability to move, more specifically to move from the actor to the setting, and back. The written word and the use of numbers even more so, considered as easily mobilized and easily dominated, thus illustrates the mobility of inscriptions as materialized translations. Stability refers to the degree to which the form of the inscription is stable and the degree to which it is recognizable to its users. Inscriptions should then be able to withstand deterioration and corruption. The importance of stability, or durability, is elegantly illustrated by John Law (1986) in his paper on “the methods of long distance control”, see also Latour (1987, pp. 215-220). The third quality, combinability, refers to the inscriptions quality in terms of the actors’ ability to accumulate, aggregate and combine them. It considers the extent to which they can take the inscriptions to create new orders, new relationships or rather associations (Robson 1992).

//Mediators or intermediaries//

So how about these inscriptions? We have learnt they are the materialization of translations, and they can be said to have certain qualities. But what are they really? The central concern of this paper is the role of inscriptions as **mediators**. Mediators are “actors with the capacity to translate what they transport, to redefine it, redeploy it and also betray it” (Latour 1993, pp. 81). In short they change the meaning or elements they are supposed to convey (Latour 2005). Latour, and many more to follow, separates the notions of mediator and intermediary. **Intermediaries**, as opposed to mediators, transport meaning (or force) without transformation, in practice they are black-boxes. What you put in is what you get out, input equals output. In contrast mediators cannot be fully defined by their input or output (Latour 1999b; 1993; 2005). Inscriptions, in the form of documents as for instance laws, regulations or calculations, are often seen as simple intermediaries. Latour uses the example of a properly functioning computer as a good prospective intermediary, but highlights how if it breaks down it becomes a “horrendously complex mediator”. As we will see even the simplest of document, due to its associations to other entities, may lead to uncertain outcomes. “No

matter how apparently simple a mediator might look, it may become complex; it may lead in multiple directions which will modify all the contradictory accounts attributed to its role” (Latour 2005, pp. 39). The account that follows in this paper shows that the “faithful intermediary” is a rare thing, and that the stabilization of a practice – a way of conduct – requires investment in, or rather mobilization of, further mediators (Latour 2005, Christensen & Skærbæk 2010).

Framing and overflowing

In later years several scholars have established that accounting inscriptions (Kirk and Mouritsen 1996, Christensen and Skærbæk 2010) and particularly accounting numbers, or quantification in general (Vollmer 2007) aid in accommodating (social) interaction between humans in various ways. The investigation of the role of these inscription devices play have drawn on the theorization provided by Erving Goffman (1974) and his “Frame analysis” and the later contributions of actor network theory scholars. Goffman’s (1974, pp. 10-11) claim was that social situations are subject to ordering by frames that establish sense, or meaning, of what is going on and aids to regulate the actions taken by participants. The contribution made by ANT scholars has been to expand this by including non-humans into the social interaction (e.g. Callon and Latour 1981, Callon 1986; 1998, Latour 1987; 1993; 2005). The notion of *framing* is here expanded by the acknowledgement that “[...] almost all our interactions with other people are mediated through objects of one kind or another” (Law 1992, pp. 381-81). Goffman did in fact suggest himself that the production of frameworks is a co-production of interdependencies amongst humans as well as objects and things (Callon 1998). The concern of this paper is mainly related to the role of inscriptions (in framing) as mediators and as objects (or matter) that mediate (inter)action and create interdependencies and as such it draws heavily on the contributions of ANT.

This concept of framing is easily ‘applied’ to the interactions investigated in this paper, we could think of it as an extension of economic transactions or contract negotiations, which are the examples employed by Callon (1998, pp. 250). Callon suggests it could be seen as a game of chess where there cannot be any effective agreement without the players sitting down at the chairs opposite side of the chessboard and adhering to the rules of the game. Extending this analogy to inter-organizational relationships is arguably not that far a stretch, this however is a story where most of the frame needs to be created and the rules are less defined and the investments of creating the frame has yet to be made. Drawing on the concept of framing we are thus looking for the role of inscriptions, as the materialized signs of translation work, or as investments, in the coproduction of a frame of action.

//Overflowing//

Near complete framing of action requires substantial investments, despite even substantial investment framing attempts are highly unlikely to be successful (Christensen and Skærbæk 2007, Callon 1998). Callon attempts to deal with issues of identifying, measuring and containing overflows. **Overflows** are analogous to the economical concept of externalities, or rather the sociological revision of it (Christensen & Skærbæk 2007). Overflows can then be defined as all negative, or positive, externalities that are produced in the processes of framing. These overflows are not viewed as accidental; they are rather the norm (Callon 1998, Christensen and Skærbæk 2007). Callon (1998, pp. 252) further states that; “[...] framing – when present at all – is a rare and expensive outcome; in short it is very costly to set up”. He goes on to claim that framing should be regarded as something that does not happen on its own, and that overflows are not accidents which require repair. Overflows should be treated as the rule, whilst framing is a fragile artificial result based upon substantial investment. This is corresponding to the idea presented in this paper. The concepts of framing and overflowing are used to trace the investments in **inscriptions/mediators**, or framing devices, that aid in attempts to produce a sense of order, albeit temporal and artificial. In our case we will recognize that substantial investment in works of framing (works of translation) is conducted, but we will also see that this is no guarantee that efforts to frame the action taken will provide the desired **outputs**.

Centers of calculation and calculative agency

Framing is then, in simple terms, defined as processes of establishing the rules of the game, a frame of action. The main concern here is the role of inscriptions as framing devices and the role of (accounting) inscriptions in creating a frame of action. The creation of a frame involves the combination of a series of investments and a series of interlinked inscriptions. Rose and Miller 1992 use the term inscription to denote traces of government work to transform phenomena into information, as “material conditions which enable thought to work upon an object” (Rose and Miller 1992, p. 185). The creation of this information is a way of acting, in the same instance it becomes a basis of further action. The production of inscriptions enables the establishment of what can be termed **centers of calculation**. Latour (1999 PH, p. 304) defines this as “any site where inscriptions are combined and make possible a type of calculation”. Central to the notion is the inter-relatedness of inscriptions, and how inscriptions are made up and combined to create **calculability**. The creation of calculability, according to Vollmer et al. (2009, p. 623), can be described as “the (collaborative) processes which make possible the assignment of numbers (such as prices) to entities [...] an assignment which in its turn, endows these entities with relative stability and makes possible their circulation through society”.

Inscriptions, such as the accounting numbers implied in this case study, are as framing devices perceived to be essential in the creation of rules of action. The **potential performativity** of artefacts (inscriptions), such as the PDP, implies that they are endowed with calculative agency. **Calculative agency** is characterized by (I) framing, (II) disentanglement and (III) performativity (Barry and Slater 2002, Callon 2004, Vollmer et al. 2009). **Framing**, as the concept developed by Callon (1998), are the distinctions used by participants to define what is calculable and not (Vollmer et al. 2009). **Disentanglement** is the process of establishing boundaries about what is relevant and not in calculation, unraveling and sorting out the calculable pieces of reality. **Performativity** here designates the use of these 'technologies' in enacting (market) transactions. Framing and disentanglement is thus the (collaborative) efforts into defining what should be calculated, and further establishing how to calculate. Performativity is thus about the actual use, or mobilization, of the technologies or artefacts in practice. As Vollmer et al. (2009) indicate framing and disentanglement can thus be seen as preconditions for performativity, that is for acting upon what **has been** made calculable.

A center of calculation, as a combination of inscriptions (**enabling calculation**), evolves only through its relatedness and associations to other entities in a complex of technologies, agents and agencies (Rose and Miller 1992). Thus a center of calculation is a fragment of a larger sociotechnical arrangement, or **agencement**. The term *agencement* denotes a combination of humans and non-humans entangled in a dynamic configuration emphasizing the distributed character of action and the symmetry (non-separability) of humans and non-human (Callon 2004, p. 121). Agencement resembles closely the notion of assemblages (as often preferred by Latour) and generally illustrates the idea of heterogeneous entities that have been carefully adjusted to each other (Callon 2006, p. 13). The notion is however less 'functionalistic', more fragile and temporal, and emphasizes heterogeneous arrangements with the capacity of acting in different ways depending on their configuration (Callon 2006, p.13). The co-production of centers of calculation, or calculability per se, can thus be described as integral to the configuration of **(the)** agencements. An ethnography of organizational practice, or inter-organizational practice as in this case, can be seen as an effort to trace the associations of the agencement(s) of organizational actors, both human and non-human. The closer examination of the role of inscriptions in framing the larger cross-boundary interaction is an investigation of the work of constructing and combining inscriptions (as/i.e. technologies and artefacts) as efforts (or investments) **to reconfigure** agencements. When attempting to understand, more deeply, the role of accounting innovations or inscriptions, such as the PDP, there is a need to look (more) closely at how processes of making things calculable helps frame and thus reconfigure the larger organizational assemblages.

The inscriptions that are meticulously studied in this paper can therefore be seen as a chain of interwoven investments or innovations. These innovations represents the materializations of groups of participant's efforts into translating their intentions into devices that aid in framing organizational activity. The innovations are thus co-produced, and are in their own sense actively involved in shaping, that is mediating, organizational action. They are performative. The (allied) innovator(s), which include governmental institutions as well as administrative levels of both organizations, seeks to enroll groups of participants and technologies (*agencements*) into a particular **program of action** (Latour 1991). This is the track, or path, that the managers of health care services wishes that the organizations' members will follow. This much resembles their idea of an intended *agencement*, assembled accordingly to their program of action, a particular configuration of distributed action. Mind that this should be considered a mere utopia. To predict this path the innovators make a series of successive statements, the starting point can be considered the initial problematization of health care services and their presentation of the intention of the "coordination reform". This first statement of intent, or any singular statement, and the force with which it is put forward is never in isolation enough to predict a path of successive action. This is one of Latour's fundamental principles of SST studies, "this path depends on what successive listeners do with the statement" (Latour 1991, p. 104). The strength of the statement depends on the character of the written sign, the inscription, and on how listeners act upon it; "[...] a thousand listeners will follow a thousand different paths after reading the order" (Latour 1991, p 104). The managers then have two choices of action in order to advance their program of action; incorporation or excorporation. Incorporation involves making sure all involved understands their statement and know what to do. The latter is a matter of **loading** the statement of intent in a sense that generates the compliance of many to follow their program of action (Latour 1991). This is the very concern of this paper. Inscriptions, the accounting innovations and other inscriptions, can be seen as **loads** attached to the initial intent. This intent being the new (particular) way of acting across organizational boundaries in the provision of care services. Each 'load' a further effort in framing action. The number of loads that need to be attached depends upon the actions of the ones to be enrolled, that is the larger *agencement*. The 'adversaries', the ones the innovators seek to enroll, are commonly termed anti-programs. As the literature tells us the numbers of loads needed are potentially numerous, and presumably hardly likely to be (totally) successful.

The framing of organizational activity is then dependent upon an (incessant) series of investments in inscriptions. These loads need to be carefully constructed and aligned in order to produce something resembling a coherent frame of action. In the following it is suggested that to investigate the role of these devices in shaping action and their inter-relatedness we should look for their ability to create circulatory reference. An accounting innovation, such as the PDP, constructed (around an incentive

arrangement) can be seen as a nexus of inter-related inscriptions of various kinds supporting, extending, fortifying and even betraying each other. These inscriptions are constructed and (attemptedly) combined to create a calculable space that aid in the reconfiguration of the assembly of organizational actors and actants.

//Calculable spaces//

Calculable spaces is not incorporated in the text. There is a need to FOCUS in on ACTION AT A DISTANCE, both in the introduction and to create a transition from the definition of CENTERS OF CALCULATION to that of CALCULABLE SPACES – through the notion of long distance control.

KEY WORDS THAT NEED TO BE SETTLED:

ACTION AT DISTANCE

LONG DISTANCE CONROL

CENTERS OF CALCULATION

CALCULABLE SPACES

GOVERNING BY NUMBERS

The acts of making things calculable through the framing, disentanglement and performing of calculations can thus, through the creation of calculable spaces ...

Methodology and research design

This study draws on an ethnographic approach and what is sometimes termed 'Ethnoaccountancy' (MacKenzie 1996, pp. 59-61, Tryggestad & Skærbæk 2010, pp. 111). This is also in line with the ethno-methodological tradition in which actor-network theory has its roots. True to such an approach ANT is thus used as a method, a way of accessing the empirical site rather than a theory for understanding the actions of actors, not providing a language for the actors' behavior (Latour 1999 A-ANT). In this case this means that the study is concerned with providing a description of how accounting is practiced, more specifically what role inscriptions play in local accounting practices and how these are negotiated and translated in practice. The research design utilizes a method of tracing the actions of relevant actors and tracing the inscriptions as they travel through the organization(s).

The case study is based on qualitative field work conducted at the organizations during a period of 15 months from the spring of 2013 to the late summer of 2014 (estimated). The field work was conducted at multiple sites in the organizations, both in the separate organizations and their units as well as in arenas where both organizations were represented. As part of the field work I was during this time for several periods present at the hospital during office hours for entire weeks. Here I was provided with a working desk so I could sit amidst the practitioners. I was granted full access to the administrative department, received my personal access card and privileged access to internal computer systems, accounting systems, intranet and even selected dimensions of the IT systems devoted to patient journals and electronic communication amongst departments and (also) between the hospital and the municipality. For most of this period I was affiliated with the "coordination department" at the Hospital, a department subsidiary to the hospital administration. The department is responsible for handling tasks related to the relationship to the municipalities in the region, decentralized health care services provided by the hospital and internal routines for coordination and cooperation. During this period I followed a number of meeting arenas, both on internal matters as well as meeting arenas where both the hospital and the municipality was represented. Being present at the department over time allowed for me to follow also informal meeting arenas, such as ad-hoc conversations and unplanned discussions, lunch time talks and discussions before and after planned meetings. This allowed for me to engage in asking questions to participants, both ahead of meetings and in the hours and days afterwards. During this period I spent quite a number of days at my desk in the field, this allowed for me to observe the everyday life at the department, but it also allowed for me to spend as much time as I needed to browse internal documents and IT-systems, all of those for which I had access. During this work I had every opportunity to ask questions about things that needed clarification and discuss elements I came across with the people dealing with this, and quite often the people who had authored or shared the

information and documents I was grappling with. Inspired by an ethnographic approach these periods may be seen as extensive participatory observations. More specifically the notion of participation does not mean 'real participation', it is not about doing the exact same thing as those being observed, such as writing invoices or preparing documents for meetings, but watching these things being done (Delamont 2007). Thus 'participant' does not suggest "doing what those being observed do, but interacting with them while they do it" (Delamont 2007, p. 207). The field work of this study, in ethnographic or sociological terms, can be characterized by a 'partial immersion'² into the research site(s). This implies that the researcher spends a large portion of the time as participant at the site, whilst the rest is spent away from the field. This allows for an iterative research process where the time spent at the site writing field notes and collecting data is combined with an ongoing analytical and theoretical process conducted both on and off site. The fieldwork conducted at the hospital, the field-notes, the traces of documents and actions are here presented as a theorized account of the role of inscriptions in the organizational life at the hospital and the municipality.

The fieldwork presented here thus relies on several empirical sources, including open in-depth interviews, participatory and non-participatory observations and extensive document studies. Interviews were conducted with representatives of both the hospital and the municipality; these representatives included top managers, mid-level managers, managers at the operative level, accountants and health personnel including doctors and nurses. These interviews were conducted mainly as open-ended phenomenological in-depth interviews lasting on average from 1 - 1 ½ hours. I also engaged in informal talks with people in their work situation during observations, before or after meetings and at the lunch table. Observations mainly consisted of meeting observations where I took notes in the form of meeting minutes (dialogues), pre-scripts and post-scripts. Observations also included watching as health personnel received training and tutoring in the use of IT-systems (e.g. patient journals and messaging systems).

This papers' focus on the role of inscriptions affords a particularly great interest to documents as an empirical source of evidence, this focus makes them significant non-human matters that become important in this account that attempts to reconstruct the translations of local practices. Documents that become particularly important in this account include national laws, regulations and bye-laws, budgets, white-papers, governmental guidelines, regional guidelines, cooperation agreements, locally produced practical guidelines, meeting minutes, consensus protocols, user-manuals and various communication forms. The documents investigated include publicly available documents, internal documents of each organization and documents produced for the relationship partner and also co-produced documents. The focus of this paper is mainly on the latter, and the tracing of the

² Sett in note fra samme ref med forklaring «full and partial immersion»

translation of inscriptions and the investment in co-producing additional inscriptions that is ongoing in the daily operations of these organizations.

Empirics: Framing cross boundary health care service provision

//Introduction//

The recent reformative trends in the Norwegian health sector, and “the coordination reform”, largely represents an initiative to redistribute tasks of health care service provision in the relationship between the two layers of public health services in Norway, that of the specialist health care services in the regional health enterprises and hospitals, and that of the generalized health and social care provided by the municipalities. When the reform was initially presented the focus was put on lack of efficiency in the total health care system, and wrongful use of funding. The shift initiated by the governmental program can be generally described as a matter of shifting tasks and responsibilities from the specialist health care to municipal service providers.

“Norway is one of the OECD countries that use the most public *[health-funding]* per person, but we don’t get correspondingly much good health in return [...]. We must get better at governing the money that comes into the health services. My opinion is that a lot of money is spent wrongfully in the health service. [...] Much, and more, money will still be put into the specialist health care. Hospitals shall be a cornerstone of the health service. [...] This means betting on prevention rather than repair, and providing economic incentives that enables the municipalities to provide the health services the residents need. The growth in resources must increasingly be put into building services in the municipalities. It will pay off for the municipalities to bet on preventive efforts, so that people need less specialist health care. And it will pay off for hospitals and municipalities to team up. (Health Minister, Bjarne Håkon Hanssen in HOD 2008)

This is the voice of the Minister of health and care services in office at the time as he introduces the reform in the White Paper that presents the foundation of the reform (HOD 2008). The reform places particular emphasis on the development of financial incentives that are supposed to effect organizational structures and practices of service provision. The then present government felt that serious shortcomings of the financing system and incentive effects had for several years hampered advances for better coordination and cooperation between various parties of the health care system (HOD 2008). Initially the government prescribed several new approaches, so called system measures, to mediate ((promote)) a more holistic approach in care services – these promoted a stronger integration of the financing system. The three key approaches included (I) implementing municipal co-financing of specialist health care, (II) transfer of the financial responsibility for dischargeable patients from the hospitals to municipalities and (III) increasing the degree of block funding to the specialist health care. All these financial incentive arrangements implied significant changes to legislation and prescribed large and smaller changes in local practices. This paper focuses on the second device presented; that is the transfer of the financial responsibility for dischargeable patients from the hospital to the municipality. This is the PDP, Payment for Dischargeable Patients, presented

in the introduction to this paper. The PDP was initiated to provide a financial incentive for municipalities to provide care for a larger part of patients, relieving the increasing pressure on the hospitals. The intent was that moving part of the funding from the health enterprises and hospitals to the municipalities was to allow for more cost effective treatment of patient groups, and allow the municipal greater degree of freedom in establishing care services for, to them, new patient groups. The arrangement involved a movement of 600 million NOKs from the regional health enterprises to the municipalities, money which should cover the estimated cost for dischargeable patients occupying hospital beds after being declared ready for discharge. This restructuring of health care funding policy was supposed to be 100% funded for the municipalities, meaning that the move of funding from the health enterprises should fully cover the municipal expenditures for dischargeable patients. In other words the municipalities should be able to keep the same number of dischargeable patients in hospital beds without experiencing a deficit. At least from the beginning, with the same level of patients in need for care. The municipalities were to pay 4000 NOK for each day a patient defined as ready for discharge occupied a bed in specialist health care. The incentive was initiated on the assumption that a bed in the municipality, for these types of patients, cost relatively less than a hospital bed (per day). The intent was that since municipal care for these patients should be relatively cheaper, the municipalities should by supplying care for an increasing number of these patients be able to create a surplus which could be re-invested into the establishment of care services. In addition to this restructuring in funding, municipalities were able to apply for subsidies and investment-funding for the establishment of initially required services in the form of ear-marked development projects.

The PDP, as a financial incentive arrangement, can be seen as an accounting innovation implemented to promote the governmental program of the coordination reform. The **introduction** of the incentive arrangement can be seen as a project within the larger program of realigning the responsibility for care provision amongst the layers of health authorities ((service providers)). As an accounting ((a financial)) innovation the incentive schema represents an effort to promote a certain program of action, that of coordinating the provision of health care services in a certain, different, ((NEW)) manner between the hospital and the municipality. The incentive arrangement is one effort into promoting a different, more efficient, coordination ((and cooperation)) between the service providers. To implement the changes suggested by the new arrangement into practice a number of investments are required, an endeavor subject to multifaceted challenges including the establishment of new practices for book-keeping (accounting), billing, communication between organizations and amongst internal units, medical and treatment specific questions, contracting issues and [...]. The establishment of the PDP, as an accounting innovation, requires substantial

efforts by governing bodies, but also the involved relationship partners providing services. The following account seeks to reconstruct the materialized traces of the process of creating the incentive arrangement, but seeks to reconstruct this accounting innovation as entangled in a larger nexus of inscriptions involved in the coproduction of cross boundary service provision. The focus is on how the incentive arrangement, through various inscriptions, aims at reconfiguring organizational practice surrounding the handling of patients ready for discharge and the flow of patients between the hospital and the municipality. The inscriptions built around the initial incentive arrangement are in detail reconstructed to understand how these aid in the framing of organizational action. Following the traces of the successive investments in inscription building conducted to promote the program of action the account establishes [...]

//The PDP – framing cross boundary health care services across [in] time and space//

Transfer of the financial responsibility for patients ready for discharge to the municipalities was part of the initial government initiated reform and the scheme was put in effect from 2012. In practical terms this arrangement invokes a payment obligation onto the municipality for patients deemed no longer in need for specialist health care. The arrangement, and the payment obligation, was put into effect from the 1st of January 2012 as regulated by the new law on municipal health- and care services published in June 2011 (Lovdata 2011a). This replaced the old law on municipal health services of 1982 (Lovdata 1982) and the law on social services of 1991 (Lovdata 1991). The law regulates a series of dimensions in health and social care within the municipal domain, hereunder its' purpose is amongst other things to ensure the quality and egalitarianism of health services. Of particular importance in this case is the law's purpose of ensuring coordination, user-oriented provision of services and optimal use of resources (Lovdata 2011a, §7-4, 5, 6). The law further defines the municipal responsibilities in health and social care service provision (Lovdata 2011a, chapter 3). The municipalities' duties to facilitate coordination and cooperating, both internally and with other service providers, is also explicitly stated (Lovdata 2011a, §3-4). The cooperation between municipalities and regional health enterprises, hospitals and others is further specified (Lovdata 2011a, chapter 6). This includes their duty to negotiate and enter into collaborative agreements with both regional health enterprises and local health enterprises (e.g. hospitals) as well as it designates the minimum requirements of thematic content of these agreements (Lovdata 2011a, §6-1,2,5). Further it governs the evaluation, re-negotiation and revision of these agreements. **The financing of the municipal health and social services are regulated in a single chapter of the law.** (Lovdata 2011a, chapter 11). The arrangement for municipal payment for patients ready for discharge is specified in this part of the legislation (Lovdata 2011a, §11-4). This establishes that the payment obligation is in effect from 1st of January 2012 and defines the patient groups to which the arrangement is

applicable. The law empowers the Ministry of Health and Social Services to further regulate the scope and content of the arrangement in national bye-laws.

The law on municipal health and care services (Lovdata 2011a) represents the materialization of the governmental translation of the arrangement at that time, and contributes to create a foundation for the further regulation of local organizational arrangements, and also the successive process(es) of inscription building. Miller and Rose (1992) have commented on the importance of legislation in the operationalization of governmental programs of action;

“The enactment of legislation is a powerful resource in the creation of centres [of calculation], to the extent that law translates aspects of a governmental program into mechanisms that establish, constrain, or empower certain agents or entities and set some of the key terms of their deliberations.” (Miller and Rose 1992, pp. 189-190)

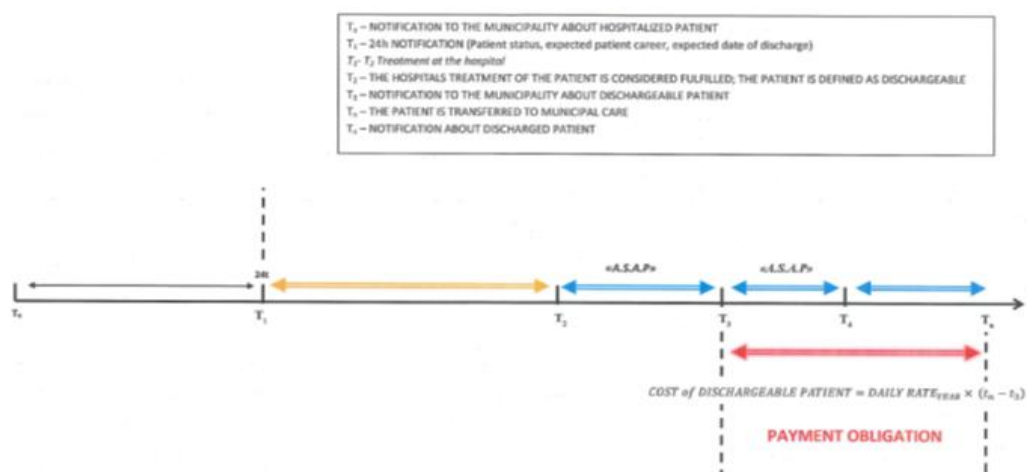
The introduction of the new law on municipal health and care services thus represents (parts of and) a basis for the development of financial and economic controls directed at framing service provision. The law authorizes the execution of the PDP as a formal system control and in so establishes a (figurative) frame in which the groups of participants must calculate. Whilst authorizing the implementation of the accounting innovation, the legislation in itself is not enough to ensure the change of practice. Embedding the PDP in law does not necessarily determine the decisions of managers and health-personnel, but it sets part of the terms in which their actions ((decisions)) must be taken (Rose and Miller 1992). More importantly, here, the law becomes important in establishing a basis onto which further efforts to frame action can be attached. The law authorizes, and places regulatory demands on, the negotiation and establishment of regional and local contracts governing the relationship between hospitals and municipalities. By authorizing the establishment of such local arrangements, as well as determining legislative maneuverability for the parties, the law establishes autonomy to separate authorities and empowers ((enables)) other ((different)) bodies [the organizations] to conduct change processes. At the same time the law provides a basic frame to which the service providers can be held accountable, both towards state and local government and between the organizations.

The introduction of new legislation thus becomes an important effort into framing service provision. The law, and in effect the PDP, appropriates funding throughout the system. If the incentive arrangement, and the redistribution of public funding, is to function accordingly to the intended program of action this depends upon an alignment of interests and the compliance by allies. Miller and Rose (1992) use this point to illustrate how withholding funds can be an important inducement to ensure the faithfulness of allies to their program. What becomes interesting in this case is that the PDP involves a redistribution of block funding to service providers, and does not allot for the

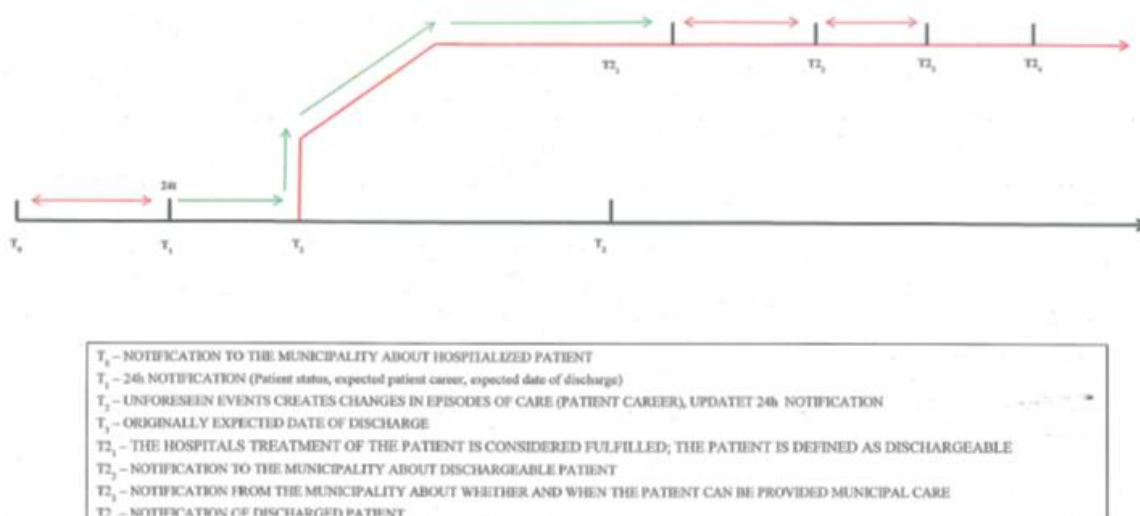
possibility for governmental withholding of funds. However, the construction of the PDP, and the law in which it is authorized enables the participant service providers to be accountable to govern the funding amongst them, and also responsible for actually holding each other to account. The law thus creates a frame in which certain accountability structures are established, the further development of localized practice is a matter that requires further (both) governmental and local efforts.

///**Framing – what patients are included**/// ///

The governmental introduction of the new law on health and care services is not the only investments made to introduce the incentive arrangement of the PDP. Simultaneously as the new law was introduced the government put into effect the ‘*regulation of municipal co-financing of the specialist health care and municipal payment for patients ready for discharge*’ (Lovdata 2011b). The regulation directly extends the law presented above and its purpose is to “ [...] contribute to better task distribution among service levels [...] develop good patient careers and cost-efficient solutions that can provide the patients with an equally good or better services in [the municipalities] as in the specialist health care” (Lovdata 2011b, §1). The regulation further specifies the scope of the arrangement which includes payment obligation for patients who stay admitted in the hospital pending the provision of municipal services (Lovdata 2011b, §2). This is fairly straight forward. The further scope and content of the regulation is rather more direct towards the actions to be taken on by the parties when handling patients with a (expected) need for municipal services. The regulation can thus be seen as a procedure designating what actions should be taken by both the hospital and the municipality in cases where there are patients included within the frame of the law. The following paragraph summarizes central elements of the regulation directed directly at designating action to be taken (Lovdata 2011b, chapter 3). This is also illustrated ((represented)) in figure 1 (see also appendix 1).



The document delineates a quite clear timeframe for actions to be taken in the case of patients admitted to the hospital which are in need of municipal care services when discharged. The regulations state that any patient admitted to the hospital needs to be evaluated for the need of municipal services at the point of admission (Lovdata 2011b, §7). It further regulates the communication between the hospital and municipality both concerning the timeframe, content and nature of communication. If a patient is deemed likely to be in need of municipal care after being discharged the hospital is required to notify the municipality within 24hrs, this notification needs to contain details on the patients status, expected patient career ((patient/clinical pathway)) and expected time of discharge (Lovdata 2011b, §8). Thus this is denoting a rather tight control. However, due to the nature of the task at hand - curing deceases and saving lives - the regulations open for the need for making assessment as time passes and opens for exceptions; “[if it is] not possible to make the evaluation after [paragraph en andre ledd] within 24hrs after admission the evaluations shall be made and the municipality notified as soon as possible” (Lovdata 2011b, §8). The regulations further state that there is to be ongoing notifications of changes from the hospital to the municipality. As we will soon see this is not always the case, nor is it easy to achieve consensus on amongst practitioners of both organizations. The framing of such adverse timelines is illustrated below in figure 2.



///Regulative framing – the program of action – utopia///

The regulations state, in general terms, what action should be taken, at what time and by whom the action should be taken. A quite tight procedure directed at framing patient care both across time and space. The regulations extend the framing efforts made in the law, as presented above. Whilst the law is focused on establishing an outer frame (figuratively speaking) for what patients (meaning what services) are to be included into the arrangement, the regulation extends this into a more detailed

frame for handling these patients. Framing, as the concept developed by Callon (1998), is thus largely a matter of deciding who, or what, is “inside” or “outside”. The law thus aids in the development of a frame of reference for the managers and health-personnel to establish “what is calculable and what is not” (Vollmer et.al 2009). The regulation represents a further effort into establishing how this should be acted upon, in other terms a further investment into framing how action should be conducted. This involves a further detailing of responsibilities and rights, aimed at establishing clearer lines of accountability. The paragraphs of the regulations and the attached notes establish a concretized step-wise representation of how patient should be handled in the transition between the two organizations, as an idealized code of conduct (or ‘cookbook’). The flow of patients is hardly a straight forward task, nor is it likely to always be as predictable. As Callon (1998) emphasizes deviations, or overflows, from the idealized frame (code of conduct) is rather the norm. This is certainly the case here, and further efforts to handle irregularities, which are more like the regularities, has to be made. The successive framing attempts, and inscription building processes, as efforts to stabilize a certain program of action can be seen as investments in sealing “leaky black boxes”³ (REF and FOOTNOTE).

