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**The adoption of management accounting at the federal  
employment office**

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The adoption of management accounting at the federal employment office

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## LIST OF ABBREVIATIONS

CEO	Chief executive officer
CFO	Chief financial officer
ERPS	Enterprise resource planning systems
FEO	Federal Employment Office
IMC	Institute of Management Accounting and Control
IT	Information technology
KPI	Key performance indicator
NPM	New Public Management
PCI	Problem-centred interview
WHU	Wissenschaftliche Hochschule für Unternehmensführung (graduate school of management)

## INTRODUCTION

### 1. Motivation

At the beginning of the 1980s the public sector was increasingly criticised for its inefficiency and ineffectiveness (van Helden 2005) and New Public Management reforms gained popularity (Hood 1991, 1995). The poor management of public organisations was identified as a reason for these deficiencies and market managerialism was promoted as a superior approach (Humphrey et al. 1993). An increased use of management accounting and control techniques and information were among the key elements of New Public Management reforms around the world which were to improve the efficiency of the whole public sector (Kurunmäki 2009). Since the rise of New Public Management, additional elements have been added to the reform agenda while others faded into the background. Many reforms of public sector organisations have not been successful and new attempts to change them reappear (Brunsson and Olsen 1993; Pollitt and Bouckaert 2004).

The establishment of an economic reality through the introduction of competition as well as the improvement of efficiency in public organisations remain a focus of research in public sector reforms, as does the potential relevance of management accounting to shift public sector organisations towards a managerial orientation (Arnaboldi and Palermo 2011). This is the case, particularly, because the body of research in public sector accounting contributed little to an understanding of the reasons for the changes observed in the field and how these changes are maintained and enhanced (Broadbent and Guthrie 2008, p. 154). The analytical focus of former management accounting research was on the institutional effects of public sector reforms on management accounting. It discounted the constitutive role of management accounting in reform processes (Modell 2009b). In comparison, the role of management accountants in the implementation of public sector reforms remained extensively unaddressed, despite the interest in management accounting in such reforms (Kurunmäki 2009).

Therefore, the purpose of this thesis is to examine the constitutive role of management accounting and management accountants in the managerial reform of a public organisation. To address this topic, I will outline the verticals of the reform process and illustrate the role of management accounting and management accountants in this process in part A of the thesis at



hand. In part B I focus on the evolving identity of management accountants by analysing the implications of the new managerialist ideals on the identity of those who work as management accountants as well as the effects of the management accountants' reactions. Finally, I focus on management accounting practices as a medium for change in part C, by analysing how their adoption contributes to a shared system of meaning in an organisation.

To guide the research, institutional theory has been chosen as the theoretical perspective. It is especially pertinent for studying an organisation operating in an environment characterised by multiple ideas and shifting basis of legitimacy, which is the case in public organisations (Meyer and Hammerschmid 2006).

## 2. Institutional perspective

The thesis at hand is guided by an institutional perspective. A short overview of the development of the relevant streams of research and the basic concepts is provided in this section.

The neo-institutional perspective emerged in the late 1970s (Meyer and Rowan 1977; Zucker 1977; DiMaggio and Powell 1983) and was characterised by critical engagement with the dominant contingency perspective. While the contingency approach focuses on the technical environment, the neo-institutional perspective focuses on the cultural and institutional environment of the organisation (Donaldson 2001). In the neo-institutional perspective, the organisational survival does not only depend on economic efficiency, but also on the legitimacy of the organisational activity. In a social environment actors require more than material resources, they need legitimacy to survive and to be successful in this environment (Scott et al. 2000).

*Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions. (Suchman 1995, p. 574)*

While Suchman (1995) describes legitimacy as a precondition for an organisations to acquire resources in their environment, Berger and Luckmann (1966) point out that legitimacy is not another resource, but a symbolic value providing normative dignity to the practical imperatives of a specific institutional order. In the institutional perspective, action is not driven by a "logic of instrumentalism", but by a "logic of appropriateness" (March and Olsen 1989).

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While the neo-institutional perspective deviates from the contingency approach, it integrates elements of the old institutionalism (Selznick 1949, 1957). The old institutionalism focuses on the normative dimensions of institutions, while the cognitive dimensions gained relevance in neo-institutionalism (Suchman 1995). Furthermore, research based on the old institutionalism mainly focused on individual organisations, while those guided by neo-institutionalism primarily focused on organisational fields (Scott 2008a). Whereby field can be defined as:

*“a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field” (Scott 1995, p. 56).*

However, there is no clear distinction between both institutional streams and there are increasing efforts to integrate those streams (Greenwood and Hinings 1996; Selznick 1996; Hirsch and Lounsbury 1997; Powell and DiMaggio 1991). The present thesis joins in these integrating efforts and focuses on organisational level processes to understand macro level phenomena, which has been a rather neglected area of research (Greenwood et al. 2010).

The central concept of the institutional perspective are institutions, which are defined by Berger and Luckmann (1966, p. 51):

*Institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors. Put differently, any such typification is an institution. The typifications of habitualized actions that constitute institutions are always shared ones. They are available to all the members of the particular social group in question, and the institution itself typifies individual actors as well as individual actions.*

Subsequent work that aimed at further developing the concept of institutions was conducted by Jepperson (1991), Suchman (1995) and Scott (2008a), whereby the latter integrated the key arguments of Jepperson and Suchman and provided a comprehensive definition of the concept:

*Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life. In this conception, institutions are multi-*

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*faceted, durable social structures made up of symbolic elements, social activities, and material resources. [...]*

*Although institutions function to provide stability and order, they undergo change, both incremental and revolutionary. [...]*

*Institutions ride on various conveyances and are instantiated in multiple media. These institutional carriers vary in the processes employed to transmit their messages. In addition, institutions operate at multiple levels – from the world system to interpersonal interaction. (Scott 2008a, p. 48-50)*

Institutions restrict and empower actions and actors at the same time, providing classifications to distinguish legitimate from illegitimate activities (Scott 2008a). Thus, institutions provide stability and order to social life and are relatively persistent over time and space (Zucker 1977).

The early focus on the stabilising effects of institutions met with the criticism that institutional change was neglected (Di Maggio 1988; Powell and DiMaggio 1991; Hirsch and Lounsbury 1997; Kondra and Hinings 1998). Even though continuity and stability are central elements of the institutional perspective, institutions also undergo change. Therefore, the subject of institutional research must include the processes of deinstitutionalisation and institutionalisation (Tolbert and Zucker 1996).

Analysing and explaining divergent institutional change and therefore addressing the paradox of embedded agency that Holm subsumed in the question of “how actors can achieve institutional change if their actions, intentions and rationalities are conditioned by these institutions?” (Holm 1995, p. 398) is a key challenge for institutional scholars. The thesis at hand follows this vein of research and analyses institutional change in a German federal agency.

To systematically analyse institutional change (Greenwood and Hinings 1996; Schneiberg 2007), the pattern and scale of the transformation are analysed in part A. It illustrates how radical change, involving “the busting loose from an existing ‘orientation’ and the transformation of the organization” (Greenwood and Hinings 1996, p. 1024) took place in the case organisation. The case evidence shows that there is a high level of interdependency between contextual and intra-organisational dynamics in public organisations. Furthermore, it illustrates how radical change is associated with changes in power structures and value commitments.

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However, identifying patterns of institutional change and actors driving this process does not explain why institutional change takes place. Jolts or institutional crisis, like a public scandal in the case at hand, can be a catalyst for institutional change (Laughlin 1991; Seo and Creed 2002; Child et al. 2007). Nevertheless, such events only have meaning within an institutional logic and their relevance for the actors can also be seen as a sign of the on-going change process. “Jolts’ are not entirely ‘external’ to this process, but figure in an already developed narrative. They come to our notice through theorization, and it is to the same process that they owe their significance, scope and relevance.” (Munir 2005, p. 94) Thus, the existence of contradictory logics can cause contradictions, which in turn initiate institutional crisis.

The concept of institutional logics was introduced by Friedland and Alford (1985, 1991) and created a new approach to institutional analysis (Thornton and Ocasio 2008). While the institutional logic approach shares, with the seminal authors of the neo-institutional perspective (Meyer and Rowan 1977; Zucker 1977; DiMaggio and Powell 1983), the concern with how the cultural and institutional environment of the organisation shapes its structures, it differs in its focus on the effects of different institutional logics, which are defined as:

*“a set of material practices and symbolic constructions which constitute its organizing principles and which is available to organizations and individuals to elaborate (Friedland and Alford 1991, p. 248).”*

Multiple, potentially contradictory institutional logics are available to individuals and organisations in developed societies (Friedland and Alford 1991; Greenwood et al. 2010). Thus, actors can draw on different institutional logics and reproduce or change institutional structures (Thornton 2004). In the case at hand, the setting once dominated by the logic of state bureaucracy changed to one influenced by the logic of the market. This competition between the traditional bureaucratic and the new market or business-like logic in the German public sector was an antecedent for institutional change in the case organisation. In part B, I trace institutional change by analysing how new identities for management accountants are derived from the competing institutional logics. The findings show the efforts to shape and control local management accountants’ identities based on the new logic. It also illustrates local management accountants’ identity work that allows them to paradoxically reproduce and resist the implications of the new logic. Therefore, I found evidence of the formation of a new identity created by individuals who mixed a new orientation with more orthodox beliefs.

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However, a new institutional logic does not emerge from the organisational field, instead it is instantiated and enacted in an organisational field and by organisations and may get reshaped and customised (Thornton and Ocasio 2008, p. 119). The business-like logic with its corresponding management concepts and accounting practices that has been theorised extensively in its original context (Greenwood et al. 2002) has to be translated and theorised in the new context of a public organisation (Czarniawska and Joerges 1996). Thereby, discourses serve to exchange and represent the institutional logic and the corresponding concepts and practices (Phillips et al. 2004). In part C, I illustrate how a rather abstract New Public Management discourse representing the business-like logic was translated into a more specific performance-oriented discourse within an organisation. In this translation process the introduction of performance-oriented management accounting and control practices helped to establish an economic rationality based on new institutional facts that conveyed the logic of the market without market mechanisms.

Organisational level processes, like the enactment of an institutional logic in specific practices and identities, and their implications for macro-level changes in institutional logics have been under researched so far (Greenwood et al. 2010). This thesis contributes to a better understanding of these organisational level processes, analysing management accounting practices and identities as a medium for change, not just an outcome of it.

### **3. Research approach**

The approach to research chosen in the thesis at hand is a single case study. “A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin 2003, p. 13). Thus, case studies are the preferred strategy to capture complex events and interactions in order to gain a rich contextual explanation of a phenomenon (Ahrens and Dent 1998), as intended in the thesis at hand. Rich contextual explanations are important to answer “how” and “why” questions that cannot be addressed by other research methods (Lillis and Mundy 2005). For example, Meyer and Hammerschmid (2006) identified changes in public servants’ identities following public sector reforms in Austria based on a survey, but they were not able to explain how these changes took place. This is a question that is addressed in part B of this thesis based on an extensive data collection in the case organisation.

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Case studies can be applied to explain, describe and illustrate or explore the contemporary phenomenon under investigation (Yin 2003). The case study at hand has an explanatory character. Hence, the case understood as a “string of concrete and interrelated events that occur ‘at such a time, in such a place’ and that constitute the case when seen as a whole” (Flyvbjerg 2011, p. 301) are not only described, but the causal relationships between the events is explained. Even though the case study as an approach to research is not associated with a specific research paradigm or theory (Lamnek 2005), the explanation is grounded in a theoretical perspective. The explanation of social phenomena is shaped by knowledge from a particular frame of reference and the conceptual framing does not stand apart from the empirical research (Burrell and Morgan 1979, p.10). Therefore, the research site is not part of an objective neutral reality that exists externally to the researcher (Chua 1986, p. 611). Instead the field of research is shaped by the theoretical interest of the researcher and the field work is not only an empirical, but also a theoretical activity (Ahrens and Chapman 2006).

The guiding perspective or the “manner of perception” for the case study at hand is neo-institutional theory. Even though this theoretical lens brings specific objects into view, the theoretical concepts are not superimposed upon the collected data. Instead, I engaged in an iterative process of interpretation and theorising, creating the flexibility to respond to new insights as the “empirical data’s disciplinary force insisted on the logics of its specific functioning” as Geertz (1995, p. 119) put it. This involved the reassessment of the initial theoretical concepts that framed the problem and fieldwork and led to the rephrasing and refinement of the original problem. It also changed the appraisal of the appropriate theoretical concept (Covaleski and Dirsmith 1990). Therefore, the objective was to generate a theoretically informed understanding of the phenomena at hand and to refine or extend the theoretical concepts if they were not able to fully explain the phenomena. Thus, linking the findings to theory which is of general interest beyond the specific context of the study at hand is the main contribution of this thesis. The significance of the theoretical contribution is ultimately judged by the reader (Ahrens and Chapman 2006).

The research site for the explanatory case study was the German Federal Employment Office (FEO). Explanatory case studies aim for theoretical generalisability, therefore, the case was purposefully sampled in order to obtain an information rich case (Yin 2003). The issue of the role of management accounting and management accountants in the reform of public organisations was brought into focus by a major reform program in the FEO. During this reform program, a new chief executive officer with an accounting background was appointed and the

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accounting systems of the FEO were re-examined. Therefore, the FEO offered a setting where institutional and management accounting change was taking place and the issue of the thesis could be addressed. My role as a researcher was that of a visitor who visits the case site, and observes and interviews the subjects of the research (Ryan et al. 2002).

#### **4. Structure of the thesis**

This thesis consists of three sections, whereby the main part is divided into three parts. Part A aims to contribute to a better understanding of processes of radical change in public organisations and of the way in which public sector reforms can be carried out in the practices of an individual organisation. Referring to Battilana and his colleagues' (2009) conception of institutional entrepreneurship and based on the findings, I modified the original Greenwood and Hinings (1996) framework for understanding radical organisational change, integrating framing and mobilising activities. This helped to overcome the overly functionalist explanation of organisational structures and the preference for coherence and stability in organisational forms inherent in the original framework (Kirkpatrick and Ackroyd 2003). The institutional entrepreneur's initial framing and mobilising activities were mainly directed towards the authorities and the political arena to maintain their support and therefore his power basis. Therefore, the location of an agent's power basis seems to have an important effect on the direction of his framing and mobilising activities. Based on these findings, I am able to argue that not only is the influence of contextual dynamics on intra-organisational change processes relevant, but also the actions taken to actively influence these contextual dynamics. Furthermore, the findings indicate that the conceptual distinction between institutional entrepreneurs who initiate and implement radical, divergent change and change agents who initiate and implement non-divergent change (Battilana et al. 2009) is problematic. It was not possible to clearly distinguish whether agents' activities were targeted at transformational or incremental change, or already aimed at maintaining the emerging institutions. I would therefore argue that the dichotomous approach that was the point of departure for the study at hand needs to be explored further to achieve a more detailed concept of different forms of change. A first step in this direction is taken in the study at hand, which identifies the different strategies adopted by the institutional entrepreneur and by the change agents. Accounting for activities of all actors who engage in creating, maintaining and disrupting institutions may help to identify different forms of change and could therefore contribute to an understanding of the com-

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bination of different forms of institutional work (Lawrence and Suddaby 2006) that lead to radical change.

The purpose of part B was to extend theory on the role of identity work and regulation in public sector reforms. Therefore, I concentrated on the linkage between the theorisation of the new public management logic in the case organisation and the logic's reproduction on a micro level, focusing on the mediating role of identity regulation and identity work concerning the identity of management accountants. While the identity regulation activities of institutional entrepreneurs in defining or redefining identities of those involved in divergent change has been identified as a central element of change efforts (Battilana et al. 2009; Creed et al. 2002), the role of identity work has been largely neglected in studies guided by institutional theory (Lok 2010). Thereby, identity work is defined as continuous engagement in forming, repairing, maintaining, strengthening or revising the constructions that are productive of a precarious sense of coherence and distinctiveness (Alvesson and Willmott 2002, p. 626). The findings show the efforts to shape and control local management accountants' identity based on the business-like logic, which is reflected in the corporate policy and the aim to localise corporate control. The business partner identity was promoted as a cultural form of control (Covaleski et al. 1998; Karreman and Alvesson 2004; Malmi and Brown 2008) that complemented the management accounting practices. Introducing a business partner as an ambassador of the corporate policy in the local units was to localise corporate control and therefore help to colonise the local units towards the goal of the headquarters. The identity regulating activities that were undertaken to foster the new business-partner identity included the improvement of the formal hierarchical location of local management accountants, the delegitimisation of the former identity and the establishment of a management accountant community. Nevertheless, the local management accountants reworked their identities and practices prescribed at the organisational level. They exploited ambiguities in the business partner identity in ways that preserved a sense of local unity and collaboration, thus preserving elements of the old social order as well as a degree of coherence with pre-existing self-identifications. Thus, local management accountants' identity work paradoxically allowed them to reproduce and resist the implications of the new logic, which limited the FEO's capacity to localise corporate control. Furthermore, these findings indicate that identity is not the stable outcome of a struggle between competing logics, but that it is in flux, affected by the identity regulating activities of change agents and the identity work of the identity targets.



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In part C, the research question of how actors adopting and performing performance-oriented management accounting and control practices affect the system of meaning in a public organisation, and how they, therefore, advance the establishment of a new institutional logic, is addressed drawing on a discursive lens (Phillips et al. 2004). A discursive approach has not typically been used for conducting empirical studies on management accounting and control practices or on institutional change more widely, yet this study has shown its analytic value. The findings show that the management accounting and control practices did not only include material practices, but also communicative interaction in the planning and target negotiation dialogue. In the top-down driven change process, the highly-focused nature of the face-to-face interaction (Weick 1969) and the power asymmetries between executive managers and local managers during the planning and target negotiation dialogue privileged the systems of meaning conveyed by top managers (Hardy 1996). However, this managerial interaction may only have had temporary effects if the structures of domination and legitimation had not been changed correspondingly (Hardy 1996). The new institutional facts created through management accounting and control practices became not only the source that legitimated actions in the organisation, but also a new means of domination and disciplinary power (Foucault 1977). Thus, the institutional work of the actors in the FEO was firstly focused on the establishment of new institutional facts as part of a performance-oriented discourse, before the focus switched to the translation of this discourse into action. Despite this sequential pattern of activity, a consensus of meaning, and therefore the establishment of the new institutional logic could only be achieved through their being evoked in every day's actions.

Finally, a conclusion summarises the contributions and limitations of this thesis and provides ideas for further research.

## **PART A**

This part presents analysis A:

### *Radical change in a federal agency*

This analysis has been presented at the European Academy of Management Conference, “Back to the future”, 18.-22. Mai 2010, Rome, Italy, and at the 6th international conference on accounting, auditing and management in public sector reforms, 1.-3. September 2010, Copenhagen, Denmark.

The subject of change, that is analysed in this part, has never been more relevant than today, as many public organisations have to undergo radical transitions following New Public Management initiatives. Based on an institutional framework, this analysis investigates how such inter-archetype shifts can be accomplished. Evidence shows that there is a high level of interdependency between contextual and intra-organisational dynamics in public organisations and that radical change can be associated with shifts in power structures in the organisational field. Not only can political authorities directly intervene in a federal agency’s business activity, but also, an institutional entrepreneur can engage in activities to influence contextual dynamics and mobilise external allies for his project of change. The findings show that internally, change agents can also play a role in radical processes of change as they engage in activities aimed at changing organisational members’ value commitments and therefore contribute to the institutionalisation of a new template. Therefore, the analysis at hand suggests that the investigation of different forms of institutional work conducted in projects that bring about radical change, instead of a focus on institutional entrepreneurs’ activities, may be a fruitful avenue for further research.

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## **RADICAL CHANGE IN A FEDERAL AGENCY**

### **1 INTRODUCTION**

Many studies found evidence that contextual pressures like the pressure to modernise public organisations have an effect on the organisations in the field (Helfat 2007). However, the way they affect organisations and how these undergo radical change is rarely explored (Heugens and Lander 2009). The analysis at hand aims to contribute to a better understanding of processes of radical change in public organisations and of the way in which government initiatives can be carried out in the practices of an individual organisation. Therefore, the research question “how do public organisations undergo radical change following government initiatives?” will be addressed in the analysis at hand.

Due to the fact, that organisations in the public sector are strongly embedded, the exploration of the interaction of contextual and intra-organisational dynamics seems crucial to understand change processes in public organisations (Modell 2004). Therefore, the Greenwood and Hinings (1996) model for understanding radical organisational change, that was developed to analyse the interdependencies of contextual and intra-organisational dynamics, is the theoretical lens that serves as a starting point for this analysis. Departing from the original framework and based on the empirical findings at hand, I integrated the notion of institutional entrepreneurship (Battilana et al. 2009) into this model to account for the activities of the actors who initiate and implement radical change. Integrating these two streams of literature which bridge the old and the new institutionalism (Hardy and Maguire 2008, p. 198) helped to overcome the overly functionalist explanation of organisational structures and the preference for coherence and stability in organisational forms inherent in the original framework (Kirkpatrick and Ackroyd 2003).

To address the research question, how public organisations undergo radical change following government initiatives, qualitative process data was gathered in the German Federal Employment Office (FEO), which provides the opportunity to study a setting where radical change occurred after a long period of stability and non-response to external pressures for change. The data was analysed using a temporal bracketing strategy in order to provide explanations in terms of the sequences of events leading to an outcome (Langley 1999).

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Reform initiatives in Germany are characterised by a rejection of a Weberian bureaucratic template in favour of a result or objective oriented template as used in the private sector, comparable to New Public Management (NPM) initiatives in other European countries (Lapsley and Pallot 2000). The reforms on the German federal level particularly focused on the introduction of management by objectives and management accounting practices (Federal Ministry of the Interior 1999). However, the initiatives of the Federal Ministry of the Interior were insufficient to trigger radical change (Federal Ministry of the Interior 2006). In the FEO the increased pressures following a public scandal created the momentum for the intended radical transformation and provided the opportunity to examine the organisational processes following this crisis. The crisis caused a shift in power in the FEO's organisational field in favour of those who demanded radical reform in the FEO. Following this, the social legislation which was the basis for the FEO's business activities was changed, signalling the deinstitutionalisation of the former template. Simultaneously, a CFO with a private sector background entered the organisation and was to play the role of an institutional entrepreneur during the reform. He engaged in activities aimed at framing and mobilising allies and resources for his change project on the field and organisational level. The external support provided him with sufficient power to enforce the implementation of a business-like template within the organisation. Meanwhile, the newly established working group of management accountants was selected and empowered to become change agents. They engaged in socialising activities in order to change organisational members' value commitments and to mobilise them to join in the maintenance of the new business-like template.

These findings show that, beside the institutional entrepreneur, change agents also played a role in the radical change process. Therefore, the study at hand addresses recent calls to investigate the interplay between institutional entrepreneurs and change agents (Battilana et al. 2009). While the institutional entrepreneur engaged in framing and mobilising activities aimed at the organisational and field level, the change agents' activities were restricted to the organisation. This shows that agents within the organisation can take actions to actively influence the contextual dynamics in order to mobilise external allies and resources and are not passively exposed to external pressures. Furthermore, the findings show that neither the institutional entrepreneur nor the change agents were deeply committed to the values underlying the bureaucratic template. This indicates that actors that initiate and implement change do not have to be conceptualised overly voluntaristic and heroic, but that divergent value commitments can be a source for change. These different value commitments do not have to be a

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cross-field phenomenon (Suddaby and Greenwood 2005; Durand and McGuire 2005; Boxenbaum and Battilana 2005), but can be inherent in a single organisation exposed to divergent contextual pressures as in the case at hand.

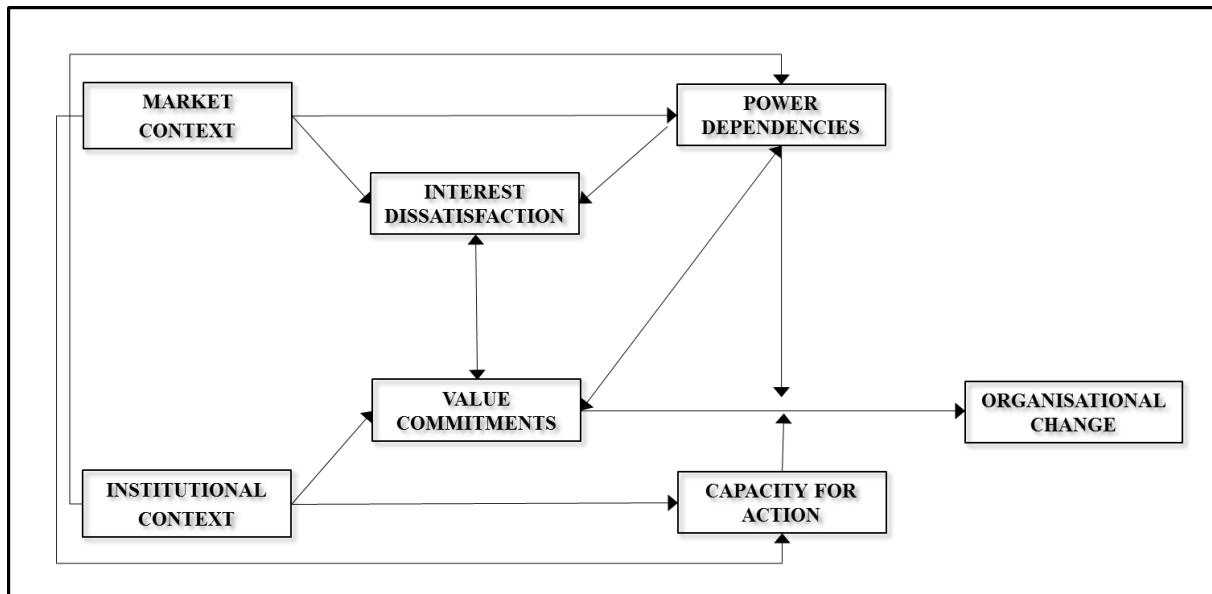
Even though, the analysis at hand accounts for the activities of two different agent groups; further research that accounts for the activities of all actors who engage in a radical change project may improve our understanding of these processes. Developing a more detailed understanding of the combination of different forms of institutional work, i.e. the activities of all actors who engage in creating, maintaining or disrupting institutions (Lawrence and Suddaby 2006), that lead to radical change seems to be a promising avenue to improve the practical relevance of theoretical conceptions of radical change. Therefore, such studies could contribute to the successful reform of public organisations, which was intended in the new public management reforms.

In the next section, I will outline the theoretical framework that was the point of departure for the analysis at hand. I then account for the research method and provide more information about the research site. In the penultimate section the change process is outlined. Part A closes with a discussion of the main findings and implications for further research.

## **2 THEORETICAL FRAMEWORK**

The analysis at hand wants to contribute towards a better understanding of radical change processes in public organisations and of the way in which government initiatives can be carried out in the practices of an individual organisation. To do so, I will explore the process of change of a federal agency that was able to overcome inertia and underwent a radical transition after a long period of stability. The theory point of departure was the Greenwood and Hinings' (1996) model that concentrates on the interplay of contextual and intra-organisational dynamics to understand radical organisational change. The core idea of the framework is that "a design archetype is thus a set of ideas, beliefs and values that shape prevailing conceptions of what an organization should be doing, of how it should be doing it and how it should be judged, combined with structures and processes that serve to implement and reinforce those ideas" (Greenwood and Hinings 1988, p. 295). A closely related concept abundant in the literature, that entails a stronger emphasis on cognitive aspects is "institutional logics" (Zilber 2006), which I will outline in more detail in part B and C of this thesis.

The framework, which is outlined in Figure 1 illustrates the theorised interaction between organisational context and organisational action that leads to radical change.



**Figure 1: Original Framework (Greenwood and Hinings 1996; p. 1034)**

Concerning the organisational context Greenwood and Hinings (1996) distinguish between market and institutional context. In the neo-institutional perspective, organisations do not only react to economic pressures, but also to institutional pressures, e.g. pressures to conform the expectations of regulatory agencies or general societal expectation, that are reflected in design archetypes. Conforming these expectations provides the organisational activity legitimacy (Scott et al. 2000). Changes in the organisational context, like the challenging of the bureaucratic template in the New Public Management initiatives, are interpreted by actors. Their probably divergent interpretations are grounded in their interests and value commitments and give rise to differences of view about the prevailing conceptions. These differences produce the need for change, as well as creating the opportunity for new templates to emerge (Oliver 1992). The outcome of the change project depends on the power and capacity of action of those engaged in the change project. These interactions between the institutional context and the organisational action are outlined in more detail in the subsequent sections.

## 2.1 Dynamics in the institutional context

The institutional context provides archetypal “templates of organizing” (Powell and DiMaggio 1991, p. 27) that are underpinned by the dominant ideas, values and beliefs in the field. The organisational structures and processes, as well as the management control systems,

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are a function of these ideas, values and beliefs (Greenwood and Hinings 1993). In terms of templates, radical change occurs when an organisation moves from one template to another (Greenwood and Hinings 1996). Thus, current processes of restructuring in public organisations under the label of New Public Management can be interpreted as an inter-archetype shift from a bureaucratic to a business-like template (Kitchener 1999; Lapsley and Pallot 2000).

