

# MANAGEMENT ACCOUNTING: THEORY & PRACTICE

## LECTURE 13

### MANAGEMENT ACCOUNTING

### & CHANGE IN THE PUBLIC SECTOR

# BRAINSTORMING

WHAT IS  
ORGAN. CHANGE?

HOW CAN ORG. CH.  
BE ASSESSED?

WHERE DOES IT  
COME FROM?

WHAT RESISTANCE  
STRATEGIES?

HOW IS (M) ACCOUNTING INVOLVED?

# FOCUS OF CLASS

**ISSUES**

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graph LR; ISSUES((ISSUES)) --> UOC[UNDERSTANDING ORG. CHANGE]; ISSUES --> AOC[ACCOUNTING & ORG. CHANGE]; ISSUES --> HRC[HOW TO RESIST CHANGE?]; ISSUES --> ATF[A THEORETICAL FRAME]; UOC --> Q[WHAT? HOW? WHY?];
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UNDERSTANDING  
ORG. CHANGE

- **WHAT?**
- **HOW?**
- **WHY?**

ACCOUNTING &  
ORG. CHANGE

HOW TO RESIST  
CHANGE?

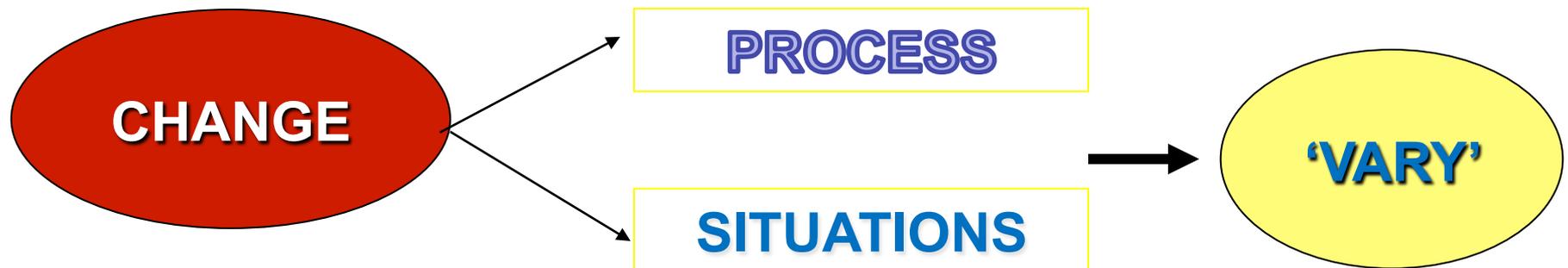
A THEORETICAL FRAME

# UNDERSTANDING CHANGE: WHAT IS IT? (1)

Mac Millan English Dictionary

«A **situation** in which something becomes different or you make something different»: *DIFFERENT SITUATION*

«The **process** by which things **become different**:  
*PROCESS*

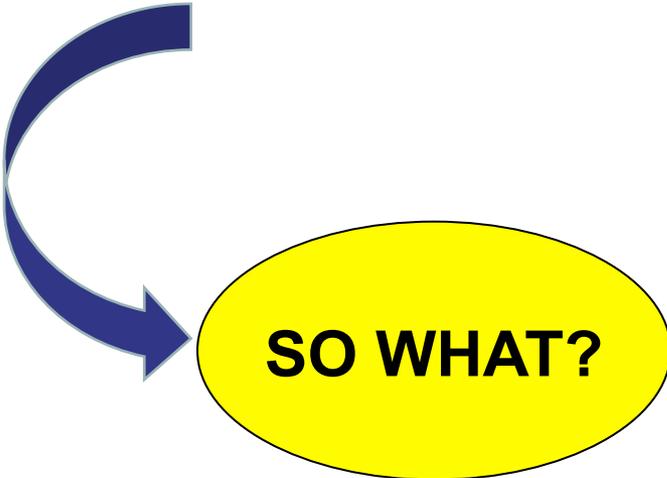


**VARYING- RELATED PROCESS & STATE**

# UNDERSTANDING CHANGE: WHAT IS IT (2)?

When speaking about 'change' we can refer to either the 'process' (i.e. dynamics) and 'outcome' (i.e. results of process):

- PROCESSUAL ASPECT: HOW & WHY CHANGE OCCURS?
- OUTCOME ASPECT: WHAT IS CHANGE?



**SO WHAT?**

- 'Processual aspect': focus on 'how & why' change does (not) occur: **factors, dynamics & processes**;
- 'Outcome': focus on degree, magnitude & feature of change.