From the outset a point of much controversy was the question of when a patient is to be defined as ready for discharge. According to the regulations a patient is ready for discharge when the treating doctor at the hospital considers him or her to be no longer in need of specialist care (Lovdata 2011, §9). The regulations do however list a series of criteria to be met and documented in the patients’ journal. Problems and the situation at time of admission should be settled, arising problems should be settled, unsettled questions must be accounted for, a judgment on diagnosis must be provided along with a plan for patient follow-up and the patient’s overall level of functioning must be accounted for including changes during the stay and expected progress. These are all demands put on the specialists of the hospital. It is not however in many cases easily defined whether or not a patient is ready for discharge and also there was, in the beginning, often a question of what, or how much, information is needed for this to be adequate and appropriate for the municipality. Whether or not a patient is dischargeable is hard to measure in absolute or quantitative terms, both organizations thus experience a measuring problem that is fundamentally hard to overcome. The practice on the matter becomes dependent upon the quality of information, on a series of more qualitative parameters, shared between the groups of participants and the establishment of consensus amongst practitioners. To some extent it is a question of **power of definition**, both when it comes to evaluating the patients need for care, but also in terms of what information needs to be provided and also how, in what form, and when this should be provided. **The regulations as such do**

³ Black boxing notion & «leaky black boxes»

much to establish a frame, both in terms of time and space, but are at the same time rather open for interpretation.

When a patient is defined as ready for discharge (only those in need of municipal services) the hospital is to notify the municipality immediately (Lovdata 2011b, §10). If they are in need of care the payment obligation is in effect, if not they fall outside the frame of the arrangement and get to go home – no payment due. When the municipality receives notification that the patient is ready for discharge they are obligated to report back to the hospital department on when they can provide needed services – as soon as they are ready notification must be provided (Lovdata 2011b, §11). As soon as this is provided the patient is ready for transfer from the hospital to the municipality.

From the time a patient is defined as ready to be discharged, and the requirements of the paragraphs summarized above are met, the obligation of the municipality to pay for the patient's stay waiting for municipal services is in effect. In this sense the arrangement is built upon what can be presented as a simple mathematical expression for the cost of a dischargeable patient which ties together several central inscriptions ((inscription devices)) aligned to represent this arrangement of "the coordination reform". The law which anchors the obligations and responsibilities of the municipality and effectuates the incentive arrangement, the regulation which further specifies the nature of the task and the national budget (Regjeringen 2012,2013) which contains a chapter on the incentive arrangement at hand, alongside a series of others relating to health and social services. In the national budget for 2014 this price is set at 4125 NOK (approx. US\$ 670) (Regjeringen 2014). The cost of a patient who stays in the hospital after being defined as ready for discharge is thus the number of days the patient is occupying a hospital bed whilst awaiting municipal services.

$$\text{cost of dischargeable patient}_n = \text{daily rate}_{\text{year}} \times (\text{date of transfer to municipal care} - \text{date of notification of dischargeable patient})$$

$$\text{cost of dischargeable patient}_n = \text{daily rate}_{\text{year}} \times (t_n - t_3)$$

The laws and regulations presented above outline the PDP putting forward a frame of reference for sorting patients that fall within the categories defined by the legislation, subsequently establishing the basic conduct of how the organizations should coordinate patient flows. However, though the legislation creates the foundation for defining a frame of reference under which the arrangement should be enacted it does not represent, and far from it, a complete framing of all action concerning patient flow between organizations. The legislation however provides a basis onto which further efforts need to be made in order to gain compliance from involved parties to cooperate in the manner intended. The legislation and financial arrangement enables such efforts to be made and acts as both an empowering and legitimizing foundation for further investments in promoting the program of action.

//Cooperation-contracts and service agreements//

The legislation authorizes and demands the negotiation and establishment of local cooperation agreements (contracts) between each hospital and municipality. This includes both the establishment of an aggregated contract governing the general relationship, and the negotiation of service agreements for each area of service. In total there are eleven service agreements governing separate ((but interrelated)) parts of the relationship. One agreement is specifically devoted to handling admission and discharge from the hospital and patient flow between the organizations. The agreement is specifically constructed to incorporate the PDP and is directly built upon the legislative framework presented above. In the case of this region the service agreement on admission and discharge has been formulated as a set of practical guidelines for handling admission and discharge. The agreement is a result of a negotiation surrounding the parties interpretation of the legislative framework and a joint inscription building process. The agreement builds directly upon the paragraphs of the *'regulation of municipal co-financing of the specialist health care and municipal payment for patients ready for discharge'* (Lovdata 2011b), and represents a "take-down" version of the legislation. As such the agreement can be seen as a translation of the legislation into practical guidelines. The process of negotiating these guidelines was explicitly considered by the administrative managers of both organizations to be just that, to translate the formal legislation into more explicit and practical set of "rules of thumb" for practitioners. This process of inscription building can be described as the making of an extension of the legislation into a new device with increased mobility able to circulate with more ease amongst **new** groups of practitioners in the organizations. These practical guidelines, which also form the formal service agreement, are often referred to by some hospital managers [coordinators] as "the bible", which has become the encyclopedia to refer to for them. The practical guidelines also contain a series of details on local arrangements which specify the handling of communication flows between the organizations, this represents an extension of the general rules of action from the legislation. Especially the agreement specifies the timeframe of communication and patient transfers and specifies to a greater extent how communication between the organizations should happen. An example of this is adding rules of thumb establishing that the parties should stride for discharge during day-time, regular office hours for the municipality. The agreement establishes criteria for the content of information and documentation of care provided by either party, hereunder it extends the legislative specification of when, what and to whom information needs to be provided. In day to day (co)operation it is these guidelines that represent the inscription that is acted upon [that is performed]. The service agreement also specifies the mutual responsibility for agreeing upon the matter in which information is to be shared, that is the infrastructure or technology utilized to communicate.

//PAS – EPJ – AND E-MESSAGING “Meldingsløftet”// (PAS/EPJ ↔ GERICA PA/GERICA EPJ)

The hospital registers all their patients through their Patient Administration System, **abbreviated** PAS. Here all patients are registered with personal identification details, demographics and it provides a register of all contact with patients. The PAS also registers the flow of patients including what department the patient is admitted to, all movement between units, and codifies patients according to the stage of treatment from admission to discharge. This is the internal system of the hospital. The clinics and departments also utilize various other technologies in their patient administration; especially important is the Electronic Patient Journal system, EPJ. Here all patient journals, including treatment information, medicine information and epicrisis are created and stored electronically. The EPJ stores all information on care provided by both doctors and nurses. The municipalities on the other hand have their own patient administration system, in this case this is called Gerica which has separated modules of patient administration [plassadministrasjon] and electronic patient journals [Gerica EPJ]. Both organizations need to register all their information in their own system to coordinate and ensure quality in their treatment and patient flows. The new program of inter-organizational coordination puts new demands on information sharing across organizational units. The flow of patients from the hospital to the municipality is not new, patients were moved and cooperation was handled before the introduction of the coordination reform, a point which cannot be left out. Ahead of the reform however most information followed the patients personally. When patients were discharged from the hospital they had their papers [epicrisis and medicine lists] with them [physically]. Now patients are moved at a much speedier rate and transfers must be smoother, thus timelier and more accurate information is needed to coordinate more effective transfers of patients. As a part of the governmental program of the reform every region has been responsible for implementing electronic messaging between hospitals and municipalities. This was introduced through the governmental project “*Interaction 2.0: The Messaging lift 2009-2010*” initiated by the Norwegian Directorate of Health (Helsedirektoratet 2009). The process of adapting and implementing e-messaging is beyond the scope and reach of this paper, however these technologies are of crucial importance in the coordination of patients and in daily patient care.

All information about patients requiring municipal care after hospital admission is supposed to be conveyed through e-messages, creating a link for electronic sharing of information between the hospitals EPJ and the municipal EPJ system. This requires the establishment of a system able to translate information from each system into pieces of information which can be processed and included in the other party’s system. A module for messaging is incorporated in each organizations system created to receive and allow for the processing of forms containing information, this was again dependent upon the negotiation and implementation of a mutually understood language and a

mutual understanding of the information to be shared. This illustrates the crucial inter-dependencies of various technologies and inscription devices. The e-messaging modules created to facilitate the translation of information between the systems of each organization are linked to the legislative frame of information sharing and the locally negotiated rules of thumb in the service agreement and guidelines. The technology is created in order to standardize and facilitate the sharing of the information needed and the chain of inscriptions created to guide behavior frames the content and use of information sharing. The information shared between the EPJ systems form the documentation and the basis of accounting for patient flows between the organizations. The hospital is responsible for collecting payment from the municipality according to the PDP arrangement. The invoices sent from the hospital to the municipality are based upon the coding in the PAS system. It is the responsibility of doctors and nurses to register the information in both the EPJ system and PAS, which are separate operations. When the municipality then receives the invoice they need to control this against the registered information in their EPJ system, which is the information base upon which they can act to hold the hospital to account.

//“The supporting cast” – further investment in framing enactment is needed - FURTHER LOADS//

The account above have established the importance of several legislative and locally co-produced inscription devices and their interconnectedness with important technologies created to establish a new way of coordinating patient flows between the organizations. All of the inscriptions so far discussed are of a legislative or procedural nature, and are of importance in establishing a frame to which groups of participants **must** refer their actions. However, whilst the legislative inscriptions and the translation of these into practitioner directed practical guidelines are important, there has been made several additional efforts into the production of inscriptions directed at framing organizational behavior both on the part of both organizations and mutual efforts. The legislative inscriptions and contracts frame to a large extent the responsibilities and rights of each group of participants, however there is no guarantee that this ensures the compliance of various actors. Even though they might comply, it is not plausible, nor is it the case, that all involved actors are able to enact this in the intended manner. To ensure that tasks are conducted according to the intent several successive investments in inscriptions are made. This involves the further translation of intentions into even more practically relevant, understandable and persuasive devices directed at **even** more specific audiences. To exemplify the hospital management, through the efforts of the coordination department, have made substantial investments ((efforts)) into the creation of specific textual and visual inscriptions for the health-personell in their registration of patient information and information sharing [e-messaging & other comm.forms]. This as a part of regular training programs in the use of information technology, but also as textual inscriptions dispersed across the departments

in various physical shapes. The hospital has produced a series of user-manuals for practitioners when it comes to the use of e-messages. These range from 12-15 page “click-by-click” user manuals, to shorter “quick-start” leaflets in the form of picture series showing step-by-step screenshots from the graphical user interface of the EPJ system. These inscriptions follow the structure of the regulatives for required and recommended information sharing, but take this down to a pragmatic visual example. These inscriptions are made available through the hospitals intranet and are incorporated as obligatory steps in each patient career through formalized procedures. The user manuals are also physically dispersed to each department and available through the computers where the EPJ is used. The hospital have also produced so-called “pocket-guides”, laminated single sheet guides, with mnemonic lists for each registration task. These are provided for the personnel to carry around on their person, or as easily accessible as the keyboard on the computer. These are examples of further inscriptions created to be even more mobile than the legislative and regulatory devices. These represent a more concrete translation of the hospitals interpretation of the regulatives and represent a more stable and more accessible version which opens for less interpretation and more pragmatic procedures on the part of practitioners. This is of course not to say that this ensures complete framing and “on-the-dot” compliance and execution at all times. The municipalities also have check-lists for their information registration and documentation, this follows corresponding check-lists for patient treatment. These much resemble in form the ones produced and utilized by the hospital. These checklists are directly incorporated in the registration forms of the [GERICA] EPJ system.

The hospital must everyday keep records of the number of dischargeable patients still occupying beds in specialist care. This is communicated directly to the department of the municipality responsible for coordinating users and patient allocation. This is used to constantly monitor the development and to keep record of the state of affairs at a more general level. The collection of payment is made periodically when the municipality receives an invoice from the hospital. The municipality must then check this against their EPJ system which holds the information to which they must hold the hospital to account. The hospital is required to be able to document that the necessary information has been provided, according to the legislation. The hospital and municipality have reached an agreement on how to handle deviations from the regulatives. Deviations that are in direct violation of the regulative (Lovdata 2011b) must be reported and negotiated by the managers of the organizations [director of the coordination department and the director of municipal health and care services]. Deviations that are not deemed as direct violations of the regulative on information sharing is reported between the parties and incorporated in each organizations quality

management systems. Both these types of deviations from the intended program of action can be seen as overflows, and the results of **unintended** action.

//ASU-FSU and COOPERATION MEETINGS//

//FURTHER INVESTMENT – USKSTOLAV – USKØHH – QUALITY CONTROL// NB!!!!

- Establishment of a hospital ward for dischargeable patients
 - Internal control unit
- Establishment of a municipal ward for dischargeable patients
 - To clear “the PAS-LIST” – initiative to perform

Preliminary discussion

// HOW ACCOUNTING GOT INVOLVED WITH PROMOTING THE PROGRAM OF ACTION //

In this paper I seek to investigate how inscriptions got involved with promoting a governmental program of action through the introduction of the PDP, a financial incentive arrangement. The account above attempts at reconstructing a chain of inscriptions as investments made to frame organizational action. This has been described as a work of translation, more specifically as the work of attaching ever new **loads** to the initial statement of the program of action. The phenomenon that is being tackled is thus not the work of inscribing on its own, or the isolated inscription per se, but the chain of ever simplified inscriptions made to promote a certain organizational practice (adapted from Latour 1987b, p. 16). This chain of investments can perhaps be better seen as the circulation of various devices providing **reference** to the intended program of action. The creation of reference, again, is the act of keeping something constant through the series of transformations (Latour 1999, p 58). In investigating the assemblages of various inscriptions this is a matter of the quality of the chain of transformations, and the viability of its circulation (Latour 1999, p. 310). Empirically this is a matter of how inscriptions are aligned and mobilized in order to produce a viable reference to the program of action.

The PDP, as a financial incentive arrangement, can be seen as a construction of a nexus of inscriptions including the legislative and (local) contractual inscriptions. The introduction of the arrangement can in these terms be viewed as an accounting (based) innovation aimed at promoting a new way of coordinating services across organizations. The PDP then contributes by making the patient flow between health care service providers calculable. The argument forwarded is thus that by combining a series of inscriptions the program aspires to create a calculative center which can be acted upon by managers, but which also aids in the framing of operational activity. Making the

handling of patient flows between the hospital and municipality calculable thus becomes an important means in promoting the program of action. The introduction of PDP, as a (quite crude) price mechanism, is a way of standardizing entities which implies a process of stabilization. This task requires the efforts of various groups of participants, including financial analysts, economists, and medical experts. To the extent that it becomes important again relies upon the enactment of it by professionals (operatives). The analysis here focuses less on the process through which these actors have produced the price mechanism per se, than the interconnectedness of the various inscriptions that are built to promote compliance to the program of action the price mechanism is intended to promote.

Rendering patient flows calculable is largely a matter of visualization. Latour (1987b) focuses on the importance of *'optical consistency'*, a matter of creating a common perspective. Optical consistency allows for pieces to mix with each other, that is rendering them commensurable and combinable. In this sense an important intention in the introduction of the PDP and 'making cost visible'. It is thus a matter of introducing entities that can be viewed in similar terms by both organizations. This is connected to the creation of a common *'visual culture'* (Latour 1987b, p. 9). In such terms the definition of dischargeable patients is much a matter of turning complex phenomena into, one amongst many, representations to which the eyes of both organizations can focus. The combination of various inscriptions is needed to create calculability, in order to understand how this is created we can revisit the account above and look at how the inscriptions together form a *center of calculation*.

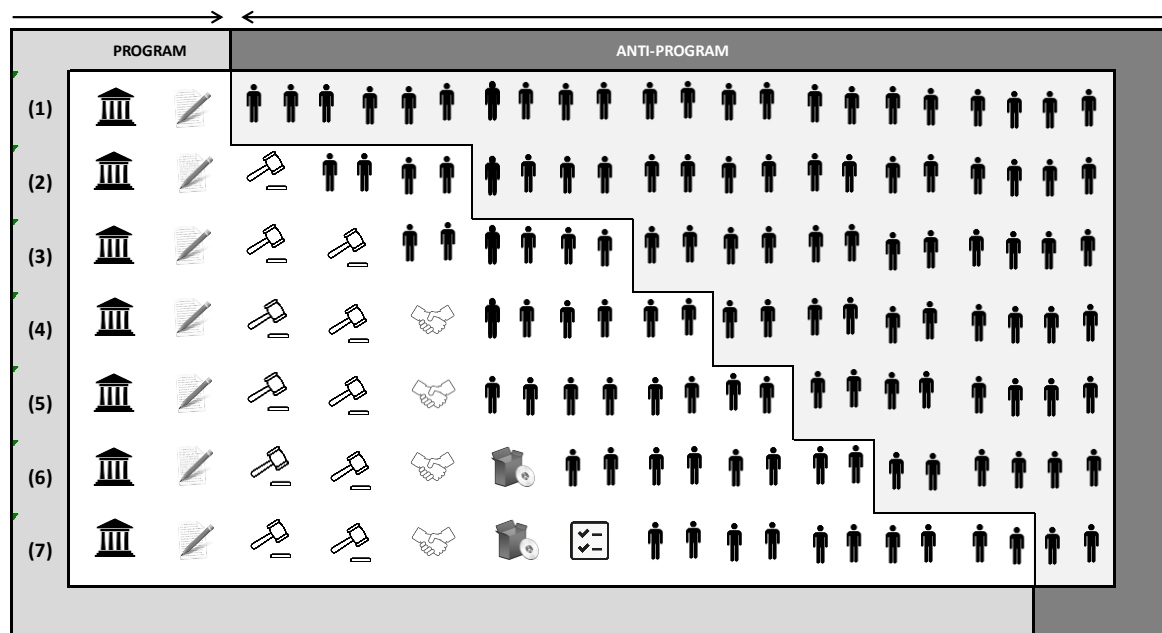
//CALCULATIVE AGENCY – CALCULABILITY//

Enabling calculability requires as we understand more than the simple invention of a price mechanism. To be able to perform according to the program of action and acting upon the newly defined entity of dischargeable patients, and changed patient flows, requires the investment in a series of inscriptions. Here the numerical inscriptions must be coupled with other more practical guidelines. Calculative agency is, as established earlier, characterized by acts of framing, disentanglement and performativity (Vollmer et.al 2009). Calculability is thus dependent upon much more than the price mechanism per se. Framing involves [all of] the ((a series of)) distinctions used by participant to distinguish what is calculable and what is not. Traces of the translations of all these distinctions can be seen dispersed through the building of the various inscriptions described in the above account. The legislation defines the patient group, dischargeable patients in somatic DRG's. These are the ones affected by the PDP, at large. Defining patients upon these criteria is a result of an active clinical or medical process in which care is provided, this is guided by another set of inscriptions built to guide the process of treatment, such as 'patient careers'. For the arrangement to

function, and for the parties to be able to perform, a chain of information must circulate. The process of information sharing is again guided by a set of textual procedures, guidelines and manuals. The information sharing process, generating the data enabling the parties to calculate, is again a process of enacting the schemes developed for translating information. The process of performing information sharing again involves the building of inscriptions according to a common language, an ongoing process of negotiation and translation. These successive inscriptions both aid in the further **framing** of what can be calculated and what cannot. Furthermore, the successive investment in practical guidelines, user manuals, forms and schemas facilitate **disentanglement**. Taken together it is these inscriptions that enable both the producers of information and the users to select and draw boundaries around elements that can be calculated. It is thus both a question of how managers and accountants can extract numbers for calculating performance measures and keep account of patients and relationship partners, but also the ((a)) way in which professionals can untangle elements relevant for decision making and execution of tasks. Framing and disentanglement can thus be seen as antecedents, or preconditions, of both managerial and operative (professional) action, the performance of cross-boundary health care service provision. This is of course not to say that calculability is all that frames the action involved, but it shows how accounting innovations through inscriptions, as it becomes entangled and involved in a series of transformations becomes involved with the ongoing process of promoting the program of action, and in general health care service provision.

//TRACING THE INVESTMENTS IN PROMOTING THE PROGRAM//

To delineate the traces of efforts made in order to promote the program of action, we can use a simple diagram, as suggested by Latour (1991, p.107). In doing so we take the viewpoint of the government [HOD] seeking to promote a certain way of coordinating tasks amongst hospitals and municipal service providers, what we have called the **program of action**. This is the track, or path, that the authorities would like the service providers to follow. To reconstruct the controversy of introducing the program of action we depict this as a 'battlefield', in a less warlike manner, between the **program** and **anti-program**. The anti-program represents the ones that need to be persuaded, more than they represent true adversaries, or enemies. They are the performers that should act in a different manner. The diagram shows each 'version' of the program as it progresses with the efforts made to promote it. Each new effort into inscription building is denoted by a number, this represents each 'version' of the program.



At first, as the [HOD] first problematized the need for a new coordination of services and task division, they were the only one enrolled to the program of action. This is version one (1). The program is represented by the [HOD] and their statement, “the coordination reform” (White Paper, HOD 2008). To persuade service providers, and individual managers and professionals, to follow the program of action further investment is needed. To extend the program to the right comes at a price (Latour 1991, p. 107). The [HOD] then introduced the PDP as a financial incentive arrangement through the new law on municipal health services (Lovdata 2011a). This represented a move to persuade, and legislatively commit, local governments and hospitals to initiate processes of change. Simultaneously the [HOD] introduced the regulative on municipal co-financing of specialist health care and payment for dischargeable patients (Lovdata 2011b). This further investment detailed the arrangement for the service providers and further aided in gaining commitment from service providers. Successively this legislative frame paved the way for the establishment of aggregated cooperation agreements and service agreements. Now the parties are increasingly committed to the program of action, and committed in joint efforts to cooperate. The controversy is however still not settled, and further investment is required in the framing of organizational action. To enable organizations to coordinate differently significant investments were made into the development of technologies for information sharing, schemes and forms for communications. This provided a basis for information gathering to enable calculation, at the same time it provided a platform onto which professionals of both organizations could act to communicate and coordinate. The technical platform proved insufficient alone to ensure that various actors could cooperate and coordinate according to the initial intent. Further efforts are required, and further work of translation conducted. The program needed to collaborate in further efforts to enable communication and flow in patient

treatment. Both organizations, both separately and in collaborative efforts, made significant investments in producing rules, procedures and other inscriptions dispersed to enable various groups of participants in both decision making and perform operative tasks.

The initial intent of the [HOD] is successively accompanied by a series of efforts into promoting it. This has enabled the PDP as a payment arrangement to circulate in the organization. To claim that these efforts have fully framed, or ensured total compliance with the initial intention, would be foolish, or at least to simple. The ability to coordinate services in a perfect manner is, again, most likely an unachievable utopia. Even if it's not, it is certain that the program of action will be continuously transformed and will no longer remain the same as the initial intent. In this case the efforts made to frame coordination and establish the PDP in succession ensured more compliance by groups of participants to the program. The anti-program gradually surrendered, much as in Latour's (1991) example. The initial program was clearly however also transformed, the wish of the coordination reform has become loaded. "In the beginning it was unreal; in the end, it had gained some reality" (Latour 1991, p. 108). The abstract accounting innovation of the PDP, through a series of reframing and transformation, had through the processes of inscription building, come to provide substance to the new program of coordinating services. By transforming unsortable matter into calculable entities the PDP, and successive framing attempts, provided a frame onto which the organizations could act.

//REFRAMING – a contribution from focusing on the alignment-relatedness of inscr.//

//MAKING THINGS ACCOUNTABLE//

The introduction of the PDP, along with other accounting innovations introduced as efforts of 'making costs visible' (Kurunmäki & Miller 2008) can also be seen as a way of making the public sector, in this case providers of health care services, auditable (Power 1996). The PDP, seen as an assemblage of inscriptions, does in many ways contribute to the establishment and reconfiguration of accountability structures. The calculative arrangement aids in the construction of a bureaucratic surface upon which instances of government can hold service providers to account and a process of performance audit can work (Power 1996, p. 309). The PDP, through the establishment of legislative devices, enables government and state health authorities to hold service providers accountable towards the program of action. The new legislation introduces a different task division between layers of service provision, but at the same time it makes possible the calculation of specific (output) performance measures to which service providers can be benchmarked and held to account. At the same time the legislative devices provide a basic surface facilitating the further building of new inscriptions directed at specifying ((purifying)) relational and internal accountability structures of the

service providing organizations. Whilst the legislative frame authorizes and enable the government to hold providers to account it also authorizes, and demands, the establishment of certain accountabilities between relationship partners. Parties are required to create cooperative agreements and contracts in which accountabilities are further specified. The aggregated cooperative agreements, and successive service agreements, are jointly constructed in order to frame the responsibilities and task division between parties, further represents the basis onto which the parties can hold each other to account. Relationship partners have then continuously invested significant efforts in the processes of building internal inscriptions directed at reconfiguring (mediating) internal accountability structures and promoting internal coordination. Efforts into the creation of practical guidelines and procedures for documentation (EPJ and information sharing) were constructed directly aimed at defining employee tasks and creating a standard to which their activity could be held to account. These efforts aid in the framing of internal activity, but also aid in the establishment of procedures for engaging in cross-boundary interaction with relationship partners.

The PDP arrangement rests on a series of inscriptions, all aiding in the creation of calculability (calculative agency). Power (1996, p. 309) emphasizes how things are made auditable through the **proceduralization** of networks of trust, where things that were formerly unauditable can become auditable at one point due to shifts in the network of trust. This case illustrates how [accounting] inscriptions can play an important role in the creation of auditability by making things calculable. Auditability is thus closely related to the creation of calculability. Power (1996, p.309) describes auditability as a distinctive form of administrative objectivity ((PORTER 1994)) based on the acquired acceptance of certain procedures, in a process of fact-building [...].

Powers (1996) notion of auditability can thus be seen in close relation to Latour's (1987) notions of visualization. [...]

//THE CREATION OF CALCULABLE SPACES//

"The creation of calculable spaces is the creation of manageable spaces. But calculable spaces are not straitjackets into which individuals are inserted" (Miller 1994)

//RECONFIGURATION OF LARGER ORGANIZATIONAL ASSEMBLAGES//

This paper has established how the PDP, as an accounting innovation, can be seen as dependent upon the building of a chain of inscriptions, both numerical and non-numerical. The various operationalizations in the form of these various inscriptions can be seen as the loads which provide the arrangement with some reality, in doing so it is also a translation of the governmental program; a translation of the initial intention, or wish, of a new way of coordination. Earlier in the paper I have

drawn on Callon's (2004) notion of agencements to denote the larger organizational configurations. This implies looking at the organizations and the relationship between them, and the provision of health care, as a nexus of human and non-human entities, i.e. people, technologies and inscriptions. The [inter-]organizational agencement is a temporal, fragile and heterogeneous association of such entities. This is our actor-network. The governmental program [of action] is seen as an attempt to reconfigure these associations, an attempt to reassemble and reconfigure entities to perform as intended. The introduction of the PDP as a part of a larger program to achieve this shows how accounting and the enabling of calculative agency can become involved with reconfiguring such organizational assemblages. The construction of the accounting innovation requires the careful alignment of a [incessant] series of inscriptions to create an assemblage of inscriptions enabling the larger agencement to act upon it in a certain manner. Through a series of translation, those for which the inscriptions are the material evidences we can investigate, groups of participants negotiate a frame which enables the context to be defined and calculated in a wholly new manner. ~~The enabling of such calculative agency can be seen as a result of efforts to induce a [certain] rationality into service provision.~~ Thus making patient flows calculable can be denoted as a process of rationalizing the performance of care services. Rationalization in this case has little to do with the logical ability of the people involved, but more to do with the extension of the network which makes it more stable (Latour 1987b, p. 27). All the inscriptions that are loaded onto the program being promoted can be seen as the results of efforts to add associations to the assemblages aimed at adding stability and putting in place and reinforcing new ties. The PDP is an abstraction, just as 'dischargeable patient' is an abstraction. It enables the price mechanism to be recombined and merge with a series of other inscriptions. This is where the accounting innovations become interesting, and it is through these associations it becomes important. The visualization of new entities, such as the dischargeable patient, and the ability to calculate upon these entities, shows that the enabling of quantifying these terms is significant for how the work of service provision is organized. The numbers per se, i.e. the price per patient, 'bed days', length of stays and readmissions, become important. The "numerification" enables information to circulate in a totally different manner; they enable new and different ways of acting upon the context. Latour (1987, p.28) stresses however that the emphasis should not so much be put on these numbers in isolation; "[...] what should really be stressed is the cascade of mobile inscriptions that end up in an account, which is, literally, the only thing that counts". The PDP, or the price of 4125 NOK per day, are meaningless in isolation, they become meaningful through its function within the larger assemblages of inscriptions, and further through its performative connection to other entities in the larger organizational assemblage. The PDP through the various materializations it is represented by becomes a center of calculation and enables the interface between the separated organizations to become a calculable space, thus making it

manageable. A abstract space is created in these ongoing translations, this new way of coordinating can be seen as a totally new phenomenon. The abstractions, which now in one way or another have become real entities, are fragile and minute reductions of what they represent, however it shows how accounting numbers can come to dominate, or enable domination.

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Time, Money and Control: Use of Management Controls in a Festival

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Abstract: This work-in progress illustrates the role of management controls within a festival. The festival is cultural-religious event in Norway taking place every summer. This factual statement was however challenged in 2008 as the event almost faced bankruptcy. After such affair, the festival was 're-established' and nowadays prospers well in economic terms. This descriptive case study shows relevance of single management controls and their interconnectivity in the creative industry of performing arts.

1. Introduction

Performing arts, such as theaters, concerts, talks, public lectures and performances, are solidly embedded in our society to the extent that their internal organizational life is taken for granted and the outcome of these art forms is questioned mainly from the aesthetic point of view. Many of us will perhaps not even see the organization behind these events. The name and the identity of attended events thus become a synonym for artists or performers who did their best on stage. This cultural experience must however be built on solid economic pillars, such a stable foundation create a possibility for future cultural and social development.

This paper aims for a deep understanding of management and control approaches within performing arts, especially in one of their branches – festivals. In particular, the active use of management controls is investigated and related to the time frame of one year. The research question is stated as follows:

How are management controls used in a festival throughout the year?

To reach a close touch to reality, the single-unit analysis rich on empirical data has been prioritized over surveys and other instruments of generalized results. The case study paints the picture of control within a well-established cultural festival in Norway. As in many other countries, competition among festivals is increasing and brings economic difficulties or even bankruptcy for some of the actors. In 2008 the festival under study belonged to this group of threatened species. However, stronger focus on management and control bear fruit and these days the festival operates in black numbers. The empirical part of the paper visualizes these efforts as a conceptualized model of management controls as a package. Utilized research method further explains, why certain practices, manuals and activities were captured and employed by festival managers and how are these interconnected.

2. Theoretical framework

2.1 The layout of management controls

Management controls, management control systems and frameworks have a number of meanings as they are influenced by the theoretical development and progress in the empirical field. One of the newest approach that also informs this paper, an open perspective of management controls, is evident in Malmi and Brown's (2008) study. The presented framework goes beyond one or two theoretical lenses and also counts with time dynamics. Management control (MCS) are defined as:

“Systems, rules, practices, values and other activities management put in place in order to direct employee behaviour¹.”(Malmi and Brown, 2008, p. 290).

Hence, management controls are not pure decision making systems, but active instruments in managers' hands. The suggested framework of MCS as a package represents interests of different actors claimed at different time and merged in one package of management systems.

Management controls are consisting of: cultural controls, cybernetic controls, reward and compensation controls, planning controls and administrative controls. Each of the controls consists of components, for instance planning control includes action planning and long-range planning, cybernetic controls group budgets, financial measures and non-financial measures, and hybrid measurement systems. Malmi and Brown's model can be therefore understood as a theoretical crossroad referring to already well-established concepts on management control systems and frameworks.

Somewhere: Barretta and Busco (2011)? Caglio and Ditillo (2008)? Humphrey et al. (1993)? Ouchi (1980)?

In seminal review paper on management controls systems, Chenhall (2003) presents management control systems (MCS) as a set of management accounting practices that have been systematically utilized by managers. MCS comes from organizational theory and are perceived as

¹ Later in the text we can read that employees might be substitute by collaborative parties.

managerial means by which can be reached organizational goals and outcomes. Chenhall (2003) explains that a final layout of MCS is determined by the context of the organization - environment, technology, structure and the size of MCS configuration are deemed as the most influential contributors to the context. In 1990's were these contextual signs enriched by strategy due to increasing significance of business models such as TQM, Just-in-Time and elements as national culture and organizational substructures – teams. Such an explanation of management control systems suggests that each organization has unique MCS.

Although that a definition of MCS implies their active role, Chenhall (2003) later signalizes that management control systems are usually viewed from the passive standpoint as supportive and informative decision-making systems. The outcome of such systems is therefore judged on two levels: usefulness of MCS within the organization and usefulness of MCS towards HR potential of the organization, both approaches then further reflect performance of the organization.

Chenhall's point regarding systematic use of management controls seems to be critical and earlier recognized by Flamholtz et al. (1985) and later refined by Flamholtz (1996). Flamholtz et al. (1985) attempted to integrate knowledge of control of three scientific fields within one integrated model. Their general model of controls contains contributions of administrative management school, organizational sociologists and psychologists. The challenge of paradigms bear fruit and an integrated framework of organizational controls has been defined as a model consisting of the core control system (planning mechanism as ex ante control, measurement and feedback mechanism, evaluation process and rewards) and the control context (organizational structure, culture and external environment). The model was later extended on criterion of effectiveness, i.e. goal congruence that can be achieved through behavior relevance, validity and reliability (Flamholtz, 1996). A strategic perspective also brings Otley (1999) through his management control framework, the focus is on how to reach strategic objectives and how to monitor such effort (plans, target-settings, rewards and incentives and information are taken into account). The framework is then implemented on control techniques - budgetary control, EVA and balanced scorecards and inadequacies of each of the techniques are discussed. Chenhall's review of contingency-based research on management controls highlights the mind of that time (1980's) – an organizational effort to achieve own goals, i.e. behavior of a firm in a closed system. Although

Chenhall (2003) made some steps towards today's business life, particularly by pointing out JIT, TQM and other technologies, the open systems, networks of companies which all try to achieve the main goal, has been left without attention. ADD Ferreira and Otley 2009, Langfield-Smith 1997.