New Public Management (NPM) reforms all over the world have been characterised by rejecting a Weberian bureaucratic template in favour of a business-like, result and objective oriented template. The bureaucratic control mechanisms that are based on hierarchical structures, rules and formal procedures that clearly delineate the manager's span of control (Adler 1999) are said to be ineffective as they do not account for results. Accordingly, the new templates include fundamentally different accounting systems (Lapsley and Pallot 2000), no longer focusing on compliance and appropriate spending rules. Private sector accounting practices that enhance the organisational efficiency and effectiveness and ought to help close the governance and control gaps in public organisations are seen as superior (Hoque and Moll 2001; Hood 1995). Selected initiatives to this end are the *Next Steps Initiative* in the U.K. (Carter and Greer 1993; Hyndman and Eden 2000; Likierman 1994) or the *Government Performance and Results Act/National Performance Review* in the U.S.A. (Cavalluzzo and Ittner 2004; Watkins and Arrington 2007).

Such inter-archetype shifts involve deinstitutionalisation processes (Greenwood and Hinings 1993). Deinstitutionalisation is especially problematic if actors' attitudes are strongly influenced by belief systems that shaped the structures and processes in the organisation in which they operate (Zucker 1987). This is the case in strongly insulated fields, where actors parttake in a common meaning system and mainly interact with other actors inside the field (Scott 1995). German federal agencies operated for a long period of time in an insulated field, due to the specific educational and career paths that limited the exchange with other organisations. The personal networks were often limited to peoples' own organisation or ministerial area, and the diffusion of alternative templates, solutions or methods that would enable change were rare in public agencies (Lapsley and Wright 2004). This traditionally strongly institutionalised bureaucratic template and the limited exposure to other concepts is likely to limit deinstitutionalisation processes and to create resistance to change, or, as Laughlin (1991) puts it:

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*Change is not usually sought and the trauma involved in changing the interpretative schemes is something an organisation will avoid, if at all possible, even though the challenge and importance of this concern to those who subscribe to the whole concept of progress and development in an evolutionary sense cannot be lightly avoided (p. 223)*

Some institutional scholars support the view that some jolt or institutional crisis is necessary to overcome inertia and to facilitate radical change (Laughlin 1991; Seo and Creed 2002; Child et al. 2007). For example, Powell (1991) shows how alternative forms of work organisation were considered and implemented in the face of the economic crisis following the 1970s oil crisis. Therefore, actors in insulated fields started to search for alternative templates when contextual pressures increased and brought them into their own field, where they challenged the existing templates. However, there is limited evidence as to how actors in public organisations react to the existence of an alternative template, and which additional contextual or intra-organisational dynamics may be necessary to trigger radical change.

## **2.2 Organisational action**

Following Greenwood and Hinings (1996) an organisation's response to external pressures is a function of their internal dynamics; e.g. the interests and values as well as the power and the capacity for action of the actors in the organisation.

### **2.2.1 Interests and value commitments**

Actors who initiate radical change and therefore contribute to the institutionalisation of new templates have been termed institutional entrepreneurs by Di Maggio (1988). They can be individuals or groups of individuals (Fligstein 1997; Maguire et al. 2004) that take leadership roles in radical change processes (Colomy 1998). Organisations are typically divided into different groups with potentially divergent interests and value commitments (Greenwood and Hinings 1996). Thus, the spores of alternative ways of viewing the organisation's appropriate purposes and actions can lie in these different groups within the organisation. Different templates reflect and privilege the interests of different organisational groups. Interest dissatisfaction can become a pressure for change or resistance to change (Seo and Creed 2002). Professional groups have been identified as drivers of change processes. They can host processes of discourse through which consciousness about contradictory institutional arrangements can be



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advanced and change is debated and endorsed (Greenwood et al. 2002, p. 59). However, actors only get active in order to engage in or resist a change initiative when they become conscious that their interest satisfaction is coupled to a specific organisational template (Seo and Creed 2002). The perception of these contradictions and the recognition of opportunities for change is facilitated by occupying a social position that is exposed to conflicting institutional demands (Thornton and Ocasio 2008). It is, however, still unclear when radical inter-template changes occur and when divergent intra-template change is implemented. Only those individuals or groups that initiate inter-template change and participate in the implementation and institutionalisation of the new template are regarded as institutional entrepreneurs (Amis et al. 2004; Battilana et al. 2009; D'Aunno et al. 2000; Greenwood and Hinings 1996). Nevertheless, a radical transition from one template to another and therefore the institutionalisation of the new template is only possible if most or all groups in the organisation commit themselves to the values of the alternative template. Thus, the institutional entrepreneur needs the necessary power and capacity for action to initiate and implement change and therefore change people's value commitments throughout the whole organisation.

### **2.2.2 Power and capacity for action**

The outcome of a radical change initiative depends on the power and capacity of action of the institutional entrepreneur who initiates and implements divergent change in contrast to change agents who engage in non-divergent change (Greenwood and Hinings 1996; Battilana et al. 2009). Battilana and colleagues (Battilana et al. 2009) distinguish two categories of activities conducted by an institutional entrepreneur in order to implement change, i.e. creating a vision for change and mobilising allies. The former entails different forms of framing. Diagnostic framing makes the failings of the existing template visible, whilst prognostic framing seeks to legitimise the alternative template in comparison to the existing one (Suddaby and Greenwood 2005; Creed et al. 2002). As a third dimension, motivational framing entails providing convincing arguments to support the implementation of the new template (Misangyi et al. 2008). The capacity to mobilise allies is closely linked to the power position of the institutional entrepreneur. As Fligstein (1991, p. 313) says: "Change...can only occur when either a new set of actors gains power or it is in the interest of those in power to alter the organisations goals".

An institutional entrepreneur needs to mobilise resources that help him convince other groups in the organisation to endorse the implementation of the alternative template. Resources like

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formal authority (Phillips et al. 2000), informal network positions and financial resources enhance the institutional entrepreneur's position of power and facilitate the implementation of the change project (Battilana et al. 2009).

The institutional context has an impact on the resources available to the institutional entrepreneur and other groups in the organisation as it provides alternative templates that incorporate legitimate power structures (Thornton and Ocasio 1999). These can become manifest in regulative elements that directly affect the flow of resources and business activities of the agencies (Edelman and Suchman 1997). In the case at hand, the one of a federal agency, the market context is specific as a federal agency is not exposed to market competition or volatile consumer demand. Thus, the market context as a trigger for radical change seems to be less relevant for government agencies (D'Aunno et al. 2000); at least as long as privatisation is politically inopportune and private competitors do not enter the field. Therefore the importance attached to the institutional context may be comparatively higher than in other settings.

### **3 METHOD**

The case study at hand is concerned with meanings and the understanding of organisational members' definition of the change process (Schwandt 1994). Thus, the research approach involves building a second order theory of organisational members' interpretation of the change process (Schütz 1973). The research project began with the theoretical lens outlined above as the sensitising and orienting concept (Blumer 1969), which was examined using the data collected in order to bring the interpretations of the change process at the FEO to the surface.

#### **3.1 Research site**

The FEO is a federal agency and provides employment and labour market services. It is controlled by the Federal Ministry of Labour and Social Affairs and organized as a public corporation. The board of directors consists of employees, employers and the public corporations' representatives. Therefore the clients and premium payers of the unemployment insurance are represented in the board of directors. The executive board is responsible for the day-to-day operational management of the FEO. It provides the annual budget and report subject to approval by the board of directors.

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The leeway in decision making and managerial functions is constrained by the tight social legislation that defines the measures that it is possible to take within the employment and labour market services as well as within the organisational structures of the FEO. The FEO has a monopolist position, no other organisation independently offering competing services in the German labour market. The specific social legislation limits the comparability to other public organisations in Germany or social service providers in other countries. Due to this, the interaction with actors outside the FEO or its regulatory authority is rare.

### **3.2 Data collection**

The data collection began in February 2009 and is the starting point for a larger research program based on a longitudinal observation of change (Langley 1999; Locke 2005). This longitudinal design of the study is critical to uncover the ways in which change took place. In addition it responds to calls (Modell et al. 2007; Modell 2003; Dillard et al. 2004) to broaden management accounting research beyond intra-organisational path dependencies on which it primarily focused before (Burns and Scapens 2000). Furthermore, the validity of this project will be based in the return visit of subsequent researchers who will use the findings at hand as a guide to entering the FEO and to interacting with the organisational members (Van Maanen 1988).

To assess the organisational members' interpretation of the change process in the FEO, three types of data – interviews, observations, and archival documents - were collected.

To prepare for the interviews and the observations, and in order to further specify and refine interpretations, I collected and analysed the following types of archival data. First, I was given access to internal documents related to the reform projects and the current management accounting practices at the FEO, for example legislative documents, decrees, programs operated, scratch papers, manuals of accounting tools in use, annual and monthly reports. Second, the Federal Ministry of Labour and Social Affairs, the regulatory authority of the FEO, mandated two social research institutes (WZB – Wissenschaftszentrum Berlin für Sozialforschung; Infas – Institut für angewandte Sozialwissenschaften GmbH) to evaluate the reform programs with respect to the improvement of the quality and speed of the internal processes. Finally, I also collected publicly available archival documents helpful for understanding the political context. The collected and analysed data goes back to 1993 and also covers former change initiatives that had little impact on the organisation. The archival data in combination with the information gathered through the interviews allows the examination of the interplay

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between former government initiatives, a public scandal in 2002, and the intra-organisational dynamics at the FEO to understand the actual developments. Overall, I analysed more than 1.000 pages of material. The historical material was given out after an initial interview with my contact person in February 2009. Additional material concerning recent developments was given out in May 2010.

Overall, I conducted thirty-one interviews with managers, financial managers and management accountants in the headquarters, a subsidiary and a subunit of the FEO (Appendix A: Overview of interviews). Even though the organisation is large, multilevel and hierarchical, as is common in the German civil service, the structures in the headquarters are lean. The about 400 employees in the headquarters are not involved in the provision of front-line labour market services. Due to the lean structures in the headquarters the financial and non-financial managers are strongly linked to the executive team members and have a good overview over the projects initiated in the headquarters. As the initial interviews and archival data revealed, the change process was clearly initiated in the headquarters and driven top-down. For the present analysis, the interviews in the headquarters provided the majority of the information, whilst the interviews in the subsidiary and the subunit were to provide more information about the reception of the initiative.

I conducted problem-centred interviews (PCI), a concept that borrows largely from theoretical foundations (Glaser and Strauss 1967) which incorporate theory generating procedures. The previous theoretical knowledge is seen as a sensitising concept (Marginson 1999; Berry et al. 1991) and serves as a framework for questions during the interview. The PCI procedure insures that the pre-existing concepts do not predetermine the data collection and that the sensitising theory is not superimposed upon the collected data (Witzel 2000, paragraph 3). The PCI combines narration-based and topical interview elements. Therefore the interviews were begun with a narration generating question and the structuring of the first phase of the interviews was up to the interviewees. This was done to reconstruct the opinions they attributed to experiences and their perspective on specific events during the change process. During the narrative part of the interview communication strategies to generate story telling were planned for and helped to break down the artificialness of the interview situation. General explorative techniques that employ aspects of the interviewee's responses were used to disclose and understand his view of the problem and to show the researcher's interest in the topic (Witzel 2000, paragraph 14). Ad hoc questions were used if certain relevant topics were left out by the interviewees, but I tried not to interrupt the story-telling and therefore postponed ad hoc ques-

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tions to the end of the interview (Witzel 2000, paragraph 15). At the end of the interviews, topical elements were brought in to build a coherent story from the different perspectives of the interviewees or to address open issues that were not addressed by the interviewee (Appendix B: Sample interview questions).

The antecedent collection and analysis of archival data, and therefore an adequate knowledge of the verticals of the reform program, was helpful to conduct this type of interview, because I was able to integrate the interviewee's responses into the overall story and to interact with the interviewees during the interview. The interviews were only partially tape-recorded to avoid any bias related to politically sensitive topics around the reform process. Instead, I relied on respondent validation by discussing interview summaries with the interviewees or additional follow up meetings to clarify certain topics. With the exception of one interview, all interviews were held in the interviewee's office, which created a relaxed atmosphere and motivated them to underline their statements with additional data, like presentations, reports or organisation charts. The interviews were documented immediately after the interviews were held using a contact summary form (Appendix C: Contact Summary Form).

Finally, I gained permission to observe several meetings during the yearly budgeting and target negotiation phase in November and December 2009. The discussions provided me with more situated detail about the arguments and the underlying data for decision making processes and the power positions of different groups. Before and after the meetings there was an opportunity for informal talks with the participants to gain additional information about the meetings and especially about their attitudes towards the topics and the results of the meetings.

### **3.3 Data analysis**

The data analysis started with the analysis of the archival data that provided initial verticals and a temporal frame of the change processes. Using a narrative strategy, a detailed story of the change process at the FEO was prepared in order to assess the organizational members understanding of this process (Langley 1999). This was achieved by examining the interviews case by case to account for emerging stories before moving to the next interview. Adding additional interviews provided further detail about what happened and who did what, when and why.

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The data analysis has been technically enabled by using Atlas.ti, a software for qualitative data analysis (Moll et al. 2006). In a first step, the interview transcripts and field notes were coded paragraph by paragraph. Thereby a code is understood as a “a word that signifies “what is going on in this piece of data”” (Corbin 2004; p. 528). The concept of what was going on was named by me or descriptive words provided by the respondents. The codes were stored in Atlas.ti and re-used to avoid redundant coding. For the same purpose the code repository was regularly checked for redundancies. If those occurred, I went back to the data and recoded paragraphs eliminating redundant codes or clarified the codes in order to make them distinguishable. During this initial coding, first interpretations and insights occurred; those were directly linked to the specific paragraph using the memo-function in Atlas.ti and centrally documented in a research-journal. The theoretical framework outlined above built the axis to further structure the codes as they were linked to the theoretical concepts (Strauss and Corbin 1990, p. 99-100). For this purpose code-families were used to subsume codes that were related to a single theoretical concept. However, this process also initiated a recurrent consultation of subject-related literature and the adaptation of the initial framework and an interrelated selection process that focused my attention on the codes and data material that was relevant for the research question at hand.

As a last step a temporal bracketing strategy was used to decompose the story into periods that share a common set of activities and sense making processes (Langley 1999). Therefore I examine the effects of certain actions in subsequent phases and linked the specific codes to specific periods to create a narrative. Briefly, these periods are stability, i.e. dominance of the bureaucratic template, crisis that challenged the legitimacy of the template, development of a new business-like template, transition to the new template and stabilising the new template. These periods and the sets of activities that are characteristic for them are described in detail in the next section.

## **4 MAINTENANCE AND CHANGE IN THE FEDERAL EMPLOYMENT OFFICE**

### **4.1 An alternative template for the German public sector**

Until the new public management initiatives were introduced, the public sector was firmly coupled with a clearly legitimated organisational template and consistent expectations, in

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combination with monitoring mechanisms to ensure compliance with this template. In Germany, the monitoring mechanisms are reflected in tight legislation and the activities within the federal agencies are subject to detailed regulatory statutes. However, in recent years, the German public sector has increasingly been characterised by competing logics, since the New Public Management initiatives brought in elements of a private sector management model (Lapsley and Pallot 2000), whilst the bureaucratic values were still influential.

New Public Management reforms started in Germany in the 1990s at local government level, initiated by the development centre for public management that was founded in 1949 by municipalities and towns. At federal level, the initiative *Modern State - Modern Civil Service* (The Federal Government 1999) was started in 1999 and implemented during the following seven years. The first phase of the initiative from 1999 until 2002 focused on the organisational restructuring of the federal agencies and the implementation of so-called “modern management”. Critical elements of this modern management were management by objectives and management accounting, whereby federal agencies were to be held accountable for the efficient delivery of services and the outcomes in terms of effects on citizens or on society as a whole (The Federal Government 2002). Private sector-oriented management accounting practices were regarded as a precondition for good governance, because they would make it possible to hold public managers accountable for their decisions (Federal Ministry of the Interior 2004). However, international empirical studies have shown that the adoption of new management accounting practices have often not met these claims (Nor-Aziah and Scapens 2007; Lapsley and Pallot 2000; ter Bogt and van Helden 2000; Gurd and Thorne 2003; Uddin and Hopper 2003) and did not foster the implementation of a business-like template (Osborne 2006; Modell et al. 2007; Lapsley and Wright 2004). Corroborating these findings, the evaluation of the reform program *Modern State - Modern Civil Service* by the Federal Ministry of the Interior showed that in many cases, the programs and measures had not been successfully implemented and that further coordinated efforts would be necessary to meet the actual demands on government and civil services (Federal Ministry of the Interior 2006).

The FEO’s progress to adopt a private sector-oriented template following the reform program *Modern State - Modern Civil Service* resembles these general developments. In the FEO, organisational development programs were set up to enhance the performance orientation in reaction to the rather general calls for a new business-like management model. During these programs new processes were defined and documented in detail in order to improve the efficiency of the working processes and to enhance the organisation’s performance. It was said

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that, to foster the new performance orientation and to make it possible to formulate and control quantifiable performance targets, it would be necessary to adopt an elaborated management accounting system. The existing fiscal accounting was only designed to provide the legally required financial data. In addition to the financial data, statistical information about unemployment placement and other labour market statistics were provided to render an account of the FEO's business operations. Both fiscal accounting and statistics were part of the existing bureaucratic template and in line with the general belief that it is the social duty of the organisation and therefore its employees to spend the available budget to help the unemployed. The new performance orientation neither fitted in the existing template, nor was it able to challenge the prevalent values in the FEO.

*Before 2003 the input orientation was dominant. It was all about spending the available money; if a manager spent his budget his task was completed. Outcome and thus the question: "what do I achieve with the money I am spending"? was just irrelevant. It was not part of people's reality in the FEO. (Financial Manager, Headquarters)*

The pacing of the adoption process was moderate, because the engineering of the work processes took time. Middle management and front-line employees had to be convinced to participate in the change process and to articulate their knowledge about work processes. Therefore, quality circles were installed and a collective attempt to slowly improve the FEO's operations was communicated inside and outside the organisation. However, in fact, the performance-orientation disappeared during the adoption process. Whilst new processes were defined and documented in every detail to enhance performance, performance targets were not formulated and management accounting practices to measure them were not adopted.

In the phase depicted above there was no institutional entrepreneur within the organisation who tried to initiate radical change or engaged in the implementation of such an endeavour. Instead, the actors in the organisation engaged in the maintenance of the existing template and the alignment of the changes with the dominant values and beliefs.

## **4.2 Institutional crisis that triggered radical change**

In January 2002, the German federal employment court of auditors published an audit report which held the FEO responsible for manipulated statistics, which described the number of placements as a result of the FEO's active labour market measures. This scandal also gave



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rise to an intensified discussion about the poor performance of the organisation and the lack of results from previous reforms. In reaction to that, the German federal government instated a committee for *modern services in the labour market* in February 2002 and entrusted it with the elaboration of a concept to improve the employment and labour market services. The aim was not only to enable governance and control, but also to enhance the efficiency of the employment and labour market services. In the legislative procedure the measures were transformed into four acts reforming the social legislation *Hartz I - IV*. Since the dominant values and beliefs in the field are reflected in the social legislation that guides the actions of the agencies, the passing of the Hartz legislation provided not only a legal basis for the new business-like template, but also an indication for the deinstitutionalisation of the bureaucratic template.

*We operate in a highly structured environment. The social legislation builds the basis for our business operations and is translated into a system of directives that guides the actions of the people in the organisation. The system of directives is clearly structured and ensures that legal changes are communicated and implemented throughout the organisation. This is part of our job in the headquarters. (Manager, Headquarters)*

*There has always been and there is still change that is caused by political initiatives. What has been introduced as the dominant guiding principle is the performance oriented management of the FEO. Even though, there have been many political initiatives and programs safterwards, this legally embedded principle endures. There are surely political programs that we have to implement that are not completely in line with this principle and that cause debates, like actual programs to support the change of structure in some German regions. However, those programs have become exceptions. (Manager, Headquarters)*

Hartz I and II were concerned with the range and design of measures in the unemployment and labour market services and came into effect on January 1, 2003. Hartz III regulated the restructuring of the FEO, symbolised through a formal renaming, and came into effect on January 1, 2004. The final Hartz legislation, Hartz IV, concerned the administrative consoli-

dition of unemployment assistance and social welfare; Hartz IV came into effect on January 1, 2005.

In parallel to the committee for *modern services in the labour market* a new CFO with private sector background was hired to manage the restructuring of the FEO.

*The change process was initiated by the statistics scandal. Wrong statistics were published from the FEO and that caused a stir. After the scandal a manager with a private sector background came on board. It was his aim to transform the FEO into a firm, a service provider with a stronger economic target orientation. That was the starting point for the changes that took place. (Management Accountant, Headquarters)*

The new manager was mandated to analyse the possibility of transforming the FEO in order to make the organisation governable and controllable. The Government even considered closing down the organisation if there was not going to be a satisfactory concept for the restructuring. The statistics scandal had catalysed the rivalry between proponents of the status quo and those who initiated change. The scandal and the publicity it caused changed the balance of power in favour of those, who opted for a fundamental reform of the social sector and its institutions, and therefore laid the foundation for changes in the social legislation and the FEO. These developments not only increased the pressures on the FEO to implement change, but also provided the legal basis and thus the possibility for radical change. The statistics scandal facilitated diagnostic framing activities for the proponents of a radical change process as it made the failing of the bureaucratic organisation visible. The wrong numbers were constructed as a symptom of the inferior bureaucratic template with its lack of control and governance that caused uncontrollable expenses and manipulated statistics. Adopting this diagnostic frame, a business-like template was introduced as a superior solution referencing new public management initiatives and the private sector. Business-like management was thus selected as a prognostic frame and the foundation for its implementation was laid by the changes in the social legislation.

### **4.3 Development of a new business-like organisational design**

A business-like template was introduced as a prognostic frame through the FEO's regulatory authority and the Hartz commission. However, the business-like template had to be conceptualised in order to provide an alternative that resonated with the values and interests of the dif-

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ferent stakeholders and that accounted for the structural differences between the private and the public sector. Additionally, a change project had to be set up in order to manage the transition from the bureaucratic to the business-like template. This task was assigned to the private sector manager, who was hired to transform the FEO and therefore introduced in the role of an institutional entrepreneur. He entered the organisation in the position of the CFO and received the budget to assemble a core team that consisted mainly of external consultants and some members of the FEO that would help him to conceptualise and roll out the business-like template. This core team was assigned to develop a new business-like template that rested upon the implementation of private sector concepts to create a transparent, performance-oriented and efficient organisation.

*At the beginning we were installed in concurrence to the headquarters to build a new organisation from scratch. The consultants were an important factor, because they provided the new concept. There was little to no initiative from within the FEO. (Financial Manager, Headquarters)*

In contrast to the rather abstract claims of the government initiative, the concept of the business-like template for the FEO provided a sound prognostic frame that included a new organisational design and a change project for its implementation. The new template involved changes in the three essential elements of an organisational design, the organisational structures, the decision systems and the human resource systems (Greenwood and Hinings 1993).

The organisational structure was to be altered in the headquarters as well as in the subsidiaries with the primary aim of being able to hold managers on all levels accountable for their actions.

*The FEO is led by the three members of the executive board. He manages the FEO and represents it. The executive board provides the supervisory board with regular information on business developments. [...]*

*The CEO supervises the CEO's of the subsidiaries and the central management department. The CFO supervises the CFO's of the subsidiaries and the central departments responsible for personnel, IT, management accounting and finance. The COO supervises the COO's in the subsidiaries and the central departments responsible for products and programs. [...]*

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*The organisational structure of the subsidiaries corresponds to the structure of the headquarters. Core of the new organisational structure are the management support teams that follow a matrix structure. The management support teams are managed by a subunit consultant who is subject to the CEO's authority. The program consultants, who are also part of the management support team, are subject to the COO's authority. In addition, a management accountant and personnel specialists are part of the management support teams. The management support teams support the executive board of the subsidiary to manage the subunits. [...]*

*In analogy to the headquarters and the subsidiaries, the subunits are managed by an executive board with three members. (Bieber et al. 2005, p. 51, 55, 56)*

Clear targets and responsibilities were defined and a single line of command towards the subsidiaries and subunits was set up. Such targets were completely new to the organisation and the necessary data base had to be configured.

*Specific targets in the organisation were rare, targets that defined where the process was to go. Of course, there were budget targets or specific labour market measurements that were to be used, but for a manager it was variable where to direct his efforts. The actual situation with the clear target system is completely new and not comparable to what we had before (Manager, Subsidiary)*

The former primary target was exhausting the budget and outcome targets were neither measurable nor binding. According to internal documents, this was regarded as the main factor that hindered successful management of the organisation. Following the single line of command, the outcome and budget targets would be agreed upon between headquarters and subsidiaries. The CEOs of the subsidiaries would, in turn, be accountable for the performance and outcome of their unit and of the corresponding subunits.

*In the future, the FEO will be managed following the clearly defined business policy. A precondition is a management and control system with clear roles for the organisational units of the FEO. The headquarters are responsible for the strategic decisions and the overall performance of the FEO.*

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*The subsidiaries are responsible for the management of their subunits and the performance of their region. Binding targets are agreed upon between the different levels and the continuous management dialog supports the different units to meet this targets. (Reform of the FEO – Actual, Management information special issue, 14.07.2004, p. 2)*

Additionally, the introduction of benchmarking practices was to increase the transparency in the organisation by allowing a comparison of the managers' performance. The vertical processes were also restructured and aligned to the clients' needs in order to improve the service quality and efficiency.

The new decision system was no longer input oriented, but focused on outcome and efficiency. The newly adopted management accounting and control practices were to provide the necessary outcome and cost information, whereby the initial focus was to lie on outcome oriented information.

The changes in the human resources system involved performance-oriented payments and were supposed to support the efforts in the other elements of the organisational design. These performance-oriented payments would be introduced for managers on all hierarchical levels, from the CEO to the team leaders in the subunits. To enable changes in the human resources system, the civil servant status had to be abolished. This abolishment that would make it possible to link the target achievement to the career development and compensation of the managers took time. Even though the variable part of the compensation would be quite small, the promotion of the managers would depend strictly on their former target achievement. Earlier, managers were more or less automatically promoted after a certain period of time and their rather symbolic accountability had no impact on their career.

*Finally, approximately 10'000 people in the FEO are affected from the new human resources process. In the headquarters the executive board agrees upon targets with the CEO's, the CEO's with the heads of the departments and the heads agree upon targets with the team leads. The same process takes place in the subsidiaries and finally in the subunits. The target agreement process was introduced at the beginning of the reform, but the sharp formal linkage between the target agreement and the evaluation of the managers took only place in 2008. (Management Accountant, Headquarters)*

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The new business-like template was also to include a new functional group, the management accountants. Following the management accountants' job description, their task was to include checking and balancing managers' activities to assure the rationality of decisions, on top of the bundle of tasks concerned with decision support and management control by means of management accounting methods such as business planning, cost accounting, budgeting, reporting and performance measurement. Additionally, the management accountants were to substantiate the strategic objectives for the line managers of the subsidiaries and the subunits and to assure their implementation in accordance with the new business-like template. Therefore management accountants were to act as change agents during the transition to the new organisational template (Management accountant's work role identity description, FEO). In the initial organisational design the management accountants were part of the management accounting and finance department in the headquarters and belonged to the management support teams in the subsidiaries and subunits.

All aspects of the new organisational design were to be elementary in order to achieve a fast and successful roll-out in the first phase of the reform that should ensure the governability of the FEO. The speed of the process, which should result in measurable progress during the first two years, was essential as the government expected quick achievements that would assure political support for the reform.

*It was time to reform the organisation. This reform was our only chance. The reform that was started between 2003 and 2004 was really the last chance for the FEO. The alternative was to close down the FEO and that illustrates the pressure that was lying on the organisation. The first phase of the reform that was started in 2004 was dedicated to the governability of the FEO. Therefore, we had to set up a new and governable organisation in the first two years to prevent the potential closing down. (Financial Manager, Headquarters)*

According to the interview partners, even though the external pressures and the internal attempts to develop a new business-like organisational design were familiar to the members of the organisation, radical change was not expected from the beginning. Instead, most people expected another reform with little impact on their day to day activities.