# UNDERSTANDING CHANGE: WHAT, WHY, HOW?



## DUAL ASPECTS OF CHANGE

**PROCESSUAL**

**OUTCOME**

- FACTORS: ENVIR. JOLTS
- DYNAMICS: STRATEGIES
- PROCESSES: PATHWAYS

- TYPE: STRUCTURAL VS MARGINAL
- MAGNITUDE: DEGREES

**THEORETICAL PERSPECTIVE & FRAMEWORK**

# A THEORETICAL FRAMEWORK: LAUGHLIN'S MODEL OF ORG.CHANGE (1)

- Laughlin's model has been widely used in ACC (SEAL, PAL, MA) to investigate how and why change occurs in the organisation.
- This is a «middle-range» model.
- It is a “skeletal framework” that describes the change pathways which an organisation can follow as a response to external/internal disturbances.

# A THEORETICAL FRAMEWORK: LAUGHLIN'S MODEL OF ORG.CHANGE (2)

- L. sees organizations as an amalgam of: i) sub-systems; ii) design archetypes; iii) interpretive schemes.

This is held in equilibrium until disturbed by envir. jolts.

i. IS (most intangible elements) include: beliefs, values & norms; mission & purpose and metarules;

ii. DA (less intangible): include intangible structures (inform. systems such as accounting, policies, rules);

iii. SubS (tanglible elements): buildings, behaviours, machines, people, practices.

# A THEORETICAL FRAMEWORK: LAUGHLIN'S MODEL OF ORG.CHANGE (3)

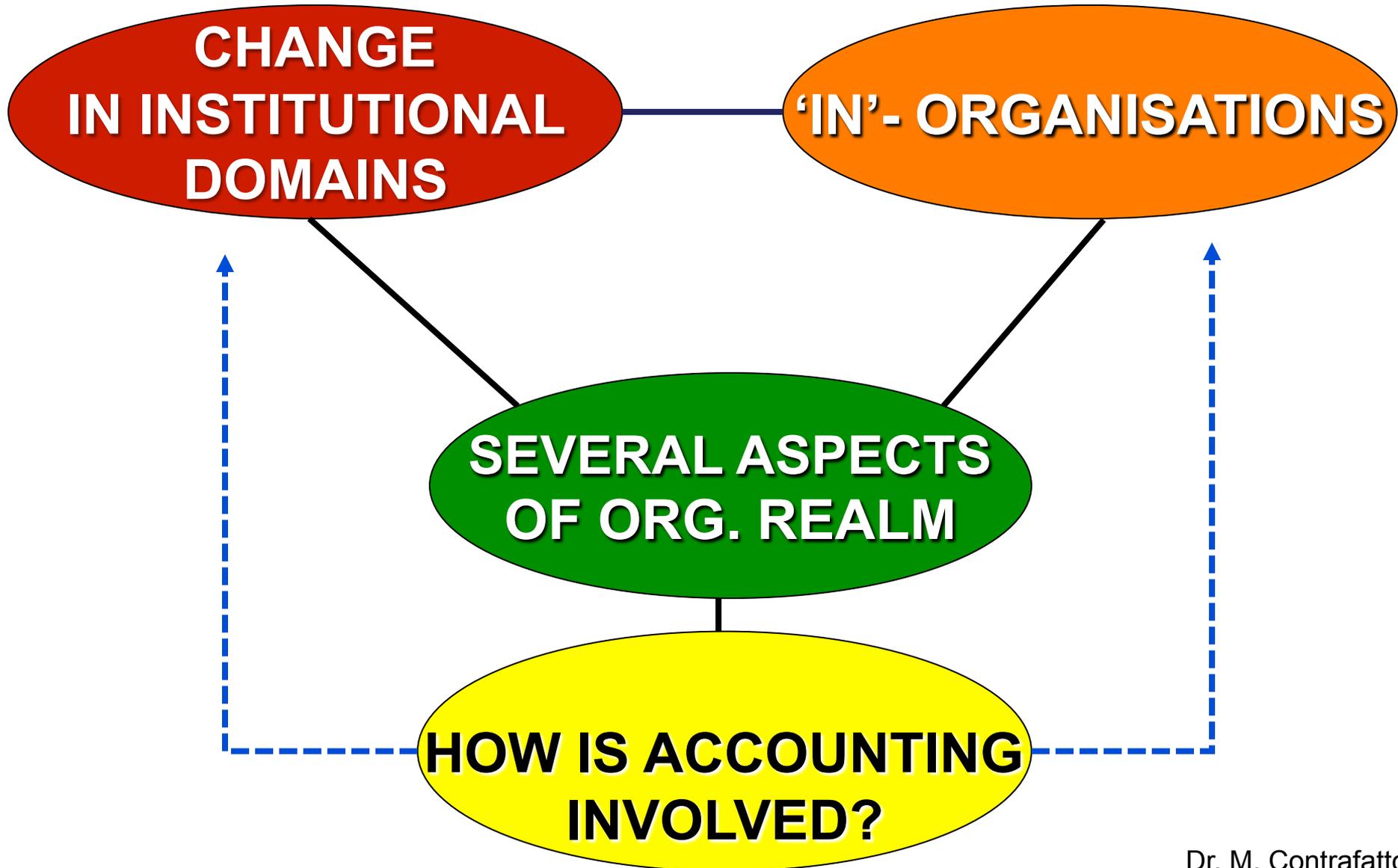
- Organisations are stable-open systems which dynamically adapt to respond to environmental disturbance/jolts.
- An environmental disturbance causes changes in the balance btw 3 components (e.g. legislation, changes in marketing expectations, stks's demands, etc);
- Role of accounting in bringing change (SR, FC, MA).
- L. distinguishes between 2 types of change:
  - i. 1<sup>st</sup> order change (morphogenetic): structural;
  - ii. 2<sup>nd</sup> order change (morphostatic): not-structural.