Dekker (2004) explores new vistas of open systems, building on organizational theory and transaction cost economics (TCE) to explain the role of controls in inter-organizational relations (IOR). TCE deals with three independent mechanisms – market, hierarchy and hybrids governance (according to Dekker 2004 in Williamson 1991). It is argued that based on comparison of costs related to contractual conditions², one of the mechanisms will be chosen to rule the relationship, typical the one with the lowest transaction costs (Dekker, 2004). Dekker (2004) continues in argumentation that hybrid mechanism matches with IOR framework. However, TCE is limited³ when it comes to explaining some aspects of IOR and must be supplemented with other theories, especially organization theory.

Thus, Dekker (2004) proposes extended framework of understanding inter-organizational relationships, where both formal (stemming from TCE) and social (arising from organization theory) controls are introduced as solutions to control problems. The model departs from theoretical antecedents – interdependence, task uncertainty, asset specificity, environmental uncertainty and frequency. One may easily see these factors as single contextual elements described by Chenhall (2003). However, due to the inclusion of the broader view, relations among interdependent business entities, Dekker (2004) draws attention to the control of these relationships and extends the conventional view on management controls.

TCE as an explanatory power to management control challenges was suggested already in 2001 by Speklé and became soon popular among scholars. Speklé's pioneering taxonomy of general control archetypes built on TCE is seminal. From the TCE perspective have been control solutions in IOR, joint ventures, i.e. organizations of mixed ownership, discussed by Kamminga and Van der Meer-Kooistra (2007). Compared to other control frameworks, Kamminga and Van der Meer-Kooistra (2007) introduce a new element within control framework – dynamics.

² costs relate to writing, monitoring, adapting and enforcing contracts (Dekker 2004, p. 28)

³ TCE blindly focuses on opportunistic behaviours and therefore neglects a broad array of IOR forms (and goals) also social context, so much typical and decisive in IORs is omitted (Dekker 2004).

Dynamics facilitate change over control frameworks as relations and transactions are not deemed as static and steady.

2.2 Use of management controls

As it was earlier pointed out, management controls are utilized by managers. Thereby, several studies inform about use of management controls. For example, Oriot (2005) focuses on decentralized adoption of management control systems within the French bank chain. A conflict between use of management control system by senior and operational managers of a restaurant chain is captured by Ahrens and Chapman (2004) who find that ‘enabling use’ of the systems support organizational flexibility and efficiency. ‘Enabling use’ must be underpinned by internal and global transparency, flexibility and repair aspect, i.e. updated and useful application of the accounting processes on the operational level of the organization. The idea of management control systems as a shared source and the notion of situated functionality, i.e. capacity of senior managers to cooperate with operational managers regarding the implementation of centralized goals in local context, have been developed by Ahrens and Chapman (2007). The study of senior not-for-profit managers and use of management controls suggests that prior performance may affect control and use of formal controls (i.e. a set of controls implemented by the main funder, i.e. government) and informal controls (controls encompassing overall performance of the organization) is a matter of fact (Tucker and Thorne, 2013).

The strategic use of management controls is also debated by Simons (1995), so called levers of control – belief systems (cultural ideals communicated and reinforced by top managers) are balanced with boundary systems (organizational limits) and incorporated with diagnostic systems that draw managerial attention to the outcomes (measures) and at the same time, interactive systems are employed to bring some activity towards processes and enable organizational adaptation to the new or unforeseen circumstances. Levers of control are understood as never-ending competing forces that support renewal of strategy (and creative innovation) and simultaneously goal accomplishment. Sheehan et al. (2005)?

2.3 Management controls in the performing arts

Performing arts have been subject of rapid development influenced by technological or artistic innovations or a combination of both and such changes have brought impact on their attendance rate (Hellbrun, 1993). In the context of the United States, an adverse impact has been noticed mainly by symphonic orchestras, while theatres, opera, dance performances and arts museums had not struggled that much in economic terms. The popularity of performing arts has a strong connection to their funding and final realization. The European view in this matter is different as many more of these artistic forms are publicly subsidized. However, global developments and competition in the arts diminish the differences. Caust (2003) argues that to justify governmental funding to the arts, governments started to highlight also other benefits, i.e. economic benefits that suppress unique and main benefit of the arts, i.e. gain of personal transformational experiences. Economic benefits of cultural events have been studied, for example, by Thrane (2002) or Herrero et al. (2006). Caust (2003) warns against a managerial and rationalistic art sector driven only by governmental bureaucrats and calls for higher involvement of artists and arts workers in this debate.

Rather than radical change of the trends within the industry of popular music, Jacobs and Evans (2012) see art naturally accompanied by commerce and in their analysis of artists views on accounting and accountants come to the conclusion that the accountant is perceived both as the villain and the hero. Such a claim supports the idea that artistic credit and economic gains are in an ongoing discord. Partial agreement on Caust's call against exclusive managerial leading role in the arts is also expressed by Rentschler and Potter (1996), however as authors outline, a broader notion of accountability should be achieved, i.e. both financial and non-financial aspects should be taken into consideration. Performing arts organizations should focus more on effective use of resources and efficient operations. These efforts should be unified under the mission statement mirroring values important for public (e.g. cultural, educational) and economic values. Such *modus operandi* enhances innovation, particularly diversification and therefore stimulates performing arts organizations to approach new visitors. The gained accountability further helps in defence of the core product and in justification of public funding. Management control in a specific category of the arts - product design is explored by Armstrong and Tomes (1996) who have been mostly concerned with managerial control of such mental process that is hard to

predict in advance and difficult to transferred into ‘accountable form’, i.e. translated into numbers and words:

“Ultimately the self-defeating character of accountable design stems from the impossibility of planning for an outcome which depends, in its nature on unpredictability.” (Armstrong and Tomes, 1996, p. 123).

Festivals have been analyzed from the stakeholder point of view, see Andersson and Getz (2008); Getz et al. (2006). From a leadership perspective, the role of newly hired well-experienced festival leader and his impact on strategic changes of the festival and final results of such changes have been discussed by Caust (2004). Behavioral outcomes related to governmental funding of one of the largest festival in Europe, Festspiele in Salzburg have been outlined by Frey (1986). Resource-dependence theory has been chosen by Mykletun (2009) to explain the central success factor of growth and prosperity of the extreme sports festival. Cultural and business aspects in context of Norwegian festivals have been recently elaborated by Næss (2014). Nevertheless, the research gap remains regarding practical control and accounting matters, thus this pioneering study brings an example of the festival that can be proud of balanced economy after the financial reborn.

3. Research design

The research method used in this paper is a case study method. Yin (2003) describes case studies from three standpoints: according to the type of research question, researcher’s influence of behavioral events and type of the phenomena (historical/contemporary). So, case study research prioritizes research questions starting with “how and why”, a researcher does not control behavioral events and contemporary phenomena is under study.

Scapens (2012) reflects upon Yin’s view on case study method and agrees mainly with Yin’s conception of “single unit analysis” perspective, the chosen type of method for this paper. This means that business and accounting scholars should focus on in-depth case study which uncovers contemporary phenomenon in real-life context. Scapens (2012) further suggests paying attention to another characteristic of case studies – blurred boundaries between the context and phenomenon. His interest in single unit analysis stems from importance of differentiation

between business surveys and true case studies, which are far richer in a number of evidence for given context and phenomena.

This research project consists of three phases. First, document analysis was conducted in winter/spring 2013. Documents – annual reports, operating budgets, newspaper articles, and other sources of information (for instance municipality reports etc.) were gathered and analyzed.

Second, observations in field for three festival days (July 2013) were carried along with another PhD. candidate. Observations started already at 8 o'clock with the morning meeting of festival managers and volunteers. Afterwards, we observed discussions that took place around a coffee machine and could be characterized as small talks or chats. There we often identified our research subjects which we followed for the rest of the day. We tried to observe holistically, i.e. organization of particular events and inside life of the festival. Our participant-observation was also extended by an extra dimension –i.e. participation in events as spectators. These two dimensions of being: researchers and festival spectators went hand in hand. Moreover, a number of interviews on informal basis and off-record were carried out. In such high-paced and often noisy environment recording was almost impossible. To capture feelings and important moments, the cell phone camera has been utilized. Most of the time we observed festival together, except for five or six hours when we split in order to capture two important moments taking place at the same time. In order to fully grasp the meaning and achieve some quality in our study, we did breaks at coffee shops where we shared our reflections. Our observational days started early and ended very late and our bikes helped us to move from one venue to another as fast as possible.

Third, eight semi-structured interviews with selected actors were carried out in spring 2014, see Table 1, to clarify situation in field during observations and enrich understanding of management control in the festival. Questions asked were open-ended in nature, see Yin (2003, p. 90).

Interviews were structured according to the interview guides that mirror theoretical approach of Malmi and Brown (2008), see an example of the interview guide in Appendix. Each interview guide was reshaped according to the interviewee's position and already (un)known facts.

Table 1: Semi-structured interviews

Interviewees	Date	The length of the interview
Project manager - volunteers	25.3.2014	1 hour 52 minutes
Event manager	12.5.2014	1 hour 4 minutes
Marketing and communication manager	10.4.2014	1 hour 3 minutes
Program manager 2	8.4.2014	40 minutes
Project manager 2	28.4.2014, 5.5.2014	1 hour 52 minutes
Project manager 1	7.5.2014	1 hour 34 minutes
Venue manager	8.5.2014	1 hour 33 minutes
Program manager 1	14.5.2014	43 minutes

This research method covers all sources of evidence mentioned by Yin (2003): documents, archival records, interviews, direct observation, participant-observation and physical artefacts (in form of photos, program flyers, etc.). Validity and reliability of this case study is internally managed with the help of a case study database providing a chain of evidence suggested by Yin (2003). Middle-range thinking encouraged by Laughlin (1995) is performed within this research paper, as back and forth process between theory and methods were capitalized and “middle” focus was held, i.e. being open to change and at the same time ready to accept status quo regarding theory and methodology.

4. Empirical findings

The festival in question situated in Norway is a regular event taking place for eight days every summer. Compared other summer festivals, this festival is specific by its program as the focus is both on cultural and religious events. The festival offers over 200 events, some of them for free and the rest within price range NOK 150 – NOK 450. The annual budget of the festival is about NOK 30 mill and more than a half consists of public subsidy. The festival was established in 1960's as many other festivals in Europe (e.g. XZ, TT, FF). Despite its maturity and status the festival faced a financial crisis in 2008 that almost caused festival bankruptcy. The municipal auditing report explains this failure as a consequence of previous top management, particularly the CEOs and the Board as the economic part of the game was underestimated – there was not a proper communication about the budget and costs, revenues were overestimated, prolonged period of the festival (from 9 to 13 days) did not attracted enough spectators, an excessive amount of free-tickets was issued at the expenses of standard tickets, festival in-house

productions were too expensive. By and large, financial accounting and management control had not been a priority for festival management and no one had an overview. Even worse, the festival had broken the law regarding selection of suppliers. All these problems had not been known until suppliers and creditors started to demand payment. Hence, it was a surprising august morning for a very new festival CEO, who was meanwhile appointed, to recognize this fact and witnessed that the total loss of the festival in 2008 was enumerated to NOK 6.871 mil. This economic scandal gained national attention and threatened festival existence, as discussions about moving the festival to another town went on. Eventually, this idea was left, debts were paid and the planning of the upcoming festival year could be initiated. However, this accounting event shed light on everlasting festival's dilemma: How to build and control a financial stable organization and at the same time offer unique event experience to audience?

This research inquiry on how the festival controlled is these days brings two main findings. First, several contextual controls are found as the most influential regarding management control within the organization. Second, a strong interactivity between these controls has been recognized and therefore they are better understood within a control package. Time dynamics together with prior festival performance has a crucial impact on control of the festival and these two aspects are considered as the main meta-antecedents of festival control.

4.1 Significant festival controls

As the most influential controls in the festival have been identified as administrative controls, i.e. organizational and governance structure, policies and procedures, along with planning controls and cybernetic controls, i.e. budgets, measures and hybrid measures. Reward and incentive controls contribute to the total picture of controls together with cultural controls.

4.1.1 Administrative controls

The organizational structure is sketched in Figure 1. The highest control authority is the Board, consisting of two representatives from the state level and three "local" members who act on behalf of local municipality, region and the Church. The Board sets the strategy. The strategic

objective of the festival is to restore and strengthen the city as a national ecclesiastical and cultural power center. Thus, the festival is very much anchored in local environment and church traditions. Other responsibility of the Board is managing a selection procedure of a festival director (CEO) and once this is done, regular supervisions and communication with him/her is established. Operational responsibilities fall on festival director shoulders. In other words, the executive power is in festival director's hands. The CEO can influence the organizational structure into large extent as it is his responsibility to choose right people who help him with accomplishment of the strategy. Furthermore, the CEO chooses every year's festival theme and decides on the planning process of the festival, including program choice and length of such procedure. The second layer of the organizational structure includes all main characters in the organization – CFO, a marketing and sponsor manager, a deputy CEO and at the same time a program manager and an event manager. Although, the event manager is formally subordinate of the program manager, he belongs to the close circle of festival managers as he is responsible for building up the organization that runs the festival in practice during festival days. He takes care of security, stage, technical equipment, quality check and other practical necessities of more than 200 events. For that reason, he is also very much involved in HR process as most of the human resources in the organization, particularly during the festival, falls to his area of responsibility. Third and fourth level of organizational structure covers staff helping the manager in the front line and managers of specific projects, for example, a manger of events for youth and families, managers of church events, venue managers, a volunteers' manager and a manager of a special program. diversification-literature overview Finally, the fifth level of the organization includes essential workforce – volunteers and security workers.

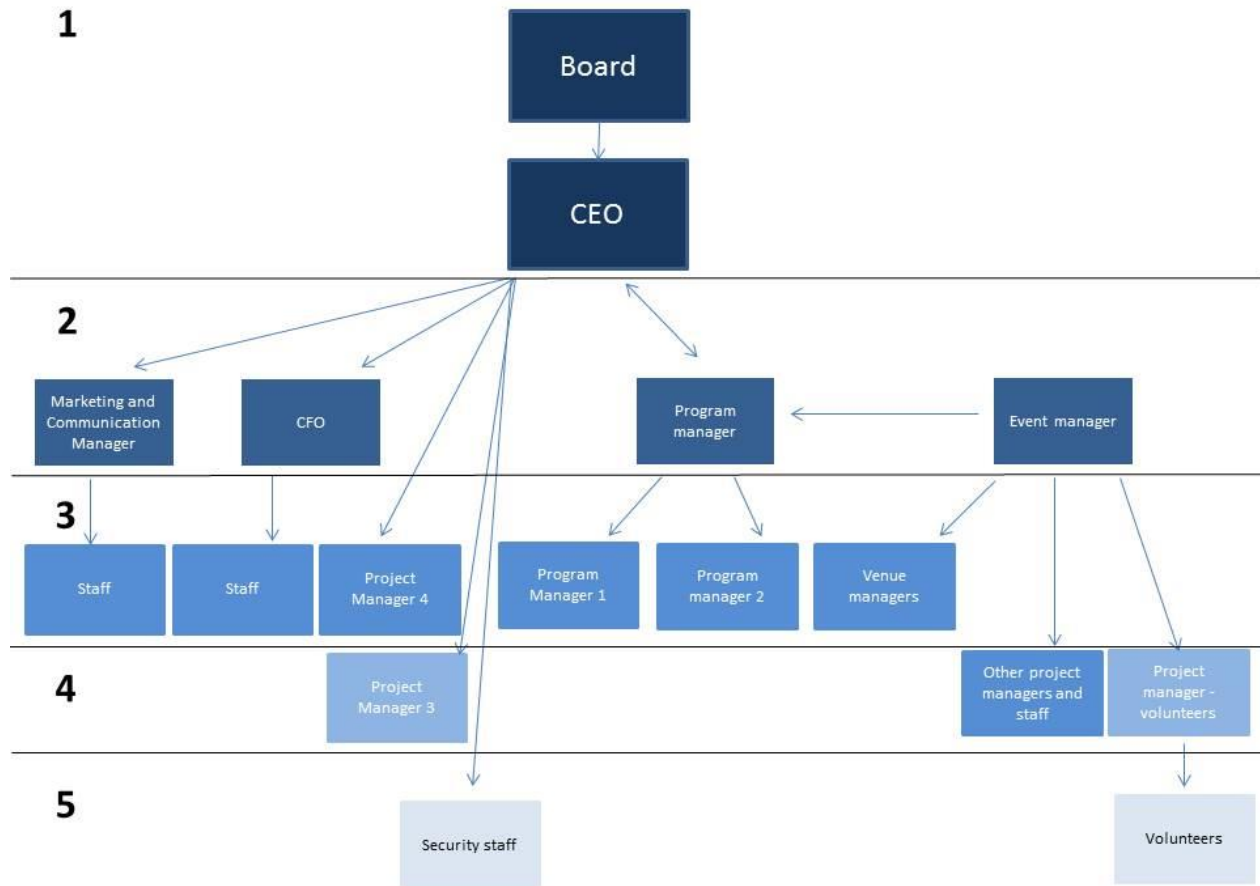


Figure 1: Festival's organizational structure (based on compilation of eight drawings of the interviewees)

The governance structure is partly influenced by the organizational structure, and partly by the natural development of the festival as the festival is well-established with tradition dated back to 1950's. Particularly, economic crisis of the festival in 2008 threatened festival existence. This event was caused by insufficient control and managerial decisions of the Board. Thus, much higher involvement of the Board in this matter is obvious these days as one of the interviewees confirms:

“PSKI? Stine? Iris? somewhere”

The organizational and governance means of control were strengthened after the crisis year. The festival moved from the collective way of sharing responsibility to a structured governance according to the given field of competence and responsibility, see Figure 1.

The project manager 2 describes such process as follows:

“This is my seventh year in the festival, I worked here under three CEO’s and there is a huge difference in how they have been organizing the festival. The first year I was a part of management, we were all quite equal. I felt really inside, I took responsibility and I felt I had a chance to say something and be heard. Then, there was the economic crisis and there was a change. We had a new leader. She got together with her people who were good at economy. They wanted to do some structure in the festival and they made this – this is the board, this is CEO, this is management and you are out there (the fourth level, see Figure 4). I felt that everything was decided overheads. There was no communication. The leader did not know what I was doing at all. It was so clear that this is the management of the festival (the third level) and others, there was a fence between all the people in full time and rest. Of course, I see why they wanted to have a structure and organizing. That’s part of the economical control, but there is also very much psychology in leading and if you do this so drastically (first, second, third level, see Figure 1) to people who are out here (fourth level) and it is many of us, we don’t care – that’s a result.”

The project manager of volunteers also expresses her confusion regarding new governance within the festival:

“When I came here, it was a mess, the biggest mess I’ve ever experienced. I used probably five months to understand my position and positions of others that surrounded me.”

The structure is negatively perceived also by the project manager 2 (the third level of organizational structure), however understanding of relationships differs:

“I don't like this hierarchical structure. I want to have a flat structure. That's what I like with this organization - my role is no more important than other project manager's role. I like this, we're all on the same page, in a way. Then, it's more like a circle, like disk world. That's how I see myself.”

The division of labor and tasks across the organization is quite visible also towards the Board as many of the interviewees belonging to the middle management confirm that the Board is not that much important for their work. However, the situation is different for the close circle of managers, as event manager says:

“Yes, of course, all board members are important. I’ve talked to them in informal settings, but I’ve also been to at least one board meeting, where we were asked to have some points of view.”

Although that the new hierarchical structure demarked boundaries of responsibility and in some cases blocked communication within the organization, it also facilitates enormous amount of needed freedom and flexibility to all project managers. This creative aspect of festival managers’ work is however possible to control only with limited instruments and in a way can lead to dangerous consequences. One of the interviewees explains:

“Since the festival is organized more or less like this, I understood kind of early in my engagement, that I can do it in my own way. I am kind of independent, everyone else is in sort of way working with program, economy, tickets. That’s not the part of my work at all. So, I am kind of a lonely bird down here. If I am moving out or getting sick before the festival, I don’t think anyone could have taken my responsibility. I would say that you are organizing a very big risk here, because nobody takes his responsibility and nobody knows his plans or his thoughts. Everyone is sitting on their own hills, I would say.”

Another project manager adds:

“It does not really present a big problem. There are very little sick-leaves. If you are sick for two months, then, yes, of course. But if you have a week or several days, then, you can pick up afterwards. It’s not like oops - you should have done that! And if you see that you can’t manage, you ask.”

To overcome this challenge, evaluation reports are made by some of the project managers, though on voluntarily basis. These reports serve for the future course of managerial work and are incorporated into the overall evaluation report:

“In late August or September, we got an evaluation. That's quiet big one, we put out a scheme, a paper, we collect it, we have a meeting and we're more detailed also with the closest persons.”

the event manager

The overall evaluation is therefore based mainly on accounting information:

“All information on all the concerts, all the events, all the viewers, visitors, audience, how many on that and that event, how many sold tickets, how many sponsors tickets, how many volunteers are gathered. To sum up the whole festival in numbers. So it's ready for the budget application in January. That's one big report.” the project manager 1

Another procedure that decreases the risk of the creative part of the project work, again employed only by some of the interviewees, rests on sharing own competence with others:

“Now I am trying to teach everyone to do the own contracts with artists.” the project manager 1.

The venue manager elaborates:

“Last year, and that was a good idea, I had an assistant. We're going to do it again this year because there is a lot, even though it's a small venue, it's a lot of things to do back and forth and picking up things. This is a volunteer plus - with more responsibility.”

More sophisticated tasks are however difficult to push through, as the project manager of volunteers explains on the case of a new app:

“It would have been much easy for me if they [project managers] could import their needs into it, but we have a big Excel mania. That's an issue.”

There are few policies and procedures that control the festival. The highest rank in operational terms has perhaps HMS (Health, Environment, Security) procedures. Liabilities stemming from HMS are further operationalized by the event manager:

“I must not forget what I've been doing all day. It's making sketches to get permits and license to do things. You have to have loads of permits to do things. I use some hours to get these from the police, from the fire department, from the city management, from all the people and offices we're working with. They are good people and we have a good cooperation with them. I really appreciate that, but of course, there are some hours to get it done.”

Formal procedures also shape the governance structure as every fifth year a new CEO is hired and the direction of the festival can slightly change.

4.1.2 Planning controls

Evaluation procedures within administrative controls support next year's planning phase of the festival as do's and don'ts of the festival are taken into consideration.

Three planning terms have been identified: long-term (very new as the new CEO decides to plan for 18 months instead of 12 months), middle-term (12 months) and short-term (usually 6 months). The length of planning phase varies according to the position of the project manager in the organizational structure and type of the project she is responsible for.

Middle-term planning starts just after the festival is finished as general ideas for next festival year that correlate to the theme are developed. Short-term planning starts about 6 month prior the festival. Managers who operate on short-term planning must get together their general thoughts, plans and ideas for final realization of the project relatively quickly, because the detailed planning of the festival must be started within two or three months. Therefore, managers who use middle-term planning control have larger room for manoeuvring and adjusting their plans to reality. Program manager 1 illustrates:

“For me, it's no stress here. I have a long time... It's not the hardest period. Hardest is a wrong word... Before you get everybody on board, we don't sleep so well. We're searching for good people, you're getting knows that they are not able to come, we have to change....”

On the other hand, even some of those who plan middle-term can't enjoy such luxury. The event manager enlightens the issue:

“I've worked three years with this festival and it's a lot of thing that we cannot control as good ourselves, as we should like to do. When we shall book things, it's often hard to book the artist as early as we should like as an organization because of the international management, the booking agencies in London, in the USA. They want to wait, and wait and wait, they want to see where they can get most money... We thought we have an artist, we were quiet sure, the big international one and he didn't come to us at all! They've planned different trails and it became an Asia tour at the same time... That's how it works.

We should have like that our program was finished a lot earlier. Definitely, I would like that, because when I know what will come and how they will have it arranged, I can have better time to arrange, but if it's very close up to the festival, I am very short... That's not up to us to decide, it's up to international and national booking agencies. We have to accept that and have a good flow and speed up the tempo, when we're getting closer to the festival.”

The manager responsible for the program for family and children reflects her planning challenges as such:

“Many artists see summer as their working period, when they travel from the festival to the festival and work and play on tour, while artists who perform for children follow the school year and have holidays, when the audience have holidays. So, the biggest challenge is that many of them have vacation.”

As the head-hunting planning process is finished, contracting and detailed planning follows. The festival contracts all performers, those who are paid even those who are not paid. Contracting the biggest projects is a priority, however all project managers try to have been done with contracts for own sake about two months prior the festival. Detailed planning covers many activities:

“There are so many small things to do! It starts with writing all these small texts about artists and what's going to happen for festival newspapers and for the webpage. It's organizing of

travelling, hotel, eating, and transport – car from there to there. It's also getting costumes for the projects... ” says project manager 2.

Planning and detailed planning are crucial form of ex-ante control and prepare festival managers for the festival week. A good planning together with morning meetings are the most utilized instruments that secures the management of festival days.

“Everybody starts with the meeting early in the morning. Then, we go to our projects. I always have a plan for the day: when are my guests arriving, checking with the hotel, checking with the people regarding food and everything, meeting them [artists] early – say hello... Check out everything, that's important for me, I like to have everything under control, myself. I don't trust that everything is under control.” says program manager 1.

The project manager 2 confirms:

“I try to have an overview. Everything is planned too detailed, so I know what's going to happen within the next 10 minutes. I know that something is happening there and there, because it's on my schedule.”

4.1.3 Cybernetic controls

While planning the festival, an awareness of the budget, especially costs is necessary. The management control system, maintained by CFO, keeps eye on the costs of the venues and projects. **The event manager – PSK** who is also involved in budgeting and financial controlling elaborates:

*“If you do not focus on accounting and budget numbers, and make good accounts and realistic estimates of the budget, then, it's not **right**. So it has certainly been important to me. It doesn't mean that you follow the budget constantly, but you can certainly put considerable effort into it. A budget is the dynamic, so the change. There's the cost side, which I represent. I am expenditure for the festival, me and those who I lead, but that's what I've been hired for, to look after... At the same time, there are changes (**movements**) in accounting, but these can be predicted into some*

extent. Unexpected things may pop up, so one has to go into the budget and try to adjust it. Then, we have to do a massive review of all accounting records.”

As the festival enjoys public funding, one can envisage that the revenue side of the festival is perhaps not that relevant. The situation is however different. Both parts of the budgets are under control, however control of revenues is not that easy as in case of costs:

“There is a huge risk and it must be. We have to compare revenue numbers with previous years, and we are better at that each year. However, there will be some x’s – weather, temperature, some x’s we aren’t able to identify, so you will end up with no understanding why more people haven’t come... We always have to count that it may be like that, but we have to have these x’s as few as possible.” explains the event manager PSK.

Middle managers do operate with cybernetic controls, but the core responsibility rests on the apex of the festival.

“I have my own budget, but CFO is managing all the budgets so in practice I am not responsible for the budget, but on the paper yes... My budget compare to the other ones is so small. I remember that I sent an e-mail to our CFO asking for 3,000. And she just laughs and says: OK, do you know that the event manager use 70,000 without asking me? They trust me and that's probably because of that type of e-mail. Ok, are 3,000 making your position better? Totally OK for me... But I am still asking! I don't think that she has ever said no to me.” says the project manager of volunteers.

The venue manager adds:

“I cannot go to the hiring companies - light and sounds and things like that and say: Hi, I need equipment. I always have to get it confirmed by the event manager if that's ok, I will do it. I cannot buy things for the festival without getting green light from him. We have a quiet strict

budget on the things. When we get the riders⁴ from different performances, concerts then we see what we have to hire. Then we have to do that and that... I have to make sure that the backstage area always has a coffee, tea, drinks, fruit, chocolate, things like that, just to keep people happy. Sugar and soft drinks! I have an account in the shop, where I can send my assistant to buy that. Meals and things like that is something that has been organized in advance by the event manager and his people and also according to the rider. If a band or an artist has written: "We have to have a hot meal during the day". Then, we organize it at the local hotel restaurant, so they got there to eat, because my backstage area is a room a little bit smaller than this. We don't have any facilities... Of course, you can order pizza... ”

Budgetary controls and their connection to planning are perceived by the project manager 2 as follows:

“Well, of course, it's a manual for me and the thing is to plan very well quite simply. You have to remember everything, every, every, every small detail. If it's within the budget, there is no problem, it's just to follow it. Every year I have the buffer if there is something happening. This always has to be. I am quite secured by the budget.”

Cybernetic controls, especially the budget, thus acts as an active management accounting instrument, albeit not the only one. The event manager introduces the next significant management control:

“To have an overview, we need to be really hands on the all numbers all the time! But of course, we want to play, that's why we are here. Making big events and nice atmosphere with people, you have to use common psychology.”

4.1.4 Reward and incentive controls

For many managers there are certainly important monetary rewards as they are hired and paid. However, intrinsic rewards and motivation are perhaps equally important:

⁴ Performer's request regarding equipment of the stage and necessities for running his show.

“I try to have a good atmosphere, to have a lot of fun. It’s important for me to smile and laugh a lot with my colleagues. I say every working day without laugh is miserable day! If you have fun, while you’re working it’s unbelievable important, getting a lot of energy! I like to walk around and make some fun with my colleagues, laughing a little bit, making crazy things...Otherwise, I would be really bored. I am not a guy for long processes, that’s not my thing. I like to do something.” explains the program manager 1.

Nevertheless, the extent of provided motivation varies, the project manager 1 says:

“I didn't think I really need it to do so, because chorus-singers were eager enough, the conductor wanted to do a good job, soloist knew the festival... My colleagues knew this is going to be big and they were looking forward to the concert. I needed to motivate only on this first night of the concert. It was not enough time to rehearse. The male choir was tired... We tried to make everything all right. Go, get some coffee and tea and try to make it as good as possible. So, we had to motivate through the surroundings and not so much the content.”

The most numerous festival workforce, 380 volunteers, is however sometimes difficult to motivate, the point is made by the project manager of volunteers:

“I think that 300 of them are self-motivating and they're happy with their position and happy with the other volunteers and they are organizing themselves. You always have like 50, probably to 100, who are another group of volunteers. But, I don't think it is my work and it is not possible for me to motivate them more. Probably they don't like the volunteer work. I can talk to them and probably 20 of them will be a better volunteer than it was the other day. But I can't make a revolution here because we don't have sanctions. If they aren't coming to work or maybe they are rude... If I am giving them a call and they aren't picking up the phone... What should I do? Run after them?”

Project manager 2 has possibilities to motivate volunteers bit more:

“I try to help them to be aware of all the positive sides of being volunteers: remind them - this is excellent for you, you're networking now. These small reminders and also it's very important to

ask: How are you today? Is your day ok? Can I help you with anything? What have you experienced today? Something new? Something exciting? Have you met any exciting people? I think that caring is very important. There are so many things. It's a balance between giving volunteers tasks that are challenging and also not so difficult. I think it's very important to show people what your volunteers, what your people, are doing and not taking the glory yourself. It's so important. I really try to focus on the fantastic work all the volunteers do. I tell people about it all the time, I really think they deserve that I do it. After all, they are working voluntarily and they are doing a fantastic job, so it's important to tell in media, to audience, to friends. There are so many specific things within motivating, these are some of them.”

The venue manager provides his perspective on motivation:

“I like people around me to be focused on that everything should go as scheduled, to keep the artists happy, to keep the audience happy. I try to motivate them. We're there to make their evening complete. If any motivation that's that. I also have to be strict once a while as well. I don't like people who take over the show. I don't think I am authoritarian, I am not like that. If I think that people stepping over the line, then I stop it. I like people to have a good time.”

4.1.5 Cultural controls

Rather than one sort of strong cultural control, hybrid cultural controls have been identified. These decisive cultural controls have been explored in the festival: cultural clan controls, professional clan controls and organizational clan controls.

Cultural clan controls convey the passion to culture. The project manager 2 explains:

“I am head over heels in love with culture. The best thing is an opportunity to create something that moves people. To be creative, that's my strong personal need to be creative and when I have an opportunity to be that and at the same time I see it moves people - that makes me happy! That's fantastic. If I have a job that was the same from nine to four every year, I would be completely crazy.”

Another point of view:

“The best thing is to be a part of it. I work with a lot of nice people. I meet a lot of nice people. I am being appreciated for what I do during the festival by the management. Overall, it's nice week, a lot of work. Maybe this year, I should have this step-counter on me, I've been talking about it every year now, I seem to forget to count how many kilometers I actually walk during the festival. I think it's a lot. It also keeps you fit. You don't have to pay thousands of crowns to go to the fitness center.

I am in this is because I love being a part of the cultural industry. I feel I have a lot in common with the people, the artists, with the rest and of course, you can't like all the music, you can't like everything. But in general I feel a home around cultural events. I think I would be bored to death if I should punch at an office at 8 o'clock and punch out again at 3:30. Every day for the rest of my life, I would die.” confirms the venue manager, who has been engaged in many cultural projects since 1976.

Project manager 1 also contributes with her point of view:

“The best thing on my job is that I am able to work with such a big festival. It's all the music genres, different artists and bands... I am back to where I started with music. I started playing when I was four. My father is musician. It always has been a part of my life. I've never got to be a musician myself, so organizing and administration is the second best.”

As festival managers enjoy a large deal of creativity and independence, they however also seek for professional support. Thus, professional clan controls have been traced.