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*The statistics scandal served as a wake-up-call for the people in the organisation and it was quite clear that something would happen. On the other hand, there have been a lot of reforms before, which did not have an effect. People were sceptical and thought, “ok, that is the next reform and it will pass as the others before”. (Financial Manager, Headquarters)*

These expectations started to change in 2004 when the Hartz III legislation came into effect and the implementation of the business-like organisational design was authorised. In order to receive this authorisation and the necessary resources to conduct the change project, the prognostic framing activities in this phase of the change process were mainly directed towards the supervisory committee and the political authorities. The specificity of the business-like template including new organisational structures aimed at increasing the accountability of individual managers, a new performance-oriented management and decision system as well as a human resources system that complemented the performance-orientation based on performance dependent compensation. The strategy for its implementation followed a clear top down approach and provided the opportunity to present the above template as the optimal solution and therefore facilitated the prognostic framing activities. With the authorisation of the change project, the prognostic frame was clearly legitimised and the institutional entrepreneur received the necessary resources to start the project.

#### **4.4 Transition to the new business-like organisational design**

The authorisation of the new organisational design was accompanied by the promotion of the former CFO as a figurehead of the change project to the position of CEO in 2004. This promotion underlined the political legitimacy of his endeavours and provided him with substantial power in the organisation. Nevertheless, the newly assigned CEO was under intense pressure from the government and the supervisory committee to realise the reform program to keep his external allies motivated to support the change project and to continuously provide him with the necessary resources and political support. Thus keeping allies in the CEO's organisational field mobilised throughout the change process was important. In the change project, the institutional entrepreneur relied on the support of external consultants to impose changes which were executed stringently, while the external pressures supported the prognostic framing activities in the organisation and helped to create an atmosphere of urgency and inescapability within the organisation.

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Even though hierarchical authority had been widely accepted in the former bureaucratic template, the CEOs of the FEO's subsidiaries had been highly autonomous with virtually unquestioned power in their units. Those who were not willing to follow the reforms were replaced. Due to the former civil service career paths most of these managers were over 50 years old and were compensated with generous retirement packages. In return, these retirements opened new job opportunities for proponents of the new business-like template.

*The headquarters implemented actions that made it clear that they were serious about the reform. Managers who resisted the reform received another position or were retired. They still earned their money, but their image was completely damaged. Additionally, they relied on the consultants to drive the reform top-down in the organisation. Such intensity was new, former reforms were never driven in the organisation which such intensity. I think there was no faster way to implement the reform. (Financial Manager, Headquarters)*

*In 2004 many CEO's of the subsidiaries were replaced. They were not replaced due to a lack of competence, but because they could not cope with the new mode. Until 2003 the FEO was characterised by its social duty and then the logic changed completely and the managers were supposed to achieve outcomes and received quantified targets. This fundamental change of logic was not feasible for everyone. Additionally, the CEO's had a high hierarchical position and they had problems to accept a reduction of their power on a personal level, to accept instructions from headquarters. They had been highly independent local princes and headquarters did not dare to intervene in their business before the reform. It was a novel departure not only on the top level. Managers' positions were advertised internally and former managers and employees could apply. These processes even reached the team leader level. We had a high personnel turnover in these days. (Management Accountant, Headquarters)*

Nevertheless there were also existing managers within the organisation who appreciated the upcoming changes.



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*It is hard to say when exactly I realised that something would radically change in the organisation. It was not immediately after the statistics scandal, but I would say in 2003 or 2004. This awareness was coupled with the hope that we would be a completely new organisation. An organisation, for which I would prefer to work, compared to what we had before. (Management Board Member, Subsidiary)*

The speed and intensity of the intervention prevented the gathering of momentum of the resistance to change from inside the organisation. The interviewees described how the residual managers were paralysed and self-absorbed with the understanding and enacting of their new roles.

The same holds true for the newly established professional group of the management accountants. Most of them were staffed from other departments of the FEO or other public organisations and received a one week basic management accounting training before they supported the managers handling the new planning instruments. At the beginning of the reform project, acting as change agents was out of reach for most of the newly hired management accountants.

*When the implementation of the reform started in 2004, the management accountants were not the driving force in the change process. They suffered from a lack of resources quantitatively and qualitatively. At the beginning the management accountants were data providers and were going through a phase of self-discovery. (Management Accountant, Headquarters)*

Throughout this intervention the business-like template was promoted as a superior solution without an alternative. This communication strategy was accompanied by the disempowerment of proponents of the bureaucratic template.

*At the beginning of the implementation of the reform, the impulses came from the management department under direct control of the CEO. They set the impulses and implemented the massive changes top down. The supervisory board was always one step behind and was not able to exercise their controlling influence. The other departments in the headquarters as well as the local units were searching for their roles and reacted to the impulses. There was a sense of new beginnings around the CEO and fundamental*

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*critic or resistance did not gain momentum. (Management Accountant, Headquarters)*

The external legitimacy of the change project was still important and quick financial results sustained the enforcement of the changes. Even though the financial results were partially owed to the positive economic development, this window of opportunity was used to legitimise the introduction of the business-like template as the financial results were presented as proof that the new template was superior. The financial results were not the primary target of the reform, but they were a signal, that a business-like management can be suitable for a public organisation. Furthermore, the improved financial results provided the FEO with more independence as it could refinance its business activities and was less dependent on a cross-subsidising with tax revenues; which also reduced the level of political interventions in the management of the organisation.

#### **4.5 Stabilising the business-like organisational template**

The reform program described above took two years and was slanted towards the tangible elements of the business-like template. The underlying ideas and the organisational members' identification with these had not been focused on. Motivational framing, e.g. convincing people in the organisation of the benefits of the new template and changing their value commitments came to the fore when the organisational design was implemented and FEO's business operations were ensured.

*At the beginning we were driving the change process top-down. We just endorsed the new structures and processes; it was a question of power. However, today we are convincing people. It took some time until the changes delivered positive results, but these positive results help us to gain acceptance and convince people. Recently we had a debate about what may happen if the CEO as a power promoter of the change process would leave the organisation. I think the managers in the organisation are convinced that the new management model is superior. The new idea is in the minds of the people and we do not depend on a power promoter any longer. (Financial Manager, Headquarters)*

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This does not mean that the underlying ideas were not communicated during the reform program, but as changes were enforced, it was less relevant if people in the organisation identified with them or not. However, motivational framing gained relevance when the major changes had taken place and the institutional entrepreneur was trying to institutionalise and maintain the new business-like template. As the social duty of the FEO was still important for the members of the organisation, he relied on a form of motivational framing, which insisted on the fact that the new business-like template delivered a higher outcome with fewer resources and thus helped the organisation to better fulfil its social duty. Even though the new template relied on management accounting as an elementary part of the management and the quantification of the organisations targets, it was presented in a way that showed that it was congruent with the existing norms in the social sector.

Whilst management accounting practices were an important means to quantify and communicate the performance-oriented targets throughout the organisation, the management accountants were to have an important role as “ambassadors of the new management model” (management accountant’s job description). Starting with a small group of management accountants in the headquarters, more than 150 additional management accountants were hired during the roll out of the reform. They were responsible for a subsidiary or a subunit and supported the respective executive team and co-signed financial decisions. In the initial hiring process the most experienced individuals with a certain degree of familiarity with the accounting practices were selected for the headquarters and regularly trained internally and externally afterwards to provide them with the necessary skills and competencies to act as change agents. Due to the fact that many local management accountants struggled to enact their role as change agent and ambassador their position in the local units was strengthened in 2006 and local management accountant positions were newly appointed. All of them were confirmed or hired under the premise of the business-like template and took part in training and regular events to teach them the values and beliefs underlying the new template.

Even though the management accountants were committed to the new template, their motivation to enact the role of a change or maintenance agent also originated from their awareness that their power position depended on the new template. Since the former CFO had become CEO, the management accounting function in the headquarters reported directly to the CEO and represented his interests in the annual target agreement meetings. Locally, the management accountants had to co-sign all decisions that had a substantial financial impact and since

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2006 had no reporting line to the respective manager, but could escalate differences to the headquarters. This position of power was not feasible in the bureaucratic template.

Even though the management accountants in the headquarters acted as standard setters and monitored the compliance with these standards and therefore relied on their power position, they also engaged in other forms of motivational framing. For that reason, management accountants tried to act as role models (Thompson 1988).

*The main part of our job is communication; talking to people and helping them to solve their problems the right way. We can prove the value of the new way of doing things. If they are convinced that they can count on us, we can establish a trustful relationship. That's important, I always tell my management accountants. (Financial Manager, Headquarters)*

Building a relationship of trust with managers and providing them with compelling reasons to rely on the new methods and instruments was even more important for the local management accountants, who saw themselves as much as part of the local management team as members of the management accounting group. This identity of the local management accountants will be outlined in more detail in part B of this thesis. The local management accountants achieved this relationship by proactively providing a range of services for the managers that was to meet their needs.

*When we started with the new management and accounting systems, the managers did not really have an expectation of what we were to offer. They were just confronted with our products. We developed these products further relying on the feedback we received from the managers. However, these products are only one part of our job; the advisory service is also an important part. A high quality of advisory service is crucial, because the managers have to work with our accounting figures. This starts with the necessity to understand the key performance indicators and ends with the cause and effect relations the managers have to understand in order to be able to take decisions that increase their performance. (Financial Manager, Subsidiary)*

Thus the management accountants engaged in mobilising activities that focused on demonstrating benefits and improvements that were achievable in the business-like template.

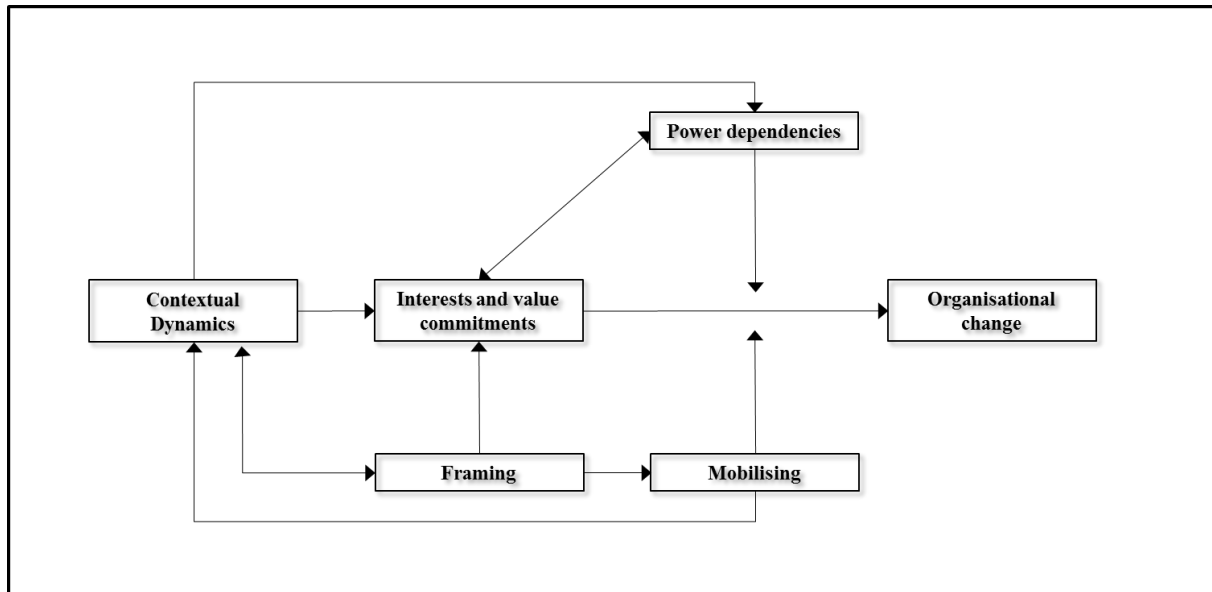
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The forceful intervention from the headquarters relying on formal authority and sanctioning mechanisms, which I described in the former phases of the change process did not disappear completely, but formed the framework for the rather socialising activities that helped to convince and mobilise the people in the organization. As more and more managers committed themselves to the new values and joined in maintaining the new institutionalised practices, power and authority became less important for maintaining the changes.

## 5 DISCUSSION

Many studies guided by institutional theory found evidence for the hypotheses introduced by DiMaggio and Powell (1983) that contextual pressures have an effect on the organisations in the field (Helfat 2007). However, it is rarely explored how these pressures are perceived in the organisation and how they are interpreted and transformed into radical change (Heugens and Lander 2009). Accounting for the activities of the actors in radical change processes helps to address this research gap.

Referring to Battilana and his colleagues' (Battilana et al. 2009) conception of institutional entrepreneurship, and based on the present findings I modified the original framework (Figure 2) provided by Greenwood and Hinings (1996). Integrating framing and mobilising activities helps to overcome the overly functionalist explanation of organisational structures inherent in the Greenwood and Hinings (1996) framework (Kirkpatrick and Ackroyd 2003). Therefore the study at hand contributes to the refinement of the initial framework focusing on the capacity for action. The other elements of the framework are partially integrated in their parent categories because the study was not designed to provide further insight in those categories. For example market and institutional context are integrated in contextual dynamics as the single case study at hand is characterised by a specific contextual dynamic and does not provide insight into different effects of other dynamics characterised by stonger market or institutional dynamics.



**Figure 2: Framework of radical organisational change in public organisations**

In the case at hand the contextual pressures initiated the change process as power shifts in the organisational field privileged the proponents of a business-like template. These power shifts and the legal actions taken by the proponents of the new template and the introduction of an institutional entrepreneur were preconditions for the change process in the organisation. Accordingly, the institutional entrepreneur relied on external resources and used his formal authority to enforce changes within the organisation, while engaging in framing and mobilising activities to maintain the external support for the change project. Simultaneously, the activities directed towards members of the organisation focused on the identification and disempowerment of the opponents of the change process and the selection and empowerment of potential change agents. Thus, identifying and mobilising a small group of allies that were empowered and motivated to act as change agents was the first step. Mobilising allies on a wide base within the organisation and therefore changing their value commitments only came to the fore when the tangible elements of the business-like template had been implemented. However, these activities were no longer mainly driven by the institutional entrepreneur, but by a broader basis of change agents.

### **5.1 Interdependence between contextual and intra-organisational dynamics**

Former studies found that the availability of an alternative template or vision is a precondition for radical change (Lounsbury 2002, Scott et al. 2000, Suddaby and Greenwood 2005). In the

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case at hand, the availability of an alternative idea was insufficient to initiate radical change. The former governmental initiatives had little impact on the organisation. The critical event (Laughlin 1991; Holm 1995; Greenwood et al. 2002; Child et al. 2007) of a public scandal was necessary to throw off the power balance in the organisational field in favour of those who were committed to the values underlying the new template and to increase the pressure on the FEO. The statistics scandal was a catalyst for diagnostic framing activities as it made visible the failing of the bureaucratic template. The wrong numbers were constructed as a symptom of the inferior bureaucratic template with its lack of control and governance that caused uncontrollable expenses and manipulated statistics. Presenting the closing down of the FEO as a feasible alternative created a sense of urgency and inescapability. Thus the diagnostic framing activities that de-legitimised the bureaucratic template on the field level had already taken place when the institutional entrepreneur entered the FEO. The newly designated CFO, who was introduced as an institutional entrepreneur, developed a project that involved an alternative business-like template and a change project for its implementation. The specific business-like template was the precondition for the prognostic framing activities that promoted the project as the best solution for a federal agency. These activities were directed towards the supervisory committees and political authorities. Motivational framing, providing them with compelling reasons to authorise and finance the project were crucial for the implementation of the change project that depended on external support. The financial resources and the formal authority invested the institutional entrepreneur with immense power in the FEO, which enabled him to execute a commanding type of intervention. Thus, at the beginning of the change process, the framing and mobilising activities directed towards the organisational field were crucial to maintain support, and with this the power basis of the institutional entrepreneur.

Thus, the effect of the contextual dynamics in this study seems to be substantially higher than the one detected by Heugens and Lander (2009) in their meta-analytical study. I attribute this to the stronger institutional pressures that exist in public sector organisations due to their increased exposure to political authorities (Mizruchi and Fein 1999). In the case at hand, these authorities initiated changes in the social legislation that intervened directly in the FEO's business activities. Vice versa, the framing and mobilising activities of the institutional entrepreneur also aimed at influencing these contextual dynamics and maintaining external support for his change project. Thus, my findings contribute to the theory on radical organisational change in public organisations by showing the interdependence between contextual and intra-

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organisational dynamics in the public sector. In contrast to the original framework, and based on the findings at hand, I am able to argue that not only are the influence of contextual dynamics on intra-organisational change processes relevant, but also the actions taken to actively influence the contextual dynamics in order to mobilise external allies and resources by agents in the organisation. I suggest that further research is needed in this regard to attain further details on the effects of actions taken to influence the contextual dynamics during radical change processes in public organisations.

These findings have also practical relevance as they show that a public organisation is not exposed to contextual influences, but that agents in those organisations can actively engage in changing these constraints during a change process. Taking on the perspective of political authorities that try to implement NPM initiatives, the above findings show that organisations do not have to dispose of potential entrepreneurs or change agents, but that they can be introduced from outside the organisation or empowered during the change process. This is of special interest for public organisations that have a long tradition of inertia and little internal capacity for action.

Private companies are less exposed to direct interventions from political authorities and the interdependencies can be supposed to be comparatively lower. Nevertheless, they face increased competitive pressures due to the current economic developments and pressures from non-governmental organisations and activist groups, which may force them to undergo radical transitions. But it may be important to differentiate clearly between institutional and competitive pressures, as there is little evidence whether the modes of interpretation and transformation into action diverge or not (Heugens and Lander 2009). I suggest that further research is needed in this regard.

## **5.2 Institutional entrepreneur and change agents**

Conceptually, the distinction between institutional entrepreneurs who initiate and implement radical, divergent change and change agents who initiate and implement non-divergent change is clear (Battilana et al. 2009). However, this distinction is less obvious in the case at hand, where an institutional entrepreneur introduced change agents in order to support the implementation of his change project. Even though the change agents were actively engaged in the change process, it is hard to evaluate whether their activities were targeted at transformational or incremental change, or already aimed at maintaining the emerging institutions. I would therefore argue that the dichotomous approach that was the point of departure for the



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study at hand that contrasts divergent and non-divergent change needs to be explored further to achieve a more detailed concept of different forms of change.

A first step in this direction is taken in the study at hand, which identifies the different strategies taken by the institutional entrepreneur and by the change agents. While the institutional entrepreneur engaged in commanding strategies, the change agents followed socialising strategies. The institutional entrepreneur came from outside the organisation and was armed with formal authority and sufficient resources to enforce changes. This power position had an effect on the activities directed towards the actors in the organisation. The reform was constructed as being without alternative and those who were not willing to follow the new vision were disempowered or replaced. Thus, the institutional entrepreneur was able to challenge the dominance of the bureaucratic template by force, using commanding strategies that were aimed at changing structures and replacing actors instead of changing value commitments.

In parallel, a working group, the management accountants, was designated in the change concept to become change agents. They were selected based on their commitment to the values underlying the new template, and their power position in the organisation was tightly coupled to this template. The alteration of the design elements of the organisation shifted the power structure in favour of the management accountants as proponents of the new template and enabled them to act as change agents. They relied on rather socialising strategies that zoomed in on trust and cooperation in order to change organisational members' value commitments. They therefore contributed to the institutionalisation of the new business-like template. Their strategies were based on building relationships of trust, and on supporting the managers to make sense of the new practices. Furthermore, they acted as role models in order to change the managers' value commitments and to mobilise them to engage in the maintenance of the business-like template.

In contrast to the change agents, the institutional entrepreneurs' activities were also focused on the political authorities to mobilise external support. Based on this, the different location of the agents' power basis seems to have an important effect on the direction of their activities. The power basis of the institutional entrepreneur was clearly outside the organisation, whereas the power of the change agents was based in the business-like template to whose maintenance they contributed and in the institutional entrepreneur who promoted the template. Both took actions to maintain or improve their power basis, which influenced the direction of their activities.

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In accordance with the original framework, I found that both the institutional entrepreneur and the change agents were committed to values divergent from those they intended to change. Whilst the institutional entrepreneur had a private sector background and was highly committed to the values underlying the business-like template, he based the selection of the designated change agents on their positive attitude towards the new template. This shows that actors that initiate and implement change do not have to be conceptualised as overly voluntaristic and heroic (Meyer 2006), but that divergent value commitments can be a source for change. These different value commitments do not have to be a cross-field phenomenon as in the case of the institutional entrepreneur (Suddaby and Greenwood 2005; Durand and McGuire 2005; Boxenbaum and Battilana 2005), but can be inherent in a single organisation exposed to divergent contextual pressures. Therefore the institutional entrepreneur was able to select change agents and managers with divergent value commitments.

However, the present findings cannot answer the question as to whether the activities taken by the institutional entrepreneur or the change agents are necessarily taken by this actor group. Therefore, accounting for activities of all actors who engage in creating, maintaining and disrupting institutions may contribute to an understanding of the combination of different forms of institutional work (Lawrence and Suddaby 2006) that lead to radical change. Therefore the present findings need to be assessed and developed further. Multi-case comparative research may allow investigating the effects of different forms of institutional work on the outcomes of radical change initiatives (Battilana et al. 2009). A more detailed understanding like this may also be necessary to gain practical relevance, and to be able to contribute to the successful reforming of public organisations, which was intended in the New Public Management reforms.

## **PART B**

This part presents analysis B:

### *The role of identity in public sector reforms*

This analysis has been presented at the 5th doctoral summer school in management accounting, 14.-17. July 2010, Certosa di Pontignano - Siena, Italy.

It extends the theory on the role of identity in public sector reforms by exploring identity work and regulation during the process of institutionalising a new logic. I analysed how local management accountants in a federal agency rework their identity in response to identity regulation activities following a New Public Management reform based on the business-like logic. The findings show the efforts to shape and control local management accountants' identities based on the business-like logic. This is reflected in the corporate policy and the aim to localise corporate control. The analysis illustrates local management accountants' identity work that allows them to paradoxically, reproduce and resist the implications of the new logic, which limits the organisation's capacity to localise corporate control.

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## THE ROLE OF IDENTITY IN PUBLIC SECTOR REFORMS

### 1 INTRODUCTION

Hood (Hood 1991, 1995) introduced the expression “New Public Management” in the 1990s and the subject of change from traditional bureaucratic to modern business-like managerial agencies has attracted much attention since (Lapsley 2008). Even though the New Public Management movement has advanced, many reforms of public sector organisations have not been successful and new attempts to change them have been made (Brunsson and Olsen 1993). In parallel, the economic developments and altered market conditions confront governments with the new challenge of increasing the efficiency and effectiveness of public service delivery (Lapsley 2008). Accordingly, the relevance of management accounting for shifting public sector organisations from a bureaucratic to a business-like orientation remains a focus of research in public sector reforms (Arnaboldi and Palermo 2011). The analysis at hand contributes to this stream of research addressing the following question: how are identity work and regulation involved in the manifestation of a business-like logic in an organisation through the introduction of management accounting practices?

To analyse such shifting orientations and the related changes of organisational practices, Friedland and Alford (1985, 1991) introduced the concept of institutional logics in institutional theory (Meyer and Hammerschmid 2006). Institutional logics provide cognitive legitimacy to the practices and identities that constitute these logics (Suchman 1995). They are available to organisations, groups and individuals and can be used or manipulated to serve individual interests (Friedland and Alford 1991). Thornton and Ocasio (1999, p. 804) defined institutional logics as:

*[...] the socially constructed, historical pattern 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 (Jackall 1988, p. 112; Friedland and Alford 1991, p. 243). Institutional logics are both material and symbolic—they provide the formal and informal rules of action, interaction, and interpretation that guide and constrain decision makers in accomplishing the organization’s tasks and in obtaining social status, credits, penalties, and rewards*

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*in the process (Ocasio 1997). These rules constitute a set of assumptions and values, usually implicit, about how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed (Jackall 1988; March and Olsen 1989).*

Therefore institutional logics structure cognition and provide social actors with identities (Friedland and Alford 1991) and thus, a notion of “who or what any social actor might or should be in a particular institutional context, and – by implication – how the actor should act” (Lok 2010, p. 1308). These identities are equivalent to so called “role models” in social learning theory (Bandura 1977). Thus, identity forms an important link between institutional logics and the actions of individuals (Thornton and Ocasio 2008; Glynn 2008) and is a target of entrepreneurial activity that enables them to support the introduction of a new institutional logic (Creed et al. 2002; Rao et al. 2003; Suddaby and Greenwood 2005). This also holds true for New Public Management initiatives, where new managerial identities for public servants were promoted alongside the introduction of managerial concepts, thus rendering New Public Management an identity project (Meyer and Hammerschmid 2006; Thomas and Davies 2005; Llewellyn 2004; du Gay 1996). In the case at hand, I focus on the identity of the business partner, which should become an element of the local management teams and did not exist prior to the New Public Management initiatives.

However, social actors’ self-identity is not determined by a particular logic (Lok 2010) because the relationship between the external notion of identity and the internal notion of self-identity is mediated by identity work (Alvesson and Willmott 2002). Even though the identity regulating activities of the change agents, who promote the new logic have been of interest in former studies, little is known about how and why identity targets construct identity reactions to these activities and about the shifts in institutional logics (Lok 2010; Rao et al. 2003). The aspects of identity work and regulation within a reform process have received little attention. The case at hand may provide the opportunity to expand the theory on the role of identity in public sector reforms (Eisenhardt 1989; Eisenhardt and Graebner 2007).

Therefore, I examined the identity work and regulation involved in the manifestation of a business-like logic in an organisation (Zilber 2006; Czarniawska and Joerges 1996) through the introduction of management accounting practices. The adoption of management accounting practices is a central element of the business-like logic (Lapsley 2009). These practices should help to meet public organisations objectives, enhance organisational efficiency and ef-

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fectiveness and make managers accountable for the outcome of their decisions (Hoque and Moll 2001; Hood 1995).

However, empirical studies have shown that the adoption of new management accounting and control practices have often not met these claims (Nor-Aziah and Scapens 2007; Lapsley and Pallot 2000; ter Bogt and van Helden 2000; Gurd and Thorne 2003; Uddin and Hopper 2003), raising again the question of the relevance of such practices in public sector reforms (Arnaboldi and Palermo 2011). However, these studies neglected identity regulating activities as cultural elements of management control systems and the identity target's identity work in reaction to these activities. Therefore this studies did not fully account for cultural controls, which are an integral part of management control systems (Malmi and Brown 2008).

I argue that, if we want to answer the question of relevance, we have to better understand how the business-like logic is reconstructed and translated into management accounting and control practices. Therefore, we have to account for identity regulation and work, because it is through identification with new identities that the business-like logic and the associated practices can become institutionalised (Thornton and Ocasio 2008; Chreim 2001).

Using qualitative methods, I explore the management accountant's identity and its implications for the reproduction of the business-like logic in a German federal agency. This is done by analysing how management accountants as targets of the identity regulation reworked their identities in relation to the efforts to shape and control these identities.

The site of research is the German Federal Employment Office (FEO) that offers unemployment and labour market services. The case features shifts in institutional logics and new identities for public servants and gives me the opportunity to track the dynamics of change at multiple levels to account for the interplay between institutional forces and the actors' interpretations and actions (Zilber 2002). The New Public Management oriented reform project did not only include new tools and practices, but also the new identity of a business partner for management accountants as a key factor to change the mode of managerial control in the organisation. These modes comprise "mechanisms designed and implemented by management to increase the probability that organisational actors will behave in ways consistent with the objectives of the dominant organisational coalition" (Abernethy and Chua 1996, p. 573).

The novelty of the business partner identity provides the opportunity to analyse the identity regulation and work linked to the introduction of a new occupational identity in an organisation. Professionals, defined as "exclusive occupational groups applying somewhat abstract

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knowledge to particular cases” (Abbott 1988, p. 8) like management accountants become increasingly important in all types of organisations and addressing their changing identities is timely (Pratt et al. 2006). This is especially true if professionals cannot be hired from the employment market but have to be recruited from within the organisation. This is the case for most public organisation and will gain relevance for other sectors due to the demographic development that causes a shortage of qualified labour.

The present findings show how identity regulating activities shaped the critical business partner identity as a form of managerial control that allowed the organisation to localise corporate control. Compared to the statisticians who were to provide data, the business partner was to analyse and interpret information and be involved in managerial decisions critically. In reaction, the management accountants as identity targets worked the business partner identity and therefore resisted some of the implications of the identity. The reworked advisory business partner identity allowed them to keep a collaborative relationship with local managers without formally violating the business partner identity, which they had accepted. Nevertheless, the reworked advisory business partner identity also had implications for the implementation of management accounting and control practices, and therefore for the technical and process-related elements of the management accounting system in the organisation. These implications limited the organisations’ capacity to localise corporate control.