# A THEORETICAL FRAMEWORK: LAUGHLIN'S MODEL OF ORG.CHANGE (4)

*Laughlin (1991) distinguishes btw:*

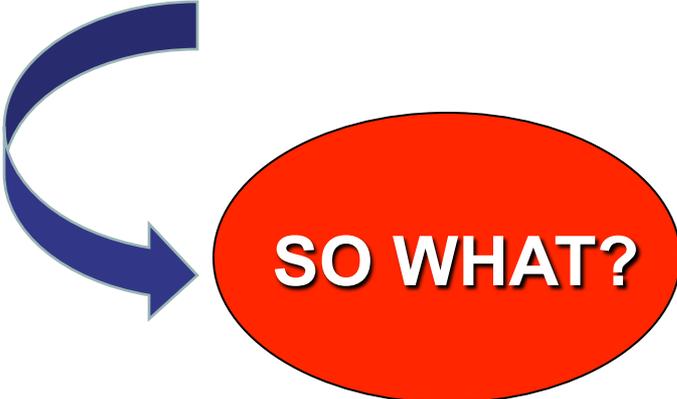
- **INERTIA**: no change;
- **REBUTTAL**: marginal change (design archetypes);
- **RE-ORIENTATION**: changes in design archetypes & sub-systems but does not challenge the basic coherence of the organization.
- **COLONISATION**: change is imposed (forced), it is not-elected;
- **EVOLUTION**: affects interpretive schemes & is reached through open dialogue, consensus.

# CHANGE, ORGANIZATIONS & ACCOUNTING



# ACCOUNTING & ORGANIZATIONAL CHANGE (1)

«E.g. We are deluding ourselves if we think that we can save the planet by sustainability accounting. Sustainability (accounting) & reporting will not save the planet. [...] However, the very act of providing accounts has the potential to *change behaviour*» (Buhr, 2007)



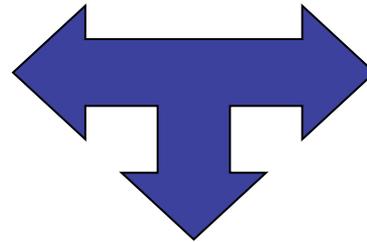
**SO WHAT?**

HOW & TO WHAT EXTENT IS  
ACCOUNTING INVOLVED IN  
CHANGES IN ORGANISATIONS?

**ACCOUNTING & ORGAN. CHANGE (OG)?**

# ACCOUNTING & ORGANIZATIONAL CHANGE (2)

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- A wide ACC literature exists to explore 'how' & 'the extent to which' ACC interventions are involved in organisational change (SEAL, PAL).
  - How can these dynamics of change be understood?



**CHANGES IN  
ACCOUNTING**



**CHANGES INTO  
ORGANIZATION**

# ACCOUNTING & ORG. CHANGE: E.G. SEAL (3)

- Relationships btw ACC & ORG CH could be seen in three different ways (Contrafatto, 2012):
  - i. ORG CH can promote/inhibit changes in ACC;
  - ii. CH in ACC can encourage change into ORG
  - iii. ORG CH & CH in ACC occur in a reflexive way.