“I can take my competences from the festival I worked for. I think I can actually do more or less the same in other festivals, because every festival has a volunteer manager and we are doing almost the same everywhere. Actually now, we established a group on Facebook, that's a group with four different volunteer managers. We have the same issues and this is probably a solution for this festival.... Everyone is handling different sets of issues, but, we down here (see level 4, Figure 1), we have our community and society.” the project manager of volunteers

Explanation of professional clan controls is given by the project manager 2 who is in contact with other professionals in the network, while she is looking for the artists.

“I choose artists based on experience within the music industry and based on - I know someone, who knows someone, who knows someone... I choose them also based on research on the Internet and I call other festivals and say - who is your best artist? I want him, tomorrow!

It's a lot of work to find best people and it's not like.... I also contact some organizations which work with crafts and so on to find more interesting things. It's a combination: some luck, some networking, some experience, and some research.”

Finally, organizational clan controls have been identified at the top of the organization, among close circle of top managers who share the values, experience and motivation among themselves and with others within the organization.

“Anybody here, almost anybody, I can turn to... It's good atmosphere here and people are helpful.” the program manager 1

“Whenever, there is anything, I talk to the event manager” says the venue manager.

The good atmosphere is supported by regular meetings every Tuesday or everyday morning meetings during the festival, open office doors and common lunches throughout the year:

“We have common lunch break and that's very popular and it's talk of everything else than the festival.” illustrates the event manager

4.2 Festival management controls as a package

As previous section of this paper indicates, there is a strong connectivity and overlapping among the controls. Thus, similarly to Malmi and Brown (2008) theoretical framework, these controls are best understood as a package.

As the event manager explains all his activities, plans and manuals throughout the year, he pointed out that all these actions are embedded into ‘the Wheel of the Year’:

“We call it Wheel of the Year⁵ with all this... It's much more detailed, it's quite logical. When the festival is over, you have evaluation and start planning for the next one. When some plans are landed, you go on to contracts, which venues, which people are going to manage the different venues... What we need of technical equipment, what we need of room for offices, what we need of cars to transport and so on....”

Thereby, the model of festival controls is mirrored by Figure 2. It reflects continuum - there is no end and the beginning within the controls. They are overlapping and equally important, though at some points a year, they are more (deep blue colour) or less (white colour) dominant/used.

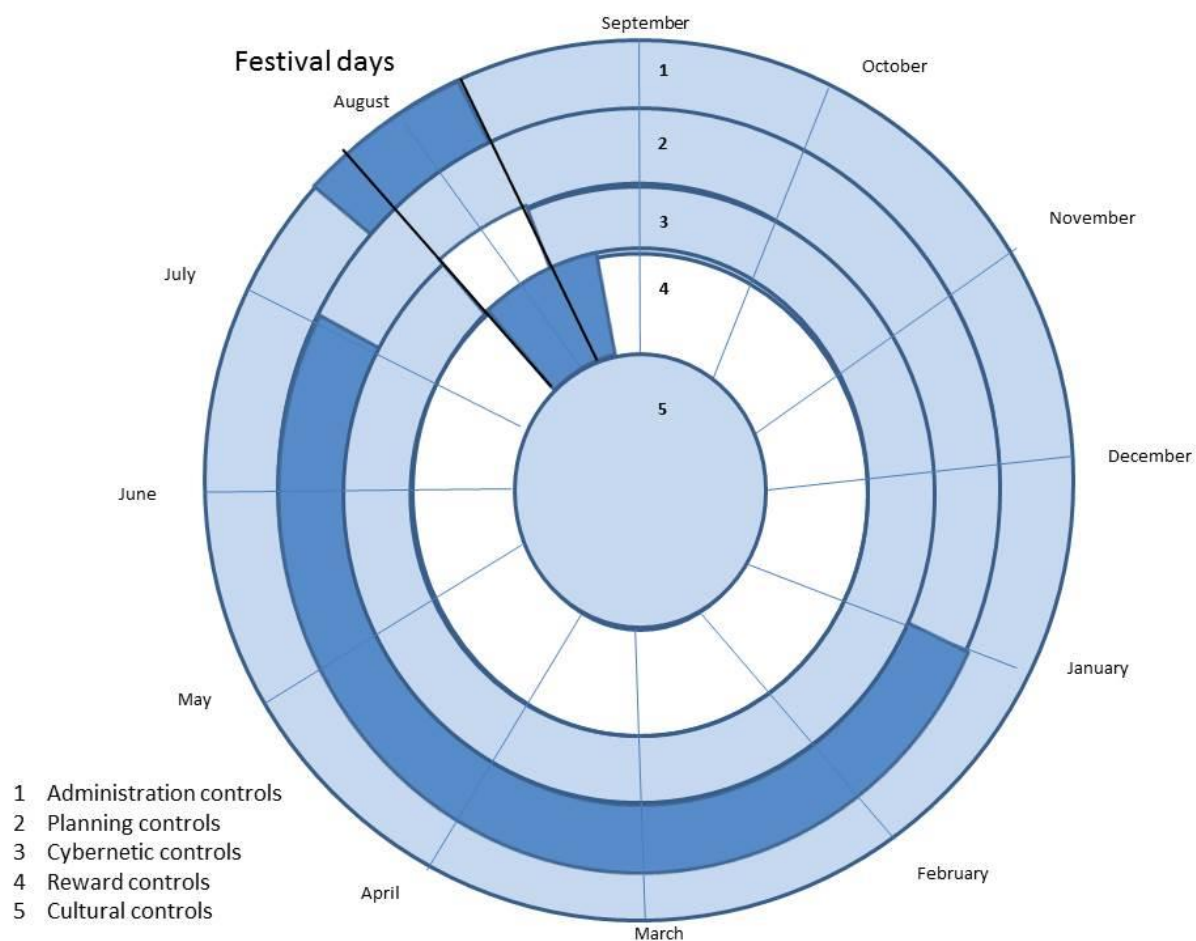


Figure 2: The Wheel of the Year: Management controls as a package

⁵ I've never seen that one, so I cannot compare Figure 2 with the one they have. The presented model is built on interviews and observations that have been carried out.

Administration controls shape the organization and are extremely used during the festival week, marketing and communication manager explains:

“Perhaps the biggest challenge we have is that during the 50 weeks of the year we are 9 people, while for one week we are 40 people in the staff and 380 volunteers. It's one thing to have them on board and other thing to communicate with them. It is easy to forget to communicate to project managers or those who arrive on short projects. Last but not least, it's challenge to involve them, because they are students, working for other organizations, so they are here actually for very short time to establish a good marketing strategy and communication strategy. We really want to be bigger to have more long-term employees in this festival.”

For project manager of volunteers has the festival two faces within a year:

“Therefore, we have one organizational structure or a chart or a map for the whole year organization. We have one organizational structure, during the festival. That was my solution to organize my head.”

Planning controls are in close relation to administrative controls, together with cybernetic controls. Plans must be done in advance taken into account both external and internal human resources, constraints given by the budget and previous festival performance. Planning controls are most used before the festival, from January to the beginning of July, though general plans and ideas bear managers in mind all the time. Cybernetic controls are less used during the festival, as everything and everyone was contracted, there is no room to steer the costs more. Therefore, it's mainly revenue side that the festival tries to influence through marketing and sponsors strategy. Reward and incentive controls are mainly used and enjoyed during the festival and just after the festival. It's time when all volunteers and core organizational members can enjoy the festival atmosphere and bear fruit of their all-year work. They motivate themselves by morning meetings and fabulous newspaper headlines and enjoy positive words of mouth that are spread among citizens.

“You don't experience it when you sit in your office during the festival. You have to go out, you have to meet people, you have to go to the concerts, you have to go to visit lectures and see - what have you been planning for 51 weeks, you have to see the results! That's very nice, I am a person if I go to the concert I feel little bit guilty that I am not working, but I am working! I just have to flip my brain around and say: this is also work, this is experiencing what the festival is all about. The cultural bit is the whole in a way.” says the project manager 1

Finally, cultural controls are steadily used throughout the year, as they set the reasons of being on festival board both for single festival managers and volunteers.

The main external factor – time, rationalizes intensity within the controls. Through such dynamics, we can see how single controls become more utilized than others. Time as a seasonal aspect of the industry is also a decisive control instrument for external partners, particularly international and national artistic agencies that try to reach most of it and receive as many financial benefits as possible. Time also play role towards the audience, the changeful artistic taste of the audience keep program managers busy and often sleepless. Finally, time perspective also influences the date of the festival, as the festival is traditional and well-established it seems to be naïve idea to move it into other week of the year.

Concluding remarks made a project manager of volunteers:

“The festival is organized the given date. That is the main goal for everyone here. Everyone is more or less running that direction. Time and money are only shared goals in whole of the festival and without that it would just fell apart.”

5. Discussion

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Appendix

An example of the interview guide on management controls within the festival

“Those systems, rules, practices, values and other activities management put in place in order to direct employee behaviour (collaborative parties) should be called management controls.” Malmi and Brown (2008, p. 290)

The Project Manager

Structure of the interview	Reason of the section	
0. Introduction	To inform about research and the research question, to establish first “connection” between the interviewer and the interviewee	Part 1
1. Long-term planning controls	Focus is on crucial planning phase, when program is created, long-term => long-term planning controls.	
2. Reward/compensation controls	Trying to find out who receive motivation of project managers within the projects and how is this motivation done.	
3. Action-planning controls	Follows long-term planning controls section with the aim to find out how are projects ‘managed’ during festival days.	
4. Administrative controls	Investigates the role of internal processes	
5. Cybernetic controls	Overview of management controls and their connections, takes into consideration also economical controls - budgets	Part 2
6. Cultural controls (Work as a status or fulfillment?)	The aim is to find out into which extent play personal/organizational/religious/cultural values role in project manager’s and volunteers’ work.	

PART ONE

0. Introduction

0. Introduction of:

- myself,
- the research project,
- and the way how the interview will be conducted and treated afterwards.

1. Can you tell me a little bit about your background?

a)⁶ What's your education?

b) What's your previous working experience?

c) For how long are you the project manager in this festival?

2. Can you describe your role in the organization, what are you responsible for?

a) What such responsibility covers?

3. Can you draw (sketch) organizational structure of the organization and your relationship towards your supervisors and other project and venue managers, group leaders of volunteers?

a) Who is your nearest manager?

b) Have you ever talked to Board members? Are they somehow important for your project?

1. Long-term planning controls

Let's imagine that it is the beginning of august and festival is just over.

4. When do you start to work with your project for next festival?

5. How many events are you supposed to prepare for the festival?

a) Is it a same amount every year?

6. Do you always have to come up with new events or do you have some recurring events which repeat often? Or is it a mix?

⁶ a) b), c) etc. types of questions were asked if the interviewee has not mentioned the topics in the answer.

7. What is fixed in your work and in which aspects are you totally free? (For example, you can choose whatever artists you want, but you know that all your events are staged at one venue, e.g. Vår Frue Kirke.)

- a) Are you free to choose artists/speakers?
- b) Are you free to choose the venue, where your events will be staged?
- c) Which venue is your favorite one and why?
- d) Which venue is the “worst one” (if we can say it like that) and why?

8. How do you choose artists/speakers?

- a) (For example, based on their previous performance at other festivals, positive newspapers’ reviews, your previous cultural experience at other cultural events, based on recommendation of someone else...)

9. When do you start to communicate with artists (speakers)?

- a) How do you first contact them and how do you communicate later on?

10. When you prepare the project, do you work with some overall theme of the festival so you try to match this theme with your project/events? Like last year, there was this xy topic and zy topic....

- a) When do you know this main theme of the festival?
- b) Can you influence the main theme of the festival, if so, how?
- c) If you can’t influence the main theme of the festival – who will tell you what the theme is about?

11. Once you roughly know what your events are about, what are you going to do next?

- b) and when this moment comes...
- a) Do you often talk with artists/speakers about their performance and their needs for performance after you booked them? Or is it more or less settled and you work on something else?
- c) Are you involved in marketing activities, do you cooperate with the marketing manager regarding advertisement of your events?

12. Do you also have to take care of artists’ accommodation, transport, catering...?

13. How many volunteers do you need for your project?

- a) When do you know how many volunteers do you need?

Volunteers are not a typical workforce. They often seek to establish some connection with other people.

14. Therefore, do you have some friends among volunteers so you can enjoy being and work together during the festival or are they complete strangers?

15. Are there any important competencies which volunteers should have?
16. When are you finished with planning phase of your project?
17. What is on your project specific compare to other projects (events) within the festival program?
18. What is the goal of your project work?
19. What are main management difficulties in your work?

2. Reward/compensation controls

20. Do you try to work with motivation and do you motivate, for example...:
 - Artists
 - Technical crew
 - Volunteers
 - (Colleagues)

If so, how?

3. Action-planning controls

21. When the festival is in full swing and you are in charge of several events, how can you manage to have an overview?
 - a) For example, do you use some IT system, do you try to be at the venue most of the time, or?
 - b) What do you actually do during the festival day, how does your typical day look like?
22. Can you see some possibilities by which you can improve your overview? (For example, by buying better IT system, or some changes within the organization...)
23. Do you evaluate each event, which you are responsible for?
 - a) If so, how?
 - b) If so, when? Immediately after the event is over?
 - c) If not, why not?
 - d) What are the consequences of such evaluation?
24. The last question of this part which is quite general though bit personal: How would you define your management style?

4. Administrative Controls – organization design/structure, governance structure

I am wondering, when you came to the organization for very first time...

25. How did you know how to do your job?

a) Did you, for instance, follow some instructions or rules provided by the organization?

26. Are there many written rules – procedures or manuals for performing your work?

27. Do you have to make written plans?

a) If so - are they detailed, can you mention an example?

28. To whom do you submit these plans?

29. What kind of reports do you have to make to your manager(s)?

30. How do you communicate with this person and other persons in the organization? (daily contact at workplace, written communication: e-mail, meeting face to face...)

a) Do you participate in stabsmøte every Tuesday?

a) What's the topic of discussions?

31. When you discuss your project work with other colleagues and you need to solve some issue and decide on something - do you often agree immediately or do you need some time to reach the conclusion?

32. Do you have someone in the organization, to whom you can turn to, when you have a problem which is difficult to solve?

33. Do you have any example of such situation?

34. With whom, outside of the organization, do you cooperate the most?

35. And except them? Are you in touch with xy, zy, zz...?

PART TWO**5. Cybernetic controls**

36. Do you have some financial restriction in your part of festival work? Are you responsible for the budget?

37. For what do you use the budget?

a) Do you use the budget for personal education and training?

38. Are all performers, which you hire, paid for their performance?

39. How would you describe flow of money from you towards paid performers?

a) For example, first you contact the artist, she agrees and promise to engage in the festival. Then, one week before festival she receives the deposit and once she performed all days in the festival, she receives rest of the money.... Is this a realistic picture?... Or...?

b) Is this paid artistic engagement secured by written contract?

c) Are there any bonuses for artists who performed extremely well?

c) Similarly, are there any financial sanctions for artists who performed badly?

d) It is perhaps bit more complicated with foreign artists, who don't have the bank account in Norway, because you or CFO then have to report to Skatteetaten and fill out this form... Does this tax-duty report complicate your work?

40. Do you decide on ticket price for events?

a) how?

41. Do you feel very controlled by the budget in your project planning?

a) Or is the budget a good instrument which gives you some feeling of stability – you know what you have and how much you can spend...

42. Do you feel that you are in a position to influence the amount of the budget for your project in a dialogue with the management?

43. Does your nearest manager have strong expectations that you will keep (stick on) the budget?
44. Do you feel that a lot of the communication in the festival is about the budget?
45. Do you think the budget has too strong (or too weak) voice at certain points during the year in the festival (for planning, communication, motivation, strategy formation, evaluation)?
46. Are there any pre-determined goals you must fulfill? (For example, a number of visitors, a number of events scheduled, etc.?)
47. We have learned that the festival is managed based on cost of the projects and cost of the venues. At any point of time, management of the festival can see what are cost per project, per venue and total costs. Are you familiar with this system? Do you have access to this system?
48. Is your work evaluated once the festival is over?
a) by whom?

It seems to me that in events, including this festival, is type of work duties and a level of personal involvement very specific and vary a lot throughout the year.

49. Therefore, can you place the most important job tasks to this 1-year timeline and comment on how much of your personal effort does that require?

6. Cultural controls, i.e. work as a status or fulfillment? (I work as vs. I am)

50. Is your work for the festival influenced by the fact that it is cultural and religious festival?
51. Is it difficult, for you, to differentiate between cultural and religious elements of the festival? Or do you think that both characteristics are tightly connected together?
52. Do you think, that statement 'xyz' connect both spheres?
54. Do you think that statement: 'xyz' helps to your project work?

55. Do you use this statement when you cooperate with others?

The festival staged events at different venues. So my following questions reflect this issue.

56. When you plan single events, do you take into account that the venue itself may have some influence on audience/performers?

a) in practical terms:

- regarding weather
- regarding time (e.g. some events are better to stage in the morning)
- regarding other events on program of the festival

57. Do you prefer to stage all events within your project work at one place for the whole festival? So you can better expect all possible challenges in next festival days?

58. Did you work in past for a cultural or religious organization? Can you see some similarities with jobs you had in past with the job here?

a) Have you worked in past for an organization which agenda is related to “public matters”? Can you see some similarities with jobs you had in past with the job here?

59. In which aspect is then the job here, different?

60. Are your hobbies or other jobs somehow related to the scope of the festival program?

61. What is the best thing on the job you have here?

62. Is there something we have touched during the interview and you want to reflect on more? Do you want to add something?

Strategic management accounting in close inter-organisational relationships

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Strategic management accounting in close inter-organisational relationships

Abstract

This paper provides a conceptual comparison between the ‘mainstream strategic management accounting’ literature, the ‘accounting and strategising’ literature and ‘strategic management accounting (SMA) in close inter-organisational relationships’. It concludes that ‘SMA in close inter-organisational relationships’ shares some important characteristics with the ‘accounting and strategising’ literature. Important differences were found, too, though. These mainly concerned the need to understand individuals working for close partners as preparers of strategic information; the need for disaggregated accounting information about unique connections to close partners and about the role of indirect benefits that follow from close connections; and the need for the company to not only collect information but also disperse diverse information within close inter-organisational relationships. Through an intensive case study of a global robot manufacturer, Robotics, this paper also provides novel empirical evidence on ‘SMA in close inter-organisational relationships’. For instance, SMA practices included indirect benefits, something mainly neglected in the existing literature on SMA. These indirect benefits involved a close customer’s willingness to invest time and effort in Robotics’ technological development, thereby contributing to Robotics’ ability to attain revenue gains in its interactions with other customers. Our findings also have important implications for the ‘inter-organisational accounting’ literature, for instance by highlighting the need to link more explicitly strategic decision-making with the current interest in the role of accounting in inter-organisational dynamics.

Keywords: Strategic management accounting, close inter-organisational relationships, strategy, strategising, inter-organisational accounting

1. Introduction

Strategic management accounting (SMA) entered the accounting literature more than thirty years ago (Simmonds 1981), and since then a growing number of papers have been published on topics ranging from conceptual to empirical investigations in both private and public sector organisations (e.g. Bromwich 1990, Cuganesan et al. 2012, Dixon 1998, Guilding et al. 2000, Langfield-Smith 2008, Modell 2012, Simmonds 1982, Tillmann and Goddard 2008). Two special issues have been dedicated to SMA, one in the mid-1990s (*Management Accounting Research* 1996), and the other in 2012 (*Management Accounting Research* 2012). Over time, SMA has become an established accounting topic and has been incorporated as an ordinary subject into major accounting textbooks (Drury 2005, Hopper et al. 2007, Horngren et al. 2002), but recent reviews have shown that there is no accepted definition of SMA (Langfield-Smith 2008, Nixon and Burns 2012). One reason behind the lack of consensus of what SMA entails is that there is no agreed definition of strategy (Ghemawat 2001, Nixon and Burns 2012). For instance, Nixon and Burns (2012) showed that the literature on strategy since the 1960s has been characterised by a vibrant and eclectic development, and that different views of strategy have been proposed. The mainstream literature on SMA has mainly appealed to only a subset of this research by focusing on deliberate strategies where strategic processes are viewed as formal, structured and linear (Bhimani and Langfield-Smith 2007, Nixon and Burns 2012, Nyamori et al. 2001). In this view, the environment is assumed to be relatively stable and predictable, and strategy development and implementation are viewed as work done mainly by top management, with the help of strategically oriented management accounting practices (Langfield-Smith 2008, Nixon and Burns 2012).

However, as early as the late 1970s Mintzberg (1978) stressed the importance of emergent strategies in his seminal paper. In a later paper he viewed deliberate and emergent strategies as two ends of a continuum, both of which will influence an organisation's realised strategy (Mintzberg and Waters 1985). Mintzberg and Waters (1985, p 257) defined strategy as 'patterns in stream of actions' and this definition emphasised that 'strategy is consistency, in behaviour, whether or not intended' (Mintzberg 1987, p. 12). This need to move away from the deliberate view of strategy is also a key ingredient in the growing literature on strategy-as-practice that emphasises micro-processes and the importance of exploring how actual strategy work is conducted (Johnson et al. 2003, Whittington 2003).¹ This alternative view of strategy is unusual in the SMA literature and only a few papers address the emergent element of

¹ In fact, Mintzberg and collaborators' emergent process of strategy formation constitutes the broader framework for the strategy-as-practice approach (Johnson et al. 2003, Whittington 2003).

strategy (e.g. Ahrens and Chapman 2005, Jørgensen and Messner 2010, Skærbæk and Tryggestad 2010). These papers focus mainly on how accounting information plays a role in strategic action on a day-to-day basis. A central message is that strategy is not something that exists before accounting is called upon (Chua 2007), but an activity that is developed in tandem with accounting when calculations are mobilised by individuals on different levels within a company (Ahrens and Chapman 2007).

However, even though these recent contributions have paved the way for new SMA research endeavours, the SMA literature has yet to add an inter-organisational perspective. For example, empirical research from UK restaurants (Ahrens and Chapman 2005, 2007), Danish instrument manufacturers (Jørgensen and Messner 2010) and French construction companies (Fauré and Rouleau 2011) focuses primarily on intra-organisational activities. This is not surprising since Whittington himself emphasises that the strategising literature has yet to explore the role of external parties such as customers and suppliers (Whittington 2006). Thus, the importance of close inter-organisational relationships for a company's emergent strategies has not been picked up within the SMA literature (Langfield-Smith 2008, Nixon and Burns 2012, Skærbæk and Tryggestad 2010).² As noted by Cadez and Guilding (2008, p. 855): 'Given the still nascent nature of SMA, it is to be expected that further conceptions of what it constitutes may be forthcoming.' Against this background, the first objective of the paper is to develop a conceptual comparison of three streams of SMA research: 'mainstream SMA', 'accounting and strategising' and 'SMA in close inter-organisational relationships'. The latter describes how accounting information is used to support strategic decision-making in a setting characterised by close cooperation with important customers and/or suppliers. It builds on recent strategy research that focuses on companies operating in industrial markets, that is, markets where both the buyers and sellers are companies (Baraldi 2008, Baraldi et al. 2007, Gadde et al. 2003, Halinen et al. 1999, Harrison and Prenkert 2009). Companies in industrial markets are often involved in close inter-organisational relationships that have a substantial impact on the companies' current and future performance (Håkansson and Snehota 1995, McLoughlin and Horan 2002). In this research, a close relationship is defined as a 'mutually oriented interaction between two reciprocally committed parties' (Håkansson and

² We acknowledge that there exists a large and growing body of literature on accounting in inter-organisational relationships. However, this literature does not explicitly analyse the role of accounting in strategy development and strategic decisions (Caglio and Dittilo 2008, Håkansson et al. 2010) and is therefore not perceived to be domain literature (Lukka 2005) in this paper and will not, therefore, be reviewed in section 2. As noted by Locke and Golden-Biddle (1997), it is difficult to position the intended contributions in the introductory and theory sections vis-à-vis too many domain literatures, but researchers can instead reflect on a broader range of domain literatures in the discussion of their findings. Following this line of thought, in the discussion section of the paper, we will reflect on if, and how, our findings contribute to the literature on inter-organisational accounting.

Snehota 1995, p. 25); it is characterised by long-term cooperation and adaptations between the firms involved (Gadde et al. 2003). Baraldi (2008), for instance, used a case study to illustrate how cooperation with close suppliers played a key role for IKEA's strategic development. This stream of strategy research develops the emergent element of strategy and defines strategy as 'the pattern of a company's choices that are significant for its economic performance over time, and that it becomes committed to' (Baraldi et al. 2007, p 881). It acknowledges the inter-organisational dimension of strategy as many of these significant choices are made in a company's close relationships (Baraldi et al. 2007, Halinen et al. 1999).

The study's second objective is to obtain empirical detail of SMA in close inter-organisational relationships through a case study of ABB Robotics (henceforth referred to as Robotics), a global manufacturer of industrial robots. This is a case in point as our analysis shows the importance of the close customer relationship with General Motors for Robotics' strategic development. Our empirical study thereby answers calls by Cadez and Guilding (2008) and Nixon and Burns (2012) for more empirically based research on SMA. For example, Cadez and Guilding noted (2008, p. 856): 'Despite the considerable discourse on strategic management accounting occurring since the early 1980s,... very little has been achieved in terms of empirical enquiry designed to further our appreciation of the nature and context of SMA application.'

The remainder of this paper is organised as follows. The next section reviews the literature on SMA and provides a conceptual comparison of 'mainstream SMA', 'accounting and strategising' and 'SMA in close inter-organisational relationships'. The following section describes the research methods; this is followed by one that describes and analyses the Robotics case study, then a discussion. Finally, the conclusions are presented, and the issues remaining for further research are outlined.

2. Theoretical development

As several authors have highlighted, the boundaries of SMA are unclear (Langfield-Smith 2008, Nixon and Burns 2012, Roslender and Hart 2003). For instance, some authors included papers on activity based costing (ABC) as part of SMA (Langfield-Smith 2008), while others such as Guilding et al. (2000) did not include ABC in their survey of SMA practices. Cadez and Guilding (2008) suggested that the 'mainstream SMA' literature has mainly focused on two particular areas: a set of strategically oriented accounting techniques and the role of management accountants in corporate strategic decision-making processes. In this paper, we will not make an a priori classification of accounting techniques as strategic or not. Instead,

we employ a definition of SMA, where the starting point is a company's strategic decision-making processes. Tillman and Goddard (2008, p 80) also offer such a definition of SMA and defined SMA 'as being the use of management accounting systems in supporting strategic decision-making'. A critical issue then becomes when a decision becomes a strategic decision. Mintzberg et al. (1976, p 247) defined a strategic decision as 'important, in terms of the actions taken, the resources committed, or the precedents set'. This definition accords well with the previously mentioned definition of strategy by Baraldi et al. (2007, p. 881). A strategic decision in this paper is therefore defined as a choice that has significant consequences for the company's economic performance over time and that it becomes committed to (Baraldi et al. 2007).³

To structure the literature review, we employ a general model of classic information-system design. Gordon et al. (1978) proposed such a model defining three relevant design features: (1) Recipients, (2) Preparers, and (3) Information characteristics. *Recipients* are the actors who use the information and make the strategic decisions. *Preparers* are actors who support the strategic decision-making process by providing information. The third feature – information characteristics – needs to be specified further. We will use the following parameters in structuring the literature review: (A) Focus, (B) Orientation. *Focus* concerns whether the information is financial or non-financial and the level of detail given, i.e., whether it is in an aggregated or disaggregated form. *Orientation* concerns the source of the information. Does the information derive from internal details or from details outside the company? Orientation also concerns the direction of information flow; whether the company only collects information about, for instance, competitors and customers (unilateral), or whether information is collected, but the company also disperses it to customers and suppliers (bilateral).

2.1 Mainstream SMA

The large majority of papers on SMA, here labelled 'mainstream SMA', fall within a deliberate strategy framework (Langfield-Smith 2008, Nixon and Burns 2012, Nyamori et al. 2001). Companies are assumed to make independent decisions so that strategy emerges out of a series of coherent strategic choices (Bhimani and Langfield-Smith 2007). In this respect, one can quote Nyamori et al. (2001, p.77), who reviewed the literature and concluded that:

³ We acknowledge the often intertwined nature of strategic decision-making and strategy implementation. Thus, while a focus on the use of management accounting for strategic decision-making serves the purpose of this paper well, it limits the sphere of what could be considered as SMA (see also a discussion on this issue in the paragraphs on future research at the end of the paper).

'The bulk of the SMA literature has taken strategy as unproblematic, without questioning what various organisations or groups within these organisations understand by it or how it is formed'.

During the 1980s and early 1990s, several conceptual papers were published with empirics used mainly as illustrations. Two significant contributions in the 'mainstream SMA' literature are Shank and Govindarajan (1989, 1993) and Bromwich (1990). Shank and Govindarajan (1989, 1993) developed SMA based on Porter's (1980, 1985) strategy framework and showed how accounting information could be used in three different ways: positioning analysis, value-chain analysis and cost-driver analysis. Bromwich (1990) contributed with a strong voice for moving away from accounting's internal focus on operations to make accounting more externally oriented and strategic. There accounting information addressed cost projections on input products, competitors' cost structures, and fluctuations in market prices on output products. Later, surveys and case studies were conducted on accounting and management accountants' relationships with strategy and strategic decision-making processes (e.g. Cadez and Guilding 2008, Ma and Tayles 2009).

In the 'mainstream SMA' literature the top management are the *recipients* of accounting information for strategic decision-making processes in all types of studies including analytical, surveys and case studies (Bromwich 1990, Lord 1996, Ma and Tayles 2009, Tillmann and Goddard 2008). Management accountants are viewed as the main *preparers* and several papers investigate their degree of involvement in the strategic decision-making processes (Bhimani and Langfield-Smith 2007, Bromwich 1990, Coad 1996). For instance, Tillmann and Goddard (2008) showed in their case study of a German cosmetics and toiletries company that the management accountants were proactive and did not limit their involvement in the top management's strategic decision-making to the identification of problems; they also worked on counter-measures and solutions and were referred to as the management's sparring partners. When important strategic decisions were to be made by the top managers, the management accountants were called upon to help understand the situation and make it more transparent (Tillmann and Goddard 2008). Similar results were found by Ma and Tayles (2009) in their study of a large UK pharmaceutical company. They showed how the management accountants gradually became more involved in the strategic decision-making by providing managers with support relevant to decision-making, such as information about markets and competitors.

When it comes to the *focus* of the information used, the range encompassed extends from financial measures to non-financial information about competitors' positions and

technical developments in key areas (Guilding et al. 2000, Lord 1996, Ma and Tayles 2009). This extent was shown by Cadez and Guilding (2008) who studied the following SMA practices: attribute costing, benchmarking, brand valuation, competitor cost assessment, competitive position monitoring, competitor-performance appraisal, customer profitability analysis, integrated performance measurement, life-cycle costing, lifetime customer-profitability analysis, quality costing, strategic cost management, strategic pricing, target costing, valuation of customers as assets and value-chain accounting. Furthermore, the majority of the papers show that the information used is primarily presented in an aggregated form, for instance expressed through the overall position in the market or value chain where competitors, customers and suppliers are viewed as generic concepts (Bromwich 1990, Bromwich and Bhimani 1994, Hergert and Morris 1989, Shank and Govindarajan 1993). Some papers discussing SMA and supply chains give examples of how companies use somewhat less aggregated information to engage with specific firms to attain certain advantages (Anderson and Dekker 2009a, 2009b, Lord 1996). However, this information rarely consists of unique detailed information from customers or suppliers. When companies collect information from suppliers, they do so within predefined categories, as illustrated by Dekker (2003) in his study of value-chain accounting at Sainsbury.

The *orientation* of the information used ranges from internal details to external information about competitors, customers or suppliers. Internal information such as costs, competences and resources are important for the top management (Tayles et al. 2002), but one of the main differences between traditional management accounting and SMA is that the latter primarily has an externally oriented perspective (Cadez and Guilding 2008, Shank and Govindarajan 1993). An early example of the strong external orientation is Bromwich (1990, p. 28), who stated that ‘there is a need to release management accounting from the factory floor to allow it also to aid directly in meeting these market challenges’. However, despite the external focus, the direction of the information flow is perceived to be unilateral: Top management and management accountants collect information from the external environment in order to make more informed decisions and improve the competitive position of the company (Shank and Govindarajan 1993).

2.2 Accounting and strategising

Several scholars have urged SMA researchers to extend their view of strategy and focus beyond that of deliberate strategies (Bhimani and Langfield-Smith 2007, Chapman 2005, Chua 2007, Nyamori et al. 2001). Recently, an emerging body of SMA research, here labelled

'accounting and strategising', has therefore started to focus on how accounting information plays a role in the strategic action on a day-to-day basis (Ahrens and Chapman 2005, Hansen and Mouritsen 2005, Jørgensen and Messner 2010, Miller and O'Leary 2005, Skærbæk and Tryggestad 2010). These studies show that top management is an important *recipient*, but one recipient alongside others (Ahrens and Chapman 2005, Jørgensen and Messner 2010). For example, Skærbæk and Tryggestad (2010) demonstrated how officers, captains and union representatives emerged unexpectedly as recipients of accounting information when they reacted to top management's view on strategy. The importance of unexpected recipients is supported by other studies (Ahrens and Chapman 2005, Hansen and Mouritsen 2005, Jørgensen and Messner 2010). Ahrens and Chapman (2005), for example, illustrated the importance of local restaurant managers' use of financial and non-financial information for the company's strategic development. Within the 'accounting and strategising' literature, management accountants are still an important *preparer* group (Jørgensen and Messner 2010, Skærbæk and Tryggestad 2010). However, the management accountants are being challenged by other groups. In Jørgensen and Messner's (2010) study, for instance, it is project managers who present the accounting numbers for the top management and explain the assumptions behind the numbers. Similar findings were identified by Skærbæk and Tryggestad (2010, p.118), who stressed the importance of people outside the company's accounting department and top management team. They labelled them 'accountants in the wild'. This group of people problematised the management accountants' calculations and developed new calculations to re-direct the company's strategy.