My findings make several contributions to theory. First, identities are not the stable outcome of a reform project, but are continually regulated and worked in the everyday interaction of individuals, even though these individuals demonstrate consent with the business-like logic and engaged in the implementation of corresponding reform steps. Identity work allowed actors to paradoxically reproduce and resist the new logic at the same time. Second, the findings show that the actors’ self-identity, i.e. the way in which they understand themselves, affected the meanings they attached to the management accounting and control practices that they implemented. This calls for the consideration of meanings attached to these practices to evaluate their relevance in public sector reforms (Modell 2009b). Third, my study illustrates how the target identity of a business partner was regulated in order to localise corporate control. The effects of this cultural control were limited due to the identity work of the identity targets that also had effects on the implementation of accounting and control practices. This highlights the importance of further analysing cultural controls and their interdependence with other forms of control (Malmi and Brown 2008) to illuminate their relevance in public sector reforms.

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I will outline the theoretical context of the analysis in the next section before I account for the research method used and the research setting in the Federal Employment Office (FEO). Part B closes with the empirical results and a discussion of these findings.

## **2 THEORETICAL BACKGROUND**

### **2.1 New public management - the appearance of an alternative logic in the German public sector**

Friedland and Alford (1985, 1991) introduced the concept of institutional logics in institutional theory and provided a link between institutions and action. They state that each institutional order has a central logic that includes organising principles and provides social actors with means and ends for their actions and with an identity. Institutional logics are available to organisations, groups and individuals and can be used or manipulated for their individual interests (Friedland and Alford 1991). Whilst Friedland and Alford (1991) focused on society level logics and their effects on organisations and individuals, the meta-theory of institutional logics has since then been used on multiple levels of analysis. However, not any logic of action or interpretative scheme can be seen as an institutional logic. Unlike an institutional logic these schemes or logics of action are not a source of legitimacy (Thornton and Ocasio 2008).

An institutional logic provides cognitive legitimacy to the practices and identities that constitute it through its reproduction, which is taken for granted (Suchman 1995). Thus, the introduction of a new institutional logic involves efforts to change practices and identities and a naturalisation of the new logic that provides the particular practices and identities with cognitive legitimacy (Friedland and Alford 1991; Suchman 1995). Embodied, materially mediated arrays of human activity that are centrally organised around shared practical understandings can be defined as practices (Schatzki 2001, p. 2). They are legitimised through theorisation, a process where the organisational failings under the old logic are conceptualised and linked to potential solutions provided by the alternative logic (Greenwood et al. 2002, p. 58). Human activity and practices are closely linked to the self-identity, i.e. the way in which humans understand themselves, that determines how an individual acts in a situation (Weick 1995).

The traditional institutional logic in the German public sector goes back to the Prussian tradition of the *Rechtsstaat* (constitutional state), which was developed during the eighteenth cen-



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ture in the age of Prussian enlightenment. The *Rechtsstaat* principle is based on the idea that the sovereign state and its agencies have to be bound by rules to establish neutral administrators. Even though this principle underwent a deep transformation after the Second World War, the focus on legal formalism endured and incorporated procedural guarantees and judicial protection. These principles also influenced German public administration: A federal agency has to be formally empowered by the constitution or by statute law, and there are very strict rules as to the conditions and limitations of delegating decision making power, for general regulations as well as for individual decision making (Ziller 2003, p. 169). This strong legal emphasis underpinned the formation of hierarchical, centralised bureaucratic agencies (Weber 1922/1968) with little leeway for executive decisions, which mainly focused on the correct application of the law. Following Weber, the legitimacy of such bureaucratic agencies is based on “strict and neutral implementation of codified universal and precise law” by bureaucrats (Rothstein 2003, p. 214).

This bureaucratic institutional logic was, in recent decades, challenged by a new institutional logic of business-like market managerialism that has been introduced to the public sector under the label “New Public Management” (Hood 1991, 1995). In contrast to the bureaucratic institutional logic the legitimacy of public agencies is not judged on the basis of compliance with bureaucratic rules, but on the basis of outcome and efficiency (Brunsson and Sahlin-Andersson 2000; Hood and Lodge 2004; Hood 1991; Pollitt and Bouckaert 2004; Kettl 2000). The sovereign state with its agencies was to be replaced by objective driven public organisations that provide services and serve a customer (Brunsson and Sahlin-Andersson 2000). In accordance with the business-like logic the former bureaucrats have to become result and objective oriented public managers with a higher level of discretion within a decentralised public organisation (Meyer and Hammerschmid 2006).

Accordingly, the modes of managerial control also had to change in public organisations. In the bureaucratic mode, managerial control was based on hierarchy, minimising the decision leeway, and the formalisation and standardisation of work processes (Wright 1996). Civil servants’ actions were guided by the logic of appropriateness, accompanied by a terminology of duties, legal procedures and obligations. Moving away from the bureaucratic mode meant higher levels of autonomy for public managers with a focus on results and performance (March and Olsen 1989). Consequently, the business-like logic also has an impact on the accounting and control practices as an element of managerial control (Lapsley and Pallot 2000). The bureaucratic accounting practices were focused on compliance and on appropriate spend-

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ing rules, whereas management accounting and control practices that focus on supplying information for management decisions gained relevance in the business-like logic. They ought to enhance the organisational efficiency and effectiveness and help close the governance and control gaps in public organisations (Hoque and Moll 2001; Hood 1995). Thereby, the localisation of responsibility and decision-making authority also necessitates localising corporate control in order to prevent new control gaps (Alvesson and Willmott 2002). These new accounting practices are associated with the new occupational group of management accountants, which was introduced into public organisations to perform the management accounting practices and support the managers in taking decisions and in executing managerial control. Thus, New Public Management reforms necessitate not only a change in practices, but also in the self-identity of public sector employees who have to enact new identities (Thomas and Davies 2005) in order to replace the old logic on a global scale and to render public organisations manageable (Pollitt and Bouckaert 2004).

## **2.2 Identity targets and self-identity**

The role of identity targets in institutional change processes has received little attention (Lok 2010). While the activities of institutional entrepreneurs in defining or redefining identities of those involved in divergent change has been identified as a central element of such change efforts (Battilana et al. 2009; Creed et al. 2002), their identity targets were portrayed as passive recipients of these identities (Creed et al. 2002; Reay and Hinings 2005; Suddaby and Greenwood 2005; Meyer and Hammerschmid 2006). This focus on institutional entrepreneurs does not account for the distributed agency associated with institutional change as it neglects the agency of non-entrepreneurial actors (Lawrence and Suddaby 2006; Lawrence et al. 2009; Powell and Colyvas 2008).

In contrast, studies that draw on the control of work literature focused, rather, on the interpretative efforts of identity targets to construct their self-identity (Lok 2010). The concept of self-identity goes back to Giddens (1991) and emphasises the aspect of self-awareness. The self-identity is the way in which humans understand themselves and determines how an individual acts in a situation (Weick 1995). It is not stable and fixed, but always emerging in the context of a social system of meaning (Watson 1996; Watson and Harris 1999), answering the question “Who do I want to be?”. If the situation is characterised by competing institutional logics, the individuals are confronted with different systems of meaning and potentially conflicting pressures that influence the identity processes (Greenwood et al. 2010).

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Self-identities are accomplished through identity work, defined as the continuous engagement in forming, repairing, maintaining, strengthening or revising the constructions that are productive of a precarious sense of coherence and distinctiveness (Alvesson and Willmott 2002, p. 626). For example, Thomas and Davies (2005) explore the meanings individuals ascribe to the discourse of New Public Management and their positioning within these meanings to illustrate the subtle ways in which actors construct their new managerial identities in the U.K.'s public sector. However, individuals do not only draw on the identity templates transported through different discourses (Fiol et al. 1998), but are also exposed to other actors' identity regulation activities, e.g. their attempts to influence and control their identity (Watson 2008).

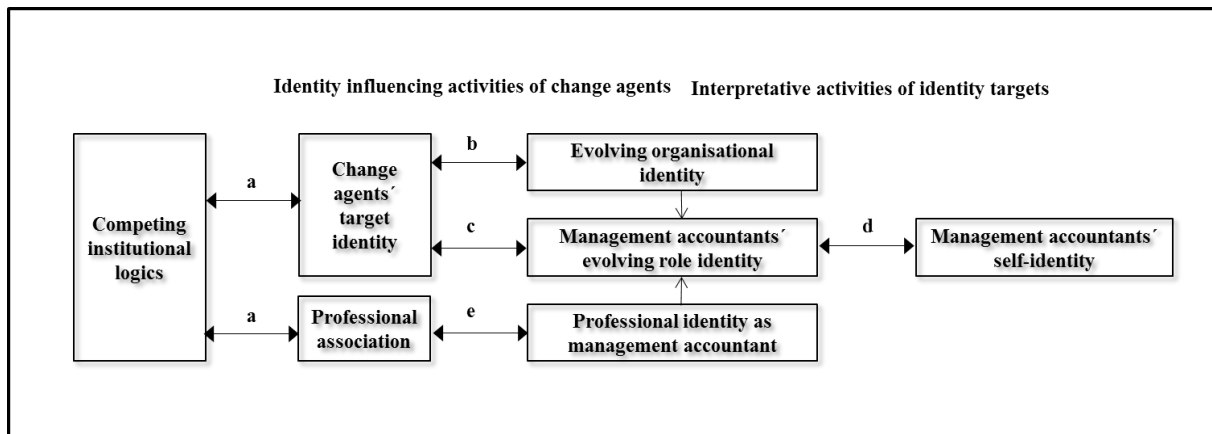
Identity regulation is defined as encompassing the more or less intentional effects of social practices upon processes of identity construction and reconstruction" (Alvesson and Willmott 2002, p. 625). It is considered an increasingly important element of cultural control as a means to control beliefs instead of attempting to directly control behaviour (Karreman and Alvesson 2004; Malmi and Brown 2008). Cultural controls work through a shared set of values, beliefs and social norms and are less visible than other forms of control (Malmi and Brown 2008).

Identity regulation as well as the identity work of the identity targets is constrained by power relations and the body of social knowledge that created their identity (Berger and Luckmann 1966; Jenkins 1996). Thus, all actors involved in the identity project have to draw on existing logics and identities (Rao et al. 2003; Watson 2008). The extent to which the different actors and the identity target draw on different logics and exploit potential contradictions is a matter of empirical investigation (Watson 2008). In the present case I focus on the evolving identity of management accountants.

### **2.3 Management accountants' identity**

To address the questions how identity work and regulation are involved in the manifestation of a business-like logic in an organisation through the introduction of management accounting practices, I developed a framework that illustrates the interdependencies between identity influencing and interpretative activities (Figure 3). The illustration draws on Alvesson and Willmott's (2002) concept of identity regulation, which I introduced in the last section, and focuses on the evolving identity of management accountants in a public organisation. As outlined in part A of this thesis, management accountants in the FEO were to act as change

agents during the transition to the new organisational template, but it turned out that it was out of reach for most of the local management accountants in this phase of the change process to act as change agents. Therefore, I dig deeper in this part of the analysis and investigate how the management accountants' identity evolved during the change process of the FEO.



**Figure 3: Management accountants' identity**

An institutional logic provides social actors with identities (Friedland and Alford 1991) and thus, a notion of “who or what any social actor might or should be in a particular institutional context, and – by implication – how the actor should act” (Lok 2010, p. 1308). These identities are equivalent to so called “role models” in social learning theory (Bandura 1977) and individuals can make reference to them (arrows a). Lok’s (2010) definition includes social identities (Creed et al. 2002) like class or gender as well as role identities that are, for example, linked to a particular position in a work environment (Rao et al. 2003). Both affect the self-identity that is constructed through the interpretative efforts of identity targets (Watson 2008) (arrow d). However, in the present study, I only account for the work role identity of management accountants.

The existing literature indicates that the link between the institutional environment and the construction of the work role identity of accountants is critical (Goodrick and Reay 2010) because they belong to a profession that provides a professional role identity (arrow e). This professional identity refers to their common understanding of who they are as professionals and includes the goals, values, beliefs, norms and interaction styles that are typically associated with that professional role (Ashforth 2001, p. 6). They are considered to be relatively stable and enduring and therefore difficult to change (Tunstall 1985; Bridges 1986; Laughlin

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1991; Bartunek 1993). The research on accountants' professional identity (Power 1991; Pentland 1993; Coffey 1994; Grey 1994; Dirsmith et al. 1997; Anderson-Gough et al. 1998; Grey 1998; Ahrens and Chapman 2000; Anderson-Gough et al. 2000, 2001; Empson 2004; Gammie and Kirkham 2008) focused mainly on auditors and on how their identity developed during education and occupation in professional service firms. The transferability of these findings is limited due to the differences between public accountants in professional service firms and management accountants in public organisations as "management accounting work is more strongly characterised by the specifics of the organisation than, for example, audit, making it less easy to generalize about its content and processes" (Ahrens and Chapman 2000, p. 748). Therefore the work role identity of management accountants is more strongly affected by the specific organisation in which they work.

New Public Management reforms that intend to change public organisations' orientations on a global scale provide a situation where management accounting practices are changed and the identity of management accountants is introduced to public organisations. Framing and mobilising activities (Battilana et al. 2009) around the new business-like institutional logic or its normative prescription (Rao et al. 2003) condition practices and identities by making them more attractive or legitimate compared to existing ones. These activities can either focus on specific functional groups like management accountants (arrow c) or on all organisational members (arrow b). However, according to the control of work literature, social actors' self-identity is not determined by a particular logic (Lok 2010) because the relationship between the external notion of identity and the internal notion of self-identity is mediated by identity work (Alvesson and Willmott 2002) (arrow d). Self-identity determines how an individual acts in a specific situation and therefore the identity work also has an effect, in turn, on the institutional identities and the way in which an institutional logic is reproduced (Weick 1995). For this reason the arrows describing the activities concerned with the definition and interpretation of identities are shown as two-way processes.

### **3 METHOD**

The research site is the largest German federal agency (FEO) that provides employment and labour market services. It is under the control of the Federal Ministry of Labour and Social Affairs and is organised as a public corporation. The Board of Directors consists of employees, employers and the public corporation's representatives. The executive board is responsi-

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ble for the day-to-day operational management of the FEO. It provides the annual budget and report subject to approval by the Board of Directors. Employing about 100.000 employees, the FEO is in an almost monopolistic position, as there is no other organisation offering similar services in the German labour market.

The New Public Management reforms in Germany and the verticals of the transformation process in the FEO have been outlined in detail in part A of this thesis. During the implementation of the reform program between 2004 and 2006 the imposed changes were executed strictly, with the external pressures helping to create an atmosphere of urgency and inescapability. Whilst the focus lay on the introduction of new practices and processes like performance management, benchmarking and target negotiation; the enactment of the new identities was not accompanied with the same intensity during this phase. Due to the fast pace and the magnitude of change on all levels of the organisation, the case could be considered unique (Yin 2003). Participants and ministry officials indicate that they are not aware of any other federal agency or governmental organisation that has successfully implemented so many far reaching changes in so short a time.

In this part, I focus on management accountants' identity for two reasons: First, the adoption of management accounting and control practices was assigned to be a key element of the reform program in order to establish new forms of managerial control, and the management accountants were involved in all these changes. Second, neither the formal position nor the identity of management accountants did exist prior to the reform. Therefore, the public servants who were to become management accountants were confronted with identity regulating activities and had to engage in identity work.

I adopted a case study approach with a focus on qualitative data to acquire dense information to understand the interacting dynamics that influence the change of identities and their impact on management accountants' self-identity (Hartley 1994; Creswel 1998). To generate a rich empirical description (Weick 2007) I gathered data from a variety of sources that are described in part A of this thesis. In addition to those sources, I observed a working committee for management and control in public organisations, in which senior executives and financial managers of the FEO were engaged. This observation allowed me to gain information about their perception of the changing identities of their management accountants and how they framed this development in the broader political discussion about the modernisation of the

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German public sector. The identity of management accountants and which role they can or should play in reforms was a topic in the working committee in 2010.

The analysis at hand, builds on part A of this thesis, where the pattern and scale of the transformation are systematically analysed. Therefore I reassessed the data and analysed how the business-like logic was reproduced in the reform program of the FEO and endorsed by the activities of the change agents, with a particular focus on the identities and practices that were prescribed for management accountants. I identified the identity regulating activities that were performed to define the prescribed identity and linked them to the interpretations of the local management accountants and the strategies they used to rework the implications of these identities for their actions.

For the analysis at hand the archival documents that concerned the conception for the introduction of the new management model including the management accounting and control practices, the actual documentation of management accounting practices and planning processes as well as the training materials for management accountants were of special interest.

In the problem-centred interviews that were opened with a narration generating question, the topical interview elements ensured that the interviewees provided their perception of management accountants' evolving identity and their self-awareness. Topical interview elements in the interviews with financial and non-financial managers included question about the changing identity of management accountants and the possibilities of the managers to influence identity processes. The topical interview elements for the management accountants included questions about their experiences as management accountant, with which expectations they were confronted and how they enacted and changed their identity. A sample of topical interview elements is provided in Appendix B.

The discussions in the meetings, I was allowed to observe, provided me with more situated detail about the interaction between management accountants and managers as well as the atmosphere within the management accountants' team. Follow-up discussions with the management accountants about the content and behaviour during the meetings helped to understand why they behaved like they did, and how they evaluated their behaviour related to their identity. Their explanations relative to specific events were often more valuable than general discussions about management accountants identity. They were immediately documented in a research-journal.

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## 4 RESULTS

### 4.1 Evolving organisational identity

In the reform process, a new organisational identity for the FEO was constructed, framing the attributes of the old organisation as inferior and defining the attributes of the new organisation. This reconstruction shaped the general context that defines the power relations and the body of social knowledge that modifies the identity of local management accountants in the renewed FEO (Berger and Luckmann 1966; Jenkins 1996). The negative framing of the old bureaucratic organisation and the intended core attributes of the new FEO were documented in the expanded concept for the reform of the FEO that was approved by the supervisory board in 2003:

*The review of the situation clearly identifies inefficiencies in the FEO. The complexity of regulations, the lack of transparency and the resulting lack of economic efficiency and outcome are characteristic of the current situation. This being the situation, the reform can only be successful if a paradigm shift is envisaged and if the FEO undergoes a radical transition and becomes an effective and efficient instrument of the social labour market policy.*

*The supervisory board took the decision to undergo such a radical transition. This is considered to be the only way to achieve sustainable, increased efficiency that does justice to societal expectations. The reform of the FEO focuses on outcome and economic efficiency. Outcome targets will be defined and realised in an economically efficient way.*

*The forceful implementation of the reform will create transparency and target orientation in the business processes of the FEO and increase the outcome and economic efficiency. The implementation of the reform will cause fundamental changes in the management structures and the organisational design on all levels of the organisation. (Counseling documentation 112/2003; 09. July 2003; p.2).*

Controlling [management accounting and control], in the FEO understood as the result of the interaction between management accountants and managers, and defined as an integral part of



the management of the organisation as well as a precondition for the successful implementation of the reform:

*In line with the reform process, the new controlling concept is a central precondition, to render the FEO manageable and therefore able to succeed. [...] To render an improved management of the FEO possible, the controlling system has to be more than an assembly of financial tables or an information system. In contrast to the actual accounting practices that are often interpreted as a foreign language, the new controlling system has to become the central anchor point of the business processes and the language of the organisation. Core elements of the new controlling system do not only consist of outcome targets that are linked to the political mission of the FEO, but also of new management practices that are the result of the new target setting process. (Managing the new FEO: Overall concept for management and management accounting and control; 05. August 2003; p. 2/7)*

The reform did not intend to change the FEO's social mission, which endured as a central and distinctive source of identification. Instead, the discourse launched during the reform underlined the importance of the FEO's mission and described the reform as a process to improve the organisation's ability to fulfil this mission. Thus, the fundamental changes took place on the level of the management and business process and created new or modified identities for the members of the organisation. Thereby, the introduction of new management accounting and control practices was intended to become an integral element of the management of the new organisation and not a decoupled set of practices like the earlier accounting practices in the organisation. The concept also had implications for the identity of those who were to enact the new management accounting and control principles and to interact with the local managers. This identity of the management accountants did not exist prior to the reform and is the subject of the next sections.

## **4.2 Management accountants' target work role identity**

Prior to the reform, accountants were responsible for the governmental accounting and statisticians provided labour market statistics. Both functional groups provided information that served to fulfil the accountability of the FEO. Even though the statistical information was also

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reported internally, the information was not designed to conform to requirements to facilitate managerial decision making.

*Statistics is a way of keeping the background in perspective without considering potential implications for the future, and without providing recommendations for the actions to be taken. Controlling [management accounting] is something completely different. I personally enjoyed the idea of quitting the sober presentation of figures and to analyse possible causes and implications as well as the attempt to provide recommendations for managers. Before the reform, these tasks were given to the business units and not performed by statisticians. (Management Accountant, Subunit)*

Accordingly, the identity of statisticians did not include the active involvement in management processes, but the provision of reliable data. In contrast, the reform program involved management accounting and control practices that were a core element of the management model of the new FEO. Together with these practices, the new identity of management accountants was defined. They were not to replace accountants or statisticians, but were to be established as a new group in the organisation. During the preparation of the reform program, the target identity for management accountants was defined and put down in writing in the work role identity description. Following the FEO's work role identity description, the management accountants' target identity has four elements:

*Functional responsibility: The controller [management accountant] is an expert and has the responsibility for the quality of all management accounting practices. She shapes the management accounting and control processes and further develops the control system.*

*Driver of the process: The controller [management accountant] is responsible for the smooth running of the management accounting processes. She is the driving force for the continuous performance improvement and controls the implementation of the agreed improvement approaches.*

*Consultant for all management levels: The controller [management accountant] is the accepted counterpart for all questions concerning the performance improvement. She is a competent ambassador of the corporate*

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*policy and an active advisor and idea generator concerning the performance improvement.*

*Controller of outcome and efficiency: The controller [management accountant] is the critical economic conscience of the organisation. She is the loyal guard of the corporate policy and the lawyer of the control system.*

*(Management accountant's work role identity description, FEO).*

This description resembles the modern work role identity of a “business partner”, which evolved in the professional field over the years (Granlund and Lukka 1998; Byrne and Pierce 2007, Sorensen 2009; Victoravich 2010) and entails elements of the critical counterpart, a concept of management accounting in Germany that includes checking and balancing activities to ensure the rationality of management decisions. This is in addition to the bundle of tasks concerned with decision support and management control by means of management accounting methods such as business planning, cost accounting, budgeting, capital budgeting, reporting and performance measurement (Becker and Messner 2005).

This work role identity description formed the basis for communicating the new identity throughout the organisation. The newly assigned management accountants, who were mainly recruited from the business units and the statistic unit, were trained to enact this new identity in a one week basic training. The training included the fundamental principles of the new management model, the elements of the work role identity model, the key performance indicators and technical aspects like the tools used and calculation techniques.

Due to the fact that the identity of the business partner was completely new for the organisation, the basic training also included role play. According to the training scripts, new management accountants were to aim their active work role identity towards the management to assure the subsidiary and subunit managers' compliance with the corporate policy and to ensure the rationality of their decisions. Thus, the importance of the element of the critical counterpart who is to help to localise corporate control was emphasised during the trainings. The training of the management accountants took place during the implementation of the reform program and the target identity of the business partner itself underwent a transformation process, as I will lie out in the next section.

### 4.3 Management accountants' evolving work role identity

During the reform management accounting, involving new identity and practices was adopted as a fundamental part of the new management model, starting in the headquarters and rolling out the reform program in the subsidiaries between 2004 and 2006.

*I have been here since 2004, when the former CFO became CEO. This was the point in time when the management accounting adoption accelerated. We started with two people in the headquarters, which means that we were only two management accountants in the whole organisation. Today, we have round about 400 management accountants on all levels of the organisation (Financial Manager, Headquarters).*

The new management accountants received their basic and later advanced training in the headquarters. This training was organised internally, and the trainers were consultants who were hired to support the reform process. There was a written work role identity description and standardised training, which contributed to a consistent communication of the expectations towards local management accountants' identity from the headquarters. Even so, the new management accountants were confronted with divergent interests and activities concerning their identity when they entered their new positions.

The local management accountants were directly responsible to the local managers. These managers had also received the official work role identity description. Their perception of what management accountants should be and how they should act was, however, strongly influenced by their own interests, their experiences with statisticians and the activities management accountants actually performed.

*Entering a new role implies that this role exists and that I know this role. I have the impression that the role of the local management accountant evolves in the daily business activities. There are certainly formal role expectations, but they are not as precise as they may be in a private sector company. A management accountant should, rather, be someone who represents the corporate policy. However, this idea seems to be diluted in the local units, because the local management accountant is dependent on his local manager, who can have completely different interests from the headquarters. The headquarters has good ideas, but they have to be adapted lo-*

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*cally and the headquarters cannot anticipate all requirements or priorities in the local units. (Management Accountant, Subsidiary)*

The local managers' expectations were also shaped by their experience with statisticians, who were seen as neutral data providers. These expectations were also confirmed by the activities the local management accounts performed at the beginning of the reform. Due to the fact that the whole management accounting and control system was new and the existing IT-infrastructure was not designed to deliver the necessary data, the local management accounts had to invest a lot of time in the preparation and provision of accounting information.

*Apart from the planning processes little was standardised in the management accounting and control system at the beginning. There were some central reports and the data warehouse was available quite early. It was, however, up to the local management accountants to get the data out of the data warehouse in a way that was appropriate for the local unit, there were no standardised queries. These processes consumed a lot of time and resulted in a situation where everyone had his own perspective. One management accountant compared monthly figures and another yearly improvements; the third one compared different regions. The outcome of this was that we did not have a shared meaning or understanding of the data basis. The debates between managers on different organisational levels did not focus on contents, but on the calculations; the debates often lost focus and centred on "my figures tell a different story than your figures". (Financial Manager, Subsidiary)*

The management accountants as identity targets were strongly influenced by their task environment and the expectations of the local managers. The task environment forced them to enact the identity of a functional expert who provides a reliable data basis and those who enacted this identity also received positive feedback from their managers. Thus, while the local discourses gained relevance for the management accountant's self-identity of a functional expert and loyal supporter of his local management team, the active and critical element of the business partner did not gain relevance for the identity targets.

This outcome became obvious to managers and financial managers in the headquarters during the monthly target achievement discussion and in the comments section of the monthly re-

ports. Local management accountants preferred to provide ammunition for the defence of the achieved performance instead of focusing on critical decisions and providing recommendations on how the performance could be improved. To counteract this undesired outcome, different identity regulating measures were taken to change the local management accountants' work role identity and their self-identity.

The reporting lines of the management accountants were changed in order to facilitate the identity regulating activities within the management accounting community and to mitigate the influence of the local managers (see Figure 4: Organisation chart (Masterplan controlling 2007, p. 8)). Therefore, the local management accountants were given independence from the local managers and became part of an internal service unit in 2006. The local management accountants had no longer reporting lines to the subsidiary and subunit managers.

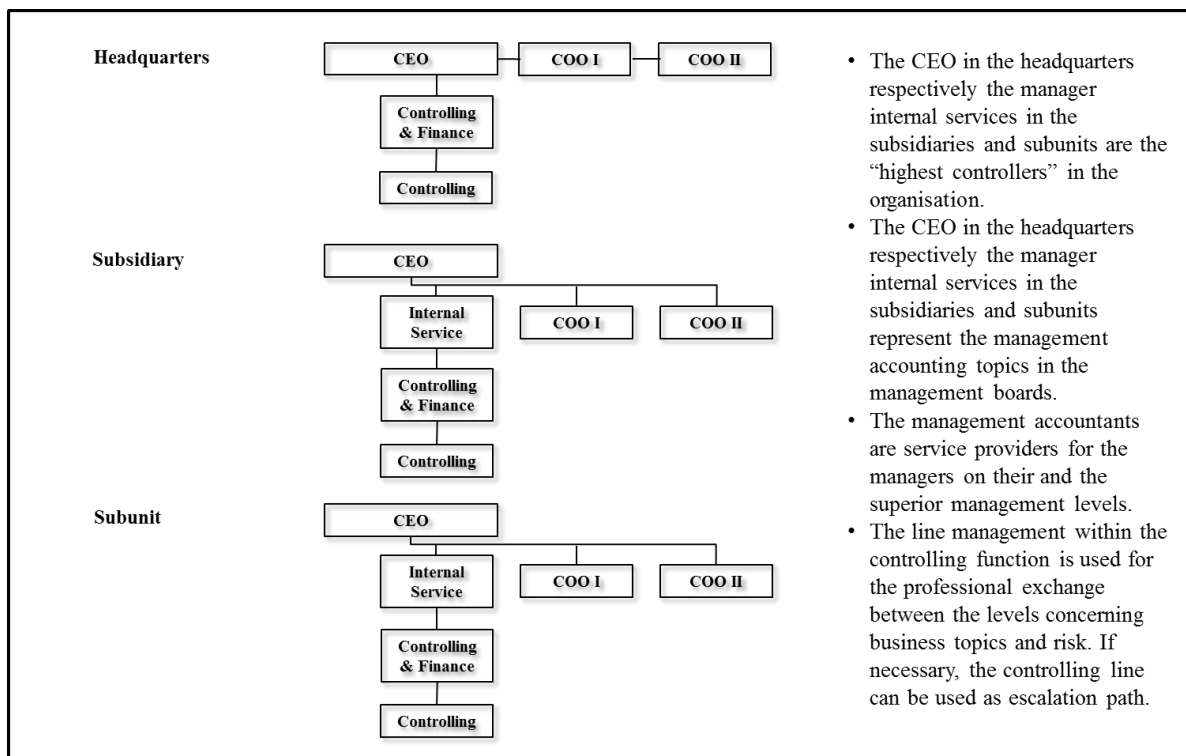


Figure 4: Organisation chart (Masterplan controlling 2007, p. 8)

*There were also individual effects of the introduction of the service center; changes always carry risks and opportunities. The management accountants were reclassified in a higher hierarchy level and receive the corresponding salary. The higher salary is surely perceived as positive, but the higher hierarchy level brings also more responsibility and higher expectations towards management accountants, who should foster the introduction and es-*

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*establishment of new processes. Not every individual management accountant is the right person for this managerial role and some were unable to cope with this new role. (Management Board Member, Subunit)*

Simultaneously, the local management accounting positions were advertised again and the former holders of the positions had to apply again or could opt for another position within the organisation. This enabled local management accountants, who could not identify themselves with the business partner identity, to change their position within the organisation.