**SO WHAT?**

**1. How are changes in ACC involved in ORG change?**

**2. How can these changes be resisted?**

# ACCOUNTING, ORG CHANGE & RESISTANCE: Broadbent, Jacobs & Laughlin (2001) (1)

- Paper investigates theoretically & empirically the way in which organisations responded to unwanted changes, connected to the introduction of accounting & finance.
- Focus is on resistance strategies developed to resist changes in the context of GPs in UK: 'what' & '*how*'.
- An amalgamation of theoretical insights, Habermas, Institutional Theory & Laughlin's model of organisational change

## ACCOUNTING, ORG CHANGE & RESISTANCE: Broadbent, Jacobs & Laughlin (2001)'s model (2)

- A middle range approach: a theoretical model was used to inform the analysis of the empirical evidence.
- The theoretical model was an amalgamation of three alternative frameworks: Habermas's model of society; institutional theory; L.'s model of organisational change.
- This amalgamation represents a 'skeletal model', i.e. the theoretical language for informing the empirical analysis

**A MIDDLE RANGE FRAMEWORK**

# ACCOUNTING, ORG CHANGE & RESISTANCE- Broadbent, Jacobs & Laughlin (2001): HABERMAS (1)

- Hab. sustains that we create views of our world, our societal relationships & ourselves out of discourses over time. This set of understanding forms our societal lifeworld.
- It is from this level of understanding that we create, in societies, separate systems & organisations. These organisations, once created, have the potential to become separable from lifeworld. Thus, steering media (e.g. law) are created to reflect lifeworld demands.

# ACCOUNTING, ORG CHANGE & RESISTANCE- Broadbent, Jacobs & Laughlin (2001): HABERMAS (2)

- These steering media become operationalised through specific institutions: they steer.
- These institutions develop their own individual lifeworlds (i.e. interpretive schemes-IS), steering process & systems.

Thus, diverse sets of IS exist in different organisations.

These can be coherent (or not) with societal lifeworld.

- Hence, there is always a potential for some imbalance between different organisations.

# ACCOUNTING, ORG CHANGE & RESISTANCE-

## Broadbent, Jacobs & Laughlin (2001): HABERMAS (3)

- According to H.'s model of society, it is from these imbalances that resistance in organisational systems arise.
- In particular, resistance is apparent in one of two situations:
  - 1.Organisational systems have moved away from the societal lifeworld and resist the existing legitimate steering media (e.g. organisation selling harmful products);
  - 2.Steering media have moved away from societal lifeworld but organisations remain coherent with that lifeworld

# ACCOUNTING, ORG CHANGE & RESISTANCE-

## Broadbent, Jacobs & Laughlin (2001): NIS (1)

- In NIS emphasis is on the tendency of conformity to socially accepted behaviour/norms for maintaining legitimacy.
- Institutions exert influence towards isomorphism via 3 pillars:
  - 1) Regulative; 2) normative; 3) Cognitive.
    1. Provides coercive power, in Haber. reflects the role of law
    2. Provides normative power & reflects the taken for granted. For H. , the societal lifeworld or IS at organizations' level
    3. Lead to mimetic isomorphism. Not addressed by Habermas.

# ACCOUNTING, ORG CHANGE & RESISTANCE-

## Broadbent, Jacobs & Laughlin (2001): NIS (2)

- The 3 pillars lead to different types of isomorphic behaviours. In terms of Hab. these illustrate diverse process of steering. The cognitive one is not explicitly addressed by Habermas, who describes two processes: 1) evolution; 2) colonisation.
- Evolution of organisational IS can be equated with normative isomorphism: change in line with the demands of societal world
- Colonisation can be linked to coercive isomorphism: change takes place because organisations have no choice but to conform.

# ACCOUNTING, ORG CHANGE & RESISTANCE- Broadbent et al. (2001)' s model: SO WHAT?

- Insights from NIS & ORG CHANGE model are used to amplify & develop the Hab.'s framework of model of society.
- According to this 'amplified' model, normative mechanisms are not uniform but can be fragmented within and between organisation\*. Thus, this fragmentation can be source of conflict & resistance to the influence of institutional forces.
- Dynamics of resistance depend on several factors, in particular on the strength of normative foundation.

# ACCOUNTING, ORG CHANGE & RESISTANCE-

## Broadbent et al. (2001)' s model: SO WHAT?

- This amplified model of Habermas, which includes insights from NIS & ORG. CHANGE, has been used to investigate the resistance strategies (HOW & WHAT) that were developed to respond to unwanted (forced) changes in the case of GPs (New Public Management) in the UK.
- Analysing these resistance strategies help to gather an understanding of how & why organisational change does (or does not) occur.