As to *focus*, when accounting information plays a role in strategic actions on a day-to-day basis, it covers a broad range of financial and non-financial information (Ahrens and Chapman 2005, Hansen and Mouritsen 2005, Jørgensen and Messner 2010, Miller and O'Leary 2005, Skærbæk and Tryggestad 2010). For example, investment calculations, responsibility center organisation, SWOT analysis and value-chain analysis provided information mobilised to intervene in the strategic decision-making process within the studied company (Skærbæk and Tryggestad 2010). Furthermore, in their study of accounting and strategising in a product development setting, Jørgensen and Messner (2010) found that some critical decisions were based on non-financial information about functionalities, quality and production design. These considerations were used by the managers as indications of the financial implications of the decisions made. Some of the information used is in aggregated form, but mainly it is disaggregated. Hansen and Mouritsen (2005) described BSC as being designed and used within the companies studied to handle a specific organisational problem,

and the BSC applications created different solutions for the companies. Skærbæk and Tryggestad (2010) illustrated how particular accounting tools such as payback calculations were mobilised in specific situations to affect certain strategic choices. Similar results are found in other studies in which disaggregated accounting information intervened in strategic decision-making (Ahrens and Chapman 2005, Jørgensen and Messner, 2010).

The *orientation* of the information used is mainly internal (Ahrens and Chapman 2005, Jørgensen and Messner 2010, Skærbæk and Tryggestad 2010). Jørgensen and Messner (2010), for instance, showed that a development project needed to fulfil certain payback and contribution targets to continue to a next phase. However, some external sources have been used. Skærbæk and Tryggestad (2010) illustrated the importance of sources such as the governance budget and non-financial accounting information about environmental consequences of a competing project in influencing strategic development. The direction of the information flow is primarily unilateral: people within the company collect internal and external information in order to make more informed decisions (Ahrens and Chapman 2005).

2.3 SMA in close inter-organisational relationships

Building on the emergent view of strategy, a recent body of strategy literature emphasises the importance of close inter-organisational relationships (Baraldi 2008, Baraldi et al. 2007, Gadde et al. 2003, Halinen et al. 1999, Harrison and Prenkert 2009). Through this theoretical lens, the core of a company's strategy is to build and maintain close relationships with other organisations, and this shifts the primary aim of any strategy from being the pursuit of victory over others to being a collaborative procedure together with others (Baraldi et al. 2007, McLoughlin and Horan 2002). Through these close relationships, resources and activities are made available, which can be mobilised and exploited by a company with the intention of enhancing its own performance (Baraldi 2008). Customers and/or suppliers are seen as an active part in strategic decision-making, and not simply part of a passive environment to which one adapts (Harrison and Prenkert 2009, McLoughlin and Horan 2002). Because the determination of strategy in close relationships also involves reacting to close customers' and/or suppliers' actions, strategic change is not always planned and, therefore, this line of research opposes the deliberate view of strategy (Baraldi 2008). Much of what companies do and many of their stable patterns of actions were never formally planned, so in many cases the strategy realised may differ from the strategy originally planned by top management. The dynamics of strategy are therefore driven by both planned and unexpected events in close inter-organisational relationships (Harrison and Prenkert 2009, McLoughlin and Horan 2002).

We argue that such a view on strategy creates opportunities for developing and refining the SMA concept. The following paragraphs advance some propositions about SMA in close inter-organisational relationships. These propositions should, however, be seen as tentative, to be confirmed or altered based on the observed use of accounting information in the strategic decisions in our case company.

Regarding *recipients*, the literature on strategy proposes that those involved in the close relationships often make the strategic decisions (Baraldi et al. 2007). Therefore, the focus expands beyond top management to also include middle and lower level managers and key specialists (Baraldi et al. 2007, Harrison and Prenkert 2009). This is in line with the calls for future research on SMA (Langfield-Smith 2008, Nixon and Burns 2012). As Langfield-Smith (2008, p. 224) put it: ‘Given the spread of management accounting work to other functions, the organization future research should not just be focused on the output of accounting departments. Understanding how management accounting practices come to the attention of organizational actors and how they are implemented and developed will continue to be a source of interesting research.’ The *preparers* can be management accountants as well as other groups of actors who support decision makers. Thus, the preparers are likely to be ‘accountants in the wild’ as Skærbæk and Tryggestad (2010) labelled them. In close relationships, these preparers can be middle managers or key specialists, but it is important to acknowledge that because strategy builds on interacting, adapting and learning in close inter-organisational relationships (Harrison and Prenkert 2009), individuals working for the close partners can also provide important information for strategic decision-making.

The *focus* of the accounting information used can range widely from financial information, such as budgets, revenues, costs and investment calculations to non-financial information regarding capacity utilization, customer satisfaction, throughput time and quality (Gadde et al. 2003). People in the collaborating companies often need to exchange information to handle unexpected problems and opportunities that arise in close relationships (Baraldi et al. 2007). They therefore use detailed financial and non-financial accounting information about both their own company and the other company’s operations to support them in identifying improvements, making adaptations and initiating change (Baraldi 2008). Aggregated information about products and markets is often not a relevant source of data because a company’s products or services are seldom given in industrial markets (Harrison and Prenkert 2009). Rather, the information is expected to mainly concern the company’s unique connections to close customers and/or suppliers because of the interdependence created by adaptations of resources and activities (Gadde et al. 2003). Some close

relationships have been shown to require considerable investments in terms of time and resources, but sometimes these relationships are not associated with a large profit margin (Baraldi et al. 2007). However, these close relationships can contribute by introducing indirect benefits, such as channelling important knowledge that can be leveraged in other relationships (Gadde et al. 2003). The outcome of investments in one close relationship often appears as decreased costs or increased revenues in other relationships. This implies that, if they are to be of significant value, accounting techniques used in connection with SMA in close inter-organisational relationships need to capture the direct effects of a company's decisions on the company itself and on its relationships, as well as the indirect benefits for third parties (Baraldi et al. 2007).

The *orientation* of information is expected to have a range from internal details to external information about close customers and/or suppliers (Baraldi 2008, Gadde et al. 2003, Harrison and Prenkert 2009). The interdependence and high adaptations of activities, resources and actors between the company and its close partners create a need not only to collect information, but also to disperse information to close customers and suppliers. Hence, the information flow between the company and its close partners can be expected to be bilateral. Each of the close partners needs to receive a unique set of information to make it possible for each of them to identify improvements. Table 1 summarises how SMA is viewed and analysed in the existing literature to enable comparisons to be made with the use of SMA in close inter-organisational relationships. As shown in the table, SMA in close relationships shares some important characteristics with the 'accounting and strategising' literature, mainly regarding recipients and preparers. However, there are also important differences. These concern the importance of acknowledging individuals working for the close partners as preparers, the use of disaggregated accounting information about unique connections to close partners and about indirect benefits to third parties, and the importance of bilateral information flow.

INSERT TABLE 1 ABOUT HERE

3. Methodology: studying strategic management accounting in close inter-organisational relationships

3.1 Research setting – industrial robots

This paper presents a case study of Robotics, a business unit of ABB, a large multinational company. Robotics develops, manufactures, and sells robots and is one of the world's largest robot manufacturers. The annual turnover of Robotics is about 250 million Euros and the company employs 600 people. All of the major functions of Robotics, such as product development, marketing, purchasing and production are located in Västerås, Sweden. The annual sales volume varies between 8 000 and 10 000 robots. An industrial robot is comprised of two main parts, a robot, which performs the actual activities, and an industrial control system, which steers and controls the robot's actions. In the robotics industry, long-term decisions concerning future revenue and cost streams are largely dependent on involving close customers (Katila 2002, Katila and Ahuja 2002). Relying on theoretical sampling (Eisenhardt 1989), Robotics offered two compelling reasons for making the study: First, it operates in an industrial market with strong technical and financial interdependencies to close customers, and we wanted to study SMA in a setting where close inter-organisational relationships are important. Second, Robotics offered a good opportunity to study the role of accounting in emergent strategies as we requested and were granted access to the top management and management accountants as well as the middle and lower level managers and key specialists.

3.2 Research design – a single case study using a focal actor strategy

The decision was made to conduct a single case study of Robotics because of the need to capture individuals on multiple levels and to describe the various SMA practices related to strategic decision-making in close relationships. A large number of interviews was needed to grasp the complexity inherent in the development and manufacturing of robots. In addition, since close relationships in this industry are complex, involving individuals and processes on several hierarchical levels, there was a need to restrict the research scope to one case study. Focusing on one single case study has also been favoured by several researchers studying strategy in close customer relationships (e.g. Baraldi et al. 2007, Halinen and Törnroos 2005).

Another aspect of our research design was the choice to study close relationships from the perspective of one company (Halinen and Törnroos 2005). This has been criticised as it is perceived to give a one-sided view of inter-organisational relationships because of the risk

that the accounts examined are biased and that important aspects of the topic under investigation are missed (Caglio and Ditillo 2008). We acknowledge this criticism; however our choice to concentrate on a focal actor was made because we were interested in exploring how SMA was used in strategic decision-making by Robotics. In this way, this is not an investigation of inter-organisational accounting in general, but rather, it is a study that, from one company's perspective, considers SMA practices that involve close inter-organisational relationships. Another more pragmatic argument relates to the above-mentioned inherent complexity of the robotics industry. There was a need to delimit the research and a large number of interviews were needed to understand Robotics, the evolution of its strategy over time and the related SMA practices adopted in this context.

3.3 Data collection and data analysis

Our case analysis draws primarily on semi-structured interviews conducted between 2002 and 2009. These interviews were part of a larger study that also involved interviews with Robotics' staff about accounting and inter-organisational new product development. The first set of interviews in the fall of 2002 investigated primarily Robotics' use of accounting in its cooperation with customers and suppliers. It became clear that large contracts and product development played a crucial role in Robotics, and many of the interviewees explained the complex technical issues involved in developing industrial robots. From 2003-2005, therefore, interviews became focused on the use of accounting in large contracts and the importance of such contracts for the company's strategic development. It became evident that the then current product-development projects were linked to a major strategic re-orientation in Robotics, i.e. the increased focus on close customer relationships with automotive companies in North America. Thus, the interviews were conducted with key individuals involved in this re-orientation. Finally, the interviews conducted between 2007 and 2009 were solely focused on the actors involved in the strategic re-orientation and on the role of accounting in the strategic decisions taken. The major factor behind this long period of data collection was the complexity of the setting, our own learning process, and the possibility of continuously returning to Robotics to pose more focused questions and to obtain clarification where required. As several authors have highlighted, case study research rarely follows a linear course (Eisenhardt 1989, Langley 1999, Lukka 2005). Instead, researchers often return in several iterations to theory and to empirics as new discoveries are made.

The interviews were typically conducted in company offices and then transcribed and coded. A total of 23 persons were interviewed, many of them several times, with the average

duration of an interview being about one hour. In total, 46 interviews were made with employees at several levels in the company, including the top management and people working within different parts of Robotics, such as, purchasing, development, quality, logistics, production, accounting and sales, with the intention of ensuring that different perspectives would be represented. Interviewing people in different positions was vital as the strategist might be a top manager, but people below the top management might also be involved (Baraldi et al. 2007). The informants were also chosen because they had worked in Robotics for such a long time that they had experienced the strategic re-orientation being studied. Table 2 provides further details about the interviews.

INSERT TABLE 2 ABOUT HERE

Each interview began with an introduction by the informant in which he/she clarified his or her current role and explained what he/she had been doing in his/her previous positions within Robotics. This introduction was followed by somewhat specific questions related to the role of accounting information in strategic decision-making and to the nature of the cooperation with customers. Finally, the informants were asked to recount other experiences that they deemed relevant to issues raised during the interview.

The interviews were complemented with direct observation and with internal and external documents. With the intention of obtaining a feel for how the site operated, one of the researchers was given a desk in Robotics' office landscape, and was granted access to all internal documents available on the intranet. He was able to interact with engineers, purchasers, and quality and production managers and had access to strategic plans and other documents. He was also given financial information concerning the content of contracts, and overall sales and profits. In total, 22 days were spent at Robotics.

Since our focus is on realised strategies in Robotics, this means that the informants, by necessity, needed to refer to the past when they identified and discussed the key strategic decisions. When interviewees talk about the past, however, there is always the possibility that their memories might have become distorted over time. There is also a danger that, when people refer back to earlier events, there is some romanticisation of previous actions. The authors tried to overcome these potential problems by asking many people to give their own account, on the basis that not all of them could possibly have misremembered. Different descriptions of the same issue were compared, and complemented with documents whenever possible.

3.4 Data analysis

Our research process followed an abduction approach (Dubois and Gadde 2002, Dubois and Gibbert 2010), where data collection, data analysis and theoretical development emerged iteratively. In the data analysis, each interview transcript, the notes from the direct observation and the internal and external documents were read carefully by the researchers and the contents were manually coded and analysed in the context of the theoretical concepts of the study. Theory was used to form a skeletal framework, to sensitise the research to particular issues and to provide a way of illuminating the relevant aspects of the case (Laughlin 1995, 2004). For example, the material on SMA was related to preparers, recipients, focus and orientation of information.

A central issue during the data analysis was to select and describe key strategic decisions from material that included a large number of interviews, direct observation and internal documentation. As several authors have highlighted (Dubois and Gadde 2002, Dyer and Wilkins 1991, Eisenhardt 1989), this can be a daunting task, or as Langley (1999, p. 694) put it: ‘... this is where the central challenge lies: moving from a shapeless data spaghetti toward some kind of theoretical understanding.’ Given the importance of automotive customers, it became natural to start with the strategic transformation process that Robotics had gone through, when the company had increased its focus on close relationships with large automotive customers in North America. One additional key strategic decision soon emerged; the decision to sign the largest contract in Robotics’ history. However, as pointed out by Halinen et al. (1999), the determination of what constitutes a key strategic decision is very much an empirical matter, and as previously mentioned, we used Baraldi et al.’s definition: a choice that has significant consequences for the company’s economic performance over time and that it becomes committed to. With this definition, Robotics’ decision to sign the large contract with General Motors was clearly a strategic one. The commercial magnitude of the contract was unheard of for Robotics in particular and the robot industry in general. Up to that point, no robot manufacturer had signed a contract for more than 1000 robot systems. Normally, a large order for Robotics was around 400-500 systems so selling more than 1000 robot systems in one deal had a huge commercial impact. Robotics gained market share and became the largest robot manufacturer in the world. By winning the order and beating the Japanese robot manufacturer Fanuc (General Motors’ preferred supplier at the time), Robotics surpassed Fanuc and took over the number one spot in the global market. Furthermore, due to the volume advantages, Robotics’ profitability increased in the years after the contract. In

fact, Robotics became one of the top performing divisions within the ABB group. In addition to this internal and external recognition, Robotics also positioned itself as a profitable growth company, which allowed it to start one of the largest investment programmes in the company's history, an important long-term commitment. The contract with General Motors also impacted heavily on Robotics' product portfolio. For example, the new generation of industrial control systems was tested and evaluated by General Motors. As a consequence, many of the features in the new industrial control system were directly linked to feedback from General Motors' engineers and production personal.

4. Case analysis: Strategic management accounting at Robotics

To analyse SMA at Robotics, we will focus on the largest strategic transformation in the company's history. In the following sections, this transformation will be analysed in light of two key strategic decisions. They are: the decision to increase the focus on close inter-organisational relationships with automotive customers in North America, and the decision to sign the above-mentioned contract with General Motors. This includes the role of strategic management-accounting practices in these decisions. First, we will provide some general information about Robotics and its customers to further our understanding of the two strategic decisions.

4.1 Robotics and its customers

The robot industry consists of two major customer groups. The first group is 'automotive customers', who buy large volumes of robots; Robotics has close inter-organisational relationships with members of this group. Examples of such customers are Volvo, BMW, Peugeot and General Motors. The second group is 'non-automotive customers' who are all the other customers based in industries such as foundry, plastics, packaging, electronics and food industries. These customers buy robots in smaller volumes than the first group, and with few adaptations. In the close inter-organisational relationships with the automotive customers, there are both technical and organisational adaptations. As previously mentioned, a robot system consists of both an industrial control system and the robot. Owing to the complexity of the robotic systems, Robotics develops industrial control systems and robots (of various sizes) in separate development projects. In most product-development projects, automotive customers are highly involved both in deciding the primary functionality and in conducting field tests before a new product is officially released.

There are also important adaptations on a systems level because automotive customers integrate the robots into a larger production system. This requires that Robotics ensures that there is suitable 'systems functionality', i.e., the possibility to integrate several robot systems with one another. Since the interface between Robotics and the automotive customers includes both product and system adaptations, there is also a need for large organisational adaptations. For example, to coordinate product development, there is a cross-functional team at Robotics which meets with a cross-functional team from the automotive customer. In contrast, for the non-automotive customer group, the relationships are arm's-length. The sales process is led by a single salesperson who meets the customer and talks about the benefits of one robot. Often, these customers are first time buyers, so there is a need for some education or training, which is done through standardised brochures and manuals. There might be customisations, but customers select these from a pre-order list and Robotics then charges accordingly.

Before Robotics decided to increase its focus on North America, it already had close inter-organisational relationships with many of the large automotive manufacturers, such as Volvo, BMW, General Motors, Ford and Chrysler. Thus, the scope in North America was not to develop entirely new customer relationships, but instead grow market share within 'the big three': General Motors, Ford and Chrysler.

4.2 Strategic decision 1 — increased focus on close inter-organisational relationships with automotive customers in North America

Even though Robotics was the largest European robot manufacturer, this position had, primarily, been acquired from the company's success in arm's-length relationships with customers from the foundry, plastics, packaging, electronics and food industries. However, total sales to these customers were not enough to cover the increasing costs of product development. The top management in Robotics needed, therefore, to aim to obtain customers likely to enter into larger purchases and thereby spread out the increased fixed costs over a more substantial volume. Robotics' top management saw considerable growth potential with large automotive customers in North America. The main competitor, Fanuc, had a joint venture in place with General Motors, so Robotics' initial ambition was to focus attention primarily on Ford and Chrysler. As previously mentioned, automotive customers are experienced buyers that require customised solutions. A normal size automotive factory has hundreds of large, medium and small robots which are combined into different production cells. Thus, the large automotive customers were considered to be ideal partners for providing

Robotics with both large volumes and important insights for the product development of current and future generations of robots. One sales manager described the importance of the decision by saying: ‘We decided to start to listen to the automotive customers... We said, let’s do what they ask us to do.’

However, despite an increased focus on automotive customers, Robotics still needed a large number of arm’s-length customers. Financially, large automotive customers could represent considerable volumes of sales, but with low margins. Arm’s-length customers paid 200-300% more than the production costs, and even though the volume associated with each arm’s-length customer was small, in combination, they gave Robotics an acceptable sales volume while also, and more importantly, providing good profit margins.

4.2.1 Strategic management accounting

The role of accounting in this first key strategic decision corroborates the propositions developed in the ‘mainstream SMA’ literature. The management accountants were the *preparers* and the top management the *recipients*: all interviewees in Robotics agreed on the important role the management accountants played in providing the information needed for top management to make the decision. It was the management accountants who mapped the growth trends in different customer segments relative to Robotics’ market share and collected the information about robot usage (see below). Thus, as in Tillman and Goddard’s findings (2008), the management accountants were called upon to help top managers to understand the situation and to make it more transparent.

When it comes to the *focus* of the information used, Robotics used financial and non-financial accounting information such as competitor cost assessment, competitive position monitoring, strategic costing and value-chain analysis in making its strategic decision. For strategic costing, statistics were collected about robot usage, and Robotics’ top management realised that robot penetration was relatively low in the United States compared to Japan and Europe. Another example of strategic costing was the mapping of growth trends in different customer segments and examining the results relative to Robotics’ market share. This analysis showed that there was considerable potential in an increased focus on large automotive customers.

Competitive position monitoring provided Robotics’ managers with the information that Fanuc had a well-established relationship with General Motors, which resulted in Robotics’ initial ambition to focus on the relationships with Ford and Chrysler. Robotics used accounting information in aggregated form to understand its position in the market and the

value chain. For instance, by using competitor cost assessment, i.e. the systematic analysis of competitors' costs, the CEO of Robotics motivated a major cost-cutting program (called P25) with aggregated information relating to different competitors' costs. A technical manager explained how the CEO showed powerpoint slides:

‘That’s when the big cost-hunt started, the P25 program... and... the background was that our CEO compared us with our competitors... I remember he had a favourite slide showing the price developments here and in different parts of the world ... he concluded that prices would be harmonised and that we had to cut costs by 25% to stay competitive.’

Given these challenges, value-chain analysis was seen as an important way to reduce costs in the P25 program. However, the accounting information used was still mainly in an aggregated form and did not consist of unique detailed information about specific customers and suppliers. Through value chain analysis, Robotics exploited links to its suppliers by adapting or eliminating all activities with an associated cost that did not create value.

With regards to *orientation*, the information included internal and external details when accounting information was used to compare customers, suppliers, competitors and the company's own operations in terms of various features, such as price, cost structures and market propositions. The direction of the information flow was unilateral; Robotics collected information from the external environment in order to make more informed decisions and to improve its competitive position.

4.3 Strategic decision 2: Signing the General Motors contract

The geographical expansion to North America proved to be more challenging than expected. To further improve service delivery, Robotics created so-called ‘dedicated cross-functional sales teams’ for the large automotive customers General Motors, Ford and Chrysler. The teams were comprised of six or seven people and included middle managers with experience from sales, engineering and quality management. The resultant combination of skills was deemed necessary as it was difficult for a single salesperson to discuss complex engineering solutions with automotive companies.

Even though the initial plan was to aggressively target Ford and Chrysler, General Motors unexpectedly became Robotics' largest customer in North America. An important driver behind this was the increased power exercised by the purchasing department at General Motors. To drastically reduce costs, the purchasing department wanted to challenge Fanuc by

giving more volume to its second-source supplier, Robotics. However, just before delivery, General Motor's factory management refused to accept the robots from Robotics, as they wanted to continue working with Fanuc. Tensions between the purchasing and production departments built up, and, to resolve these tensions, the robots from Robotics were placed in different divisions. This happened to be a lucky turn of events because it meant that Robotics' dedicated cross-functional sales team increased their network of personal contacts within General Motors. Robotics started to position itself as a key player for the upcoming contract for General Motors' large robot investment program.

In the initial bid, Robotics chose to offer its existing product, called S3. At this point, Robotics' new industrial control system was still undergoing testing. It consisted of two development projects: one involving the software and the other the hardware for the industrial control system. However, just days before General Motors was due to decide, Robotics' dedicated sales team was informed that S3 was considered to be technically outdated. This was a surprise, and the team had to act quickly. They decided to show General Motors the new software. As one of the production managers involved described it:

'I was called to a meeting with one of their [General Motor's] superintendents. He said, let's go down and have a look. We went down and I tried to explain the advantages of our [new software] system. Nothing touched him! It was not until I said that we had more computer power in the programmable interface than we had in the entire S3 generation that he was triggered. 'Does that mean you can run parallel execution?' he said, 'Yes,' I replied. 'Good, book the entire day tomorrow and I will have my best technicians ready to go through the system,' he said.'

By quickly improvising and changing the product being offered, the Robotics' sales team thereby managed to convince General Motors' technical engineers that their product was interesting, and, in combination, with a low price, Robotics managed to secure the contract. The initial volumes were estimated to be 1073 robots, which was more than double the size of any previous order. The chief financial officer expressed the value of the winning the GM contract: 'General Motors was number one. There was no question about it. They bought 10 % of our robots... I mean, what a customer!'

4.3.1 Strategic management accounting

The SMA practices implemented when bidding for the contract corroborate the propositions defined in this paper for SMA in close inter-organisational relationships. The *recipients* included not only the top management in Robotics, but also those individuals who were most deeply involved in the relationship with General Motors, and the latter proved to be important strategists. Succinctly, the boundary-spanning middle-level managers with expertise in sales, quality and engineering used financial and non-financial information to deal with unexpected opportunities or unforeseen problems to put Robotics in a position to win and sign the GM contract. For example, one main reason the General Motors engineers were so impressed with the new Robotics software was that the Robotics managers on site could show that this software would enable a much faster and more cost-efficient production process.

Regarding *preparers*, our interviewees stressed that the management accountants were not involved in these decisions because in the automotive industry the technical complexity of orders is so high, and it was often the case that the cross-functional team needed to act on unexpected events and to discuss its recommendations quickly with Robotics' top management. There was simply no time to involve the management accountants. The majority of the middle-level and top managers involved in winning the General Motors contract were engineers who had worked for a long time in various positions in Robotics and had relevant technical competence. These engineers had also been trained in accounting to be able to make quick decisions based on both technical and financial considerations. In addition, purchasers and engineers from General Motors were important preparers who provided Robotics' cross-functional sales team with the vital information required to win the contract.

With respect to *focus*, Robotics had little use for the aggregated accounting information about products and markets. Rather, the financial and non-financial accounting information on the unique connections between Robotics and General Motors was of overriding importance for winning the large contract. This included a business case with a detailed internal rate of return (IRR) calculation. The resulting IRR was compared with the cost of capital in Robotics to estimate the profitability. The business case was discussed in meetings between the members of the dedicated cross-functional sales team and top managers. The calculations were based upon a ten-year perspective and included the initial sale of the robots, the subsequent sales of spare parts, and the service provided as a result of the robot orders. As the technology director put it:

‘There was a large Excel sheet with numbers and numbers, on volumes and revenues for the robot sales, our costs for the robots and product development, service revenues, spare parts revenues and associated costs.’

The price level was quite rigid, so the prognoses focused on the other important input variables. For example, the interviewees argued that the most important part of the calculation was the gap between the current cost level for the robot and the (much lower) cost level that was assumed from year 2 and onwards. Several managers explained that, when making the bid for the contract, they were unable to fully comprehend how the difference could be made up. As the technology director described the situation: ‘We knew we could not make all these cost savings on our own, nor with the help of our suppliers, but if we got to work with General Motors, we assumed we would get good input from them.’ Similarly, a product manager explained:

‘The calculations were important because we knew our current cost level and we knew what we had included in our 10-year calculation in terms of lower costs. This meant we had a gap. And this gap needed to be filled largely with the help of General Motors’ input. We had an idea of what we needed to do, but we had not worked everything out when we signed the deal. Some of the cost savings still needed to be figured out, and we needed General Motors for this.’

Thus, Robotics’ calculations assumed input would be given indicating how to lower costs through their close interaction with General Motors. One example was to exchange hardware for software because this would significantly lower the cost of material. As a product manager put it: ‘We thought: what if we could redesign the product to include software instead of hardware. This would give a totally different cost picture: we would save a lot through these types of changes. And General Motors was the expert in robots, with its own laboratory, etcetera.’

However, even with the future cost savings included in the calculations, the internal rate of return on the business case for the contract was lower than Robotics’ cost of capital. The chief financial officer explained: ‘We did not cheer at the numbers — low margins and bad profitability.’ Still, the top management decided to bid for the contract at the price indicated by General Motors. One important reason was the qualitative incorporation of indirect benefits. The overriding consideration was the assumption that General Motors would invest

time and effort in Robotics' technological development and thereby improve Robotics' prospects for attaining revenue gains in its relationships with other customers. The managers in Robotics did not put numbers on these indirect benefits, nor did they include them in the calculation. The potential benefits were discussed qualitatively in a systematic way. As the sales manager put it:

'Over time, with a close relationship with an important customer like General Motors, you receive lots of knowledge from the customer. When we made the decision to bid, we assumed that this information would provide an important input in revealing how to lower costs and in identifying what important trends were to come in the future. This would improve our margins in our deals with other customers from general industry and improve our development of future generations of robots. Of course, this had a high value for us.'

Another indirect benefit was that the large order was seen as a way to stir up some action in the company and to get everyone to focus on achieving cost savings. As the supply chain director put it: 'With the largest order in history, of course we thought we would get action. We gained momentum and speed; there would be pressure to become more efficient if we got this large order.'

Concerning *orientation*, the information used had primarily an external focus and the information flow was bilateral, Robotics collected and unexpectedly received information from General Motors, but it also dispersed information to General Motors. Describing the importance of informal personal contacts for winning large contracts, the sales manager said:

'You've got to have local people out there who work on their [General Motor's] top management. If you don't have the right individuals it's damned difficult to sell. If the individuals have the right connections, they get a lot of information.'

The non-financial information about the out-dated S3 product that Robotics unexpectedly received from General Motors was picked up by the members of Robotics' dedicated cross-functional sales team during their informal contacts with General Motors' staff. In their turn, this team also spread the information about their new software informally to General Motors' engineers. This information exchange was vital for Robotics to bid for and win the contract.

5. Discussion

It is evident from the case analysis presented here that focusing on close inter-organisational relationships with automotive customers in North America became a core part of Robotics' strategy (Baraldi et al. 2007, Gadde et al. 2003). Through the relationship with General Motors, resources and activities were made available to Robotics that could be mobilised and exploited. Robotics' interdependence with General Motors became, therefore, an important source of competitive advantage (Harrison and Prencert 2009). Customers from other industries, involved in activities such as plastic fabrication, packaging and foundry were not prioritised in the same way as Robotics maintained arm's-length relationships with them.

Table 3 summarises the SMA practices in Robotics. Our findings suggest that Robotics' use of SMA in the first key strategic decision largely corresponds with the results from the 'mainstream SMA' literature. This is not surprising since Robotics was predominantly involved in arm's-length relationships when it started courting the automotive industry, and the strategic decision did not involve unique connections to a specific close customer. The management accountants acted as *preparers* in that they provided the top management, i.e., the *recipients*, with the information needed to make the strategic decisions, for example, on the growth potential in different customer segments (Bromwich 1990, Tillmann and Goddard 2008). With respect to *focus*, financial and non-financial accounting information was primarily in an aggregated form and involved techniques such as competitor cost assessment (Bromwich 1990), competitive position monitoring (Simmonds 1986), strategic costing (Shank and Govindarajan 1988) and value chain analysis (Shank and Govindarajan 1992). Concerning *orientation*, the information had an external focus and the direction of information flow was unilateral, in that Robotics collected information from the external environment to enable it to make more informed decisions and improve its competitive position (Bromwich and Bhimani 1994, Shank and Govindarajan 1993).

However, as seen in Table 3, the SMA practices related to signing the contract with General Motors differed from what has been discussed in the existing SMA literature. In the following, these practices are analysed.

INSERT TABLE 3 ABOUT HERE

5.1 Strategic management accounting in close inter-organisational relationships

As was pointed out in the introduction of this paper, the existing literature on SMA has not analysed the importance of close inter-organisational relationships for strategic decision-

making. The decision to sign the General Motors contract increased the focus on such a relationship for Robotics and entailed several unexpected problems and opportunities. The handling of these problems and opportunities gradually shaped the strategy of Robotics. Thus, SMA in close inter-organisational relationships did not primarily arise because of activities that had already been planned, but rather, because financial and non-financial information was valuable for solving the unexpected problems that had arisen and for exploiting emerging opportunities.

When it comes to the *recipients*, our findings suggest that not only top management's planning, but also ad-hoc and unexpected events involving middle managers and key specialists within Robotics, shaped the strategies realised by Robotics. In the close relationship with General Motors, the strategists were those people who were most deeply involved in the interactions with General Motors staff, and these were, in the main, middle level managers and key specialists from the operational units. This supports the findings in the 'accounting and strategising' literature because these results illustrate that strategy is not something that exists prior to accounting, but an activity that is developed in tandem with it when calculations are performed by individuals on different levels within a company (e.g. Chapman 2005, Chua 2007, Jørgensen and Messner 2010, Skærbæk and Tryggestad 2010). We augment these findings by illustrating the importance of close inter-organisational relationships for understanding the role of accounting in strategising.

Such an analysis can be connected to previous empirical research in the 'accounting and strategising' literature. More specifically, even though previous studies have focused on intra-organisational activities, anecdotal evidence suggests that an inter-organisational perspective is important. For instance, the study by Jørgensen and Messner (2010) describes a strategy emerging from a concrete problem at one of the focal firm's closest and most important customers. Furthermore, the results in Jørgensen and Messner (2010) indicate that adaptations to different customers create variety so that modularisation eventually becomes necessary to facilitate work with these customers. For example, a senior manager in that study described how modularisation became the answer to developing new customer relationships with large customers such as Heinz Ketchup. The Heinz example is comparable to Robotics' interaction with General Motors. Like Heinz, General Motors was a large potential customer that would require customer specific functionality. Our findings therefore suggest that the strategising activities that Jørgensen and Messner (2010) label as intra-organisational may also have an important inter-organisational dimension where individuals on multiple levels within the firm and within the customer firm are involved. Thus, our findings add to the 'accounting and

strategising' literature because they not only show that 'operational' and 'strategic' issues are intertwined (e.g. Ahrens and Chapman 2005, 2007, Fauré and Rouleau 2011, Jørgensen and Messner 2010), but also how these processes evolve interactively through collaboration with close customers.