*With the introduction of the internal service structure, the local management accounting approach changed from a professional perspective. The COO's were no longer authorised to give directions to the management accountants. Therefore, management accountants received the opportunity to point out critical issues. Furthermore, they became responsible to further develop the management accounting structures and concepts. This should facilitate the establishment of a consistent management accounting approach throughout the organisation. However, the staffing of the local management accounting positions was the key. There was a systematic selection process that was organised in the subsidiary. The management accountants were categorised in a new salary level; they have the same salary as the managers. I think this is correct, because they have more responsibilities, they enact a managerial role. (Management Board Member, Subunit)*

The business partner identity was to be re-launched and the formal independence from the local management teams was intended to enable the identity targets to enact the identity of a business partner. This re-launch of the business partner identity involved communication activities on different organisational levels.

*The managers were informed about the introduction of the internal service unit. Concerning management accounting there was this striking image of the cooperation between managers and management accountants and the explanations about who has which role and which tasks in this cooperation. Therefore, the local managers were informed about the new role of the management accountants and they also tried to explain the reason behind*

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*this role and why it was important in the FEO's management model. (Financial Manager, Subunit)*

*Especially at the beginning, the people from the subsidiary used every meeting to explain how the management accountants can support or be valuable to the local managers. And we did the same, we tried to show our competencies and explained what we are able to provide and how we can support them in their management tasks. (Management Accountant, Subunit)*

The communication activities were mainly directed towards the local managers in order to influence their view of the management accountants' identity and create acceptance for the business partner identity. This should help to create a consistent target identity for management accountants throughout the organisation and reduce the contradictions between the expectations from the headquarters and the local managers.

The local management accountants themselves received additional training and networks were created. These networks were meant to help create a management accounting community where the management accountants had the chance to exchange experiences and get support.

*We have regular management accountants' round tables. They normally have a specific topic, for example changes in a performance indicator, or other topics which we want to discuss in detail. Above all, what makes these workshops important for us is the fact that we can meet regularly and exchange our experiences: who does what and how? And you realise that there are differences and you can discuss them with colleagues or try to elaborate best practices. We really benefit from this exchange. (Management Accountant, Subunit)*

*We offer many measures and workshops and we are the contact for management accountants if they encounter problems, and we try to give them encouragement. If we have new management accountants we offer them an internship in the subsidiary and this is, at least from our perspective, helpful for them. The most important factor is that they get to know their contact*



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*persons on a personal level. This helps them to contact the right person on a less formal basis. That makes things easier and helps them to slip in their new role. (Financial Manager, Subsidiary)*

The management accountant community as well as the formal trainings were used to communicate the target identity of a business partner and to de-legitimise the data-centred interpretation that had evolved over time.

Finally, the task environment in which the local management accountants had to enact their business partner identity changed. The processes and products became more and more standardised. Most of the time consuming data centred activities were performed in a special unit in the headquarters.

Overall, as the pressure on the FEO to improve its overall performance and to become more decentralised with more leeway in decision making for the local units, the pressures on the management accountants to enact the business partner identity increased correspondingly. However, the identity regulating activities described above did not have a direct impact on management accountants' self-identity. The identity targets constructed identity responses, which I will outline in the next section, in relation to the efforts to shape and control their identities.

#### **4.4 Management accountants' identity responses**

The business partner as a target identity for management accountants was clearly communicated, and different identity regulating measures had been taken to establish this identity in the subunits. The stricter mandate for the management accountants originated in the pressure on the FEO to improve its overall performance and to become more decentralised with more leeway in decision making for the local units. The business partner as a counterpart for the manager and an active advisor was intended to help the local units to improve their performance and to represent the corporate policy.

*The FEO has, overall, a socio-political duty and the managers have to fulfil it, which causes expenses. They push for the implementation of as many measures as possible and to draw down the budget. The management accountants are meant to be the counterpart and question the measures and expenses from a financial perspective. This creates a virulent dissent, but*

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*too much consensus could create dullness and the frictions help the organisation to move forward. (Management Accountant, Headquarters)*

*When we introduced the internal service unit, we started with a high standard concerning the independence of the management accountants. They were positioned as “the counterpart for the manager” and the “economic conscience” of the units. This standard is still valid, even though a rapprochement between managers and business partners has taken place over time. (Management Board Member, Subsidiary)*

The business partner identity was clearly positioned and deviated from the data centred interpretation that had dominated before. Some management accountants even realised that their self-identity did not fit with the business partner identity and left their position as management accountants.

*Some of us have realised over the years that the new role that they were meant to enact as business partners does not fit them. They have been great statisticians and great management accountants in the old system, but they are no business partners. They realised by themselves that they are not able to fulfil the function of an advisor. To feel comfortable, they had to draw consequences and change their position within the organisation. If someone realises this situation, the FEO will support him and find another position within the organisation. (Management Accountant, Subunit)*

Those who retained their positions accepted the business partner identity; nevertheless they exploited the ambiguity inherent in the identity and constructed an advisory business partner. The fact that the business partner identity was not uniform, but consisted of four distinct elements, facilitated this reconstruction. Following the training materials for management accountants, they had to be able to assemble the four elements in an adequate way.

*The management accountants have to be able to perform all roles. Depending on the circumstances, the adequate role has to be performed. So far, the role of the management accountant was perceived as more of that of a data provider. To create real added value for the organisation, the acceptance of*

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*additional roles has to be established. To achieve that, some management accountants will have to change themselves and their work. New tasks have to be performed and new perspectives have to be elaborated. (Script management accounting qualification).*

Besides the clear de-legitimisation of a data centred identity, the local management accountants still had a lot of freedom regarding their actions, and room for different interpretations.

*Apart from the planning process, relatively few things are really predefined. I have the duty to write the official monthly report four to five times a year, when the data arrives from the headquarters. This task normally takes place in the first half of the year, because you still have the chance to take measures at the beginning of the year. In the other months it is up to us how the comments in the report look like and how detailed they are. Beyond these planning and reporting activities, we can define the services we offer to the management team. In our unit, we organise a workshop at the beginning of the year where we agree upon a service package, for example that I deliver a report on team level three days after we receive the monthly data. These agreements are binding and I am free to decide if I offer something additional. (Management Accountant, Subunit)*

Describing the business partner as someone who offers a service or could offer weak-point and risk analysis was typical for local management accountants as well as local managers. Both parties underlined the importance of a good cooperation between managers and management accountants as a precondition for improving the performance of an organisational unit.

*The role of the management accountant is not that easy, she should be “counterpart and critical conscience”, but if it comes to operational topics where you can start to develop an approach to improve the performance, you need a management accountant who is close to the managers and their business activities. That is the point; you need a close cooperation with the operational units, personal relations to the managers.*

*In an official meeting with the headquarters, one of my predecessors reacted to a critical question from the headquarters with “yes, that is exactly*

*what I am always telling them” and therefore distanced himself from his management team. This disloyalty to the managers was not appreciated at all and resulted in a situation where the managers made sure that you were committed to a collaborative, less critical relationship. (Management Board Member, Subsidiary)*

Therefore, creating the self-identity of an advisory business partner, who offers critical analyses and is able to be a counterpart for the manager, made it possible to establish a collaborative relationship without completely negating the critical aspect of the business partner identity. In support of the collaborative relationship, the element of the “driving force for continuous performance improvement” was less emphasized because this element could cause conflicts.

*The question is always how you enact your role. If I as a management accountant contact an executive manager and tell him: “you have a weak-point in XYZ and you have to take this or that measure”, I may create resistance. He will not accept me as an advisor. Nevertheless, this behaviour would be in line with the role model. From my point of view you have to distance yourself from this “being the driving force” because it has a negative touch like “being the slave driver of the manager”. It is better to have a collaborative relationship and to create a situation where the manager asks you to conduct a weak-point analysis. For example, we regularly organise workshops to shed light on specific weak-points in a subunit. There are many different constellations between subsidiary managers, subunit managers and management accountant on how such a workshop is initiated. What does not happen is that we go to the subunit managers and tell them that they have a problem and that we want to organise a workshop. We prefer to try and offer them something and they can decide if they want to accept it or not. (Financial Manager, Subsidiary)*

Thus, the advisory business partners tried to offer convincing services that were intended to help the manager improve the performance of his unit in line with the corporate policy, but it was up to the manager if he was willing to accept the offer or not. Therefore, it became the responsibility of the manager to search or ask for an independent counterpart who also evalu-

ated his decisions. The management accountants were able to rework the implications of the new business partner work role identity on their self-identity.

The advisory business partner self-identity also had implications on the way the management accountants performed the management accounting and control practices in the organisation. For example, the uncritical formulation of recommendations that preferred defending the actual situation instead of analysing failures and providing alternative ideas was visible throughout the organisation. Even though this development was also criticised because the business partner identity was seen as an important element for the management and continuous performance improvement of the organisation, the reconstruction was also partially accepted.

*The management accounting that I know from the private sector: The management accountant analyses data and develops recommendations, the manager evaluates them and agrees or disagrees. This professional role-playing game, which also creates the necessary friction points, does not take place in the local units. (Manager, Headquarters)*

The acceptance of the advisory business partner became visible in the identity regulating activities directed toward the managers in the subunits. The managers were meant to actively ask for the services of the advisory business partners, therefore approving the less critical and passive interpretation of the business partner identity. In addition to formal training programs for managers, the importance of super ordinate managers who formulate clear expectations for lower management levels was underlined.

*I used the personnel talks to ask the manager, if the information they receive from their management accountant helps them and what they do with this information: "Does it really help you to identify weak-points? Is that the service you need to improve your business?" And I told them that they have the right to receive this support from their management accountants. In the end, the manager is responsible for the performance and he has to demand the right kind of support from the management accountants. Comments that help the manager to look good on the surface don't help him on the long run. (Management Board Member, Subsidiary)*

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Thus, reconstructing an advisory business partner self-identity and therefore averting the implications of the target identity also acted back on the business partner identity. The additional identity regulating activities directed toward the managers aimed at creating demand for the services of the advisory business partner, who had lost his co-responsibility for the units' performance, show the acceptance of a less proactive work role identity of the business partner.

Hence, the most significant practice implication of the advisory business partner identity management accountants constructed was that it enabled them to be selective about when they actively pointed out weak points or wrong decisions. This shielded them from needing to enter into confrontation with a manager, even though they disagreed with a particular decision or the managerial decision was not in line with the corporate policy. Reserving the right to ignore problematic decisions could still be seen to be consistent with the New Public Management focus on efficiency and outcome as long as the performance improving character of the collaboration between manager and business partner was sustained. Following the management accountants' narration, ignoring or supporting wrong management decisions could improve the collaboration between local management accountants and local managers and therefore lead to better decisions in the future.

Management accountants' identity work appeared primarily concerned with recovering the basis for local collaboration, which was threatened by the conditioning of their identities as a critical business partner. However, the threat to local collaboration embodied by the business-like logic did not lead to clear attempts to resist the logic's practice implications. Instead, the local management accountants saw themselves as representatives of the new logic and implemented it in their practices, but distanced their self-identification at the same time from singular identity implications. Even though the formal structures and processes changed and provided the local management accountants with a high degree of independence from the local units, the need for collaboration and therefore the values of local affiliation persisted. A process which Cooper and colleagues (Cooper et al. 1996) named "sedimentation", which describes the persistence of institutional elements even when formal structures are changed.

In this case, the old bureaucratic logic which formed the basis for hierarchical controls and therefore for the sediment of a united local unit, which is exposed to the corporate controls executed from the headquarters, appears as a persistent factor for the management accountants' identity work. This aimed at preserving this local unity facing the business-like logic with less formal localised forms of corporate control based on a business partner who actively

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represents corporate interests. The local management accountants reworked this identity implication and referred to their collaboration with the local managers which was intended to achieve performance targets and partially refused the critical debate between manager and business partner, that was intended by the headquarters, as the means to achieve performance targets. Local management accountants thus worked on their identity to preserve a degree of local unity within the business-like logic, while reproducing the new logic through their practices.

## 5 DISCUSSION

The purpose of this analysis was to extend the theory on the role of identity work and regulation in public sector reforms. Therefore I concentrated on the linkage between the theorisation of the business-like logic in an organisation and the logic reproduction on a micro level. In this, I focused on the mediating role of identity regulation and identity work around the business partner identity.

The business-like logic introduces managerial concepts and new identities for public servants. In the present case, I focused on the introduction of the business partner identity as a cultural form of control that complements management accounting practices (Covelski et al. 1998; Karreman and Alvesson 2004; Malmi and Brown 2008). Therefore, the business partner identity promoted a self-discipline that was meant to sustain the accomplishment of organisational performance targets. The business partner was to act as an independent critical counterpart for the local manager in order to guarantee that decisions are taken in line with the corporate policy. Whilst the manager would be responsible for the achievement of the objectives, the business partner would challenge the underlying input and processes of decision making in order to safeguard the rationality of the decisions. Thus, corporate control was localised by introducing an ambassador of the corporate policy into the local units in order to colonise them towards the goal of the headquarters.

While the definition of new identities has been identified as a central element of the public sector reforms, the identity targets were portrayed as passive recipients (Meyer and Hammerschmid 2006) or as actively resisting change by exploiting contradictions inherent in different logics (Thomas and Davies 2005). Meyer and Hammerschmid (2006, p. 1013) even asserted that New Public Management as an “identity project” has failed, because public ex-

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ecutives have not abandoned their old administrative orientation. However, their study did not account for identity regulating activities and their potential impact on the identity targets. The findings of the present analysis partially support this view by showing that the first attempt to introduce a business partner identity failed. In the first phase of the reform, despite the formal definition and an initial training for the new management accountants' systematic, identity regulating measures were not taken. Instead, the focus of the reform activities lay on the establishment of management accounting and control practices. As a result, the management accountants developed a data centred self-identity which was closely related to the pre-existing identity of the statistician.

In contrast to the results of Meyer and Hammerschmid (2006), the failure to establish a business partner identity was ascertained and identity regulating activities were initiated to counteract these developments. Firstly, the formal hierarchical location (Alvesson and Willmott 2002) of the business partner was changed by introducing an internal service unit that abolished the subordination under the local managers and provided the basis for a partnership of equals between manager and business partner. Secondly, the data centred identity was clearly de-legitimised. The "new" business partner identity was defined by reference to the existing data-centred interpretation of this identity and was communicated clearly throughout the organisation. Therefore, the initial ambiguous direct definition of the business partner was rendered more precise. Thirdly, the attempts to establish a management accountant community and personal networks between management accountants helped to develop a group affiliation that was not only based on a social categorisation, but also on the active participation in social events and had, therefore, an affective element (Jackson et al. 2011). In contrast, the affiliation with an external professional group or association was not relevant in the present case. This may be caused by the fact, that the work role identity of a business partner was only introduced during the reform and most management accountants were hired from within the FEO. Therefore, the individuals who became management accountants did not have a corresponding professional background or affiliations with professional associations. Professional associations may become more important in the future as the management accountants perceive themselves as business partners and as part of a profession. Finally, the task environment for the business partner was changed, and the knowledge and skills of the management accountants were improved in order to enable them to enact the business partner identity, thereby creating a distinct field of knowledge.



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When I conducted the interviews and observations in winter 2009/2010 the identity regulating activities had been performed for three years and the management accounting and control practices and the business partner identity underpinned by the business-like logic appeared broadly accepted and diffused. Nevertheless, the local management accountants reworked their identities and practices prescribed at the organisational level. They used ambiguities in the business partner identity in ways that preserved a sense of local unity and collaboration, thus preserving elements of the old social order as well as a degree of coherence with pre-existing self-identifications. These were based on former identities as local managers or statisticians, both of which had strong affiliations with the local units. This constrained the self-disciplining and therefore the localisation of corporate control.

My findings show that even if the business-like logic is legitimated in a public organisation and advocated by the top managers, it is still subject to subtle changes. This supports the view that institutional logics and the modes of managerial control that they embody are unstable due to the sediments of prior logics (Fiss 2008). Therefore, the bureaucratic logic still influences the identities and practices in a public organisation, even though the business-like logic has become hegemonic and is no longer contested.

These paradoxes could be revealed, because the stories told by the interviewees included a logic of representation and a logic of practice (Czarniawska 2001). Following Czarniawska (2001) the logic of representation is rather abstract and based on formal rationality that relies on goals-means-effect relations, while the logic of practice involves specific experiences of the interviewee. In the case at hand, the stories of the interviewees were held together by a common logic of representation that was necessary to establish management accounting and the work role identity of the business partner in the FEO. Nevertheless, the narration elements based on the logic of practice revealed, that individual experience and events deviated from this common logic of representation. Accounting for those differences allowed identifying the subtle changes going on during the reform of the FEO.

These findings have implications for institutional studies on public sector reforms. The first implication concerns the role of identification in institutional change. The importance of the identification with new logics and the related identities as a precondition for the adoption and institutionalisation of new practices is increasingly recognised (Meyer and Hammerschmid 2006) and studies that focus on the efforts of institutional entrepreneurs to shape identification processes are encouraged (Battilana et al. 2009). However, Fiss and Zajac (2004) showed that

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the espousal of a new institutional logic is not a sufficient condition for practice adoption, while Lok (2010) showed that it is not a necessary condition either. My findings indicate that identity processes mediate the adoption of practices after the espousal of a new logic. A specific identity is not the stable outcome of a struggle between competing logics, but it is in flux, affected by the identity regulating activities and the identity work of the identity targets. In the present case, identity work continued despite the fact that the practised identity was publicly accepted and new practices were adopted. Through their identity work the actors in the present case were able to maintain aspects of the old logic while paradoxically reproducing the new logic at the same time. Comparably, Creed and colleagues (Creed et al. 2010) showed that institutional work can be aimed at the creation, maintenance and disruption of different institutions at the same time. However, the present study leaves the question as to whether this paradoxical situation is inherent in situations of fundamental change and may vanish over time unanswered. The findings at hand provide first indications that the contradictions decrease over time but the FEO is still in a transformation process and therefore the data basis is insufficient to fully answer the question. Thus, I suggest that further longitudinal research is necessary in this regard in order to contribute to a comprehensive theory of the role of identity work in institutional change processes.

The second implication concerns the evaluation of public sector reforms using clear-cut practice adoption criteria. My study shows that the actors' self-identity, i.e. the way in which they understand themselves, did not directly affect the adoption of specific accounting and control practices, but the meanings attached to them and therefore the way the business-like logic was reproduced locally. For example, a standardised monthly report can be a medium for defending local decisions or one to assure the implementation of the corporate policy. This complements Zilber's (2002; 2006) findings, namely that differences between practices could only be identified when their meanings were considered and that these differences may lead to practice variation over time. Considering the meaning of management accounting and control practices for different actor groups may add to researchers' understanding of the institutionalisation or the decoupling of management accounting and control practices (Modell 2009b). Decoupling should not be reduced to the question whether a specific management accounting and control practice is actually performed in the organisation, but should also consider the potentially changing meanings associated with this practice.

The third implication concerns the study of cultural (Malmi and Brown 2008) or socio-ideological (Alvesson and Kärreman 2004) forms of managerial control. My study illustrates

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that the target identity of a business partner was introduced in order to localise corporate control and that the reworking of this target identity had implications for management accounting and control practices. Even though I was able to identify four distinct forms of identity regulation in the present case, the study can only shed light on the importance of identity regulation as a form of managerial control. I suggest that further research is necessary to verify and expand the forms of identity regulation identified in this case and to analyse the interdependencies between different forms of control (Malmi and Brown 2008). Public organisations with a stable employee basis and limited access to the labour market may be an interesting research setting because forms of managerial control that rely on the selection of employees may be limited, and regulating identities is more important than in private sector organisations.

This study has three main limitations. Firstly, the focus on a single case and a single identity target inevitably limited the generalisability. Secondly, the research setting and design made it impossible to decide whether the paradoxical reproduction of the old and the new institutional logic were a specific pattern of the change situation or a permanent feature of self-identity. Finally, the focus on identity regulation as a form of managerial control partially discounts for distributed agency (Lawrence and Suddaby 2006) and therefore other actors' institutional work that may have affected the identification process.

## **PART C**

This part presents analysis C:

### *The role of meanings in public sector reforms*

This analysis was encouraged at the 5th doctoral summer school in management accounting, 14. – 17. July 2010, Certosa di Pontignano - Siena, Italy.

New Public Management (NPM), including the introduction of performance-oriented management accounting and control practices (Modell 2009a), has advanced the introduction of an “economic rationality” in the public sector (ter Bogt et al. 2010, p. 241). Focusing on the subject of external pressures to adopt these practices and their decoupling or loose coupling (Modell 2009b), few studies considered the role of agency in interpreting and adapting the templates of performance orientation. Drawing on the conceptualisation of institutions as discourse (Phillips et al. 2004), the present analysis contributes to a better understanding of the way the adoption of management accounting and control practices affects the system of meaning and therefore the establishment of a new institutional logic in an organisation. Thus, novel management accounting and control practices are analysed as a medium for change and not as an outcome. The part at hand illustrates the analytical value of a discursive lens and shows how a sequential pattern of institutional work can be successful in motivating institutional change.

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## THE ROLE OF MEANINGS IN PUBLIC SECTOR REFORMS

### 1 INTRODUCTION

New Public Management (NPM) has advanced the introduction of an “economic rationality” in the public sector (ter Bogt et al. 2010, p. 241). NPM reforms implied a transition from task and compliance-oriented modes of management to an emphasis on output and outcome-focused modes of management (Hood 1995; Pollitt and Bouckaert 2004). The introduction of new, performance-oriented management accounting and control practices reflects these developments (Modell 2009b). Practices like management by objectives, relative performance evaluation and multidimensional performance indicators diffused from the private sector and were adopted in public sector organisations (Jackson and Lapsley 2003; Chan 2004; Siverbo and Johansson 2006). Many public sector organisations depended on the adoption of such practices to maintain their legitimacy in the face of reform programs or regulatory pressures. Even so, the effect of NPM reforms and the adoption of business-like practices in the public sector on the quality and efficiency of the services provided by public organisations remain controversial (Lapsley 2008; Seddon 2008; Lapsley 2009; ter Bogt et al. 2010).

Early studies on management accounting and control practices in public sector reforms focused on the legitimising effects of the adoption of performance-oriented management accounting and control practices. They took up the subject of external pressures to adopt such practices and how they were decoupled from the business activities of the public organisation due to the strong inertia of existing institutions (Modell 2009b).

From this early emphasis on isomorphic processes, the focus shifted towards the role of agency in interpreting and adapting the templates of performance-oriented management accounting and control practices (Scott 2008b; Modell 2009b). Townley (1997), Modell and colleagues (Modell et al. 2007; Modell and Wiesel 2008; Modell 2009a) as well as Ter Bogt and Scapens (2009) drew on the concept of institutional logics to conceptualise public sector reforms as shifts in logic, and to tackle the central paradox of institutional theory, namely how actors can effect changes in institutions in which they are embedded (Greenwood and Suddaby 2006; Reay et al. 2006). These studies illustrated how performance-oriented management accounting and control practices are embedded in an emerging logic that challenges

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the incumbent dominant logic and analysed how these practices were shaped by multiple, higher-order logics.

Even though these studies stressed the importance of meaning and the legitimacy of performance orientation, they only began to investigate the micro-processes in individual organisations. The present analysis wants to contribute to this stream of research. It addresses the following question: how actors adopting and performing performance-oriented management accounting and control practices affect the system of meaning in a public organisation, and therefore advance the establishment of a new institutional logic?

To answer this question, I draw on the conceptualisation of institutions as discourse (Phillips et al. 2004) that offers a way of understanding institutionalisation which emphasises the importance of language and the interpretation of meanings. This conceptualisation complements the translation metaphor (Latour 1986; Czarniawska and Joerges 1996) with the theoretical foundation of discourse analysis (Phillips and Hardy 2002). For example, Oakes and colleagues (1998) show how the articulation of a management accounting and control discourse focusing on business planning led to the emergence of a business-like logic that challenged the existing cultural logic in the field of Canadian museums. However, this Canadian study leaves the question as to how agents within an organisation mobilise specific discursive resources to establish specific practices and which effects they have on the discourse unanswered. In order to analyse the adoption and effects of performance-oriented management accounting and control practices and the institutional work aimed at creating and maintaining them, I draw on the data selected in the longitudinal case study with the German Federal Employment Office (FEO).

In the present part I will illustrate how a rather abstract New Public Management discourse representing a business-like logic was translated into a more specific performance-oriented discourse within the organisation. This discourse was mobilised by an internal champion through the adoption of performance-oriented management accounting and control practices that created new institutional facts rendering certain actions legitimate or illegitimate. The institutional facts created through procedures like planning and target negotiation processes, performance indicators, benchmarking and reporting, mobilised new actions throughout the organisation and made the performance orientation consistent beyond single instances of action.

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My findings make several contributions to the theory behind this change. Firstly, the present analysis illustrates the analytical value of a discursive viewpoint, studying the institutional work that aimed at changing discourses and actions in the organisation. The findings show that a sequential pattern of institutional work starting with changes in the dominant discourse was successful at motivating institutional change. Secondly, the findings indicate that the interactive and dialogical elements of management accounting and control practices contribute to a consensus of meaning if the change process is driven by powerful actors in the organisation. Thirdly, the analysis illustrates how the texts and templates created through management accounting and control practices in an organisation can become integrated in a field level discourse. These findings underline the relevance of organisational level studies to understand macro-level changes in institutional logics (Greenwood et al. 2010).

I will outline the theoretical context of the analysis regarding the discursive conceptualisation and the competing institutional logics that provide concurrent systems of meaning in the German public sector. Next, I will account for the research method used in this analysis and the research setting in the FEO. Part C closes with the empirical results and a discussion of these findings.

## 2 THEORETICAL CONTEXT

Earlier studies on performance-oriented management accounting and control practices following New Public Management reforms focused on the decoupling or loose coupling of performance-oriented management accounting and control practices (Modell 2009b). They implicitly addressed the question of whether these practices are institutionalised, i.e. whether they acquired legitimacy. However, equating the change in management accounting and control practices with the acquisition of legitimacy of the new practices overemphasises their material aspect at the expense of their symbolic aspect (Green Jr et al. 2009). Later studies addressed these aspects of meaning and legitimacy (Townley 1997; Modell et al. 2007; Modell and Wiesel 2008; Modell 2009a; ter Bogt and Scapens 2009) drawing on the notion of institutional logics. This concept was introduced by Friedland and Alford (1985, 1991) and defined as follows:

*“Each of the most important institutional orders of contemporary Western societies has a central logic – a set of material practices and symbolic con-*

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*structions – which constitutes its organizing principles and which is available to organizations and individuals to elaborate” (Friedland and Alford 1991, p. 248). The symbolic systems provide ways of ordering reality and thereby rendering experience of time and space meaningful (Friedland and Alford 1991, p. 243).*

Even though the role of symbolic systems of meaning is central to neo-institutional theory, there is no agreed-upon terminology or conceptualisation of them (Zilber 2008). The present analysis uses a discursive conceptualisation (Phillips et al. 2004) that complements the translation metaphor (Latour 1986; Czarniawska and Joerges 1996) with the theoretical foundation of discourse analysis.

Translation is an active, collective creation process in which agents distribute and interpret ideas (Czarniawska and Joerges 1996). Building on this conceptualisation, the analysis draws attention to the discursive activities of individuals that constitute the shared understanding in a particular field or organisation (Phillips and Hardy 2002). Therefore, the analysis accounts for institutional work, i.e. “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institution” (Lawrence and Suddaby 2006, p. 215), conducted by members of the organisation to preserve or change systems of meaning. However, most organisational fields are not characterised by a singular dominant system of meanings, as I will outline in the next section.