Regarding *preparers*, our case indicates that, in close relationships, SMA practices were mainly established by middle-level managers and key specialists who used financial and non-financial information to assess unexpected opportunities and unforeseen problems. The role of management accountants in these SMA practices was limited. These findings challenge the prevailing view in the 'mainstream SMA' literature (Shank and Govindarajan 1993, Tillmann and Goddard 2008). Our findings support the 'accounting and strategising' literature, where middle managers, key specialists and their use of accounting information can all be seen to be an important part of the SMA practices (e.g. Ahrens and Chapman 2005, Hansen and Mouritsen 2005, Jørgensen and Messner 2010, Skærbæk and Tryggestad 2010). However, our findings also extend this literature by illustrating that important strategists involved in SMA were also actors outside the focal company. For instance, purchasers and engineers from General Motors provided Robotics' cross-functional sales team with vital information required to win the contract.

Our results also add to the debate on the need for management accountants to participate more frequently and more proactively in strategic decision-making than is generally the case (e.g. Nyamori et al. 2001). Simmonds (1981), for instance, suggested that the management accountants were the ideal people to collect and analyse data relevant for strategic decision-making. By gaining operational knowledge and communication skills, the management accountants could be important actors in formal cross-functional teams, and assume the role of liaison across functional boundaries and between different levels of management (Coad 1996, Roslender and Hart 2003). Our findings point in another direction: The management accountants were not involved in the strategic decisions concerning the close relationship with General Motors because the technical complexity was too high, and because there was often a need to act on unexpected events. There was simply no time to involve the management accountants, and their lack of in-depth technical knowledge was a barrier to useful participation. The majority of the middle-level and top managers, as well as the key specialists, were engineers who had worked for a long time in various positions in Robotics and had the requisite technical competence. These engineers had also been trained in accounting to enable them to make quick decisions based on both technical and financial considerations. Langfield-Smith (2008, p. 223) posed an interesting question when she asked:

‘Does it matter if the SMA developments are not managed or ‘owned’ by the accounting function? The key issue is to consider whether management accountants have any specific or unique skills that would benefit SMA implementations and management.’ Our findings show that, in an environment of technical complexity such as the manufacturing of industrial robots, it was preferable for Robotics to educate their technical experts in the application of a certain amount of accounting practice, and this enabled them to assess the financial implications of certain decisions.

Regarding *focus*, in its close relationship with General Motors, Robotics had little use for the aggregated accounting information about products and markets put forward in the ‘mainstream literature’ on SMA (Bromwich 1990, Guilding 1999). Formal financial IRR calculations made visible to Robotics the future cost savings required by a bid for the General Motors contract. The managers explained that when the bid was made, they did not know exactly how these cost savings could be achieved. In their calculations, Robotics assumed that they would receive input on how to lower costs from their close interaction with General Motors. In other words, Robotics understood the value of a close customer relationship with General Motors, sought it out and included this inter-organisational dimension in its prognosis for cost savings. However, even with the future cost savings included in the calculations, the IRR for the contract was lower than Robotics’ cost of capital. But Robotics’ managers made the strategic decision to bid for the contract anyway because additional qualitative information on indirect benefits was of overriding importance. Thus, SMA in close inter-organisational relationships included indirect benefits, something mainly neglected in the existing literature on SMA (Tomkins and Carr 1996, Jörgensen and Messner 2010). Our findings show that the indirect benefits involved the belief that General Motors would invest time and effort in Robotics’ technological development, thereby contributing to Robotics’ ability to attain revenue gains through its relationship with other customers. Another indirect benefit was that the large order was seen as a way to promote action in the company and to get everyone to focus on achieving cost savings.

Concerning *orientation*, the information had mainly an external focus and the information flow was bilateral as Robotics not only collected and unexpectedly received information, but also dispersed information to General Motors. Our findings point to the importance of both formal and informal bilateral information exchange, something neglected within the existing SMA literature. Tomkins and Carr (1996) stated, in their reflections on the papers in the *Management Accounting Research* special issue on SMA (1996, p. 272, emphasis in original), that: ‘researchers need to incorporate (i) *both* the informal and formal

and (ii) *both* the accounting and non-accounting elements of information transmission into research studies [on SMA]'. Our findings support their statement. Non-financial information on technically outdated software and the potential of Robotics' new software was vital when Robotics won the General Motors contract, and this information was informally exchanged between the cross-functional sales team and General Motors' engineers. Furthermore, through informal conversations, Robotics dispersed information, but also obtained input from General Motors on important trends relevant to the future development of industrial robots, thereby stimulating future product development.

5.2 Connections to the literature on inter-organisational accounting

Even though our primary aim was to contribute to the literature on strategic management accounting, the results of this study can also be discussed in the context of the related publications on inter-organisational accounting. Following Anthony Hopwood's call for more research on inter-organisational accounting (Hopwood 1996), there have been special issues in *Accounting, Organizations and Society* (1996, 2004, 2008) and *Management Accounting Research* (2006, 2011) as well as edited volumes (Håkansson et al. 2010). As a consequence, the inter-organisational accounting literature includes an interesting variety of empirical settings and theoretical perspectives (see Caglio and Ditillo 2008, Håkansson and Lind 2007 for reviews). Recently, this stream of research has highlighted the need to move from static towards more dynamic perspectives on inter-organisational accounting (Caglio and Ditillo 2008, Håkansson et al. 2010). However, what have been largely neglected are the strategic implications of these changes. For instance, many of the empirically based papers study inter-organisational accounting from an operational perspective in functions such as logistics (Coad and Cullen 2006, Cäker 2008, Dekker 2003, Mouritsen et al. 2001), purchasing (Agndal and Nilsson. 2010, Cuganesan and Lee 2006, Free 2008, Langfield-Smith and Smith 2003), product development (Cooper and Slagmulder 2004, Dekker 2004, Mouritsen et al. 2001, Van der Meer-Kooistra and Scapens 2008) and sales (Cäker 2007, Håkansson and Lind 2004), without analysing how these operational issues may or may not impact on the company's strategy. In light of the results in our paper, this seems like a missed opportunity.

The study by Mouritsen et al. (2001) is an exception. By outsourcing product development (NewTech) and production (LeanTech), the two companies aimed to reduce costs and lead-times and increase flexibility. A key finding was that inter-organisational accounting in the form of target costing and open-book accounting unexpectedly changed the companies' core competences and thereby impacted on the strategy development of the

companies. Our study contributes to the inter-organisational accounting literature by conceptually and empirically developing the findings in Mouritsen et al. (2001). Conceptually, we draw on strategy literature (e.g. Baraldi 2008, Harrison and Prenkert 2009) that emphasises that close inter-organisational relationships have intra-organisational strategic effects. With this theoretical perspective, the strategic implications of inter-organisational accounting techniques, seen as an unexpected outcome of the study in Mouritsen et al. (2001) and hence not analysed in any detail, would rather be considered expected and an important starting point for analysis. Empirically, our study provides nuances and details which develop the findings in Mouritsen et al. (2001). For example, rather than analysing suppliers as a collective, our empirical study of Robotics focuses on one critical close customer relationship that contributes to strategic change. This empirical focus is important because it helps to tease out details of the role of accounting in the inter-organisational micro-processes of strategising. For example, as we have shown, a number of boundary-spanning individuals on lower and middle management levels used accounting information both internally within Robotics but also interactively to discuss, convince and negotiate activities with General Motors. The use of such information is not strategic per se, but in the case of Robotics it concerned the most important customer and the accounting information had important strategic consequences. Another contribution of our paper is, therefore, to bring the literatures on ‘inter-organisational accounting’ and ‘accounting and strategising’ closer both conceptually and empirically. For the ‘inter-organisational accounting’ literature, a natural next step is to link strategic decision-making more explicitly with the current interest in the role of accounting in inter-organisational dynamics. For the ‘accounting and strategising’ literature, there is, as mentioned previously, both theoretical and empirical support for including detailed analysis of how the use of accounting information in close customer and/or supplier relationships plays a critical role in the emergence of new strategies.

Our findings have implications for other debates within the inter-organisational accounting literature, too. For example, they raise new questions for the stream of research that focuses on inter-organisational cost management. One such study is Cooper and Slagmulder (2004). In their study of Komatsu and the supplier Toyo Radiator, the authors showed how large cost reductions were made possible through concurrent cost management that involved intense interaction and information sharing between the companies. Based on the insights from our study, a natural extension for this type of research would be to ask – are there strategic implications for Komatsu from this use of concurrent cost management? The magnitude of the capacity increase (40 %) in the Komatsu case was seen as a huge success

and therefore holds the potential to influence Komatsu's emergent strategies. Similarly, work of this kind speaks to Langfield-Smith's call (2008), in her review of the SMA literature, to analyse whether – and if so how – the use of cost-management techniques subtly affect more general practice and influence a company's strategic development. Furthermore, in relation to the stream of research that focuses on inter-organisational product development, Miller and O'Leary (2007) demonstrate, in their study of Intel, that technology road maps act as important coordinating devices on an industry level. For example, it is through the technology road maps that different actors within the semiconductor industry determine when and how to make large strategic investments. However, like Mouritsen et al. (2001), Miller and O'Leary (2007) offer relatively little detailed description of close customer and supplier relationships. We do not know whether or how Intel interacts specifically with certain customers and suppliers to influence the industry technology roadmap that is developed. For future research in this area, our study indicates an important potential in complementing the industry level data with data from close customer and/or supplier relationships to enable a richer understanding of how technology road maps emerge as a result of activities on an industry level, an inter-organisational level and an intra-organisational level.

6. Conclusions

This research has made several contributions to the existing literature on SMA (e.g. Cadez and Guilding 2008, Chapman 2005, Chua 2007, Jørgensen and Messner 2010, Ma and Tayles 2009, Nixon and Burns 2012, Simmonds 1981, Skærbæk and Tryggestad 2010, Tillmann and Goddard 2008). First, it provided a conceptual comparison between the 'mainstream SMA' literature, the 'accounting and strategising' literature and 'SMA in close inter-organisational relationships'. This demonstrated that SMA in close relationships shares some important characteristics with the 'accounting and strategising' literature, mainly related to recipients and preparers. However, there were also important differences, mainly concerning the role of individuals working for close partners as preparers of strategic information, the role of disaggregated accounting information about unique connections to close partners and the role of indirect benefits that follow from close connections, and finally the role of bilateral flow of accounting information, i.e., the company not only collects information but also disperses some information within close inter-organisational relationships.

Second, through an intensive single case study of a global robot manufacturer, Robotics, this paper also provides novel empirical evidence on 'SMA in close inter-organisational relationships'. For instance, SMA practices included indirect benefits, something mainly

neglected in the existing literature on SMA. These indirect benefits followed from General Motors' willingness to invest time and effort in Robotics' technological development and thereby contribute to Robotics' ability to attain revenue gains in its interactions with other customers. Another indirect benefit that was important in strategic decision-making was that the significance of the order was seen as a way to energise the company and get everyone to focus on achieving cost savings.

Our study raises important implications for practice. To start with, managers need to shift their mind-set to realise that improvisation and inter-organisational collaboration can be the key to success. For example, for managers at Robotics, it was critical to understand the implications of the close relationship with General Motors. Rather than analysing a homogeneous and anonymous market, it was the interaction and joint problem solving with close customers that enabled Robotics to grow into the largest robotics company in the world. Given this foundational shift in mind-set, we offer three pieces of practical advice: First to train key personal involved in close customer relationships in basic accounting and to establish when and how they can make important decisions and when they need to consult headquarters for advice. As shown in our case, middle managers and key specialists were central in developing the relationship with General Motors. Often, there was no time to ask management accountants and top managers for advice. Instead the middle managers and specialists had to improvise and use accounting to make important decisions. Second, our findings highlight the need for managers to not only encourage the collecting of information from close customers, but also the dispersal of information to these customers. Such bilateral information flow created mutual learning between Robotics and General Motors which affected Robotics' strategic development. Our study also showed the importance of indirect effects from the close relationship with General Motors and other important relationships in Robotics' customer portfolio. A third piece of advice is therefore that managers working for companies involved in close inter-organisational relationships need to make sure that strategic decision-making incorporates indirect benefits, either qualitatively as in the Robotics' case, or quantitatively. Related to this, since many companies organise their sales force into key account teams, we see a risk that without this additional focus on indirect effects, these teams might focus too much on 'their customer' rather than investing time in sharing and learning from other close customer relationships. Since our study has shown the importance of close inter-organisational relationships for strategic decision-making, such knowledge sharing and learning should occur systematically regarding both positive (i.e. indirect benefits) and negative experiences.

As our investigation is the first paper of its kind analysing SMA in close inter-organisational relationships, we identify a need for further research to investigate such SMA practices in order to build on and extend the conceptual and empirical findings in our paper. More in-depth case studies are needed as the strategic decision-making may involve the top management, management accountants, dedicated cross-functional teams and selected personnel from close customers and/or suppliers. In the context of research within the 'mainstream SMA' literature, our findings imply that it may not be appropriate to make an a priori classification of accounting techniques as strategic or not, as has been done. Rather, management accounting is considered to be SMA when it is used in strategic decision-making. Thus, it is important for this line of research to explicitly define the key strategic decisions under investigation and then analyse the role of accounting in these decisions. Furthermore, if researchers conduct case studies by relying only on interviews with the top management and management accountants, it might be difficult to obtain a reliable picture of SMA practices because the views of middle and lower level managers, key specialists and personnel from close customers and/or suppliers are ignored. Tillmann and Goddard (2008), for instance, investigated a large German chemical company, making a methodological choice to interview management accountants primarily, however, complementary descriptions of the roles of other actors would have given a more nuanced picture of SMA practices. Relatedly, we also see further analytical potential in taking a broader view of the role of management accounting in close inter-organisational relationships, not only for strategic decision-making purposes (as in our case), but also for strategy implementation purposes.

Our findings illustrate how 'operational' and 'strategic' issues are intertwined (e.g. Ahrens and Chapman 2005, 2007, Jørgensen and Messner 2010, Skærbæk and Tryggestad 2010), but also how these processes evolve interactively through collaboration with close customers. Therefore, we see great potential for future research to more explicitly integrate knowledge from the literatures on 'accounting and strategising' and 'inter-organisational accounting'. Our study has taken an important step in this direction, but there is room for a great deal of further development. One avenue would be to focus on how the dynamics of emergent strategies are linked to the portfolio of close inter-organisational relationships. A starting point for creating such a 'network perspective on accounting and strategising' is Tomkins (2001). As he put it: 'any effort to manage the network must normally be couched in terms of negotiated adjustments to something that exists rather than the creation of something new... so there is a managerial issue concerned with network design' (Tomkins 2001, p.183). Even though Tomkins (2001) does not explicitly relate network design to processes of

strategising, network design through 'negotiated adjustments' can be taken as a starting point for integrating the two literatures. For instance, one could consider which role(s) does accounting play in the process of 'negotiated adjustments', and what are the strategic implications of these adjustments?

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Table 1: A conceptual comparison of three streams of SMA research

Dimensions of SMA	Mainstream SMA	Accounting and strategizing	SMA in close inter-organisational relationships
<i>Recipients</i>	Top management.	Top management, but also local managers and other actors.	Top management, but also middle and lower level managers and key specialists.
<i>Preparers</i>	Management accountants.	Management accountants important, but challenged by other groups, such as project managers.	Most important are the boundary-spanning individuals who are deeply involved in interactions with close customers and/or suppliers. These can be management accountants, middle and lower level managers and key specialists. Individuals working for the close partners can also provide important information.
<i>Information characteristics</i> - <i>Focus</i>	Financial and non-financial accounting information. Some accounting information in disaggregated form but most is in aggregated form and is expressed through the position in the market or value chain. It rarely consists of unique detailed information about specific customers and/or suppliers.	Financial and non-financial accounting information. Some accounting information in aggregated form but most is in disaggregated form related to a specific organisational problem/situation. It rarely consists of unique detailed information about specific customers and/or suppliers.	Financial and non-financial accounting information. Some accounting information in aggregated form but most is in disaggregated form related to unique connections to close customers and/or suppliers and about indirect benefits to third parties.
- <i>Orientation</i>	Some internal focus but mostly external focus: accounting information about competitors, customers and/or suppliers. The information flow is unilateral, i.e., people within the company collect information.	Some external focus but mostly internal focus. The information flow is unilateral, i.e., people within the company collect information.	Some internal focus but mostly external focus: accounting information about customers and/or suppliers. The information flow is bilateral, i.e., the company collects information, but it also disperses diverse information within different close inter-organisational relationships.

Table 2: Interview details

Company level and role	Number of interviews	Average length	Time of interview
Top management			
✓ Technology Director	1	65 min	Fall 2002
✓ Supply Chain Director	1	60 min	Fall 2002
✓ Chief Financial Officer	1	60 min	Fall 2002
Development			
✓ Project manager A	2	75 min	Spring 2003, summer 2005
✓ Project manager B	3	70 min	Fall 2002, spring 2003, summer 2005
✓ Technical manager A	3	50 min	Spring 2004, summer 2005, spring 2008
✓ Technical manager B	3	50 min	Spring 2004, fall 2008, summer 2009
Purchasing			
✓ Purchaser	2	55 min	Spring 2003
✓ Supply chain project manager	2	60 min	Fall 2002, spring 2003
Quality			
✓ Quality engineer A	2	55 min	Spring 2003
✓ Quality engineer B	2	60 min	Fall 2002, spring 2003
Logistics			
✓ Logistics manager	2	70 min	Fall 2002
✓ Material planner	1	60 min	Fall 2002
Production			
✓ Production manager	2	60 min	Fall 2002, summer 2005
✓ Production manager	2	70 min	Fall 2002, spring 2004
✓ Production engineer	2	65 min	Fall 2002, spring 2004
✓ Production tester	2	60 min	Spring 2003, summer 2005
Accounting			
✓ Management accountant A	3	75 min	Fall 2002
✓ Management accountant B	2	70 min	Fall 2002
Sales			
✓ Sales manager A	3	65 min	Spring 2004, summer 2005, spring 2007
✓ Sales manager B	2	60 min	Summer 2005, summer 2008
✓ Customer order manager	1	65 min	Spring 2004
✓ Product manager A	2	70 min	Summer 2005, summer 2009
Total	46		

Table 3: Strategic management accounting in Robotics

Strategic decision	<i>An increased focus on close inter-organisational relationships with automotive customers in North America</i>	<i>Signing the General Motors contract</i>
<i>Recipients</i>	– The top managers in Robotics were the strategists.	– Top managers and middle managers from the cross-functional sales team in Robotics were important strategists.
<i>Preparers</i>	– Management accountants who, for instance, mapped growth trends in different market segments and provided information on competitors' prices.	– Management accountants were not involved. The middle managers and key specialists, who had a technical background, had learnt sufficient accounting skills to be able to include both technical and financial considerations in the strategic decision-making. Engineers from General Motors were also important preparers.
<i>Information characteristics</i> – <i>Focus</i> – <i>Orientation</i>	– Financial and non-financial accounting information took the form of competitive positioning, value chain analysis and strategic costing. – Information concerning the position of Robotics vis-à-vis its competitors was in an aggregated form. – External focus. The direction of the information flow was unilateral, in that Robotics collected information from the external environment.	– Financial accounting information in the form of internal rate of return calculations and gap-analysis of the current cost level compared to assumed future costs. – Focus on information gained in and relevant to the unique connection with General Motors. – An inter-organisational dimension was included in the calculations as Robotics needed General Motors' input to lower its costs. – Indirect benefits discussed qualitatively. – External focus. The information flow was bilateral: Robotics collected and unexpectedly received information from General Motors, but it also dispersed information to General Motors.

Horizontal coordination in hospitals: the interplay of different management controls *across* complex organizations

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Abstract

Our paper explores the interplay of different management controls in relation to the coordination of activities in a complex, professional organization. We present a case study of the coordination of services between the anaesthesia department and orthopaedic surgery in a large university hospital in Norway, two departments that are hierarchically separated, but which are also highly dependent as they treat individual patients at the same time. Analyses of our findings suggest that administrative, vertical controls create challenges for such horizontal coordination, although the interplay between different forms of controls enables a degree of operational flexibility.

Introduction

We keep hearing the anaesthesia department say: “We cannot increase the activity”. It gets frustrating, and I think: OK, if you can’t, why don’t you prove it? (*Controller, orthopaedic clinic*)

Traditional management control systems exist to provide transparency and accountability between managers and employees at different levels of an organization. Management tools such as budgeting are adopted as mechanisms to deliver information up and down the hierarchical levels, and such systems tend to perform more smoothly (though not necessarily more

successfully) when an organization is predominantly structured around simple and vertically-oriented designs. But, what happens when there is greater complexity in organizations? What happens, for instance, when organizational sub-units have horizontal dependency, and yet quite distinct, vertically-oriented and unconnected control systems? This was the puzzle presented to us in our case study.

Our paper highlights the interplay of different management controls in a large Norwegian hospital. The quote (above) epitomises a tension that existed between two clinics within this organization, namely the orthopaedic clinic and the anaesthesia clinic, the latter on whom orthopaedics are totally dependent for their services. Put simply, if anaesthesia personnel are not present in surgery theatres, then no orthopaedic surgeries can be performed. Thus, horizontal cooperation between these two clinics is of crucial importance to the hospital's performance.

During the past two decades, Norwegian hospitals have gone through several rounds of "New Public Management" reforms, to increase operational efficiency and make hospital managers accountable for their use of resources. The overarching feature of these reforms has been the formalization of vertical coordination and control, which in turn has driven hospital units towards more specialized and hierarchical organization.

This vertical-orientation may influence the ability of different units to collaborate and coordinate activity on a horizontal level, by creating a need for separate management control systems (Kraus and Lindholm, 2010). An example of this could be where an organizational unit adopts activity-based financing, where that unit has suitable, measureable activities. Such control systems can create strong incentives for increasing activity in hospital units where activities are easily measured. Whereas, in other hospital units, where activities are less easy to measure, and where financing is undertaken using fixed budgets, the incentives faced can be quite different.

The situation described creates significant control challenges since the creation of value in a hospital occurs in the composition of medical services from various functions across the hospital. Thus, the need for coordination is significant, yet the more traditional and formal control framework may be questionable in such a situation. Consequently the main purpose of our study was to investigate how different controls, both formal and informal controls, might interplay and, over time, contribute towards the coordination of medical services across hospital departments which treat the same patients?

In addition to the horizontal-vertical controls conundrum, there is also an added complication of embedded and taken-for-granted assumptions within hospitals, more specifically the phenomenon that one of the most generally acknowledged control mechanisms in hospitals is accountability to patients (Albernethy, 1996). The common objective among doctors and nurses to always put the patient's needs first is often set in contrast to the management control system's focus on accountability to the budgets and objectives set by the top management. Thus, hospitals are often described as decoupled organizations, meaning that the medical professions and the top management live in separate worlds in relation to management control (Llewellyn, 2001; Nyland and Pettersen, 2004).

Theoretically, we begin with Hopwood's (1974) classic framework of administrative, social and self-controls, which enable us to analyse the influence of managerial and non-managerial controls on behaviour. The interplay between different sources of control has long been recognized as important for managers to understand (Hopwood, 1976). Nevertheless, it is still a relatively under-explored area (notable exceptions include Malmi and Brown, 2008; Sandelin, 2008; Abernethy and Stoelwinder, 1995; van der Meer-Koistra and Vosselman, 2000; van der Meer-Koistra and Scapens, 2008, and; Caglio and Ditillo, 2008). In this paper, we aim to

contribute towards greater understanding of how different controls interact in complex, professional organizations.

The paper is structured as follows. First, we outline our initial theoretical influences, focusing particularly on the theorization of alternative sources of control and their interaction. Next, the context of our focus and purpose is described in more detail, and different sources of influence and the use of control mechanisms in coordinating medical services in the two departments are discussed. Then, we describe and discuss our case study findings, followed by some concluding remarks concerning our contribution and implications for future research.

Theoretical perspective

The control framework

Hopwood (1974) discusses three different influences on behaviour, namely: (1) managers; (2) groups within or even outside the organization; and (3) individual values and characteristics. These sources of influence are respectively described as administrative control, social control and self-control. The control process may be described as the combination of administrative, social and individual pressure during ongoing competition for influence from these three sources (Hopwood, 1974; Abernethy and Stoelwinder, 1995).

Administrative controls are measures and tools that managers use to influence employee behaviour and job performance (Hopwood, 1974). The concept includes what we usually perceive as the formal management control system, which is composed of rules, policies and systems to which employees must relate. Drawing on Malmi and Brown (2008), this may include mechanisms for planning, budgets, financial and non-financial measures, balance scorecards, reward and compensation mechanisms, governance structures, and other procedures and policies. These control elements may be based on the desired outcome (outcome control) or on desired behaviour (behavioural control) (Ouchi, 1979).

An important foundation for many administrative controls is accounting, and there has been considerable increase in the use of accounting-based administrative controls across the global public sector during recent decades. This trend tends to include such mechanisms as activity-based financing, performance measurements and benchmarking. But, public sector managers may also use less formal administrative controls, such as training and socialization processes, and recruitment policies.

Social control may be understood as the influence of common norms and commitments that develop within a group; which in turn shapes a common perception of what is deemed acceptable behaviour, and where informal guidelines may be adopted (Hopwood, 1974). According to Hopwood (1974), social controls are not instigated by managers; but, informal norms and guidelines may have a strong influence on how organizational work is performed (Abernethy and Stoelwinder, 1995).

In the management control literature we can find other concepts with similar meanings. Ouchi (1979) uses the concept of clan control, argued to be a form of control that is suited to organizations such as hospitals, where quality of the output is difficult to measure. Cultural control (Malmi and Brown, 2008) is another concept that highlights the importance of such mechanisms as clans, values and symbols, the sorts of mechanisms which some have referred to as informal controls (Dekker, 2004).

Administrative controls may also be poorly suited to organizations that are dominated by professionals performing complex tasks, and where an alternative direction might be to trust the professionals to make key decisions based on their expertise and experience. (Ouchi, 1979; Dekker, 2004). This situation implies confidence in individuals seeking the information they require; and, in turn, this need for information requires flexibility and adaptability, including where individuals may also collect information outside the formal control system (Jonsson and Grønlund, 1988).

An employee is affected by management and the various groups one relates to. However, individual goals, values and abilities also affect how the work is performed, and this brings us to Hopwood's third source of control. According to Hopwood (1974), self-controls are related to an individual's own view, integrity, and overall approach to their role as a professional. In a hospital, professional affiliation will influence behaviour in various ways, such as through common norms and values that develop within groups of professionals (i.e., social controls). In addition, each individual's integrity and overall approach to their work as, say a doctor or a nurse, will be influenced by their education and socialization.

In his model of control, Hopwood (1974) emphasizes the combination of influence of managers, groups and individuals.

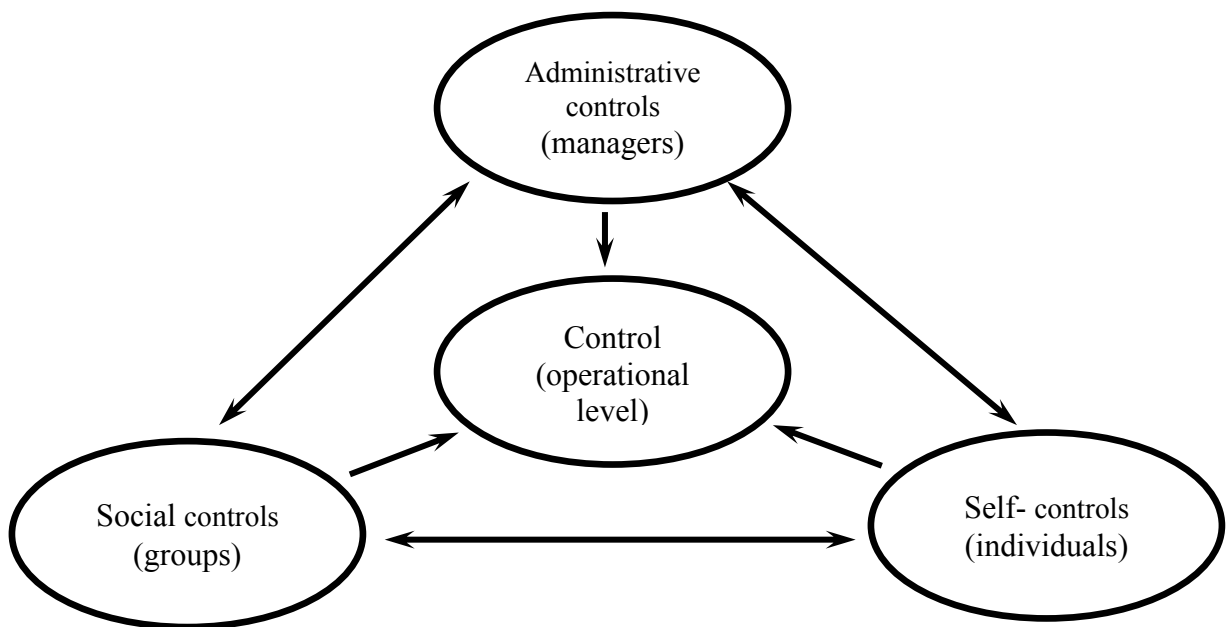


Figure 1. Model of control (Hopwood, 1974, p.22).

The arrows in the figure indicate interaction between the different sources of influence. The figure shows two levels of interaction. First, as shown by the inner set of arrows, control is conceptualized as a combination of administrative, social and personal pressures that simultaneously compete for influence. This means that when discussing the impact of different funding systems in two departments that are going to cooperate, we should at the same time take into consideration that there are other forms of control present that may affect activity in a complementary way, or which may counteract the effect of the funding system.

Second, the outer set of arrows indicates a mutual interaction between different sources of influence. As such, although the various sources of influence are seen as separate categories of control, Hopwood indicates that managers may affect the existence and strength of social controls through the use of administrative controls, and vice versa.

From a control perspective, these interactions are important to understand, i.e. how managers may control the impact of the other forms of controls and/or how one source of influence may counteract another. It is usually assumed that social and self-controls may support administrative controls, and that training and socialization processes may help in balancing individual and organizational goals and values (Ouchi, 1979). Thus the various controls may be seen as complementary. Managers may seek to influence the development of norms and values within professional groups or restrict employees' decision space through the use of administrative controls. However, sometimes group or individual values may be quite different from those pursued by the organization, and an important question is what happens when people are influenced by different forms of controls that are pointing in opposite directions.

Prior research on management control in hospitals

The control system can be seen as an instrument to draw boundaries to surround people in the organization in order to encourage, enable and sometimes force managers and employees to perform in the interests of the organization. Management control systems have traditionally been designed to increase transparency and accountability between managers at different levels within the organization. Budgeting, planning and evaluation mechanisms have been designed to bring knowledge from the bottom of the organization to the top, or to inform down on the goals that are to be pursued. One main problem when creating boundaries of control in hospital settings is the hierarchical and functional organization of the institution, which is often based on an organization of departments according to medical specialties and non-medical functions (with further hierarchies within departments). These elements turn hospitals into complex structures when defining administrative entities. Furthermore, patients are administered according to clinical decisions which may cross numerous administrative boundaries as they travel through the hospital. Thus, the framework of accountability in areas where ambiguous boundaries are found will make it difficult to operate systems set up to control and measure the results of an entity's activities (Nyland and Pettersen, 2004).

There is great demand for a clear definition of areas of responsibility in an organization where high quality care is produced in project teams with joint responsibility for patients. Nevertheless, this has been an important element in the Norwegian reforms (Nyland and Pettersen, 2004). Accounting, auditing and accountability systems are often introduced in order to gain relevant information, make managers responsible and enhance efficiency. As the vertical dimension of control is enhanced, an important question is whether this may hamper collaboration between the control entities.

The literature within management control in hospitals has mainly focused on the effect of administrative controls on decision-making within local hierarchies (Abernethy, 1996; Jacobs, 1998; Jones and Dewing, 1997; Lapsley, 2001; Llewellyn, 2001; Nyland and Pettersen, 2004; Kurunmäki et al., 2003; Kurunmäki, 2004). However, the importance of alternative sources of influence has also been central to this research; therefore professional norms and individual values and characteristics are presented as important controls. The literature emphasizes that these sources of influence may be seen as alternative forms of control that may hamper, for

example, the effects of budgetary control, thereby suggesting countervailing effects between administrative and social controls.

Abernethy and Stoelwinder (1995) study the conflict that occurs when strong professional groups (doctors and nurses) who are trained to perform complex tasks, and whose behaviour is primarily controlled through social and self-control mechanisms, are faced with administrative controls that restrict their autonomy. They find that professionals who feel that they are limited by output controls (e.g. strict budgetary control) experience higher levels of role conflict, and achieve lower job satisfaction and performance. They conclude that “not only will these controls [administrative output control] not operate effectively, they are likely to have adverse individual and organizational effects” (Abernethy and Stoelwinder, 1995, p.13).

The literature is not conclusive about how different forms of controls interact. Hospitals are discussed as loosely coupled organizations where plans and budgets are more or less decoupled from activity. March and Olsen (1976) wrote about decoupling due to different logics, which are clearly apparent in professional organizations like hospitals, where administrative logic is based on the logic of consequentiality, and clinical logic is based on the logic of appropriateness. Abernethy (1996) puts forward a similar explanation for decoupling when she suggests that doctors, as the dominant professional group in a hospital, have their primary loyalty to the profession and to the patients, and not to their employing organization. Based on similar arguments, a broad set of studies have concluded that increased use of vertical administrative controls did not change behaviour on the operational level in hospitals (Jones and Dewing, 1997; Nyland and Pettersen, 2004; Broadbent et al., 2001; Jacobs, 2005; Llewellyn, 2001).