## **2.1 Fields characterised by multiple institutional logics**

Most organisational fields are characterised by multiple, potentially conflicting institutional logics (Reay and Hinings 2009; Greenwood et al. 2010), e.g. multiple social realities that offer alternative understandings of organisational phenomena. Prior empirical research focused on field level phenomena, for instance the hybridization (Glynn and Lounsbury 2005; Haveman and Rao 2006; Meyer and Hammerschmid 2006; Schneiberg 2007), coexistence (Townley 1997; Reay and Hinings 2009) or change in dominant logics (Reay and Hinings 2005; Lounsbury 2002). Even though there have been a few recent studies (Modell 2009a; ter Bogt and Scapens 2009), the organisational level processes remain under-researched in the accounting as well as in the institutional literature (Greenwood et al. 2010). This is despite the fact that changes in institutional logics, and, respectively, their composition, are likely to have



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effects on organisations and their members as the micro-processes in individual organisations represent the local instantiations of macro-level trends (Powell and Colyvas 2008).

Research into the effects of performance-oriented management accounting and control practices, e.g. how their use affects the reconstruction of meanings within an organisation, will contribute to a better understanding of the macro-level trends observed in other studies. Thus, my analysis focuses on the adoption of performance-oriented management accounting and control practices and their effects within a single public organisation. Nevertheless, the analysis also accounts for preceding developments in the organisational field, where New Public Management reforms that transported a new logic changed the composition of logics in the German public sector.

As outlined in detail in part B of this thesis, the traditional bureaucratic logic in the German public sector goes back to the Prussian tradition of the *Rechtsstaat* (constitutional state). The enduring focus on legal formalism in this tradition underpinned the formation of hierarchical, centralised bureaucratic agencies (Weber 1922/1968) such as the federal employment agency which is the site of research for the present study. The legitimacy of these bureaucratic agencies is based on “strict and neutral implementation of codified universal and precise law” by bureaucrats (Rothstein 2003, p. 214).

The challenging new institutional logic of business-like market managerialism has been introduced to the public sector under the label “New Public Management”. The bureaucratic agencies were meant to become objective-driven public organisations that provide services to customers and their legitimacy is judged on the basis of outcomes and efficiency (Brunsson and Sahlin-Andersson 2000; Hood and Lodge 2004; Hood 1991; Pollitt and Bouckaert 2004; Kettl 2000).

Relatively little is known about how and why organisations and their members respond to such multiple logics (Greenwood et al. 2010, p. 521). Some studies suggest that the existence of contradicting institutional logics opens up the space for change within organisations and that they become salient in moments of crisis (Seo and Creed 2002; Greenwood and Suddaby 2006), while others (Zilber 2002) suggest that contradictory institutional logics can be a constant feature that does not necessarily lead to organisational change.

## 2.2 A discursive conceptualisation

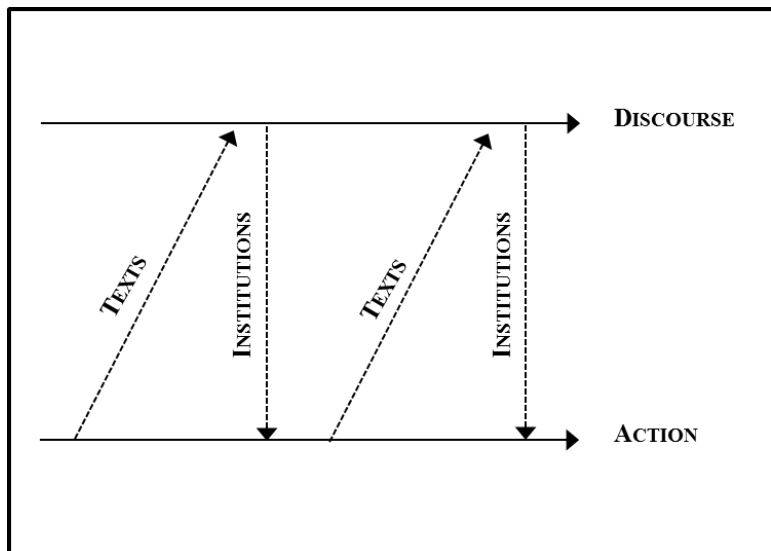
From a discursive perspective, social reality is constructed and made meaningful through discourse (Grant et al. 2004). Social theory approaches to discourse view discursive and other forms of social practices as “shaped and constrained by social structure” as well as contributing “to the constitution of all those dimensions of social structure which directly or indirectly shape and constrain it” (Fairclough 1992, p. 64). Thus, institutional logics can be thought of as represented in discourses and constructed through discursive processes. A discursive conceptualisation allows for a simultaneous specification of the logics represented in a discourse and the interactive process by which these logics are conveyed.

The increasing interest in discourse throughout social science also had an impact on accounting research. A wide range of such studies is “textually oriented”, focusing on texts like annual or environmental reports and accounting textbooks (Ferguson 2007). Attending to texts alone, these studies cannot account for the effects of these texts, because they “do not neutrally reflect our world, identities and social relations but, rather, play an active role in creating and changing them” (Phillips and Jorgensen 2002, p. 1).

To overcome these shortcomings, I use a definition of discourse that encompasses both the substantive content of logics and the interactive process by which these logics are conveyed. I am not only interested in what is said, but also in how, where and by who it was said to whom. Therefore I draw on the framework provided by Phillips, Lawrence and Hardy (2004, Figure 5) that allows me to explicitly account for the “production, dissemination, and consumption” of texts in order to explore the relationship between discourse and social reality (Phillips et al. 2004, p. 636). From a social constructivist point of view this social reality has no meaning outside the discourse that constructs it: “Language and other forms of representation gain their meaning from the ways in which they are used in relationships. [...] Meanings are born of coordinations among persons - agreements, negotiations, affirmations. From this standpoint, relationship stand prior to all that is intelligible (Gergen 1999, p. 48).” Accounting for the constructedness of social reality, the framework focuses on the processes of institutionalisation. The analysis of these processes has been widely neglected in institutional theory, even though their relevance has been acknowledged in the early development of institutional theory (Powell and DiMaggio 1991; Greenwood and Hinings 1996). Even though, this remedy has been admitted, the framework was also harshly criticised by Lok and Willmott (2006, p. 477), who argue, that the authors “revert to a realist account of actions, texts, and dis-

courses in their model of institutionalization” and therefore falls short of the attempt to overcome the shortcomings of realist approaches to institutional theory. Phillips and colleagues (Phillips et al. 2006, p. 481) admit in their reply to this critique, that they “did little to acknowledge the status of their (our in the original) theory as part of a specific and contested language game” to underline their reflexive position towards their claims.

To address Lok and Willmot’s (2006) critique, I outlined the theoretical background of this analysis in the previous chapter. The authors contributing to this theoretical perspective build the community of meaning making in which this analysis is founded and to which it contributes. The analysis at hand has meaning through its connection to the texts of this community and the insights do not have an objective truth beyond that community (Gergen 1999).



**Figure 5: Action and discourse (Phillips et al. 2004)**

Discourses are structured collections of texts, which are created through action. Actions are not only limited to material practices guided by institutions, but include communicative action that allows agents to elaborate and talk about institutions and to disassociate themselves from the institutions they enact (Habermas 1996). Actions themselves are not easily transmitted across time and space, but their textual representation that is created through the observation, interpretation or documentation of actions can be transmitted (Taylor et al. 1996). According to Phillips and colleagues (2004), actions that are novel and affect the legitimacy of an organisation are most likely to create texts which are widely disseminated. Whether these texts are embedded in a discourse depends on the subject position of the producer of the text, which is

itself discursively produced (Foucault 1984). Thus, discourse and power dynamics are intertwined:

*...power and discourse are mutually constitutive: [...] the power dynamics that characterise a particular context determine, at least partially, how and why certain actors are able to influence the process of textual production and consumption that results in new texts that transform, modify or reinforce discourses. In other words, discourse shapes relations of power while relations of power shape who influences discourse over time and in what way (Hardy and Phillips 2004, p. 299)*

Additionally, the features of the texts themselves make them more appealing to potential consumers, and therefore influence their transmission and reproduction (Hardy and Phillips 2004). The new institutional logic of business-like market managerialism with its focus on outcomes and efficiency (Brunsson and Sahlin-Andersson 2000; Hood and Lodge 2004; Hood 1991; Pollitt and Bouckaert 2004; Kettl 2000) brings new genres of texts to the public sector. Markets are “numericized environments” in which organisations and individuals operate (Rose 1991, p. 691). Vollmer (2007) offers a differentiation between numbers as an integral element of market managerialism and other forms of texts. He underlines the more direct effects of numbers on the ordering of social activity. In financial realism that motivates much of the utilisation of financial numbers it is assumed, that financial categories like profit or cost directly represent economic reality (Kari 1990). However, the analysis at hand takes a critical stance towards financial pragmatism arguing that numbers do not neutrally reflect social realities, but that the relation between numbers and social reality is more complex (see for example Morgan 1988, Hopwood 1987). Numbers can be mobilised in a discourse as indicators of a specific information or meaning, however the meaning transported is not given, but negotiated in social interactions. Following Vollmer (2007) this relationship involves two kinds of framing. The first kind of framing provides the agreed upon rules of calculative practices that guarantee the reproducibility of numbers. Providing these arithmetic numbers with social meaning involves consumptive framing. Consumptive framing provides a collectively maintained common understanding of numbers by discourses, embedding numbers in more general communicative interactions (Kalthoff 2005). Thus mobilising numbers in discourses to work on a non-numerical reality involves a reproductive and consumptive utilisation of numbers.

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Thus, mobilising numbers in discourses can create meanings depending on the frames used, and make certain ways of acting and thinking possible, whilst others are rendered illegitimate. If the discourse embodies mechanisms to sanction contradictory actions, institutions can be created (Jepperson 1991). Thus, new typifications and categorisations of human behaviour inherent in specific frames become institutional facts, e.g. the social knowledge becomes part of objective reality (Zucker 1977; p. 726). Furthermore, the likelihood that a discourse creates institutions depends on the internal coherence and structure of the specific discourse and its interdiscursivity, e.g. if it draws on established discourses to gain legitimacy (Fairclough 1992).

In the German public sector, two broader contradictory discourses exist, representing the bureaucratic or business-like logic which actors may reference when they introduce new practices (McInerney 2008; Garud et al. 2007). The bureaucratic logic is accompanied by a terminology of duties, legal procedures and obligations and accounting practices are meant to guarantee the compliance with legal accountability standards. The business-like logic involves a rhetoric of outcome orientation, efficiency and effectiveness and accounting practices are to supply information for management control and decision taking (Hoque and Moll 2001; Hood 1995). When such contradictions occur, consciousness about the existence of institutions and communicative actions intended to change them can arise (Seo and Creed 2002). These institutions are internal to the actors, and are, at the same time, collectively constructed by actors who contribute to a discourse.

Drawing on this framework, my analysis examines the adoption of performance-oriented management accounting and control practices in a German federal agency. The analysis aims to flesh out the complex relationships elaborated in the framework and demonstrate its usefulness for management accounting and control research.

### **3 METHODOLOGY**

The model discussed above is a form of critical discourse analysis, an approach that focuses on the analysis of text within context (Leitch and Palmer 2010). In critical discourse analysis, theory and method are inherently linked. The analytical focus lies on the relations between discursive and other social elements (Chouliaraki and Fairclough 2010, p. 1215). Methodologically, critical discourse analysis is characterised by a high diversity and links linguistic,

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macro-sociological and interpretative analysis (Leitch and Palmer 2010). The present analysis is interested in the discourse of performance orientation, which can be seen as a grand discourse approach (Alvesson and Kärreman 2000). Thus, my analysis focuses on the production, dissemination, and consumption of texts related to performance orientation in the context of reforms in a German federal agency.

The present analysis is based on the same data as analysis B in this thesis. The data was reassessed and structured relying on a temporal bracketing strategy. By means of this strategy the period under analysis was divided into periods characterised by a specific set of institutional work aimed at creating and maintaining the performance-oriented discourse (Langley 1999). This strategy helped to order and to reduce the mass of data, which helped to link the themes and patterns of institutional work to the theoretical conceptions. During the analysis, I divided the period under observation into five phases. In the first phase, elements of a performance-oriented discourse emerged on the field level. In the second phase, the rather abstract concept of performance orientation became manifest in performance-oriented management accounting and control practices. These provided the institutional facts for the introduction of the performance-oriented discourse in the organisation, which took place in the third phase. In the fourth phase, the performance-oriented discourse was mobilised and brought back to the field level in the last phase. These phases and the sets of activities that are characteristic of them are described in detail in the results section.

The notions of text and context are outlined in the next sections, even though there is no absolutely clear distinction between the texts and their contexts (Chouliaraki and Fairclough 2010), because the discursive practices involved in institutional work are aimed at affecting their institutional context and are in turn affected by this institutional context.

### **3.1 Text**

In the present analysis I refer to a broad understanding of text: "...Texts embodied in the practices of talking and writing (as well as a wide variety of visual representations and cultural artefacts)..." (Grant et al. 2004, p. 3). Written texts like process definitions, templates and forms, manuals, training materials, monthly reports and the management information system on the intranet of the case organisation could be directly assessed. In contrast to the analyses before I paid more attention to the originator of the documents and how respectively by whom they were disseminated. These informations were often indicated in the documents

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themselves or could be provided by the interviewees. Additionally, some of the texts which were identified as central to the performance-oriented management accounting and control discourse by the interviewees were discussed with them. This means that producers and consumers of these texts talked about the meaning they attributed to the text or the genre of text during the interviews, and explained how the text informed their actions. Therefore, I motivated the interviewees to provide me with the texts they were referring to and used general explorative techniques that employed aspects of the interviewee's narrative to disclose and understand his interpretation of the text. These techniques also helped to investigate the way specific texts were disseminated without interrupting the story-telling. For example, management accountants in the headquarters spoke about the way the management accounting and control practices were set up, and I asked how these practices were documented and how this textual representation was disseminated throughout the organisation. Comparably, I asked managers how the management accounting and control practices were documented and how they received this information, when they were talking about the introduction of management accounting and control practices. Thus, the structuring of the interviews was up to the interviewees and all of them were glad to provide me with the documentations or showed me the place they could be found on the intranet of the organisation. The majority of the interviewees also offered to send me further documentations after the interview, if I would need them.

The observations I conducted in the headquarters provided me with some more situated details about the discursive interaction between management accountants and managers as well as with references for the performance-oriented discourse in the management communication. The observations I conducted in the working committee for management accounting and control in public organisations allowed me to observe how the FEO's representatives linked the performance-oriented discourse they had established in their organisation to the broader New Public Management discourse in the German public sector. Furthermore, I attended public presentations held by the FEO's representatives and watched political discussion programs where the FEO was represented.

### **3.2 Context**

The context for the discourse under analysis are the New Public Management reform initiatives in Germany and more specifically its instantiation in the reform of the FEO, which was outlined in detail in part A of this thesis. In addition to the analysis in part A, the foundation of a working committee to advance management accounting and control practices in the Ger-

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man public sector, initiated in 2010 by representatives of the FEO, is an important contextual element for the analysis at hand. The working group was integrated into the German federal government program of transparent and networked governance, and has motivated other federal agencies and ministries to join the working committee.

## 4 RESULTS

### 4.1 The emergence of the performance-oriented management accounting and control discourse

The New Public Management movement reached Germany in the late 1990s, and notions of performance and the corresponding management accounting and control practices had been a central element of the German New Public Management from its beginnings (Lüder 2003). The first governmental program that aimed at introducing modern management on the federal level was put into practice in 1999. One pillar of the program was the establishment of an efficient administration:

*State action has to conform to the demands of efficiency and effectiveness. Administrative processes have to be analysed to find out if they create unnecessary red-tapism. This is possible through competition and the comparison of performance. Competing approaches and the concentration on “best practices” helps the participants to optimise administrative processes and to build sustainable structures. This is only achievable if personal and financial resources are used efficiently. (The Federal Government 1999, p. 3-4)*

The program explicitly mentioned the importance of efficiency and effectiveness and depicted competition and the comparison of performance as mean to improve the management of public organisations. Specific performance-oriented management accounting and control practices aimed at measuring and comparing performance and the efficient use of resources were, however, neither mentioned nor evaluated. The program included several pilot projects, among them projects to introduce performance-oriented management accounting and control practices. The results of these projects were reported on a regular basis (The Federal Government 2000), but the level of detail was very low and the evaluation of specific prac-



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tices or techniques was missing. Overall, the modernisation efforts were seen as rather unsuccessful and the word “controlling”, which had been intensively used to promote the performance-oriented modernisation efforts, acquired negative connotations.

*The working committee members discuss the use of the label “controlling” in the working committee. Too many public organisations in Germany had bad experiences with controlling during the recent modernisation efforts. If the working committee wants to generate impact on the political field, it has to clearly distance itself from these former attempts and therefore also use different wording. The members decide to use a language that will help to generate acceptance in the political field and to emphasise the managerial implications of management accounting and control practices. (Notes of the working committee meeting, 31.05.2010, p. 1)*

Controlling had become a synonym for a diffuse set of practices that consumed resources, but did not have an effect on the efficiency and effectiveness of the organisation. Management accounting and control practices were decoupled from other business activities and only performed to prove the modernisation efforts of the organisation, i.e. to gain legitimacy.

Thus, the concept of performance and the practices to calculate it stayed rather abstract. The emerging performance-oriented discourse did neither entail a reproductive frame that defined how numbers measuring performance could be calculated nor a consumptive frame that would provide these numbers with social meaning. Therefore the emerging discourse did not provide classifications like “high versus low” or “sufficient versus insufficient” performance that could shape individuals cognition and guide their activities.

The FEO did not participate in one of the pilot projects dedicated to the introduction of modern management. The bureaucratic logic was deeply embedded in the FEO’s institutionalised management practices and represented in the hegemonic legal discourse. The FEO’s business activities were highly regulated by the German Code of Social Law (Sozialgesetzbuch), which was highly present in the FEO and was translated into regulatory statutes and rules for the daily activities of the managers and employees. In contrast to the emerging performance-oriented discourse, this legal discourse provided a sound frame that provided classifications that distinguished legal from illegal activities and was therefore able to guide individuals’ behavior. Furthermore, the legalistic discourse entailed sanctioning mechanisms and managers’

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and employees' actions were judged on the basis of compliance; doing things right meant doing them in a way that complied with the law. The sanctioning was assured by top managers with a juristic background who oversaw the correct application of regulations within their area of responsibility. In order to ensure the correct application of law, the management style was highly task-oriented and focused on the legally correct implementation of a task.

*It was a consensus that we do not operate in a legal vacuum. We had to implement laws, and it was our duty in the headquarters to translate laws into central operation guidelines or implementation regulations. They were communicated and enforced to ensure that the local employee knows how to perform his task (Manager, Headquarters).*

The top down translation process from general law to implementation guidelines clearly underlined the hierarchical structures. This resulted in strongly institutionalised management practices that were legitimated and infused with meaning through the legal discourse.

The contradictions between the hegemonic legal discourse within the FEO and the emerging New Public Management discourse only became salient after a statistics scandal. The scandal gave rise to an intensified debate about the poor performance and manageability of the organisation and traditional opponents of the FEO and its social mandate even demanded that the FEO be closed down.

*The reform following the statistics scandal was the last chance for the organisation. The organisation had been under pressure before, and reforms had been initiated, but these reforms had failed. The current reform was the third attempt already, and failure would not have been tolerated. If we had not seized this chance, they would have closed us down. (Financial Manager, Headquarters)*

After the scandal, the FEO's executives were no longer able to isolate the organisation from the New Public Management discourse. They brought a project team into being that was to examine the current status of the organisation and to develop a reform project to avert the risk of being closed down. The project team was largely independent from the hierarchical structures in the headquarters, as a financial manager explains that they were installed side by side with the headquarters. The project team consisted of approximately 250 people and included employees and managers from the FEO as well as external consultants which constituted the

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majority. To lead the team, an experienced private sector manager was hired, who entered the FEO in the position of CFO. According to the modernisation attempts on the federal level, coming away from the bureaucratic logic represented in the legal discourse was one of the central elements of the reform project, as was the modernisation of the organisation through business-like management practices.

## **4.2 The development of performance-oriented management accounting and control practices**

The reform of the FEO aimed to advance a managerial business model and to improve the efficiency and effectiveness of the organisation. One of the means to achieve these targets was the adoption of performance-oriented management accounting and control practices. The concept for the introduction was developed in the headquarters and sequentially introduced from the headquarters to the local subunits. The main elements were a standardised planning and target achievement dialogue, the formulation and analysis of key performance indicators, and benchmarking that allowed a relative performance evaluation.

Due to the specificity of the FEO's business activities, the FEO could not adopt a pre-existing frame of reproduction used to calculate performance indicators in companies in the private sector. Thus, formulating key performance indicators meant defining and establishing a new reproductive frame. The newly defined key performance indicators were outcome-oriented and translated the agencies' legal duty – integrating the unemployed into the employment market – into measurable indicators. For each business area, three to five key performance indicators were defined, varying according to the clients served. These indicators were supposed to measure the time and resources consumed to achieve integration, as well as the sustainability of the integration.

*Take the Job-to-Job integration for example. After the termination of their working contract our clients are obliged to register immediately. From this point in time we can support them to find a new job. In the optimal case, the client receives a new working contract before she becomes unemployed and receives unemployment benefits. This reduces our cost and therefore we aim at a high Job-to-Job integration rate, which is measured with this indicator. (Financial Manager, Headquarters)*

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In contrast to the key performance indicators, the bundle of measures which it was possible to take within the business areas, with the aim to integrate unemployed into the labour market, was determined by law. The leeway of decision making within the FEO was limited to the composition of the mix of measures that were to afford an efficient integration into the labour market. Thereby, key performance indicators measured the outcome, e.g. the integrations achieved, whilst the budget to achieve the integrations was limited by the income generated. Both the performance target and the share in budget were to be negotiated in the planning dialogue.

Providing these key performance indicators with social meaning also involved consumptive framing. Prior to the reform, the implicit aim for the FEO's business activity was to spend the available budget for every measure.

*Before 2003, the budget orientation was dominant; it was all about exhausting the budget. The outcome orientation did not exist; the question "what do we achieve with our expenses?" was not posed. In those times, it was not even possible to evaluate the costs of different measures. There was no clear distinction between the different business areas and there was a lot of cross-subsidisation between the different legal circles. It was not possible to analyse where the money was coming from and what it was spent for. (Financial Manager, Headquarters)*

The existing consumptive frame specified an exhausted budget as an indicator for successful business activities. This consumptive frame was embedded in the legal discourse that focused on compliance with rules and the prevention of discrimination. The bureaucratic rules that should ensure the prevention of discrimination focused on the input, i.e. the services provided by the FEO. Every client was meant to receive a comparable bundle of measures, and therefore her share of the budget. If this budget was exhausted and equally shared between the clients, the FEO had successfully fulfilled its duties.

Thus, using measures of the integration of unemployed in the labor market as indicators for the FEO's business activities represented a new consumptive frame that competed with the existing one that relied on the exhaustion of the budget. However, in order to provide these figures with meaning, classification and categorisation mechanisms were necessary. This classification was achieved through a benchmarking system. The performance of private sec-

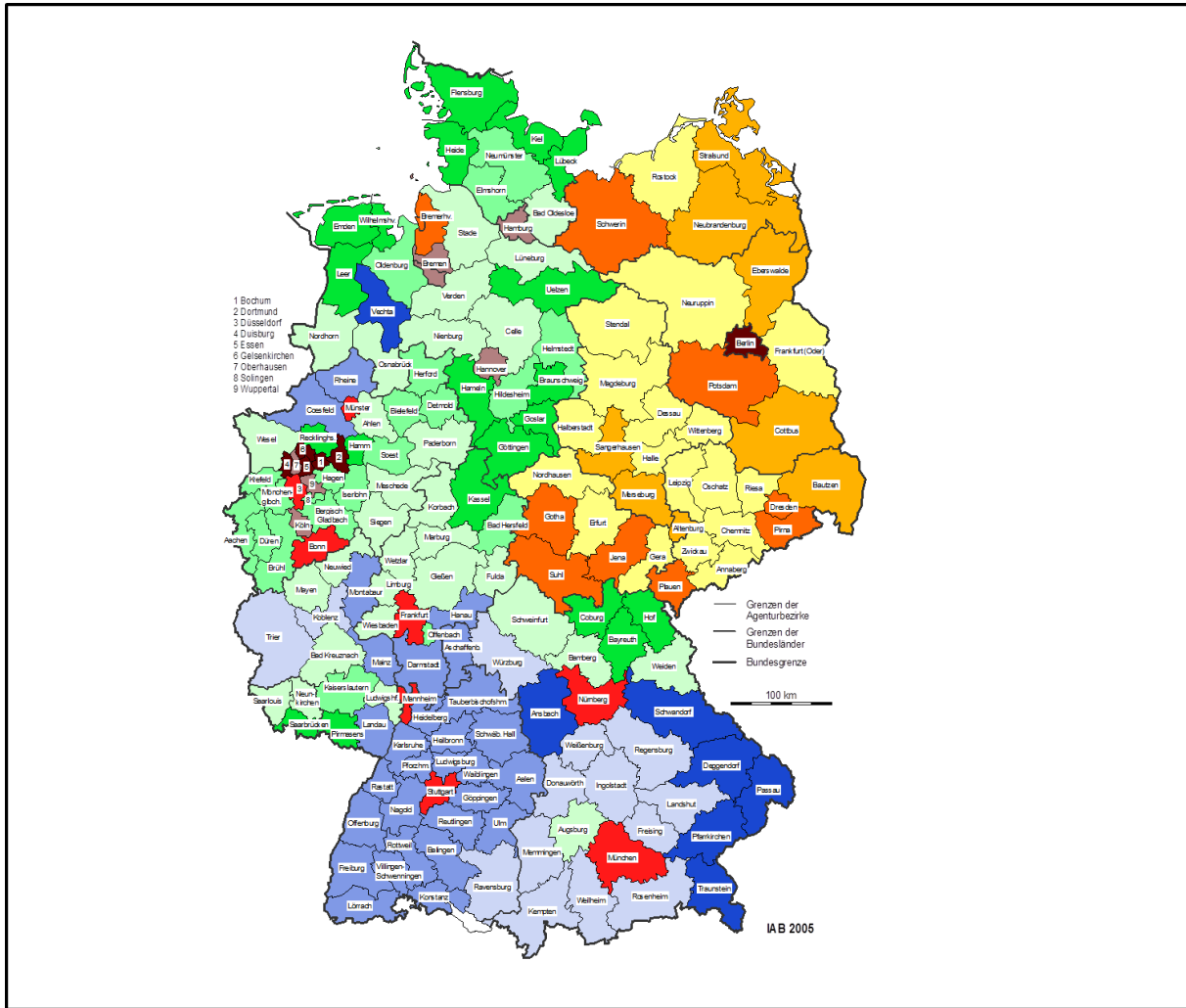
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tor companies operating in a competitive market environment can be classified through a comparison with competitors. In contrast to private sector companies, the FEO is a monopolist providing unique services on a highly regulated and protected market. Furthermore, the subsidiaries and subunits similarly saw themselves as unique and not comparable to each other, because they operated under their specific market conditions. The newly developed benchmarking system was intended to change this situation and to create an internal market that allowed to compare the subsidiaries and subunits and therefore to classify their performance.

*I think personally that the distinctiveness and the comparability are the main achievements of the reform. The local units know exactly what we expect from them, because they receive formal targets and they are comparable with each other. Before the reform took place, every local manager did his own thing, they had their own kingdoms and performance was imputed to the local market conditions. (Financial Manager, Headquarters)*

*With our new benchmarking system we can bring the performance differences down to the question: Why is your performance different, if you have an identical point of departure? In this case, topics like management, management accounting and control and developing people play a role. However, the point is that we speak about performance differences between similar subunits and that there are internal reasons for the differences for which the managers are responsible. (Manager, Headquarters)*

To set up this system, an external academic organisation received the assignment to conduct a market analysis in Germany in order to create clusters which contained subunits which operated under comparable market conditions (Figure 6: Benchmarking Cluster).



**Figure 6: Benchmarking Cluster**

For example, subunits with urban concentration (dark colour) could be compared to each other, even though they were not under the control of the same subsidiary. The comparability was meant to create competition between the subunit and subsidiary managers. Their performance target would be set and evaluated in comparison to the other subunits in their cluster. Thus, a classification that distinguished between different levels of performance could be established and performance could be evaluated. The new consumptive frame assigned the meaning “good performer” to those subunits that have higher scores on the performance indicators than the other units in their cluster.

The competitive element was underlined by the fact, that the clusters did not match the management structures, i.e. subsidiary managers were not able to keep the performance level low because their subunits would be compared to others outside their sphere of influence. Thus,

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the relative performance targets depended on the former performance of the subunits in the same cluster.