Other studies show conflicting results, indicating tighter coupling between administrative controls and behaviour (Jacobs, 1998; Kurunmäki et al., 2003; Kurunmäki, 2004; Abernethy and Stoelwinder, 1995). According to this part of the literature, we may expect increased use of vertical administrative controls to hamper coordination between control entities.

In our case, the two local hierarchies in the hospital are controlled by one common top management. However, the local hierarchies are initially perceived as autonomous entities facing quite conflicting incentives. Such a setting calls for a study of the horizontal dimensions of control, how information is processed and how decisions are made between different units within the same hierarchical level. This focus makes the literature on inter-organizational control relevant.

Lessons learned from inter-organizational control

There is an extensive literature that studies the horizontal control between organizations, such as the relationship between manufacturers and their suppliers (see Caglio and Ditillo [2008] for an overview). According to van der Meer-Kooistra and Scapens (2008), findings from this literature may also be relevant for understanding the relationship between departments within an organization.

While it was previously assumed that coordination between organizations was primarily based on formal administrative controls like transactional contracts, Cäker (2008) finds that social mechanisms and trust may also be important in these settings. Trust may create the necessary flexibility in a relationship that is essentially characterized by strict administrative controls. Social controls may be especially important at the operational level due to high complexity, while trust may originate from prior experiences and shared norms and values. Håkansson and Lind (2004) suggest that frequent interaction between groups may drive the development of shared norms and

values, and thus facilitate cooperation across organizational boundaries. They suggest that both informal and formal interaction, such as the development of joint plans and systems, may contribute to the adaptation of common goals and accountabilities. Regular contact contributes to the development of a common culture, enabling units to develop common knowledge and make decisions that contribute to common goal achievement through the establishment of venues for joint problem solving – even if they do not belong to the same organization.

When horizontal relations at the operational level are characterized by high mutual dependence, high complexity and continuous changes, it is impossible to design a formal control system that addresses all possible challenges. When senior managers do not possess the necessary operational knowledge, their subordinates will be expected to control their own lateral relationships. According to van der Meer-Kooistra and Scapens (2008) it is important that managers facilitate and support control by creating a decision space that enable decisions at the operational level in such situations.

Method

In exploring the different sources of influence in the collaboration between two different functions within the hospital, we required information on both the vertical and the horizontal control systems surrounding the said interrelationships. To understand the actual operation of these systems, it was necessary to go beyond purely descriptive accounts, and study how key decision-makers understand the systems, and the consequences for internal control processes. Against this background, we chose to conduct a case study in order to understand a complex system in practice (Yin, 1994).

Our case was carefully chosen, as the functions are met with different incentives from the administrative control system, something that is believed to further increase the challenges inherent in collaboration. In the following, we seek to identify how managers, different groups, and individual values and skills influence the coordination of activity between functions in a hospital at an operational level.

Our study was conducted in two stages. The first stage was completed in spring 2012, where the focus was on coordination at a hospital/clinic level. Interviews were conducted with the CEO, the CFO and three different clinic managers. This gave insight into the context of the collaboration between the two functions. Documents were also used to draw the formal chart of the organization of the hospital. Interviews were also made at an operational level, focusing on the effects and challenges the differences in the financial system were creating. A total of 11 interviews were conducted in this phase (see Table 1). Then, building on our findings parting stage one, we conducted five in-depth interviews with formal decision-makers at the operational level (see Table 1, also). Since there are relatively few formal decision-makers at this level, the number of respondents in this part of the study is also relatively low.

All interviews were conducted by two researchers. The interviews were taped and transcribed, before a summary of the transcriptions were sent to the respondents for comments and corrections. Each interview lasted between 45 and 120 minutes. The key informants have provided most of the information used in this study. While this may have introduced elements of bias to the study, the notion of key informants is well recognized in the qualitative research literature (Rubin and Rubin, 1995). This research method is well suited to increasing knowledge relevant to our research question. However, our findings can only be generalized to other hospital relations to a limited extent.

(Table 1 about here)

Date	Function
Stage 1	
21.03.2012	CFO of the hospital
21.03.2012	Constituted leader for doctors in the anaesthesia department (AN)
21.03.2012	Clinic manager and department manager of orthopaedic surgery (OS)
22.03.2012	CEO of the hospital
26.03.2012	Controller of orthopaedic clinic
26.03.2012	Department manager of doctors (AN)
30.03.2012	Medical leader of the orthopaedic clinic
11.04.2012	Controller of the anaesthesia clinic
11.04.2012	Clinic manager of the anaesthesia clinic
17.04.2012	Department manager of nurses (OS)
17.04.2012	Department manager of the emergency surgery rooms
Stage 2	
12.12.2012	Department manager of the emergency surgery rooms
18.12.2012	Department manager nurses (AN)
20.12.2012	Coordinator nurses (AN)
02.01.2013	Department manager of nurses (OS)
02.01.2013	Coordinator nurses (OS)

Table 1. Interviews

Empirics

Context for the collaboration

The hospital is one of the largest in Norway, with almost 10 000 employees and a total budget of 1 billion euro. It is organized into 19 clinics, located in seven different buildings so as to strengthen both the professional environment within each medical specialty and enable strong vertical control. The clinics are further divided into a number of different departments, and the department managers hold both financial and clinical responsibilities. Our research focus is

centred on the horizontal coordination of activity between two departments within two different clinics: one medical clinic providing services to specific patients, and one service clinic providing services to other medical clinics (Figure 2).

(Figure 2 about here)

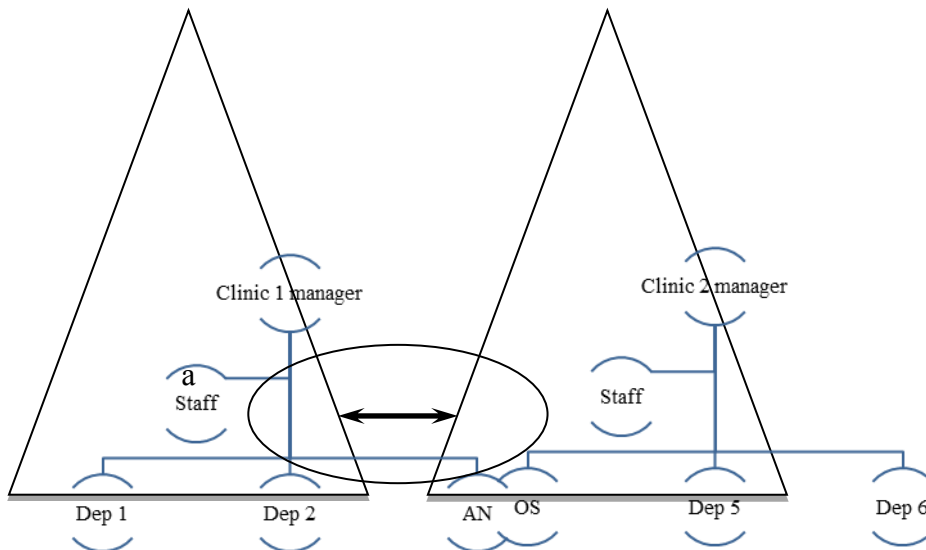


Figure 2. The control context: horizontal coordination between departments belonging to different hierarchies (clinics).

The anaesthesia department (AN) is part of a huge service clinic, and includes ten departments providing all kinds of emergency services. AN provides anaesthesia services during surgeries and medical investigation for the whole hospital. Their largest customer is department of orthopaedic surgery (OS), which is part of a medical clinic consisting of seven different orthopaedic departments (medical and surgical). OS perform scheduled (elective) surgery within eight different operating theatres located in the Centre of Orthopaedics, which is the building next to the emergency centre where AN is located.

As all other departments within this medical clinic, OS is financed based on their activity. The higher the activity performed, the higher the budget. Activity is measured in terms of number of DRG¹ points; payment per DRG point is parallel to the state's funding of the hospitals. Thus, the hospital has no financial risks associated with giving the departments a flexible budget. However, this model applies only to clinics having their own patients and where the activity can be measured using the DRG system. AN performs their services on patients belonging to other departments (e.g. OS), but the DRG system is not suitable for measuring AN's activity. Thus, AN is financed with a fixed budget based on last year's budget, and is facing a dilemma as a consequence: whether to keep activity and costs low and keep within their budget limit, or to

¹ DRG (Diagnosis Related Groups) is a system used worldwide for classifying and measuring clinical activity in hospitals. DRG points represent a norm for the use of resources associated with a selection of patients.

support the medical clinics in their ever-increasing demands for higher activity. The total capacity for anaesthesia resources is fixed at the beginning of the year. This causes intense fights for these resources among the different receiving units, who experience pressure to increase their level of activity from both the hospital management and from their patients. It is hard for the medical clinics to accept that they do not have access to the necessary resources from AN. According to the clinic manager and the department manager in OS, they do not trust that AN uses their capacity efficiently. They become frustrated when AN says no to requests to increase their resources without documenting how they make use of their existing capacity.

You know very little about what happens at the other centres and clinics. When you know little, it's easy to think: I'm being cheated. (*Clinic manager, orthopaedic clinic*)

The criticism from the medical clinics is widely acknowledged within the management of AN, who believe that they are being blamed for patients not being operated on:

I find it difficult to see that our customers trust our arguments. We have been blamed for everything: waiting lists that are exceeded, patients that do not receive services they are entitled to.... And, regarding all these resources, it is almost 90 nurses and 60 doctors. It sounds like an ocean of resources ... what do they all do? That's the question posed from other clinics. (*Department manager, AN*)

One obvious way to increase the capacity of AN would be through internal trade arrangements with the receiving clinics. However, such a strategy is not supported by the hospital's CEO due to the disproportionately strong bargaining position AN would hold. Hence, a formal system of transfer pricing between AN and medical clinics have not been established. Scepticism related to the AN's effectiveness is also characterizing the dialogue between the clinic and the top management of the hospital.

This is primarily a verbal discussion It's word against word. AN is standing alone against the other clinics. At the same time, I am convinced that they have not done enough internally yet. But I cannot reveal anything that I can show off and say, "Look here!" One would think that they would take initiatives themselves to document what they may have done. Who should bear the burden of proof? (*CFO of the hospital*)

According to the department manager for AN, their total budget is too low in relation to the demand from OS and other receiving units.

When you open the budget and see that you do not have enough to cover the cost of the staff, and the finance department says "go anyway"... On the first of January, five minutes past midnight. Then we know that the budget is going to be exceeded. (*Department manager, AN*)

This is creating a challenging framework for cooperation between the medical clinics and AN. However, we still find that the cooperation between AN and OS is working fairly well at an operational level within the surgery theatres: patients are getting high quality services; waiting lists are kept low; and the number of cancelled surgeries is low. Our empirics will shed light on the collaboration within the theatres, by focusing on core elements of management control,

namely: planning, implementation and evaluation of activity.

Planning of activity

As a general rule, employees in AN are organized into permanent teams that serve the various clinics. In addition, some employees belong to a flexible team that can be used across different receiving clinics. This is done to create professional communities in the clinics and simultaneously address the need for flexibility. Consequently, a team of nurses and doctors from AN is permanently located at OS.

OS operates eight surgery theatres open on a regular basis between 7.30 a.m. and 3.30 p.m. Patients who have been signed up for surgery, often planned several months in advance, are operated upon. At the theatres, doctors and nurses from AN work closely together with surgeons, nurses and technicians from OS. To coordinate the activity in the surgery theatres, AN and OS have appointed respective coordinators. The coordinators are responsible for the collaboration without being formal managers, i.e. they have no budget or personnel responsibilities. Regarding the allocation of capacity to the various clinics, a challenge has been the insufficient understanding of AN's framework. At each surgery theatre, AN has decided to have one doctor and 1.5 anaesthesia nurses present during opening hours; one nurse present at each theatre; and one present when needed for covering two theatres. These norms set by AN are quality controlled by external experts. The management of AN has also arranged joint meetings with all its receiving units to encourage dialogue about how the hospital can make use of AN's total resources. According to the department manager in AN, such meetings have helped to create networks and communications, thus reducing the degree of mistrust and fear that someone may have hidden agendas. Eventually, several units have taken initiatives to purchase services from AN using the unit's norms for capacity usage.

It is perhaps somewhat accepted that one cannot increase activity without involving anaesthesia in the decision. Here we just pass the ball back, and tell them that if a clinic manager wants to have an extra surgery theatre in the middle of the year, we will manage to organize it if he will pay what it costs: one and a half nursing position for each surgery theatre. (*Department manager, AN*)

This has been done in OS on two occasions during the last year, both of which were organized as two projects. One was keeping the operating theatres open throughout the summer – a period which is ordinarily scheduled with low activity and staffing; the other was extending opening hours for some weeks to reduce waiting lists for a specific patient group. In these projects, OS pay wages for the additional resources that AN makes available. Initiatives for this simplified form of internal trading have come from the operational level through the coordinators, rather than from formal managers, and the practical arrangements are solved at the departmental level. This pragmatic solution has not been announced higher up in the hospital hierarchy.

The Orthopaedics Plan, a detailed plan for the activity in the operating theatres, is created twice a year. This work is formally carried out by the OS, but AN is involved through the coordinator. According to our respondents, the partnership has benefited from several projects that are organized across departmental boundaries. Such projects have intended to identify the logistics within the operating theatres; estimated the time for an anaesthesia nurse to give an anaesthetic; for a surgical nurse to wash an area; for the surgeon to perform his work; for the patient to wake up, and so on. This has provided a basis for operational planning by not simply

providing norms for the use of resources; in addition, this work has influenced the climate of cooperation.

More and more we have to work together. Because we have been facing major challenges ... the hospital management has initiated several projects across organizational boundaries. For example, we had a project on the logistics in the operating theatres. As a spin-off of this; we have become more familiar with each other. And that obviously means more cooperation. (*Department manager, AN*)

Other similar examples of such inter-departmental collaboration are the creation of fast-tracks: streamlined, standardized patient pathways for selected patient groups.

Implementing activity

The capacity of the surgery theatres is planned to be fully booked, but it often happens that surgeries are delayed, and consequently the surgery program cannot be completed within the scheduled opening hours. Whether the program is to be postponed to another day, or completed using overtime or extra shifts, is a decision the coordinators of AN and OS are supposed to make together. Authority to use overtime and extra shifts is thus delegated to the coordinators.

Delays in the surgery program happen all the time, and the attitude among the staff is that the budget should not be an obstacle for a patient prepared for surgery to get their treatment. This attitude is evident among the staff, coordinators and the department manager. Therefore, it is rarely difficult to get employees to work overtime to get patients through the program:

It is the patient that is most important for everyone here. It is important that patients are satisfied. Everybody knows that when a patient comes to get his or her surgery at the hospital, the patient has taken time off from work and has organized babysitting and so on. We need very good reasons to skip the surgery just because the budget does not fit to this ... It's a very collective spirit in that respect. And most people think of the patient ... We have performed almost 300 surgeries on overtime this year. (*Coordinator, AN*)

The working environment at the surgery theatres is characterized by people knowing each other and knowing how to work together. Informal mechanisms are emphasized as important in this regard. An initiative taken up by several of our respondents include common parties, where staff from different professions within the two departments meets. This is claimed to be of great importance to cooperation since it contributes to the understanding of each other's functions and challenges, and thus an understanding that everyone is part of a larger context. AN and OS personnel work closely together, giving rise to a common identity; several of our respondents talk about "us in the surgery theatres". According to the coordinators, staff in the surgery theatres is not aware that they actually belong to different departments in their daily work.

To further facilitate collaboration, the two coordinators for AN and OS share desks in the same office. The initiative for this arrangement was taken by the coordinators a few years ago, and the cooperation on how to organize the activity in the theatres seems to have improved significantly. According to the coordinators, they no longer need to have formal meetings, but sit together and solve problems as they occur. Their office is located as close to the surgery theatres as possible, contributing to the closeness of the staff and the ability to closely follow the activity in the

theatres. The department manager also recognizes the value of this localization:

This is a new arrangement that works pretty well. The previous coordinator [OS] was located in the office next to me. Then the two boys had the idea that sharing an office closer to the surgery theatres would be both enjoyable and convenient. And I see in retrospect that this was a smart move. (*Department manager, OS*)

Both coordinators express loyalty to each other's department. For example, the coordinator of AN is concerned with the impact on OS' earnings in situations of delays in the surgery program. This creates a holistic perspective among the coordinators:

Thus, on average OS earns 35 000 NOK [about 4 500 euro] per patient – it varies of course. If we remove a patient from the schedule, then we lose this money and save one hour of overtime. I do not think that makes good business. (*Coordinator, AN*)

Both coordinators are originally nurses. According to their working schedule, they are not supposed to perform clinical duties. Nevertheless, they sometimes work in the surgery theatres to be able to keep in touch with their profession and to know how the staff works together.

It is important to be able to feel in your bones how people are, and to take part as the surgery occurs. It is important not to lose touch entirely. (*Coordinator, OS*)

Evaluation of activity

Evaluation processes take place at different levels; both vertically and horizontal, they seem informal, and are characterized by mutual trust and close relationships. The environment is transparent: people know each other well through many years of collaboration, both in the surgery theatres and within different projects across professional and departmental boundaries. Although the department manager for AN has the ability to control the activity through their access to activity data, most of the time she chooses to not use these data. She trusts that the coordinators take the right decisions, since they have the right skills and the necessary closeness to the activity. In the vertical dimension, the coordinators have been delegated authority to use overtime and extra shifts, without formally being assigned responsibility for the budget. According to the department manager for AN, they nevertheless have a “collegial” responsibility for the budget that they have to share with her.

The coordinators have to deal with the pressure. They are informed about the budget situation; I have meetings with them once a week, and then we review the financial situation. If not every week, then every other week So, the financial awareness is significant. It is discussed among the staff as well. We talk about austerity; we do not need to drive a Mercedes when we just as well may settle for a Volkswagen ... We do not have to formalize everything or include clinical managers in all situations. My coordinators in the various centres, they fix almost everything on their own. (*Department manager, AN*)

The coordinators seem to accept this informal accountability and do whatever they can to avoid hiring additional personnel; for example, through reallocating available resources between the

eight theatres. The location of the joint office close to the surgery theatres contributes to the valuable exchange of information with the staff; the coordinators may keep track of all activity and intervene whenever necessary. In addition, recorded data is used at this level; according to the coordinators, it is easy to see everything that is happening within the theatres by studying activity data on the computer.

My manager got to just trust that I am doing what I should. She sees the result.
(Coordinator, OS)

But even though the budget causes some surgeries to be removed from the surgery schedule – and although certain parts of the increased costs are covered by OS – AN experiences increasing budget deficits. The coordinator for AN has great difficulties saying no to overtime when the patient is ready, all other resources are available and one of his nurse anaesthetists is willing to work overtime to complete the program. According to the coordinator, this is accepted by his manager; their shared responsibility for the patients has to outweigh their responsibility to the budget. Thus, according to him, the most important control information when it comes to evaluation is the measurement of patient satisfaction.

We face great challenges. But the good thing in all this is that we are we able to produce a service that provides very high scores on patient satisfaction. And it's very positive. It feels good. Although we disagree a bit internally and are struggling a bit internally, we can still provide good services to our patients. And they are happy. And we operate more than before. So really I think that we have much to be proud of. (Coordinator, AN)

Discussion

Our research question focused on how different sources of influence might contribute to horizontal coordination at the operational level between anaesthesia and orthopaedic surgery. We have described a broad mix of controls that shape cooperation.

	Administrative controls (managers²)	Social controls (groups)	Self-controls (individuals)
<i>Planning activities</i>	<ul style="list-style-type: none"> • Norms for allocation of capacity. • Organizing: regular teams, flexible team, use of coordinators. • Network meetings with customers. • OS plans. • Organizing project teams 	<ul style="list-style-type: none"> • Involving AN in OS' plans. • Expanding capacity through internal trading. 	<ul style="list-style-type: none"> • Employees that know each other well

² Since coordinators are not responsible for personnel or finances, they are not considered managers. Thus, administrative controls are defined as controls implemented by the department manager or managers at higher levels in the hierarchy.

	across professional and departmental boundaries.		
<i>Implementing activities</i>	<ul style="list-style-type: none"> • Personnel with long experience from different parts of the hospital. • Accepting internal trading. • Accepting use of overtime/extra shifts. 	<ul style="list-style-type: none"> • Coordinators sharing an office located close to the surgery theatres. • Expanding capacity through use of overtime and extra shifts. • Parties across professional and departmental boundaries. • Common culture (“us in the surgery theatres”). 	<ul style="list-style-type: none"> • Loyalty to the patients among all clinical personnel involved (also managers). • A holistic perspective among the coordinators.
<i>Evaluating activities</i>	<ul style="list-style-type: none"> • Weekly meetings for following up on the budget situation. • Informal meetings and dialogue with coordinators. • Patient satisfaction measurement. • Use of activity data. • Trust in coordinators. 	<ul style="list-style-type: none"> • An informal joint responsibility to the budget. • Focus on patient satisfaction. • Observing activity. • Coordinators taking part in clinical activity. • Close networks among staff and coordinators across departmental boundaries 	

Table 2. Design of controls in the coordination of activities between AN and OS.

Despite the fact that the departments are facing quite different incentives through different funding system and evaluation regimes, these controls seem to contribute to what is at least perceived as being well-coordinated services in the surgery theatres. In the following discussion, we will highlight three particular findings which augment our understanding of how one source of influence may affect another.

Social controls appear to be highly influential at the operational level

Our findings suggest that social controls, such as a common culture, shared values and close networks between coordinators and other employees in the surgery theatres, are important for coordination at the operational level. This supports findings from Cäker (2008) on the importance of trust for coordination at this level. Joint activity in the operating theatres entails strong

interdependence between the departments. According to van der Meer-Kooistra and Vosselman (2000), this will further increase the importance of trust.

Our case suggests close links between various social controls. For example, the sharing of offices, and even the sharing of desks, allows employees to interact closely and thereby develop a shared understanding of objectives. This seems to form the basis for good working relationships without regard to departmental borders, and with a mutual understanding of each other's operating framework. This also seems to align to prior research which suggests that frequent interaction drives the development of shared norms (Håkansson and Lind, 2004).

Our findings are also consistent with the literature on control in hospitals, which emphasizes a common loyalty to the patients among medical staff (Abernethy, 1996). Staff from both departments talk about "us in the surgery theatre," while, according to the coordinators, employees make no distinction as to who works for AN or OS. Loyalty to the patients seems to outweigh loyalty to the departments, and we notice a more holistic reflection among the clinical staff than was the case higher up in the hierarchy. Drawing on Hopwood's (1974) model of control (Figure 1), this indicates a strong relation between self-controls and social controls.

Administrative and social controls are closely related

Our findings suggest that administrative controls influence the relationships between the entities more than at a higher level within the hierarchies. At the hospital level, managers are focusing on different financing systems and the lack of credible activity measures. Top managers in the two clinics express considerable scepticism about each other's intentions regarding cooperation, pointing to administrative controls as a driving force behind this situation. Thus, we could expect that the financing systems and separate budgets may prevent cooperation.

However, this is not apparent at the operational level to the same extent. And, this finding may indicate a decoupled organization, which would be consistent with prior research on control in hospitals (Jones and Dewing, 1997; Nyland and Pettersen, 2004; Broadbent et al., 2001; Jacobs, 2005; Llewellyn, 2001). Nevertheless, a closer look into our case suggests that administrative controls also affect cooperation at the operational level in several ways.

The coordinator of AN has been delegated authority to issue use of overtime, extra shifts and hiring of additional personnel whenever needed, without having a corresponding budget responsibility. Still, when exercising this authority, it is evident that the budget situation is perceived as a constraint for action. When the interests of individual patients already scheduled for surgery warrants it, extra capacity is hired. This does not entail major consequences for the budget. When the waiting list situation implies the need for a greater increase in capacity, the coordinators in both departments form an agreement of internal trading to avoid a budget deficit within the AN department. Here we observe a link between administrative and social controls; the budget situation is forcing a local consensus to be formed, and such an informal contract between the groups in the operating theatres makes it possible to still maintain a certain level of budgetary control at the department level. The existence of this local initiative indicates that this is not a decoupled organization regarding the use of budget control. Staff in the operating theatres even requests a more permanent system of internal trading, since this would give more flexibility to further increase the level of activity. This suggests that budget limits influence behaviour at the operational level by affecting the way groups of employees interact and how they make use of their decision space. In some ways, professional groups behave as though they are accountable to the budget despite the fact that they have no formal budget responsibility.

Our analysis also suggests ways in which administrative controls influence social controls. Organizing permanent staff of nurses and doctors from AN working at OS is probably an important precondition for the development of a shared culture, while the recruiting of experienced staff with tight networks within the hospital makes collaboration easier. Thus, we see how managers influence the extent of interaction – and thus the influence of social controls – through the use of administrative controls. In relation to Hopwood's (1974) definition of control (see Figure 2), this relates to the importance of including the outer set of arrows to understand how various sources affect cooperation between the two departments. Only including the direct effects of administrative, social and self-controls may seem like a narrow approach that would hardly reveal the whole picture.

The middle manager as facilitator of operational cooperation

Hospitals are professional organizations with a potential conflict between the organization and the medical professions' objectives. The purpose of control is to reduce the impact of this conflict and to get all employees to perform in the interests of the organization. Middle managers are expected to translate, communicate and follow up on signals and demands from senior management further down the hierarchy, and take responsibility for the performance of the professions, which is then communicated up in the organization. Several studies point to the important role of middle managers in hospitals as links between the senior management and professionals, which is often described as contributing to the decoupling of the organization (Nyland and Pettersen, 2004; Llewellyn, 2001).

In our study we see that the manager has an important role in terms of balancing the various sources of influence to facilitate cooperation. The control focus at the operational level is largely horizontally oriented. This would hardly have been possible if employees at this level – particularly coordinators within the operating theatres – did not have sufficient space to make the decisions necessary to coordinate services. There may be less focus on budgets, but there is instead a common culture of always doing what is best for the patient and also endeavour to act in favour of the organization.

It seems that pragmatism is highly valued, and pragmatic solutions require loose control regarding the overall control system. This loose control occurs in our case at the departmental level. The department manager of AN withdraws strict supervision of budget deficits or statistics of activity; on the contrary, she trusts the coordinators to have the necessary expertise to make the best decisions. When professional groups within the surgery theatres propose internal trading of additional capacity from anaesthesia personnel, the department manager accepts this, despite the fact that such arrangements are not supported by the hospital management. The operational level appears to be protected from the formal administrative control system. AN seems to be vertically loosely controlled to allow for a horizontal collaboration with OS at an operational level. The department manager of AN serves more as a facilitator than as a strict controller, leaving the coordinators to control operations according to the needs that arise in the surgery theatres. According to van der Meer-Kooistra and Scapens (2008), this is a typical feature of lateral relationships within an organization, whereby the management system must strike an adequate balance between strict administrative control and flexibility so as to ensure good coordination.

Concluding remarks

Our study shows the importance of including the interaction between different sources of influence when studying the effects on control at the operational level. Managers' influence may be attributed to some extent to how they enable social controls in order to have an influence. The direct effect of administrative controls for operational activity may be considered less important, something that may be interpreted as implying a decoupled organization. Inclusion of, and highlighting the outer arrows in Hopwood's (1974) model control, are thus important for understanding the influence of various categories of controls.

Our findings have some practical implications. The study emphasizes the importance of managers as facilitators in professional organizations, to enable the professionals to have an influence regarding operational activities and coordination. According to previous studies, this is especially important when the task in question is complex and the interdependence between the different units is large (van der Meer-Kooistra and Scapens, 2008). The importance of complexity and mutual dependency between the collaborating units is interesting. It is highly possible that different sources of controls during cooperation between less dependent units may contribute quite differently from what our study suggests. We therefore call for more studies into the impact of contextual factors like complexity and dependency between the cooperating entities on the relationship between the various controls.

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Budgets as stabilisation

– A CASE STUDY OF A FESTIVAL

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Abstract

Purpose – This paper aims to investigate how the budget when split into projects can act as a management tool to stabilise festival uncertainty

Design/methodology/approach – A case study is used to discuss the budget in a large Norwegian festival. Simons' levers of control framework is applied for the analysis. The framework focuses on design and use of the budget and how the budget is aligned with the specific characteristics of the festival as an economic organisation.

Findings – The findings support the assumption that budgets may stabilise an organisation which is unstable as to activity, costs and income and reduces uncertainty in the organisation.

Originality/value – It contributes to the understanding of how a budget can stabilise the organisation in an environment with a high degree of uncertainty.

Keywords - Budgets, Budget critique, Functions of budgets, Levers of control framework.

Paper type – Research paper

Introduction

Festivals are major actors in the diversity of cultural markets. Many municipalities and counties have one or more festivals, and they show a great variety as to content and size. There are music festivals, film festivals, cabaret festivals, band festivals, children's festivals food festivals and so on. Very often these festivals can be characterized as businesses organised with professional boards, managers and annual budgets including numerous staffs and performing artists. Further, these festivals often have economic importance in their local surroundings.

On the other hand, festivals also share a number of characteristics which make them different from ordinary businesses, as their main performance takes place during a short and very intense period of time, they are normally organised as very small administrative bodies which grow rapidly due to a large number of volunteers during the festival period, they attract a lot attention in the society and media during the performance period, and the value of performance is created by different artists from year to year. Obviously, there is a dilemma between the characteristics of festivals as large economic organisations and their deep rooted cultural norms which are not only different from but may also be conflicting with the business logics. It can then easily be imagined that this dilemma can create destabilising forces. Consequently, a relevant research question to be discussed in this paper is how the budget as a management tool is designed and used in a festival, and the motivation for this question is the assumption that budgets, among many functions, may play stabilising functions in such organisations.

The economic conditions for festivals are often associated with unmanageable costs and large budget deficits. So is also the case for many Norwegian festivals, most of which are arranged during the summer months. In the autumn one can often read about one festival deficit after the other in the media. There is therefore a general impression that many festivals are poorly managed over the years, and that they struggle to run within budget limits. This paper deals with a case which has shown another and more successful picture when it comes to budgets. The case discussed here turned from a situation with recurring economic problems towards years with budget surpluses.

The St. Olav Festival in Trondheim, one of the most traditional and largest Norwegian festivals, is performed during about 10 days in July and August every year. Within these days,

approximately 200 arrangements are offered to an audience counting nearly 200 000 people. In 2008 the St. Olav Festival had a major economic crisis, and several dramatic steps were taken to save the festival from breaking down. The designing and implementing a new budget system was one of these steps. From 2009 to 2013 the festival turned from economic disaster to a situation with stable budget control, and the key actors claim that the budget control system is a central factor in their overall success with the festival. On this background, this paper presents a case where the budget is used over several years and turns out to fill a number of functions. The study addresses the research question as to how the budget is designed and used in the St. Olav Festival, including the focus on why the budget has been perceived relevant and useful by the key actors.

This research also contributes to the more theoretical discussions on the functions of budgets as management control tools. Prior research has criticized the budgets mainly due to major flaws such as that the budgets constrain flexibility, that it is not relevant in uncertain environments, that it is not easily combined with strategic decisions and that budgeting is too time-consuming (Hope and Fraser, 2003, Neely et al., 2003, Bogsnes, 2009). Despite the critique of budgets, the budget is still seen as the dominating tool for management control in most organisations (Ekholm and Wallin, 2000, Libby and Lindsay, 2010, Hansen and Van der Stede, 2004), and only a small number of organisations have deserted budgets (Ekholm and Wallin, 2000, Libby and Lindsay, 2010). Bjørnenak and Olsen (2012) claim that even if there is an acknowledgement of the relevance of this critique, budgets are still found to be used and perceived as useful. Most prior research has also paid little attention to the multiple use of the budget (Hansen and Van der Stede, 2004). as the focus has been primarily on the budget in performance evaluation (Hartmann, 2000).

Consequently, knowledge should be gained as to how management control systems are practiced (Tuomela, 2005, Mundy, 2010, Hofmann et al., 2012). This paper contributes to fill this knowledge gap as to how budgets can be used as tools to turn economic problems towards more stable and controllable situations. To go deeper into this field and analyse the focal festival, the Simons' (1995) levers of control is elaborated as a theoretical framework to explore the use of the budget in the specific contexts such as the festival. This framework enables a discussion of how a management control system can promote learning and innovation while still exerting control over the organization's goal achievement (Mundy, 2010).

The paper is organized as follows. First, an overview of the theoretical framework is offered. This section discusses the functions of the budget and also including critical issues on budgets. Especially, Simons´(1995) levers of control framework is presented. Then a brief presentation of the research methods is given and the case is presented. The paper ends with the analysis and the discussion of the empirical findings, and last there are some concluding remarks.

Theoretical frameworks

Budgets may have numerous purposes, such as control, management, planning and also to act as political instruments. Horngren et al. (2006) emphasise that budgets can be used for coordination, communication, as a framework for performance evaluation and as a tool for motivation. Other functions such as operational planning, performance evaluation, communication of goals and strategy formation are mentioned (Hansen and Van der Stede, 2004).

The functions of budgets

According to Horngren et al. (2006: 7) a budget is the quantitative expression of a proposed plan of action by management and is an aid to coordinating what needs to be done to implement that plan. Traditionally, budgets have been taken for granted as a central part of the management control systems (Hope and Fraser, 2003, Hansen and Van der Stede, 2004, Libby and Lindsay, 2010) and it is claimed budgeting can be viewed as the cornerstone of the management control process in organisations (Hansen et al., 2003). Literature has, however, particularly criticized the use of budget for performance evaluation (Hartmann, 2000, Jensen, 2001, Hansen and Van der Stede, 2004). On the other hand, research also focuses on the annual budget which fill real needs, as they take the demands of tomorrow into account. (Ekholm and Wallin, 2000: 528).

Research also shows that the budget is the most used control tool in both private companies and the public sector (Ekholm and Wallin, 2000, Bjørnenak and Olsen, 2012). Bjørnenak and Olsen (2012) find that even if the budget critique to some extent also is overall relevant for the public sector, all the studied entities within this sector report that they use budgets. In general, budgets are perceived to have high relevance in organizational planning and management and budgeting systems play a key role in management control systems (Libby

and Lindsay, 2010). However, Libby and Lindsay (2010) also find in their sample that budget gaming is perceived to be a problem and Ekholm and Wallin (2000) suggests that budgets are not sensitive enough to changes in the environment, which indicate rigid planning and motivation to incremental thinking among actors.

Hansen et al. (2003) sum up the critics against budgets by questioning the relevance of budgets within the categories planning and performance evaluation. Inspired by their work, the analysis of budgets in festivals will be based on the four categories dynamics, uncertainty, strategy and time-consumption. These concepts will guide the presentation of the empirical findings, and they are briefly described below.

One of the prominent critiques of the budget is the lack of *dynamics*. Neely et al. (2003) claim that a major problem with budgets is that they are too infrequently updated. Bogsnes (2009) discuss the problematic alignment between uneven and unpredictable business rhythms and that the budget cannot meet this rhythm since it is based on an annual autumn ceremony, and Wallander (1999) states that the budget is an unsuitable tool in a changing environment. This literature therefore concludes that the budget cannot capture instability (Hansen et al., 2003, Otley and Berry, 1980).

As organizational environments have become more *uncertain and unpredictable*, and thus predictions about the future are also more likely to be wrong, and budgets tend to lose their relevance. In modern organizational life unpredictability can be considered the usual situation, and making plans therefore becomes problematic (Chenhall and Morris, 1986). These arguments are also in line with Ekholm and Wallins' (2000) findings of negative relationships between unpredictability and the perceived usefulness of fixed annual budgets. Chenhall (2003) proposes that an uncertain environment calls for a more open and organic management accounting system in order to meet the continuous unpredictability that will unfold. In the literature, the term uncertainty and unpredictability indicate different dimensions. Otley (1980) refers to unpredictability as uncertainty, non-routineness and dynamism, and Simons (1995) uses the term strategic uncertainty, and describes this as assumptions or external shocks that may block the achievements of the organisations visions.

Festivals have got some central unpredictabilities or uncertainties inhibit, one of these is that the festival is performed by different artists every year. At the beginning of the planning the administration start from scratch, knowing that at a certain date next year a festival containing approximately 200 different projects will start. The cultural landscape means constantly

changing conditions as artists vary in their popularity, new and interesting artist occurs and it can prove difficult to agree on contractual conditions. Changing conditions moves the balance of the totality in the projects and are unpredictabilities that according to Otley (1980) should be incorporated into the accounting system. Further, festivals generate costs without knowing the future ticket revenues. In the case of the St. Olav Festival this risk is reduced because of the governmental funding, but they still, however depend on generating about 1/3 of the total budget through ticket sales. Finally, there are a number of unpredictable elements that may turn up during the festival, mainly due to the complex logistics necessary to manage all the different projects scheduled during the festival days. Such unpredictability comprises bad weather, technical problems, accidents, supply problems, incidents because of bad planning etc.

Budgets are also criticised for having weak coupling with *strategy* (Neely et al., 2003) These weak couplings stem from budgets that are rarely strategically focused and they tend to be bureaucratic and discourage creative thinking. Most often budgets are considered to be too rigid to facilitate organisations' need for continuous adaptation to changing conditions. Consequently, budgets tend to promote rigid and slow planning and incremental thinking, and at the end, budgets are considered to be a barrier to creative thinking and change.

Further, budgeting tends to be *time – consuming processes* (Neely et al., 2003). It takes a lot of time both for managers and for staff in general to put together a budget. Although the more critical literature has provided insight into dysfunctional characteristics of budgeting, other strands of research suggests that budgets play important roles in the management control processes in most organisations (Ekholm and Wallin, 2000, Libby and Lindsay, 2010).

There has been an increased interest in studying the use of management control systems (Simons, 1994, Simons, 1995) and the different roles of management control systems (Chapman, 1997) in the recent years. Chapman (1997) points at the distinction between accounting as being an answer machine and a learning machine, and Simons (1995) introduces a framework to analyse how control systems can be used in order to implement an organization's strategy consisting of four different levers of control. The focus in Simons' (1995: 91) framework is the tension between creative innovation and predictable goal achievement and different styles of use of a management control system that can be applied to manage this tension. On this background the framework may provide insights that may help to

understand how the budget is used in the current context and in the framework is therefore presented below.

The levers of control framework

In this framework the control system, such as a budget, consists of four levers of control that can be classified into three categories: beliefs systems, boundary systems and feedback and measurement systems which comprise two styles of use, interactive and diagnostic control systems (Bisbe and Otley, 2004) A main issue in this framework is not viewing the use of a distinct lever alone, but rather to focus on the interaction between the different levers and how they complement each other.

The first lever is considers a control system as a beliefs system, where core values are to be communicated to motivate the organization's key actors to search, explore, create and engage in actions to reach goals (Widener, 2007: 759). Second, the control system can be seen as a boundary system to communicate the action that should be avoided by the key actors and with a purpose of motivating towards innovation. The third use of a control system differs from the two first levers and includes feedback and measurement. Simons (1995) emphasise that control systems can be used both interactively and diagnostically, and the empirical findings will elaborate on these use of the budget as a control system, as prior empirical studies have shown that these terms may suit well to describe the use of management control systems and the relation with control of strategy and resources (Mundy, 2010).

By *diagnostic control* managers may monitor organizational outcomes and correct deviations from pre-set standards or critical performance variables. Three features of a diagnostic control system are stressed by Simons (1995: 59); the ability to measure the outputs of a process, the existence of standards against which actual results can be compared, and the ability to correct deviations from standards. The primary function of using a control system diagnostically is, in principle, to align the employees' behaviour with the organization's objectives, measuring the result of their actions and use this information in order to reward performance (Hofmann et al., 2012).

Simons (1995) claims that at in a complex organization it is possible to achieve goals without the manager having full oversight because a diagnostic use of budgets allows managers to manage by exception. But, Simons (1995) also argues that such command-and-control techniques have lost their relevance in environments where creativity and employee initiative

is critical for success, and diagnostic use of budgets may also motivate dysfunctional side effects such as measuring the wrong variables, building slack into targets, gaming, smoothing, biasing and illegal actions.

Interactive use of control systems such as budgets is characterized by Simons (1995) to comprise some central dimensions. Information generated by the system is used to direct attention to what is considered to be the important strategic uncertainties, and the unpredictability described above to be central for the St. Olav Festival captures uncertainty as it is characterized in the levers of control framework. In order to reduce the strategic uncertainties there is frequent and regular attention from operating managers, and the interpretation and discussions happens in face-to-face meetings between superiors, subordinates and peers. Thus, of the existence of uncertainties are acknowledged as a constant state of flux. Simons (1995) motivates an interactive approach to control systems as a continuous process in which managers ask themselves about the changing assumptions and strategic uncertainties. Hence, the interactive approach can enhance the search of new ways of positioning the organisation in a dynamic landscape (Widener, 2007) and Bisbe et al. (2007) emphasise that it encompass several theoretical properties such as tightness vs. looseness, double-loop learning, mindful patterns of attention and autonomous behaviour.

Interactive and diagnostic use of control systems in the levers of control framework is described to be both simultaneous and conflicting, and this tension is discussed in the literature (Widener, 2007, Henri, 2006). Whereas diagnostic use can be regarded as mechanistic controls, interactive use promotes opportunity seeking, emergence of communication processes and emerging strategies and Simons (1995) stress that balancing these forces may create positive effects.

The empirical study

Research method

A case study was performed to provide an in-depth exploration of the research question (Thomas, 2011). According to Yin (2009) a case study may give multiple sources of evidences with data needing to converge in a triangulating fashion. The second important feature which is central to a case study is the focus on the case itself. Both primary and secondary sources of data were collected for the study as semi-structured interviews and archival documents. In order to provide an understanding of the use and role of the budget at an operating level, the data collection has not been restricted to data gathered from only the

top management, but also from respondents throughout the organisation to increase the validity. Since the St. Olav Festival during the year is a small organisation, the number of respondents is limited. The main focus is thus on the key decision makers to provide insights to the use of budgets.

The interview guide was structured around central issues. The history of the festival, particularly the large deficit in 2008 was crucial for understanding the design and later use of the budget, and the respondents with the necessary historical knowledge were asked about the background for implementing a new budget system. Next, the interview guide was concerned with the use of the budget and the budgeting process throughout the year before the different functions or roles were covered. The questions regarding the different roles of the budget were followed up by asking the respondents about their perception of how well the budget performs for the different functions. Next, the interview-guide followed up with questions regarding the particular time-dimension for the festival and the perception of the budget systems adaption to this. Last, the respondents were asked about the relevance of the budget at the time of the interview and reflections around reasons for the relevance. In order to validate the data, the quotes used in the article were sent to the informants for feedback. The interviews were audio-taped and all except two interviews were transcribed in full. The last two interviews were listened to and excerpts were extracted.

The archival data comprises printed excerpts from the computerized budgeting system. Further, the interviewer observed the budget system by viewing the Booking Managers' and the Finance and Administration Managers' computers in practice. In order to get an overview over the financial situation, annual reports were collected from a national register (The Brønnøysund Register Centre). Another important document in the study was the report written by the Municipality Auditor in Trondheim after the large deficit in 2008. In this document, the old budget system and routines were heavily criticised, and the information in the report was used in the design of the new budgeting system. Because of the richness of information in this report, it has also provided important information for gaining deep knowledge to the organisation. Other documents that have informed the study are different government documents such as parliament proposals and other reports as well as a number of newspaper articles. The data from the different sources; interviews, reports and newspaper articles in particular, were repeatedly reviewed and studied in order to see the patterns in the case.

The research site

The St. Olav Festival was established in 1962 around the Feast of St. Olav (28th July). During the 1990s the festival went through major changes, and from 1998 to 2006 the number of performances increased from 112 to 188, and the number of concerts increased from 16 in 1998 to 95 in 2006 and 239 in 2012 (The St. Olav Festival, 2012). Because of the anchoring in the Feast of St. Olav, the profile of the festival is closely related to the ecclesiastical tradition. However, the purpose of the festival is also cultural, and the festival has for many years now offered a wide range of secular activities such as concerts, theatre, opera, seminars, exhibitions, courses, a rich family program and children's activities. In 1999 The St. Olav Festival achieved a national status among 10 other large Norwegian festivals, which gave this festival special funding from the state. The St. Olav Festival has achieved the national status because of its profile as a church-music festival and it is one of the festivals which receive the largest amount of state funding. Thus, the large (secular) concerts are commercially necessary for the St. Olav Festival in order to reach economic targets, according to the Booking Manager who said:

In our total landscape, we have about 140 arrangements with ticket income. Six of these accounts for 75 % of the total ticket revenues (Booking Manager).

In 2013 the St. Olav Festival had a total budget on 3, 75¹ million Euros; of these were 1, 85 million Euros public funding (49%). The public funding is split between the National Governments (60 %), Sør-Trøndelag County (15 %) and Trondheim Municipality (25 %). The remaining income in 2013 were ticket revenues on 981 000 Euros (26 % of total revenues), sponsor revenues on 595 000 Euros (16 % of total income) and other sales on 317 000 Euros (8 % of total income). From 2009 to 2013, the festival increased the total budget with 813 000 Euros. Throughout the year, the St. Olav Festival is a small organization with about 10 people employed on permanent basis. In addition the festival hires about 6-7 people as project employees on short term (annual) contracts. In the very last phase before the actual festival, during and in the days after the festival, the festival also engages project – and venue managers. When the festival takes place, an additional 400 volunteers are involved, in addition to, of course, all the involved artists, bands and other performers.

¹ Exchange rate 4.11.2014 (<https://www.dnb.no/kursliste/historiske>)

In 2008, the festival had a major financial crisis. Out of a total budget of about 2,9 million Euros, the deficit was on 962 000 Euros. Normally festivals have a rather clear picture about the financial result when the festival ends. This was not the case for the St. Olav Festival at that time. During 1999 to 2007, the Festival Director increased the budget with about 153 %, but the administrative staff was not expanded and still included only the Festival Director and a secretary. The rest of the staff was on part time contracts on project basis.

The Festival grew rapidly through the early years of the 2000s. The Festival Director acted as an entrepreneur and was the only one with detailed overview over the festival and its financial situation. He did not delegate control tasks to others, not even when an accountant was hired (Trondheim Municipality Auditor, 2008), and the staff describes the financial management as a «one-man-show». The Festival Director at that time also claimed to be in control in 2006, although the festival had a deficit on 215 000 Euros (of a total budget on ca. 3,15 million Euros). Thus, the tension between the Festival Director and the board increased from 2006, and the board decided to increase the permanent employments by five in order to gain control. The Festival Director did not agree on the decision, and consequently, the board decided to replace the Director at the end of his fixed-term post, and the director left his position in December 2007. The board did not succeed in finding a new director until 2008, and the board decided to arrange the festival in 2008 with a temporary split top management, one 50 % administrative leader position and one 100 % artistic leader position. The split temporary management did not manage to exert control over the festival, and consequently, the administrative leader got his position raised to a 100 % position less than 2 months before the festival started. This period was very difficult for the festival management, as little information was available from the former Festival Director of the festival projects as to information about agreements that were made and general budget and control information.

The new Festival Director was hired after the festival in August 2008, and she experienced that the festival was running into a large budget deficit, which by September amounted to about 960 000 Euros of a total budget of 2,9 million Euros. The auditor in the city municipality was asked to investigate this large deficit, and the auditor report raised a number of critical issues, of which one was the weaknesses in budget control. In order to gain control over the festival, a new budget tool was developed and implemented.

Empirical findings

The new budget tool which was to be implemented after the economic crisis in 2008 will be analysed below according to the analytic framework presented above. Especially, the empirical findings will be presented and structured according to the budgets' relevance with strategic decisions, the dynamics in the budgets' use, the ability of budget practices to handle uncertainty and unpredictability and the perception of budgets to be time consuming. Last, the discussion will be focused on the festival's use of budgets as interactive and diagnostic decision management control tools.

The link between strategy and budgets

This festival director, who was in the position from 2008 to 2013, is educated within music and she had been a cultural journalist before she was engaged by the St. Olav Festival:

This was one of the toughest processes I have been through, as I was entering a landscape I did not own, I did not know the tribal language. I do not know what to compare it to.. You could have taken a banker and put him in to violin training and within three months expect him to play a violin concerto (Festival Director 2008-2013).

Although she had no managerial experience, she obviously understood the organization she was set to manage. The new chairman and the board set an expectation for the festival in 2009 to run with a surplus, which implied an improvement from 2008 on nearly 1, 2 million Euros. This was obviously a big challenge for the administration. The Festival Director and the Booking Manager (educated within business administration) were in charge of designing the new budget tool, and the main challenge was to design a tool which facilitated control and accountability and also simultaneously providing opportunity for creativity to fill the numerous projects with relevant artistic content of high quality. In order to dig into the budgeting challenges, they engaged one of the large consultancy companies. But there were introductory challenges for the administration: The Booking Manager explains:

... (the consultancy company) wanted to do something entirely different. They had this whole book on how to build an organization from A to Z (Booking Manager)

We notice here that there were different understanding of the "reality" between the consultants and the festival management. The Festival Director got the impression that the consultancy company did not understand the specific characteristics of the festival:

... (the consultancy company) *just came in with their... they were so square. They had no idea about the world I had to describe* (Festival Director, 2008 – 2013)

However, the management convinced the consultancy company that they had to look beyond the standard templates and to design the budget based on analyses of the specific characteristic dimensions of the festival. This step was important in order to match strategy with budget decisions. The budget was separated into two parts; an operating budget and a festival budget. The operating budget was defined as the budget which was unaffected² with the tasks of arranging the festival. This budget followed traditional annual budget thinking. The second part was the festival budget which varies according to the festival projects. The festival budget was in addition divided into project budgets and venue budgets. In this way, this part of the budget was based on project thinking, and thus, it was able to be connected with the strategies based on the cultural activities in the festival. The project budgets comprised costs that could be directly traced to each project such as fees, travel and accommodation costs and particular technical equipment. However, there are arrangement costs which were not so easily traced to the single arrangement. These costs were venue related costs, and they were not influenced by the specific arrangements, typically backline (standard equipment in concerts such as stage, sound and lights etc.) for concert venues or security. These costs were hence directly related to one of the 10 of 25 venues.

By dividing between project and venue budgets, and thus match strategy with culture, the management was faced with the challenge of defining the interface between the various budgets. In order to make this interface as correct as possible, the management defined clearly what kind of standard equipment that was registered on each arena, and consequently, the budget was divided into arenas and projects. In this way, the budget responsibility could be defined and related to direct cost, which amounted to about 40% in the budget for 2013. As seen in the table below, budget control was regained within one year from 2008 to 2009.

Year	Budget (EUR)	Profit (EUR)	Equity (EUR)
2008	2 897 270	-961 615	-127 247
2009	2 930 996	194 674	67 426
2010	3 164 279	147 316	214 742
2011	3 341 131	117 409	332 151
2012	3 988 088	64 300	396 452
2013	3 743 870	25 124	421 575

² Unaffected at a short term.

Table 1: Financial performance 2008 – 2013 (The St. Olav Festival, 2012, The St. Olav Festival, 2008, The St. Olav Festival, 2009, The St. Olav Festival, 2010, The St. Olav Festival, 2011, The St. Olav Festival, 2013).

The strategic focus in the St. Olav Festival was to re-establish and strengthen Trondheim as a national ecclesiastical and cultural centre. To secure this purpose back in 2008 during the crisis, the *strategy* on short term basis was to save the festival from bankruptcy and eventually, to make the festival sustainable. After 2008 the management had a budget focus in their strategic thinking and actions.

So in a sense, both the accounting and budget tool we used at the time gave clear guidelines for everything we did. But we succeeded in saving and restoring the festival and to make it sustainable (Festival Director, 2008 – 2013).

One of the measures was to program big secular artists with the capability of earning large ticket revenues, which came from the big secular concerts. Thus, such concerts were prioritized. In the 2009-festival the big draw was the world famous artist Katie Melua, and they also programmed some famous Norwegian artists. In a report commissioned by the Ministry of Culture from the Arts council Norway in 2012 it is concluded on the basis of the programming in the years 2007 – 2010 that the breadth of the program has been at the expense of artistic specialisation within church music (Report Arts Council, 2012). The report hence illuminates a tension between the Festival's standing as an ecclesiastical festival and the more commercial profile.

In order to decrease this tension, the Festival Director in 2008 launched “moments that moves you” as a direction for the festival. Consequently, she divided the festivals activities into three different angels or rooms; a playful room, an intellectual room¹

and a spiritual room, arguing that a human being can b enter all of these rooms, so that a playful room (commercial concerts) may very well be combined with or be a door opener into a spiritual room (church music). The Booking Manager is convinced that the implementation of this purpose was a good strategic move which matched the budget limits with the strategic developments.

I was here before ... (the Festival Director from 2008-2013) came, and this (“moments that moves you”, authors comment) is probably one of the most important thing that she has

made. During the 50 year long history of the festival, it has almost been a continuous contradiction between the secular program and church music and the art on the opposite side. Through the splitting in three rooms with different approaches, we have come past the discussion and the contradiction which has been a problem for a long time (Booking Manager, quote from Heggen (2012)).

In this way, an innovative manager was able to mix a diversity of genres with budget frames, and consequently, this mixture secured stable and positive economic development for the festival in the years to come.

How the budget faced unpredictability

The split of the budget into two parts made the responsibility lines clearer as to the operating costs. This information contributed to stabilize the financial situation, as the Festival Director was able to make decisions in due time. Table 1 illuminates that the economic situation was stabilized during the years after the crisis. However, a major challenge the Festival Director faced both before and after the implementation of the new budget tool was the extraction information from the financial accounts for control purposes.

In 2008 I think that the fees were 1, 65 million Euros. However, the fees for the artists were much less, what was behind this number? It proved to be attorneys' fees, fees for the headhunting of me, fees for this and that, directors' fees, fees for everything that had the word fees. It was all stuffed into the same bag (Festival Director, 2008 – 2013).

In addition to implementing the budget tool in 2009, the Festival Director wanted to tighten the management control, and in 2010 an accountant (the Finance and Administration Manager) was employed, and the contract with the accountancy company was terminated. The financial accounts for 2010 was reposted in order to gain further control, and the Finance and Administration Manager decided to keep the division between the operating budget and the festival budget, which also was reflected at the account level in the financial accounts.

I have made a clear separation between the operational side and the festival side. I think the solution is in the accounts. One cannot have the same account for both sides (Finance and Administration Manager).

The budget system had gradually been developed to support relevant decision making, and especially the split between two parts of the budget gave information to diagnose financial

problems, according to Simons' diagnostic use (Simons, 1995). From 2011 the budget system with the responding financial accounts was implemented, and the managers perceived it as useful.

The budget was also perceived to provide *limits* in the making of the festival; the respondents indicated that these limits provided them with a space of opportunity which gave space for security to enhance creativity and artistic formation.

I would say it gives me confidence. It provides me with opportunities, within, I mean, everyone understands that if you are going to arrange an event, it will cost you money. But I want to know what it will cost, when it costs.... and this gives me peace of mind (Producer).

This point was also emphasized by the Chairman of the Board:

I mean that the budget is not a constraint. It's just an adjustment of the direction, finding the opportunities we have. Of course there is a limitation; it can say that "we cannot afford this." Then we cannot afford it. So, you can see that - I'm very positive about the budget (Chairman of the Board).

This view was also supported among the staff as acceptance of the necessity of the budget:

A tool for motivation, no, I think financial matters are boring, so for me personally it is not; there is no motivation at all. It's like that extra chore, but I realize that of course I have to create individual budgets for each project, right, because we have to have control, I need to know how much I can plan for, and I need to know what kind of leeway I have, and I must know how much I should cut and what the result is (Festival Coordinator).

The budgets facilitated dynamic changes

The respondents in the study were asked about the relevance of the potential reasons to budget also derived from (Hansen and Van der Stede, 2004): allocating resources and authorizing spending and the use of the budget as a tool for providing limits, a tool for providing opportunities and a tool for motivation. The Chairman of the board responded:

Well, all of these are - to a greater or lesser extent relevant (referring to the list of functions). *But if you ask what is systematically used, then there is of course the first point* (planning) *that is crucial* (Chairman of the Board).

As the quote from the Chairman illustrates, the budget is seen as important for *planning* and to give an overview over the totality of the festival before the intense days of the festival period. One of the specific characteristics for the festival is the time dimension, as the planning ranges for a very long time compared to the actual production of value, and we see that the budget tool has a design which enables it to be a strong planning tool in this particular context. This planning activity seems to give more room for being innovative when it comes to planning the cultural activities.

Further, the information from the budget is perceived to be an important part of the *communication* in the organization. As the budget is actively communicated, and based on dialogue, this enhances the exchange of ideas and secures continuous movement in the budget from this flow of information.

In the St. Olav Festival, the management used the budget in the evaluation phase after the festival period, and in this context the scope of budget performance evaluation was aiming at learning. There were no rewards or bonuses tied to performance in the festival budgets, and the motivation for using the budget in the evaluation was to raise the quality of the budgeting for next year, and thus to find space for innovative planning. Because of the initial decentralised budgeting where project and venue managers were involved in filling out budget templates, the Finance and Administration Manager consider it important to constantly improve the budgeting competence.

[...] not necessarily to evaluate performance but to evaluate how good you are at budgeting. And get a feeling of if you are careful in the budgeting, if you are realistic or whether you are optimistic (Finance and Administration Manager)

The budget as an interactive tool

Interactive use of budgets supports attention on changing conditions which are of strategic importance, and it will expand opportunity seeking and learning (Bisbe and Otley, 2004). The data supports that the budget is used interactively.

The planning for next year's festival started informally after the festival, however in the last year, the planning cycle has changed from 12 to 18 months. During the fall, they set the total budget frame. In broad terms, the income of the festival depends on funding from the state authorities, ticket income, sponsorships and other sales. The governmental funding is

published in the Norwegian State Budget in October. Ticket income and other sales were based on estimates from historical numbers and sponsorships are based on contracts. Ticket income, other sales and sponsorships are variable sources of income, and flexibility regarding these sources of income were also taken in to the budget process. The planning of the more detailed projects proceeded in the last months of the year, and the project and venue managers had the opportunity to influence the artistic content of the festival. One of the venue managers said:

... (the Booking Manager) asks me after the festivals: "Have you got any ideas for what may function in ... (the venue) for next year?" (Venue Manager)

The venue managers and project managers are engaged in the festival planning and in January they systematically filled in the budget templates for each of the venues and proposed projects. The budget templates only included costs and had a limited number of accounts. The templates were thereafter collected and integrated into the total festival budget. From this point on, the major discussions on budget matters about artistic portfolio were made by the management group consisting of the Festival Director, the Booking Manager, the Producer and the Finance and Administration Manager.

During the initial process with the informal dialogue about the budget templates and the initial festival budget, an overview over the festival was created, and the festival administration had a broad background for discussions on both details in the festival program as well as detailed costs. From January and until spring, the budget was discussed in several arenas, particularly in the management group. Further discussions were also made in the weekly staff meetings which included the whole staff. In these meetings they discussed the composition of the program, artistic issues and also budget issues. Budget issues could include cost-benefit analyses, where benefits were more than direct monetary income. Projects could be considered beneficial for example if the artistic value or value with regards to the festivals national status as a church music festival. The budgets were also used for monetary benchmarking including historical benchmarks using the budget information. These observations indicate that the festival management developed a culture for internal dialogues, and the staff seemed to be in a constant bargaining process where the resources were allocated and balanced off in the different projects. Consequently, the budget can be viewed as a network of projects where each project has its own plan and strategy.

As the planning progressed, artistic projects were gradually booked and contracts were signed with performing artists. The degree of budgetary freedom or opportunity range was gradually reduced as plans were fixed. However, it was observed that the opportunity range did not decrease linearly:

A good booking can cause an increase in the opportunity range (Booking manager)

In this way, the interactive process also included dynamic elements. The booking manager said that if the festival books a well-known artist, they know that this will generate costs, but the revenues may exceed the costs, and this is a situation that will increase the opportunity range.

Two more budget events were observed: the full revision of the budget and the “lock down” of the budget. The full revision of the budget includes a systematic consideration of the costs for all the project and venues. This revision took place around April, but for the last festival the revision has been pushed closer to the board meeting in early June where the program is fully presented. Thus, the revision and the “lock down” of the budget have become closer in time. From the “lock down” to the festival starts, only small changes are supposed to occur. However, the Booking Manager said that even if the opportunity space was reduced close to the festival period, there had to be certain budgetary flexibility in order to provide the opportunity to “pick the golden ball”. It could also be other unexpected events that may had budgetary impacts.

It may turn out that when a band was playing in Stavanger last weekend (the weekend before they are supposed to play at the festival, auth. comment), there was unrest – we then need to strengthen the security (Producer).

The above discussion implies that the budget is used interactively all the way up to the start of the festival and in the following section a discussion and some concluding remarks is provided.

Discussion and conclusion

The current study contributes to extant literature by identifying a case where the budget is perceived as relevant and useful by the managers in in line with Libby and Lindsay (2010). The case has some specific characteristics as being a type of organization within the arts sector, which is normally not associated with extensive use of budgets and budgetary control.

In order to provide a further understanding as to why the budget is perceived as relevant and useful by the managers of the festival, Simons' (1995) levers of control framework and the concepts of interactive and diagnostic use of the budget as a control system has been included as an analytic framework. This framework provided insight into a balance between a dynamic (interactive) and more conventional (diagnostic) use of the budget. By balancing these two uses in the long time span of the planning of the festival, the budget gained ownership by many actors in the festival organization

Theoretical contribution

Prior research has investigated the usefulness of budgets, and findings indicate that the budget is, by far, the most used control tool. However, the budget has also undergone extensive criticism. The current study presents a case which indicates that the budget is both used and found useful as control tool in the organization. Prior research (Libby and Lindsay, 2010) also argue that the budget often is designed and used more sophisticatedly than suggested by the leading critics. In this case, the actors perceive the budgets as relevant and that they play an important part in the planning and conducting of the festivals. Further, the findings suggest sophistication in both the design and use of the budget, which are central reasons for the active role the budget is playing in this festival.

The above findings have been concentrated on the issues of the links between the strategy and the budgets, how the budget is used to face unpredictability and how the budgets were developed to include dynamic changes. A main finding is that the interactive nature of the budgets facilitated the ability to include sudden and unplanned elements during the periods before the festivals were to be performed. This case has also shown that a major crisis motivated or even forced the management of the festival to revise the way budgets were said to support sustainability and success of the future festivals.

Practical implications

Dynamics

By the interactive use of the budget, the festival budget is frequently updated and discussed. This finding contradicts with the criticisms towards budgets as stated by Neely et al. (2003), claiming that budgets are not dynamic and that they are updated too infrequently. In the current case it is argued that the budget is used interactively in a rather long planning phase, and secures that changes occurred are given proper attention and debate, and consequently

incorporated into updated budgets. The budget in the Festival is discussed in weekly staff meetings, and changes are made on background of these debates.

Strategy

Budgets are criticized for being too rigid for strategic alignment and too concerned with short term financial achievement (Hope and Fraser, 2003, Neely et al., 2003) The findings on the contrary indicate that the strategy and budget of the St. Olav Festival are aligned, and that even that the strategy is informed by the budget. The Festival Director developed the strategy in 2009, and this strategy made the arguments for long term sustainability possible.

Time-consumption

Budget critics have pointed at the fact that budgeting is time consuming. Although The St. Olav Festival use much time on budgeting, the festival managers perceive that the time spent on budgeting is both necessary and useful. The budget control system provides the decision makers with updated information, and they are convinced that the system increases the control and also produces information which stabilizes the uncertainty during the planning and operating phases of the festival.

The following figure illustrates the use of the budget in the St. Olav Festival:

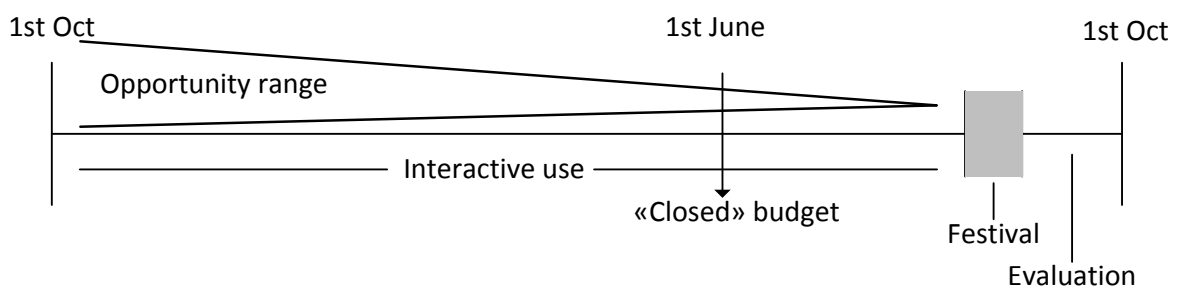


Figure 1: Interactive use of the Budget in the St. Olav Festival

As displayed in the figure, the planning of the festival starts around 1 October and terminates when the festival starts. During this period, the findings indicate an interactive use of the budget as a control tool, also after the closing of the budget. The decreasing lines illustrate the opportunity range. As time evolves this range will decrease, because projects and venues are contracted. This means that the discussions decline as the festival approaches. However, the interactive process and constant dialogue regarding the budget and its components due to the

constantly changing conditions, increase the accuracy in the budget and hence the perceived control.

On this background it seems as if the crisis laid the foundation for a particular focus on staying in control of their budget. This was the starting point for developing and designing a suitable budget tool which also enabled interactive use through the festivals' long planning phase. The findings suggest that the design and use of the budget in the festival is perceived as relevant and necessary and leads to a calm in the organisation.

Conclusion

The findings in this study suggest that the budget fills a number of purposes and functions in the festival. The respondents confirm that the budget serves purposes of planning, providing limits and opportunities, communication, motivation, benchmarking and evaluating performance. The managers of The St. Olav Festival perceive that the budget is important in planning phases particularly, but it is also perceived as a tool for providing limitations and opportunities and communication.

The respondents have a more diverse perception of the budget as having a role in strategy formation and motivation. The former festival director claimed that budgetary logics influenced strategic choices for the festival in a critical period after the large deficit. Others, such as the producer and the new festival director state that the strategy is more ideology-driven than budget-driven.

One of the central critiques against the budget is the problematic issues regarding the use of budget for performance evaluation, such as e.g. gaming (Hope and Fraser, 2003, Bogsnes, 2009). In our case the managers claim that the budget is an appropriate instrument for performance evaluation. However, it should be noted that the St. Olav Festival does not use bonus systems for motivation or evaluation, and the performance evaluation is based on more total approaches and is focused more towards learning purpose for coming years. A rather large number of employees are involved in the budgeting process, thus enhancing more ownership to the budgets as processes and also enhancing a more continuous learning focus. This learning focus both enhances enough stability to reduce the effects of unpredictability and increases the perceived control which consequently gives more space for innovation and creativity.

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