The establishment of the new meanings was supported through the visibility of the performance information and the rankings throughout the organisation. This was achieved through the introduction of a management information system that contained all this information, and was available to managers on all hierarchical levels. The information was locally produced in the business applications and centrally assembled, processed and provided on an intranet platform that also allowed specific requests.

*There is a general agreement that we all have to improve our performance; I think that is clear for everyone. However, there is an additional aspect: People do not want to bring in the rear and that is the same with the rankings in the benchmarking clusters. If a subunit fulfils its target and holds the last position in the rankings that is fine for the headquarters, but the subunit has the incentive to improve its performance, because they want to hand over the red lantern. Therefore, we agreed upon an additional target with our subunits: We want to be in the top 30% in our benchmarking cluster. Thus, some of the subunits will have to exceed the formal targets agreed upon with the headquarters. (Management Board Member, Subsidiary)*

Alongside the definition of key performance indicators and the development of benchmarking clusters, the new planning and target achievement dialogue as a relational element was designed and standardised. Outcome targets between headquarters and subsidiaries would be negotiated for one year based on the key performance indicators. Input, i.e. budget and measures planning were to be up to the subsidiaries themselves, but the headquarters would have to approve the budget and to allocate the income that occurred centrally. During the year, the subsidiaries would have to report on a monthly basis. For the monthly reports, a standardised report format was prepared that contained the scores on the key performance indicators, the cause and effect relations, the comments and recommendations of the management accountants, and the measures taken by the managers. If a potential deviation from the target occurred, additional measures to achieve the initial target would be agreed upon between headquarters and subsidiaries. The management of the subsidiaries was to be responsible for the subunits relying on the standardised indicators and processes. However, to guarantee a permanent performance improvement, the headquarters formulated growth targets for the sub-

units, below which they were not allowed to go in the local planning. For example, subunits which were in the lower third in their benchmarking cluster had to improve their performance by at least 10% in one year, while the top performers had to increase it by 5%.

In addition to the conceptual work described above, documentations and training materials were prepared to help the managers and management accountants making sense of the new practices and frames. All these documents were provided centrally to guarantee standardised practices and interpretations throughout the whole organisation. The concept for the reform project and its implementation was approved by the board, and also gained legitimacy through the promotion of the CFO to the position of the CEO.

### **4.3 Introducing the performance-oriented discourse**

The new performance-oriented management accounting and control practices outlined above were first introduced in the headquarters, and rolled out to the subsidiaries between 2004 and 2006 in the course of the reform program. The most experienced managers and management accountants were recruited to take a position in the headquarters. They gained experience with the new management processes and the performance-oriented management accounting and control practices when they were set up in the headquarters, and prepared for the roll out. The innovations were pushed, in a coercive manner, from the headquarters to the subsidiary and the subunit level. The responsibility for the performance-oriented management accounting and control practices laid in the hands of the management accountants in the headquarters.

*Management accountants are responsible for the quality of the management accounting methods, improve the quality of the planning and control processes, are an advisor for managers on all levels and assure the rationality of their decisions and act as guardians of the appropriate implementation of the corporate policy and are a lawyer for the management model. (Management accountant's role description, training manual scripts)*

The management accountants in the headquarters had the ownership of process and method and represented the CEO in the planning and target achievement dialogue. Being under the control of the CEO, who had pushed the introduction of the performance-oriented management accounting and control practices in his former role as CFO, provided the management accountants with hierarchical power that helped them to enforce the standards they were set-



ting. These standards included the processual elements as well as the reproductive and consumptive frames that should set the meaning of the new performance indicators.

*The formal hierarchical subordination of the management accounting department alone may not be that meaningful for evaluating their position within the organisation. If a topic is escalated, I represent the management accountants and we try to keep it on this level – which means one level below the board of directors. However, our CEO is the highest management accountant in the organisation. If topics become controversial you need hierarchies to escalate them, otherwise the management accountants and managers tear lumps out of each other. However, if you play the power card, it should ruff. (Financial Manager, Headquarters; working committee meeting)*

*We in the management accounting department have a comparatively stronger resource. You participated in some of the meetings yourself and you were able to observe how the negotiations between us and the managers go on. They try to avoid any confrontation with us. Our financial managers support us, they know what they want and take a clear stand. We can really count on their support and that gives us a stronger position in the negotiations. (Management Accountant, Headquarters)*

During the reform, local managers were reassessed for their positions and managers who were not willing or able to push the reforms through were replaced. Therefore, potential opponents were disempowered at the beginning of the change process. Former managers who were not selected received the opportunity of an early retirement or positions without managerial competences. Overall, more than fifty per cent of the management positions were reoccupied.

*With the organisational restructuring, all management positions down to the team leaders were newly advertised within the organisation. Many people were replaced or downgraded. Especially some of the older local executive managers were not able to accept the changing power structures and were replaced. I think that is the way it works in fundamental restructuring*

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*projects, but if you know the people personally, you feel pity for them.*  
*(Management Accountant, Headquarters)*

Additionally, new management positions were created due to the decreased span of control. Nearly all positions, i.e. top to lower management level and management accountants' positions were occupied from within the organisation. This resulted in a situation where the local management teams had little experience due to the personal turnover and the major changes in the management and operational processes.

Trainings for the local management accountants and managers started during the implementation of the reform project.

*In 2004 we started with training courses for the managers, because the new management model was something completely new for them. It was the first time that we were talking about efficiency and performance. You can imagine how the situation was in those days when you have a look at our project business. We are only starting to talk about costs and returns of the projects. Up to now, if managers wanted to implement a project they received the necessary resources. This is comparable to the way local managers were thinking about their business before the reform, but we wanted to change the way they are thinking. However, the way people think changes slowly.*

*In addition to the training, board members organised road shows to underline what they intended with the reform. I think it was important for managers to hear directly from board members what they expect from them. There is a difference between information distributed from us and a direct statement from a board member.*

*The basic qualification for local management accountants which started in 2005/2006 is based on the master plan management accounting and control, which includes all processes, practices, instruments and role expectations. The last day of this one week training is dedicated to role play in order to give the management accountants the opportunity to train their new roles.*  
*(Financial Manager, Headquarters)*

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Even though managers were meant to rely on management accounting information to take decisions, they did not get specific training. Instead, management accountants were to help their managers to utilise the new consumptive frames and to translate the management accounting information into action. In spite of the training, neither local managers nor management accountants were experienced in the use of this new consumptive frame and the management accounting and control practices. Thus, they heavily relied on the training materials and the written documentation to make sense of the new information.

However, the first planning circles revealed that the new consumptive frame that had been developed before the reform started could not just be implemented. Eventhough, the documentations and information systems aimed at defining an understanding of the accounting numbers that formed the core of the new performance-oriented discourse, these texts gave rise to divergent interpretations.

Even the calculation methods and therefore the reproductive frame could not be set from the headquarters. Some subsidiaries did not adhere to the guidelines. Others developed their own calculation methods, because they thought that additional aspect should be considered in the target system. Furthermore, the data basis was neither properly consolidated nor tested in advance, and delivered faulty data.

*We had problems with the data quality and it is hard if you have to say every month: I am sorry, but I have some revised figures here, because the ones I presented last week are wrong. The validity of the figures is important to build trust. Trust in our work as management accountants and trust in the figures. (Financial Manager, Subunit)*

Thus, following their initial introduction the consumptive and reproductive frame were contested and the indicators and other accounting information could hardly be mobilised in the performance-oriented discourse in order to have an effect on the non-calculative reality within the FEO. Instead, the performance-oriented discourse was centred on the calculation and interpretation of accounting figures and therefore its own elements. As a result, the monthly target achievement dialogue was used to establish the reproductive frame provided by the headquarters as a common basis for the communication between headquarters and local units. Therefore, the local units were put under pressure to use the same calculations and instead of

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negotiating targets the dialogue and the monthly reports were used to explain and enforce the new frames.

*I think the actual and the last planning circles were the first ones that ran smoothly. In the years before, we had to intervene frequently; they just didn't understand how the system worked. We called it planning dialogue, but in fact it was a monologue from the headquarters. We set the targets and planned the budget for the subsidiaries and the subunits, there was no real negotiation taking place, they were not ready. We pushed our figures through and they had to follow. (Financial Manager, Headquarters)*

*In the last years, negotiations did not really take place between us and the headquarters, even if they called it dialogue. They set the targets and it was not worth trying to discuss them, and we were also lacking the right arguments. (Management Board Member, Subsidiary)*

The new reproductive and consumptive frames provided the codification for the performance-oriented discourse that excluded local managers and management accountants from this discourse as long as they were not able to decipher the accounting information. The management accountants in the headquarters had the ownership over this codification and combined with the hierarchical position this provided them with a powerful position in the dialogue with the subsidiary managers.

The proficiency in the new performance-oriented discourse was a precondition for actively participation in the monthly target achievement dialogue with the headquarters. Due to their weak position the local managers were forced to become familiar with the new practices and frames and were not able to maintain or establish concurrent frames.

In parallel, the reproductive frame, e.g. the calculations and the data basis were further improved and standardised in reaction to the ambiguities that were detected. In addition to the key performance indicators, additional granular indicators were introduced and clearly defined. The report formats were increasingly standardised and more information made available in the management information system. The data quality was improved, even though an integrated IT-system was still missing.

#### 4.4 Mobilising the performance-oriented discourse

The planning and target achievement dialogue observed in 2009 was based on a strongly codified performance discourse. The performance-oriented consumptive frame was no longer an alternative way of interpreting things, but the way things were talked about in the organisation.

*The communication in the organisation has become clearer. The accounting figures allow us to speak an identical language throughout the organisation. When I use the abbreviation for KPI XYZ, everyone in the organisation knows what I mean, which processes are behind this figure. Such an identical language is a huge advantage for a big organisation like ours. (Management Board Member, Subunit)*

Thus, the key performance indicators and other accounting information were integrated in the more general communicative interaction within the FEO. Making use of these new performance-oriented categories became a source of legitimacy in the communicative interactions. For example, several local executives tried to decrease the targets for their subunit during the planning dialogue I observed in 2009. However, only those managers who provided calculations based on the generally accepted reproductive frame, which showed that specific events like the closing down of a major employer in their region had an effect on performance indicators were able to re-negotiate their targets. The others received the answer that:

*Everyone can claim that his subunit is different or has more problems than others. But if it does not have an effect on the indicators, it is not relevant. Thus, we will not consider it in the target negotiation. (Financial Manager, Headquarters; during target negotiation meeting)*

The fact that an employer closed down was no longer a legitimate argument without a link to the performance-oriented discourse. Thus mobilising performance indicators and other accounting information in discourses had an effect on the non-calculative reality in the FEO. The performance categories, e.g. the score of an indicator, became institutional fact that gave not only legitimacy to arguments, but also influenced the activities of the members of the organisation.

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In addition, the institutional facts had an effect on the power structures in the organisation. Managers and their units were strictly evaluated based on these institutional facts, i.e. the performance achieved measured with the key performance indicators. In contrast to their managerial activities and decisions, their scores on the performance indicators were visible throughout the organisation.

*I receive all the figures from our subunits in the monthly reports. We have all this information here in the subsidiary. The executives in the subunits know exactly that we have this information and they know that we will ask them what plans they have for the different business units and which measures they intend to take, because we have regular meetings. Because of that we don't have to force them to take action; they push themselves, because they know that we would do it otherwise. (Management Board Member, Subsidiary)*

*With the management accounting and control information, we created a panopticon. You know this architect who developed prisons where the guard in the middle can see all the prisoners. We here in the headquarters are the guards who can see everything. That is a good example for transparency, but we go one step further. The managers can see each other's reports and this transparency also hurts, because they have a problem that pertains to only them if they perform poorly and everyone else can see it. This competition motivates them to increase their performance. (Financial Manager, Headquarters)*

The figures created through the management accounting and control practices created institutional facts that motivated managers to take action without the necessity of an intervention from the headquarters or subsidiaries. This was because the existence of the texts and the knowledge of the sanctioning mechanisms were sufficient. These sanctioning mechanisms involved the shame of being a poor performer, the risk of being confronted with one's poor performance during the planning and target achievement dialogue as well as the fact that a promotion was only possible if the performance targets were reached.

Therefore, the managers were motivated to become proficient in the performance-oriented discourse, which meant that they wanted to be able to understand, use and translate the performance-oriented discourse into action.

This was not the case immediately after the forceful introduction of the new frames and practices. In contrast, it took time and pressure from the headquarters to establish a common reproductive and consumptive frame throughout the FEO. The common understanding of the meaning of the elements of the performance oriented discourse were the precondition to have an effect on the non-calculative reality in the organisation. Due to the sanctioning mechanisms the local management teams realised the necessity to draw on the performance-oriented discourse to legitimise their actions. They also realised the benefits of the ability to translate the discourse into action in order to become a high performer.

*“How do we communicate?” became an important issue last year. How do we translate the targets for the employees? How can we create transparency about their contribution to the targets of the organisation, in order to provide them with a feeling of success, because they can see their personal contribution? I think it is important. We really encourage the lower management levels to have intensive discussions with their managers about which measures are necessary to improve the performance and how these effects can be translated. They are meant to learn to filter and translate the performance information for the different management levels; not every figure is relevant for everyone in the organisation. However, this is also the content of a new training program, which we started. (Management Board Member, Subsidiary)*

*The new management accounting and control system took getting used to. We team leaders did not know how to handle the system; we did not understand what the figures meant. We neither understood how the figures were calculated nor how we could influence them. The process of really understanding which actions we can take to influence the figures took a long time. However, we organised many performance circles and we learned which action will generate sustainable integrations, and how that will be reflected*

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*in the performance indicators. I think today we understand the system, but it took time and it was a hard learning process. (Manager, Subunit)*

*Even though we improved the translation process, there is still a lot of potential to improve the communication. If we from the headquarters communicate with the subsidiaries, the text has to be different than the one used from the subsidiary to communicate with the subunits and I think it is completely different from the one the team leaders use to communicate with their employees. Actually, we are still working on this systematic translation process. I will give you an example. Assume that we want to achieve 500'000 yearly integrations in the employer segment by 2012. If we communicate this figure, the employees will be shocked, because they don't know what this means for them personally. However, if we start to translate this performance target, we can discuss how one to two additional integrations per week could be realised and which action can be taken. Every employee needs to know what his personal contribution should be; therefore we have to translate the overall performance targets into action. (Manager, Headquarters)*

Managers, especially on lower hierarchical levels, started to ask for special training concerning the use of performance-oriented management accounting and control practices. They also asked for training on how the information provided could be interpreted in order to increase the performance of their own team and additional data was requested to conduct analyses.

*Additional analyses from the headquarters often create an additional demand in the local units. If there is a new figure or a new analysis which is centrally provided for the subunit, the team leaders immediately start to ask: can we get this analysis for our teams? This sometimes creates problems, because we don't have the specific data or because it may not be really helpful for this management level. (Management Accountant, Subunit)*



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*We don't want to give too many figures to the teams. However, a team leader cannot just claim: "It takes too long until we have an initial meeting with our clients. This is the reason for our slow integration." The employees would question that statement without figures. In such situations, a team leader needs the figures. Therefore it always depends on the situation, the specific topic, but I think you have to provide your team with some figures and you have to discuss ideas on how these figures can be improved. If you only have figures on the subunit level the poor performance can always be ascribed to the other teams. (Manager, Subsidiary)*

Thus, performance indicators and other accounting figures became a naturalised element of the social reality within the FEO that was affected by other non-calculative elements and had an effect on those in turn. Local managers became more proficient in the performance-oriented discourse and actively contributed to the translation of the performance indicators into action. Simultaneously, the headquarters started to decentralise managerial responsibility. The headquarters announced the FEO's general targets and the subsidiaries and subunits prepared their plans for the target negotiation meetings. In these meetings the targets for the subsidiaries were negotiated, but the headquarters did no longer intervene in the planning processes between subsidiaries and subunits. Additionally, the planning horizon was extended from one year to three years. Thus, subsidiaries were able to prepare three year growth plans and negotiate lower targets for a specific year. They were able to implement structural measures that took more time.

The results were still reported monthly, but the result discussions between headquarters and subsidiaries were reduced to five times a year. However, the headquarters reserved their right to convene additional meetings, if a subsidiary performed badly or delivered insufficient analyses and measures in its written reports. A similar procedure was used during the yearly target negotiation meetings: subsidiaries with excellent plans concerning the values of the targets and the quality of the plan preparation received a phone call from the headquarters to thank them for their contribution. In contrast, subsidiaries which did not reach the expected targets with their plans or whose plans were not convincing or even faulty were invited to the headquarters and had to defend their plans. Thus, the direct communicative action was focused on those who showed a lack of proficiency in the new performance-oriented discourse, which was visible in their communication and their performance.

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The former monologue from the headquarters slightly changed towards a dialogue and the local negotiation parties became more powerful than they had been during the reform phase. Their position of power depended on their proficiency in the performance-oriented discourse, especially their ability to translate performance figures into action and therefore to generate high performance scores.

#### **4.5 Re-introducing a performance-oriented discourse on the field level**

The performance-oriented discourse had been part of the New Public Management discourse in Germany from the beginning. However, neither of these discourses gained momentum nor became hegemonic on the field level. Correspondingly, the FEO's increasing performance orientation was not purely well received, and the positive financial result did not convince all interest groups. The FEO was criticised for downgrading human beings by reducing them to figures from local authorities and special interest groups criticised that the group they were representing did not receive enough furtherance. The German public court of auditors rebuked the FEO for the performance related compensation of their managers and a member of the staff council complained that the management accounting and control practices would consume too much time and hinder the employees in doing their real job (Open Letter to the Board, 5. June 2009).

In this situation, where the results of the reform were honoured, but the performance-orientation was also criticised, the formation of a working committee was initiated to facilitate the implementation and the improvement of management accounting and control in German public institutions. Founding members were several federal agencies, ministries and federal states. During the first year after the formation, the members described, examined and analysed the issues and motivations that brought them together. The identification of common issues was documented in a preamble that became a resource on which the participants could draw to legitimise their engagement and which provided an identity statement for the working committee that helped to acquire political and financial support.

*The working committee management accounting and control has the purpose of supporting the introduction, implementation and the development of performance-oriented management accounting and control in public organisations. Politicians and administrators will receive recommendations*

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*for performance-oriented management that also rely on the experiences with earlier New Public Management reforms. (Preamble)*

Therefore, the legitimacy of performance orientation as a core element of the New Public Management logic was a central issue for the members of the working committee.

The FEO's representatives presented their organisation as leading in the implementation of performance-oriented accounting and control practices. They described their key issue as an attempt to share their knowledge in order to improve management accounting and control in the German public sector. The other participants approved this "leader" identity, which provided them with a subject position that warranted their arguments voice in the later discussions within the working committee.

After its formation, the working committee was able to integrate its activities into the federal government program "networked and transparent administration" under the title "development and establishment of outcome oriented and effective governance practices in the public administration" and with the FEO officially leading the working committee.

In the year after its foundation, the working committee decided to broach the issue of conflicting governance models in the German public sector and to publish results in order to influence politicians and administrators. More than ten years after the attempt of the Federal Ministry of the Interior to introduce a business-like management style, the conflict between the bureaucratic and the business-like logic was still characteristic for the German public sector. Thus, the first aim was to elaborate the specific problems that occur due to the conflicting governance logics that provide divergent requirements for individual organisations. The second aim was to make a stand against the input-steering inherent in the bureaucratic logic and to advocate the performance-oriented governance model.

Many of the working committee members had started reform measures that included performance-oriented management accounting and control practices. Thus, the working committee members had a common interest in gaining legitimacy for their reform measures, and in influencing the New Public Management discourse in the German public sector. However, the developments in the individual organisations that lead to the introduction of performance-oriented management accounting and control practices and motivated the representatives to join the working committee are beyond the scope of the present analysis.

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## 5 DISCUSSION

The present analysis addressed the research question of how actors adopting and performing performance-oriented management accounting and control practices affect the system of meaning in a public organisation, and therefore advance the establishment of a new institutional logic. Institutional logics differ in levels of generality; they may provide general systems of meaning and rationals or templates for specific practices. Strongly institutionalised logics like the bureaucratic logic in the present case are expected to be less vulnerable to change than weakly institutionalised ones (Greenwood and Suddaby 2006). Due to the fact that these strongly institutionalised logics are embedded in institutionalised practices guiding the way in which organisational members' instantiate this logic in their actions. The institutional work identified in the present case sequentially affected the realm of discourse and the realm of action, and seemed to be successful in changing the dominant institutional logic.

The realm of discourse does not only represent institutional logics, discourses also serve to exchange them through interactive processes of presenting them, and to legitimise frames and actions against the backdrop of these logics (Phillips et al. 2004). In the present analysis, I illustrate how a rather abstract New Public Management discourse representing a business-like logic was translated into a more specific performance discourse within an organisation. During the reform of the FEO, the dominant legal discourse that represented the bureaucratic logic was replaced by a performance-oriented discourse representing the new business-like logic. The collection of texts that constituted this new discourse was created through the simultaneously introduced management accounting and control practices that provided performance information. To provide performance information, the FEO could not rely on existing frames from the private sector that used for example profit as an indicator for performance. Instead the FEO had to establish a reproductive frame that defined how performance was calculated in the FEO and a consumptive frame that defined how the figures had to be interpreted. Through the establishment of these frames institutional facts, like "good vs bad performance" could be created and became the source that legitimised actions in the organisation. Even though, the legal structures and the market environment were stable, competition and performance were discursively constructed. An economic reality could be created through the provision of key performance indicators and benchmarking information that allowed categorising the performance information.

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These institutional facts were also a new instrument of domination as they allowed managers in the headquarters to compare and evaluate local units. The headquarters were able to intervene directly and to replace managers with a low performance or to prohibit their promotion. Furthermore, the transparency about the performance of individual units throughout the organisation created disciplinary power (Foucault 1977), where local managers adhered to the central targets due to the fact that their performance was transparent and they knew that sanctioning mechanisms existed. In this, the availability of performance-oriented texts and therefore the transparency of the individual performance was one of the sanctioning mechanisms in itself, as the local managers with a low performance were put in the pillory. Thus, the performance-oriented discourse in the FEO embodied sanctioning mechanisms that fostered the institutionalisation of practices that were in line with the new business-like logic (Jepperson 1991).

These sanctioning mechanisms motivated the managers to develop literacy in the performance-oriented discourse in order to avoid punishment and to improve their personal power position. Thereby the reproductive and consumptive frame provided a codification of the performance oriented discourse that had to be deciphered by the managers, who had to participate in this discourse. Therefore it was necessary to establish a consensus of meaning throughout the organisation. This included a common consumptive frame that enabled the members of the organisation to interpret the accounting codes (Llewellyn and Milne 2007) and their translation into action. The reproductive and consumptive frames were set by the headquarters and the interpretative activities were guided centrally through manuals and training materials that provided the definitions and explanations. In contrast, the translation into action had to be realised locally without central guidance, even though the local managers were supported through constant interaction and dialogue with controlling units, and special training. Thus, the interactions and dependencies between the calculative elements of social reality were clearly framed and documented in texts that were provided centrally, whilst the interrelation between calculative and non-calculative elements of the social reality was less clearly framed and documented. Therefore, these translation activities were not able to travel across time and space, and their dissemination had to rely on verbal communication and interaction.

This focus on the realm of action, i.e. the translation of the performance discourse into action by the managers, only started four to five years after the introduction of the performance-oriented frames on the realm of discourse. Therefore, I was able to identify a sequential pattern of institutional work that firstly focused on the discursive realm before the work focused

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on the realm of action. Thereby, the introduction of performance-oriented frames and management accounting and control practices were a mean to establish and reproduce institutional facts. However, it was only possible to achieve a consensus of meaning, and therefore the establishment of the new institutional logic, by evoking those facts in every day actions, which were not restricted to the calculative elements of the social reality and the management accounting and control practices aimed at their reproduction.

The institutional work was not limited to the intra-organisational level. The reform steps taken at the FEO affected the legitimacy of the organisation and were novel for the German public sector. Therefore, the executives of the FEO had an interest in widely disseminating the texts documenting these processes in order to gain legitimacy for their endeavours (Phillips et al. 2004). The FEO initiated the formation of a working committee for management accounting and control in public organisations that provided a platform for disseminating performance-oriented texts and for linking this discourse to the general New Public Management discourse in the German public sector. During the formation of the working committee the FEO's representatives discursively produced a leader identity for their organisation which resulted in a subject position (Foucault 1984) that allowed the FEO to embed their texts in the New Public Management discourse and to therefore shape this discourse in the German public sector.

These findings have implications for institutional studies on performance-oriented management accounting and control practices in public organisations. The first implication concerns the application of a discursive approach. This approach has not typically been used for conducting empirical studies on performance-oriented management accounting and control practices or on institutional change more widely, yet this analysis has shown its analytic value. Authors (Modell et al. 2007; Modell and Wiesel 2008; Modell 2009a; ter Bogt and Scapens 2009) have formerly examined how changes in institutional logics shaped performance-oriented management accounting and control practices. Instead, this analysis examines the institutional work that aimed at changing discourses and actions, therefore analysing management accounting and control practices as a medium and not as an outcome of institutional change. The findings show that a sequential pattern of institutional work facilitated institutional change. The first step was to change the dominant discourse and to establish new institutional facts that define which actions are legitimate in the organisation before these actions became the target of institutional work. The performance-oriented frames and management accounting and control practices were the instrument of creating these new institutional facts and therefore of rendering certain activities legitimate and to sanction illegitimate behaviour

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(Jepperson 1991). The disciplinary power (Foucault 1977) created through this sanctioning mechanisms fostered the reproduction and therefore institutionalisation of these practices. Management accounting research could thus be undertaken to further analyse these effects. Institutional research adopting a discursive lens could investigate if the sequential pattern detected in the present case of a strongly institutionalised logic may facilitate institutional change in different settings, or if alternative patterns exist. Therefore, comparative case studies may be an appropriate research design to analyse different patterns of institutional work.

The second contribution concerns the relevance of power relationships in institutional change processes. The discursive lens does not only allow the researcher to distinguish between textual representations or templates and the actual practices (Leca and Naccache 2006), but also to critically account for the power relationships preceding and evolving around performance-oriented management accounting and control practices (Modell 2009b). The present findings show that management accounting and control practices do not only consist of material practices, but also include interactive elements like planning dialogues. The highly-focused nature of face-to-face interaction (Weick 1969) and the power asymmetries in such dialogues privileged the frames and meanings conveyed by the powerful party in the dialogue (Hardy 1996). This indicates that dialogical and interactive management accounting and control practices contribute to a consensus of meaning and therefore advance institutional change. The materiality of practices has been an issue in practice theoretic research (Whittington 2011; Schatzki 2006; Ahrens and Chapman 2007), which may be a promising starting point to further investigate the interplay between material management accounting and control practices resulting in texts and dialogical and interactive practices. The transdisciplinarity of this stream of research enables the transfer of insights from various disciplines (Whittington 2011) and may contribute to our understanding of the role of management accounting and control practices as an instrument for change.

The third implication concerns the relevance of organisational level processes to understand macro-level changes in institutional logics, which have been under-researched so far (Greenwood et al. 2010). Institutional logics have to manifest themselves in specific practices to have an impact on an organisation or a field of organisations (Greenwood et al. 2010; Lounsbury 2007; Purdy and Gray 2009). In contrast to their textual representation, the actual practices cannot be observed on the field level (Leca and Naccache 2006). The present findings show how an organisation confronted with multiple logics implemented management accounting and control practices in order to establish a performance-oriented discourse. This

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performance-oriented discourse was a translation of the New Public Management discourse on the field level. The texts and templates created in this performance-oriented discourse were disseminated beyond the organisation in order to gain legitimacy for the intra-organisational developments. Therefore, institutional changes within the organisation affected the field level discourse.

Even though I referred to a New Public Management discourse on the field level, I did not empirically assess the properties and boundaries of the institutional field (DiMaggio and Powell 1983) in which the FEO is nested. Further research into the institutional field over a longer period of time would be necessary to observe more fundamental changes in institutional logics (Leca and Naccache 2006) and thus the field level effects of the performance-oriented management accounting and control practices. The examination of these fundamental shifts should not ignore the micro dynamics within individual organisations that reproduce and transform institutional logics (Lounsbury 2008; Thornton and Ocasio 2008).

I would argue that additional longitudinal case studies combined with a thorough analysis of the New Public Management discourse in the German public sector could be a fruitful attempt towards this end. Using a more constructivist perspective that accounts for discursive elements, such as the perspective guiding the present analysis, may provide a better understanding of the complex interdependencies in the introduction of performance-oriented management accounting and control practices following public sector reforms and their effects on the institutional logic in the field. Comparable research programs are initiated in Scandinavian countries (Modell 2009b). However, the institutional context may differ as the historical developments in Germany fostered the importance of the principle of the constitutional state. The challenges of the reunion shifted the priorities away from New Public Management reforms that had already started in Scandinavian countries. Thus, I suggest that comparative studies which account for the historical and cultural context may be helpful for analysing the effects of these institutional factors.



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## CONCLUSION

### 1. Contributions

The work reported in this thesis has implications for institutional studies on public sector reforms as well as practical implications for organisations undergoing such reforms.

#### 1.1. Theoretical contributions

The theoretical contributions concern the micro-foundations of institutional theory, the problematisation of agency and the analysis of management accounting as a medium for change.

##### *Micro-foundations of institutional theory*

This thesis contributes to the micro-foundations of institutional theory. Despite the early calls for research on the micro-foundations of institutional theory (Powell 1991; Zucker 1991), there is still a lack of research towards this end (Barley 2008; Glynn 2008; Powell and Colyvas 2008; Sahlin and Wedlin 2008). Institutional scholars devoted much effort to the analysis of the effects of institutional forces on organisations as well as individuals and correspondingly the diffusion of ideas, practices and organisational designs across fields (Drori et al. 2006). The individuals populating this kind of structure oriented analysis however are portrayed as ‘cultural dopes’ determined by the institutional context (Garfinkel 1967, p. 69). To overcome this over-socialised conception of individuals (Powell and Colyvas 2008), the agency camp introduced the concept of institutional entrepreneurs, who have a degree of discretion in response to institutional pressures (Heugens and Lander 2009). This conceptualisation in turn has been criticised as overly voluntaristic and heroic (Meyer 2006). What is missing is a better understanding of how institutional forces shape individuals’ interests and possibilities for action and their interpretation of the context (Powell and Colyvas 2008, p. 277).

The thesis at hand addresses this research gap based on the concept of institutional logics that provides a link between institutions and action (Thornton and Ocasio 2008). This link is formed by identity that conjoins institutional logics with the behaviour of individuals (Friedland and Alford 1991; Glynn 2008; Thornton and Ocasio 2008). Empirical studies based on this concept assume that the identification with an institutional logic occurs directly,

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equating the identification with a collective with the identification with an institutional logic (Rao and Haveman 1997; Jackall 2008; Thornton and Ocasio 1999; Lounsbury 2002).

The analysis presented in part B of this thesis digs deeper and investigates the mediating role of identity work and regulation in the reproduction of the business-like logic on the micro-level. The new identity did not just emerge from the organisations' institutional context, but was introduced and reshaped through the identity regulating activities of change agents. The identity targets, in turn, in identity work that allowed them to enact their new identity, while simultaneously maintaining elements of former identities. The re-worked self-identity, i.e. the way in which these actors understood themselves, did not directly affect the adoption of specific practices. Instead, it affected the meanings attached to these practices and therefore the way they were performed. The business-like logic was reproduced locally. The analysis illustrates that even if the business-like logic is legitimated in a public organisation and practices are adopted, it will still be subject to subtle changes due to the identity processes in the organisation. This supports the view that institutional logics and the modes of managerial control that they embody are unstable due to the sediments of prior logics (Fiss 2008).

An additional aspect that contributes to the micro-foundations of institutional theory is the consideration of meanings, which has also been widely neglected in studies of institutional effects (Czarniawska and Joerges 1996; Zilber 2002, 2006; Sahlin and Wedlin 2008). To understand and interpret their living environment, individuals need to draw on social knowledge that allows them to assign meanings to the phenomenon they are facing (Schütz 1967). Institutional logics provide systems of meaning that provide institutionalised typifications, identities, frames of interpretation and patterns of action that are available to individuals or groups (Friedland and Alford 1991; Meyer 2008). Classification and categorisation are key mechanisms that shape individuals' cognition and provide them with means and ends for their activities (DiMaggio 1997). Thus, changes in institutional logics are accompanied by changes in categories (Rao et al. 2003) or changes in the meanings of these categories (Ocasio and Joseph 2005). There are some studies that investigate categorisation processes that focus on logics residing in organisational forms (Rao and Haveman 1997; Rao et al. 2003) or product categories (Rao et al. 2005). However, changing categories were used as indicators for shifts in institutional logics and there is little insight into how new categories are established and institutionalised (Thornton and Ocasio 2008). In the analysis presented in part C of this thesis, I illustrate how actors adopting and performing performance-oriented management accounting and control practices affect the system of meaning in a public organisation. The performance-

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oriented management accounting and control practices provided a new social stock of knowledge with new categories and rules that constitute new meanings. The category “performance” did not exist within the former bureaucratic logic and had to be socially constructed before it became recognisable. To become institutionalised, the meanings attached to these categories had to become inter-subjectively shared within the organisation and sedimented in symbol systems. The reproductive and consumptive frame underlying the performance-oriented discourse provided a standardised sign system and reservoir for typifications. Furthermore, the interactive elements of the performance-oriented management accounting and control practices facilitated the dissemination of this sign system and the creation of a consensus of meaning in the organisation. The highly focused nature of face-to-face interaction (Weick 1969) and the power asymmetries between executive managers and local managers during the typified communicative action privileged the system of meaning conveyed by top managers (Hardy 1996). Taking this communicative action into consideration highlights the political nature of institutionalisation (Phillips et al. 2004).

After the establishment of shared meaning, the information provided in these categories, like key performance indicators or benchmark-ranks, created through management accounting and control practices, became institutional facts. As soon as performance became an institutional fact, it became a source of legitimacy containing disciplinary power (Foucault 1977).

These findings show how a new institutional logic can be instantiated in the practices and meaning systems of an organisation going beyond the common analytical level, where the existence of new categories and typifications is used as an indicator for changes in institutional logics.

### *Problematization of agency*

This thesis contributes to the problematisation of actors in institutional theory. In the new institutionalism, the theoretical status of individuals was one of “an accomplice to social processes of institutionalization and structuration” (Lawrence et al. 2011, p. 8). The recurring interest in agency arose in response to calls for institutionalists to bridge the old and the new institutionalism (Powell and DiMaggio 1991; Greenwood and Hinings 1996; Hirsch and Lounsbury 1997). The emerging research stream on institutional entrepreneurship that responded to this call focused on agents with sufficient resources to realise their interests in particular institutional arrangements (Maguire et al. 2004). The concept of institutional entrepre-

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neurship has been criticised as overly voluntaristic and heroic (Meyer 2006), which raised the question of how embedded agents can envision new practices and why resource-rich central players' interests should not be aligned with current practices. (Garud et al. 2007; Greenwood and Suddaby 2006).

The analysis presented in part A of this thesis shows that the existence of multiple logics provided the basis for different value commitments. The institutional entrepreneur was committed to values divergent from those he intended to change. This demonstrates that actors that initiate and implement change do not have to be conceptualised as overly voluntaristic and heroic, but that divergent value commitments can be a source for change. These different value commitments do not have to be a cross-field phenomenon as in the case of the institutional entrepreneur (Suddaby and Greenwood 2005; Durand and McGuire 2005; Boxenbaum and Battilana 2005), but can be inherent in a single organisation exposed to divergent contextual pressures. Furthermore, the relevance and interests of the institutional entrepreneur in the case at hand were not given, but constructed in the institutional context. The individual who was constructed as institutional entrepreneur only gained relevance due to the changes in institutional logics and the shifting power structures in the organisational field.

The analysis presented in part B of this thesis goes one step further and shows how actors' identities are constructed creating a legitimate repertoire of actions and interests. In the case at hand a new identity was promoted by the change agents, who engaged in identity regulating activities. The identity targets reacted to these activities and reconstructed their self-identity. However, engaging in institutional work, the identity targets did not only change their self-identity, but also the identity that was promoted by the change agents. Therefore, the findings show that the identity targets were able to rework the legitimate repertoire of actions and interests underlying their identity.

Thus, this thesis problematises agency and shows how actors are constructed within an institutional context going beyond the concept of actors with identities and interests that are taken for granted.

### *Management accounting as a medium for change*

This thesis contributes to a better understanding of management accounting as a medium for change in public organisations. There has been considerable research about the diffusion of business-like management accounting and control practices to the public sector and their po-

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tential relevance in reforms (Arnaboldi and Palermo 2011). Institutional research on management accounting in public sector reforms analysed the legitimising effect of the adoption of such practices and found that the effect on the quality and efficiency of the services provided by public organisations is ambiguous (Lapsley 2008; Seddon 2008; Lapsley 2009; ter Bogt et al. 2010).

Recent studies start to account for the activities involved in the interpretation and translation of management accounting practices in public sector reforms (Townley 1997; Modell et al. 2007; Modell and Wiesel 2008; Modell 2009a; Arnaboldi and Palermo 2011; Pipan and Czarniawska 2010; ter Bogt and Scapens 2009). The analysis presented in part C of this thesis contributes to this debate, showing that management accounting can provide a standardised sign system and a reservoir for typifications that create new institutional facts, which render certain activities legitimate and allow sanctioning of illegitimate behaviour (Jepperson 1991). Thus, management accounting and control practices are not only a matter of translation or interpretation processes, but also constituents of them.

These insights are based on an appreciation of management accounting, considering not only material practices, like benchmarking and performance appraisal, but also discursive and interactive elements of accounting practices. This appreciation has already been outlined in more detail in the section “micro-foundations of institutional theory”. It provides insights that indicate that dialogical and interactive management accounting and control practices contribute to a consensus of meaning and therefore advance institutional change.

## **1.2. Practical contributions**

This thesis also has practical implications for public organisations undergoing reforms as well as for politicians evaluating the success of such reforms. The findings presented in this thesis demonstrate the transformative potential of management accounting in public organisations, showing how management accounting can impose an economic rationality that creates a new basis for legitimate behaviour in an organisation. It also shows how management accounting creates a new knowledge basis and contributes to a shift in power structures. Shifts in power structures are not only caused by changes in hierarchical positions, but also by changes in the shared knowledge basis that allows the exclusion of individuals who do not share this knowledge basis. Additionally, it shows how management accountants as a group of experts can be established within the organisation.

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*Establishing an economic rationality*

A major obstacle in introducing a market-logic in the public sector is the absence of a market with suppliers and clients as well as competition. Most research on management accounting in public organisations focused on healthcare providers or other public organisations that operate close to the market (Kurunmäki 2009). These findings have little relevance for public organisations that do not provide marketable services for which a price can be calculated. However, the findings presented in part C of this thesis show how management accounting practices can help to establish an economic rationality without a “real” market or calculable prices. In the present case, key performance indicators translated the agencies’ legal duty – integrating the unemployed into the employment market – into measurable indicators. These indicators were outcome-oriented and did not include a pricing component; nevertheless, they clearly defined a measurable target value and were a precondition for any efficiency considerations. Competition was created through a benchmarking-system that allowed comparing formerly incomparable units. This comparability made it possible to formulate relative performance indicators, which fostered the competition between the managers, whose performance became visible through the performance information and rankings. These relative performance targets were relevant for the allowance, promotion and social status of the managers. These sanctioning mechanisms took the performance orientation’s consistency beyond assessing only one isolated instance of actions taken.

However, the present findings are not directly transferable to other settings, because they reflect the specifics of the field. The definition of outcomes has to reflect the local conditions and the legal constraints of the specific organisation, and internal benchmarking may only be suitable for an organisation with a network of branches. Nevertheless, the findings at hand are an encouraging example which shows that an economic reality can be established in public organisations that are not exposed to market forces.

*Changing public servants’ identities*

I found that it was important to draw a distinction between the role of management accounting and management accountants in the thesis at hand. While there has been a body of research concerning the role of management accounting practices and techniques in public sector reforms, the research on the role of management accountants has been fragmented (Kurunmäki 2009). The analysis presented in part B of this thesis provides insights into a

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topic that is of special relevance for public organisations which have to undergo reforms with their existing employee base, because their ability to hire professionals is restricted. Such organisations have to change the identity of their employees.

Former findings concerning the transformation of public servants' identities (Meyer and Hammerschmid 2006; Thomas and Davies 2005; Llewellyn 2004; du Gay 1996) were rather unpromising and Meyer and Hammerschmid (2006, p. 1013) even asserted that New Public Management as an "identity project" has failed, because public executives have not abandoned their old administrative orientation.

In contrast to this, the present findings illustrate that identity regulating activities can have an effect on public servants' identities. Focusing on management accountants' emerging identities, I was able to identify four different forms of identity regulation that helped the FEO to establish a business partner identity throughout the organisation. Firstly, the business-partner's dependence on the managers was reduced, providing the basis for a partnership of equals between managers and business partners. Secondly, the former identity was clearly delegitimised and the "new" business partner identity was defined with reference to former interpretations of this identity. These former interpretations had exploited the ambiguity inherent in the formal definition of this identity. Therefore, the direct referencing of these interpretations reduced the ambiguity of the target identity. Thirdly, the attempts to establish a management accountant community and personal networks between management accountants helped to develop a group affiliation that was not only based on social categorization, but also on the active participation in social events and had, therefore, an affective element (Jackson et al. 2011). Interestingly, the affiliation with an external professional group or association was not relevant in the case at hand. Finally, the task environment for the business partner was changed and the knowledge and skills of the management accountants were improved in order to enable them to enact the business partner identity, thereby creating a distinct field of knowledge.

However, the findings also showed that identity processes took more time than the implementation of material management accounting practices. This indicates that organisations undergoing reforms should account for the different temporalities and invest more time in identity regulating activities.

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 *Holding public executives accountable for reforms* 

Research that focuses on the effects of reform movements on a single organisation and its accounting practices supports the view of passive public organisations that are exposed to external influences. In contrast to this perception, the findings presented in part A and C of this thesis show that public organisation can become active agents. Even though the institutional changes under analysis were triggered by external events, the analysis reveals that a lot of work involved in interpreting and translating these pressures into action had to be done within the organisation. There was no ready-made template that could be used to transform the organisation. Accounting for translation processes, that are necessary for putting reform principles into practice, helps to close the gap between reformers' ambitions and the outcomes of reform initiatives. Thus, involving public managers in reform initiatives and holding them accountable for the translation of the reform principles may be more promising than the attempt to revise the reform principles in the attempt to do better next time, as Rose and Miller (2008) describe the dominant strategy of policy makers (Arnaboldi and Palermo 2011).

Furthermore, the findings illustrate that there is no clear distinction between politicians determining a reform agenda and public organisations that have to implement it. In the case at hand, the organisation became actively involved in developing this reform agenda further in order to legitimise the reform steps taken. Thus, conceptualising public organisations and their executives as agents may contribute to a better understanding of their possible contributions to public sector reforms.

## **2. Limitations and further research**

The work reported in this thesis has some clear limitations and opens up avenues for further research.

 *Field level processes* 

This thesis focuses on organisational level processes to understand macro level phenomena, which has been a rather neglected area of research (Greenwood et al. 2010). Even though I drew the reader's attention to the interdependency between organisational and field level processes, I did not devote the same empirical rigour to the field level processes as I did to the organisational processes. Although I illustrated how the FEO initiated the formation of a working committee and therefore started to contribute to a field level discourse, further re-



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search into the institutional field over a longer period of time would be necessary. This would make it possible to observe more fundamental changes in institutional logics (Leca and Nacache 2006) and thus the field level effects of the performance-oriented management accounting and control practices. I would argue that additional longitudinal multiple case studies combined with a thorough analysis of the reform discourses in the German public sector could be a fruitful potential contribution towards this end.

Featuring institutional logics as the dependent variable reverses the causal structure of institutional explanations (Jepperson 1991) and shifts the focus to the actions of agents. DiMaggio and Powell (1991) were the first to call for a coherent theory of action in institutional theory and introduced the notion of institutional entrepreneurship “to replace the over-socialized individuals who seemed slavishly devoted to habit and fashion” (Powell and Colyvas 2008, p. 277). However, with its exclusive focus on institutional entrepreneurs who initiate divergent changes, studies relying on this concept pay little attention to the diversity of actors who engage and coalesce in institutional change projects (Powell and Colyvas 2008). I would therefore argue that a perspective that accounts for discursive elements and a wider range of actors may provide a better understanding of the complex interdependencies in the introduction of performance-oriented management accounting and control practices following public sector reforms and their effects on the institutional logic in the field. I would suggest that institutional work that includes “the purposive action of individuals and organisations aimed at creating, maintaining and disrupting institutions” (Lawrence and Suddaby 2006, p. 215) would be an appropriate theoretical concept. This concept opens the institutional analysis up to a wider range of actors and discursive forms of action.

Based on this concept, future studies could investigate how and why individual and collective actors coalesce to promote performance-oriented management accounting and control practices in the German public sector and in which forms of institutional work they engage. This would address the call to examine field level processes without ignoring the micro dynamics within individual organisations (Lounsbury 2008; Thornton and Ocasio 2008). Integrating different levels of analysis would also address the question of where the stability of institutional logics systematically changes – “is it more stable or changeable at the top or bottom, macro- or micro level of analysis?” (Thornton and Ocasio 2008, p. 120).

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### *Persistence*

This thesis focuses on institutional change and the agents who are driving institutional change. The analyses illustrate how conflicting institutional logics provide the opportunity for action, as institutional entrepreneurs and change agents draw on these tensions to motivate and implement change. This emphasis on change and therefore the creation of new institutions fails to illuminate how existing institutions are disrupted or maintained. Even though some findings indicate that elements of the traditional bureaucratic logic persisted, the analyses paid little attention to the issue of maintenance or to the actors, whose work aimed at maintaining institutions. For example, the analysis presented in part A of this thesis describes how the initial private sector template was adapted to the legal constraints in the public sector. However, the analysis does not problematise which elements of the bureaucratic logic were sedimented in these legal constraints and why they persisted, while other aspects were disrupted.

The topic of persistence has been omitted by most institutional scholars (Scott 2008a) or was blindly equated with macro-level forces (Powell and Colyvas 2008). Some recent work on institutional logics (Thornton and Ocasio 1999; Bartley and Schneiberg 2002) as well as the findings at hand indicate that the traditional image of institutions as persistent may be overly optimistic and that the work of institutional actors may be necessary to make them endure (Lawrence and Suddaby 2006; Scott 2008a). However, there is currently little research that examines who those actors who engage in maintenance work are, and what they actually do (Lawrence 2008). Lawrence and Suddaby (2006) suggest six categories of work aimed at maintaining institutions that could provide a conceptual basis for studies on institutional maintenance.

Based on this concept, future studies could investigate the role of non-elite actors whose work aims at maintaining institutions (Lounsbury and Crumley 2007). These studies may not only contribute to a better understanding of persistence, but also to a better understanding of how organisations and actors cope with multiple institutional logics (Denis et al. 2007; Jarzabkowski et al. 2009). It would be worth elaborating on which individuals and entities become actors and more specifically how their interests materialise in specific forms of institutional work. This could provide explanations as to why certain actors engage in work aimed at maintenance, while others engage in work aimed at change. Thereby, actors are not taken for granted, but should be conceptualised as entities whose relevance and interests are con-

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structed within their institutional context. Accounting for this constructedness of actors would address one of the main critiques towards the agentic turn in institutional theory (Hwang and Colyvas 2011; Powell and Colyvas 2008).

### *Information technology*

I found that the task environment forced the local management accountants to enact the identity of a functional expert who provides a reliable data basis. This task environment was highly influenced by the information technology (IT) that provided the accounting information in a specific quality. However, I did not further analyse the interplay between management accountants' identity and IT, and by doing so neglected the technological context of management accountants' evolving identity.

There are some studies which have started the discussion about the impact of IT systems, like enterprise resource planning systems, on management accounting practices (Kallunki et al. 2011; Hyvönen et al. 2009; Granlund 2007; Hyvönen et al. 2009 Quattrone and Hopper 2006; Quattrone and Hopper 2005; Dechow and Mouritsen 2005; Scapens and Jazayeri 2003; Granlund and Malmi 2002). In one of the seminal studies on enterprise resource planning systems (ERPS), Granlund and Malmi (2002) found that IT systems have only a moderate impact on management accounting practices. However, "ERPS have in some cases left management accounting professionals with more time for analysis instead of routine tasks" (p. 312-313). This finding suggests, in accordance with the case studies conducted by Scapens and Jazayeri (2003) and Hyvönen and colleagues (2009), that the development of IT may be more likely to have an impact on management accountants' identities in an organisation than on practices. The subject of management accountants' changing identities as well as the interface between management accountants and IT systems is still under-researched (Granlund 2007; Byrne and Pierce 2007). The FEO is currently adopting an integrated ERPS, providing, with this, a unique opportunity to study how IT systems can interfere in identity processes.

An actor network theory perspective that focuses on the intertwining of human and non-human materials (Latour 1994) may provide an adequate theoretical background for such an analysis. This perspective has been widely adopted in classical science, technology and society work (Law and Singleton 2005) and became an increasingly important approach in alternative management accounting research (Baxter and Chua 2003; Ahrens and Chapman 2007).

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*Methodological limitations*

Concerning the methodological limitations of this thesis, the design can be criticised regarding its generalisability, and as far as its period of observation and its retrospectivity is concerned.

Single case studies are the preferred strategy to capture complex events and interactions in order to gain a rich contextual explanation of a phenomenon (Ahrens and Dent 1998). The theoretical contributions outlined above are based on these contextual explanations. Their generalisability is limited, because “generalizations are assertions of enduring value that are context-free” (Lincoln and Guba 1985, p. 10). This does not mean that the findings are not transferable from one context to another, but that this transferability is a matter of empirical investigation. Consequently, further case studies are necessary to retain, modify or reject and therefore to generalise the theoretical explanations provided by this thesis (Ryan et al. 2002).

This study was conducted in a federal agency with clear hierarchical authority relationships that operates in a highly regulated environment. Therefore, the findings may be relevant to many organisations that share these characteristics. Private companies that are less exposed to political authorities may have different characteristics. Nevertheless, they also face pressures that force them to undergo radical transitions. As there is little evidence whether the modes of interpretation and transformation diverge (Heugens and Lander 2009), I suggest that further research is needed with regard to this aspect.

Institutional theory, which is the theoretical basis of the thesis at hand, is about lengthy processes. However, many empirical studies struggle to gather data that covers a sufficient time period. This can result in the conflation of the existence of specific practices and their institutionalisation (Zilber 2006). The length of time over which data should be collected to uncover the ways in which change took place is another methodological issue. Authors who addressed this issue found that four (Kikulis et al. 1995) or eight (Greenwood and Hinings 1993) years are too short and that twelve years (Amis et al. 2004) are sufficient to analyse institutional change processes. The data for the study at hand was gathered between 2009 and 2010 and retrospectively covered a time period of eight years. However, due to the sequence of change, certain aspects like identity work and regulation or the re-introduction of the performance-oriented discourse on the field level started several years after the change process was initiated. As a consequence, the time period was not sufficient to analyse the effects of these still on-going processes. Subsequent studies could further investigate these effects and address

questions that were raised in the analyses at hand. For example, it could be explored whether the paradoxical reproduction of competing institutional logics is inherent in situations of fundamental change or whether it is a constant feature of identity processes.

The retrospective design of the study made it possible to analyse a longer time period and to examine actions that had effects on the actual processes that were being analysed. However, the retrospective design also has shortcomings. For the time period between 2002 and 2008 I had to rely on archival data and retrospective interviews. These retrospective accounts are less reliable and subject to subsequent theorisation by the interviewees (Baddeley 2002). The interviewees were not able to recall past events in every detail. Furthermore, their positive attitude towards recent achievements motivated them to give detailed accounts about these developments, while past events with a less positive connotation were avoided. Subsequent prospective studies that can combine interviews and real time observations could avoid such biases.

## APPENDIX

### Appendix A: Overview of interviews

<i>Date</i>	<i>Interviewee</i>	<i>Location</i>	<i>Duration</i>	<i>Documentation</i>
16.02.2009	Financial Manager, Headquarters	On-site	01:00	Detailed notes
07.05.2010		On-site	00:38	Tape-recorded
08.10.2009	Manager, Headquarters	On-site	01:00	Detailed notes
12.10.2009	Financial Manager, Headquarters	On-site	00:45	Detailed notes
12.10.2009	Financial Manager, Headquarters	On-site	01:10	Detailed notes
13.10.2009		On-site	02:00	Detailed notes
26.11.2010		University	01:37	Tape-recorded
13.10.2009	Management Accountant, Headquarters	On-site	01:00	Detailed notes
13.10.2009	Management Accountant, Headquarters	On-site	01:00	Detailed notes
		On-site	00:30	Detailed notes
14.10.2009	Management Accountant, Headquarters	On-site	01:30	Detailed notes
14.10.2009	Management Accountant, Headquarters	On-site	01:00	Detailed notes
15.10.2009	Financial Manager, Headquarters	On-site	01:30	Detailed notes
16.10.2009	Management Accountant, Headquarters	On-site	01:00	Detailed notes
16.10.2009	Financial Manager, Headquarters	On-site	01:15	Detailed notes
19.01.2010	Manager, Headquarters	On-site	01:22	Tape-recorded
20.01.2010	Manager, Headquarters	On-site	01:03	Tape-recorded

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21.01.2010	Manager, Headquarters	On-site	38:00	Tape-recorded
25.01.2010	Management board member, Subunit	On-site	01:15	Detailed notes
25.01.2010	Manager, Subunit	On-site	39:00	Tape-recorded
26.01.2010	Financial Manager, Subunit	On-site	01:05	Tape-recorded
26.01.2010	Manager, Subunit	On-site	00:50	Tape-recorded
27.01.2010	Management Accountant, Subunit	On-site	01:00	Tape-recorded
27.01.2010	Management Board Member, Subunit	On-site	00:53	Tape-recorded
28.01.2010	Management Board Member, Subsidiary	On-site	00:57	Tape-recorded
28.01.2010	Management Board Member, Subsidiary	On-site	01:16	Tape-recorded
29.01.2010	Management Accountant, Subsidiary	One-site	01:07	Tape-recorded
29.01.2010	Manager, Subsidiary	On-site	01:33	Tape-recorded
01.02.2010	Financial Manager, Subsidiary	On-site	01:02	Tape-recorded
01.02.2010	Manager, Subsidiary	On-site	01:13	Tape-recorded
01.02.2010	Manager, Subsidiary	On-site	01:24	Tape-recorded

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## Appendix B: Sample interview questions

### *Narration generating question*

- Could you please describe your professional background and especially your career progression in the FEO?
- Could you please describe the changes the FEO underwent during your tenure and how you experienced them?

### *Topical interview elements managers*

- How did your role, work content and responsibilities change? (responsibilities / problems with implementing changes / support for implementing changes)
- How did you perceive the role of management accountants when you entered your position? (comparison to former role / responsibilities / clarity / role models / expectations)
- How would you describe the actual role of management accountants? (former vs actual / clarity of the role / boarder established between your role and managers / personal evaluation)
- Was it possible to shape the role of management accountants during these changes? (pre-defined scope / guidelines / role models / ideal type vs reality / specific activities)
- How did the style of cooperation change? (between hierarchy levels / between manager and management accountant)
- How did the management accounting and control practices change? (description / significance / problems / improvements / personal evaluation)
- Which changes are taking place at the moment?

### *Topical interview elements financial managers*

- How did your role, work content and responsibilities change? (responsibilities / problems with implementing changes / support for implementing changes / divergent expectations)
- How did you perceive the role of management accountants when you entered your position? (comparison to former role / responsibilities / clarity / role models / expectations)



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- How would you describe the actual role of management accountants? (former vs actual / clarity of the role / border established between your role and manager's / personal evaluation)
  - Was it possible to shape the role of management accountants during these changes? (pre-defined scope / guidelines / role models / ideal type vs reality / specific activities)
  - How did the style of cooperation change? (between hierarchy levels / between manager and management accountant)
  - How did the management accounting and control practices change? (description / significance / problems / improvements / personal evaluation)
  - Which changes are taking place at the moment?

*Topical interview elements management accountants*

- How did you experience your role as management accountant when you entered the position? (comparison to former role / responsibilities / clarity / role models / expectations)
- How did your role, work content and responsibilities change? (responsibilities / problems with implementing changes / support for implementing changes / divergent expectations)
- How would you describe your actual role as management accountant? (former vs actual / clarity of the role / boarder established between your role and manager's / personal evaluation)
- Was it possible to shape your role as a management accountant during these changes? (self-defined scope / guidelines / role models / ideal type vs reality)
- How did the style of cooperation change? (between hierarchy levels / between manager and management accountant)
- How did the management accounting and control practices change? (description / significance / problems / improvements / personal evaluation)
- Which changes are taking place at the moment?

## Appendix C: Contact Summary Form

Person (name, function)	
Contact information	
Site	<i>(Where did the interview take place? Short description of the room)</i>
Date/Time	
Main issues or themes: <i>(Main themes that were mentioned during the interview.)</i>	
Information summary: <i>(Summary of the information I got. Documentation of first impression: most important topics for the interviewee.)</i>	
New or remaining questions: <i>(Documentation of remaining questions taking into account the contact with this interview partner. Documentation of questions that arose during the interview and were to be addressed in other interviews.)</i>	
Additional documentation:  <input type="checkbox"/> Audiotape:  <input type="checkbox"/> Notes:  <input type="checkbox"/> Photos:  <input type="checkbox"/> Other documents:	

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