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Guest editorial

Accounting within and beyond the state

This special issue of *Management Accounting Research* is based on a 'New Public Sector Seminar' that was held at the University of Edinburgh on 12–13th November 2009. In an earlier special issue of *Management Accounting Research* on government accounting, Lapsley (2000) registered the importance of management accounting in government, and the need for further work in a relatively neglected area of accounting research. A decade after that special issue, we identify current trends in research in this area, and suggest potential areas for future research. In particular, we point to the multiple and variable roles of accounting 'within and beyond the state', at a time when the boundaries between state, non-state, and quasi-state operations are increasingly attenuated.

The significance of accounting in UK government bodies can be traced to the initial impact, and continuing impetus, of the New Public Management reforms (Hood, 1991, 1995) at the end of the 20th century. The ongoing reforms of this century have built on and extended many of these ideas, giving a primacy to accounting practices and processes. But the operationalisation of these ideas in a variety of different countries and settings has been far from straightforward, as the calculative practices of accounting are mobilised by a range of actors and agencies, sometimes in ways consistent with the aspirations of the reformers, sometimes in ways that are significantly at odds with them.

In this foreword, we offer some observations on the vagaries and variability of these processes of translation, as the reformers and reforms travel from one locale to another, sometimes transforming the domains they reach, and sometimes being altered themselves, or rebuffed, in the process. We draw attention to three themes. While capturing only some of the dynamics of the processes analysed in these papers, we suggest they help our understanding of their key contours.

First, and building on the work of governmentality researchers, institutional theorists, science study writers, and many others, we draw attention to the interaction between the *ideas* and the *instruments* of those seeking to reform and 'modernise' government through accounting (Callon, 1998; Latour, 1987; Miller and Rose, 2008;

Meyer and Rowan, 1977). By this, we mean that it is important to attend not only to the calculative practices of accounting, but to the ways in which they are mobilised, the aspirations and ambitions to which they are attached, and the roles which are defined for them (Burchell et al., 1980). For accounting, as it operates within and beyond the state, has both a discursive and an instrumental character. Much is missed if we neglect the interaction between these twin poles of the operationalisation of accounting.

Second, and relatedly, we emphasise the importance of examining the reciprocal relations that form between the *local* and the *non-local*, as accounting ideas and instruments travel from one place to another. This is not a matter of appealing to the grand narrative of globalisation, or even the more nuanced framework of transnationalism. Rather, it is a question of appealing to a more empirical approach to the matter in hand. For, as Hood demonstrated nearly two decades ago, there is considerable variability in the extent to which and the ways in which New Public Management reforms embed themselves in specific national settings. Our concern is consistent with this attentiveness to variation, although we suggest analysing it through exploring the lesser or the little interactions that characterise accounting reforms as they travel and translate (Higgins and Larnar, 2010). It is, we suggest, through the 'everyday doings of practitioners' that much larger ideas and ideals are enacted (Kurunmäki and Miller, 2010). As Hopwood argued repeatedly, accounting always operates in specific contexts. But, as he also emphasised, those 'contexts' are not wholly external to the local settings in which accounting is put to work (Burchell et al., 1980). Put differently, the contexts are themselves part of, or endogenous to, the domain of enquiry. We use the term 'local and non-local' to capture this interaction between the highly specific settings in which accounting operates, and the much broader reform processes that are at work.

Third, we suggest, as many others have done, that what is at stake here is not a neutral technical process. It is, rather, a matter of the making and moulding of an almost

infinitely variable set of *relations of power or modes of governing*. Notwithstanding the attention that researchers in a variety of disciplines have paid to the issue of power, it remains an important and still insufficiently explored issue for those concerned with accounting as it operates within and beyond the state. Power can, of course, be understood in a 'realist' mode, in terms of the ways in which one person or entity exerts power over another. It can also be understood in a 'nominalist' mode, to refer to the ways in which individuals and groups are governed, and govern themselves. Understood in this sense, power is immanent in the domain in which it operates, it operates from and through innumerable points and practices. It is not in a position of exteriority with respect to the groups, institutions and relations that we observe, as we seek to understand how accounting operates within and beyond the state. It is inherent in the various ways in which an 'economisation' of state and quasi-state actors and agencies is sought, and is part and parcel also of the 'hybridisation' that takes place as accounting practices and processes come into contact with other more or less cohesive groups claiming expertise or specialist knowledge (Kurunmäki, 2004; Kurunmäki and Miller, 2010). To attend to accounting as an apparatus of power, understood in this way, is not to focus on institutions or structures. It is, rather, to attend to the assemblages that form between the ideas of reformers seeking to 'modernise' government, the calculative instruments of accounting as they are set to work, and the multiple and mobile relations that form between the local settings in which accounting is operationalised, and the non-local actors and agents to which they are linked.

In the next section of this foreword, we consider briefly some of the ways in which the papers in this special issue address these three themes, which we suggest are pertinent to analysing the multiple modalities of accounting's roles within and beyond the state.

1. The multiple modalities of accounting within and beyond the state

The ideas and ideals that animate and articulate the New Public Management reforms are well known, and need little rehearsing here. But their elaboration in particular settings, and their interaction with the calculative instruments that seek to make them operational, is of considerable interest. For it is through such processes that an alignment is sought, and sometimes forged, between the realms of ideas and instruments, and between the local and the non-local.

As Hyndman and Connolly demonstrate, the ideas of making the public sector more business-like and more performance-focussed, and improving managerial decision-making in the process, were explicitly linked to the desire to introduce the instrument of accruals accounting both in the Republic of Ireland (RoI) and in the UK in the 1990s. Between 1998 and 2003, accruals accounting became gradually embedded in financial reporting and management accounting systems in UK central government departments. Yet there was minimal movement towards accrual accounting in the RoI, beyond the early pilot in 1995–1997 to produce accruals-based financial

statements in the Department of Public Enterprise (DPE). In the RoI, accruals accounting information became merely a by-product of the external financial accounts, with the accounts remaining largely cash-based. In the words of Hyndman and Connolly, full implementation of accruals accounting was a 'road not taken', and the authors offer several potential explanations for this. Drawing on institutional theory, and the work of Lounsbury (2008) in particular, the authors argue that, in comparison with the UK, the momentum and debate for change was driven from the bottom up by a small number of civil servants with little involvement of politicians. They also argue that the process of implementation of this accounting change gave departments in the RoI discretion as to how far, and in what direction, accruals accounting would develop. In comparison with the UK, they suggest that the approach taken was pragmatic rather than dogmatic or ideological, and that the instrument of accruals accounting was assessed more in terms of its observable practical consequences. They suggest that different 'logics' in the two countries, at least to some extent, explain the differing outcomes of the accounting reform. This episode reminds us that, even when there is a reciprocal relation between a set of ideas and a particular instrument to start with, operationalisation is far from straightforward. And the ideas or logics that can articulate reforms and define roles for accounting can also come into contact with other and possibly contradictory ideas and logics, which can attenuate or hamper the reform process.

A similar reminder comes from Ter Bogt and Van Helden, who examine attempts to align the 'logics' of NPM with 'templates' in the form of management accounting practices, in their case programme budgeting (Lounsbury, 2008). In line with Hyndman and Connolly, this study brings together both the interlinking of ideas and instruments, and the reciprocal relations between the local and the non-local. In the context of the introduction of output-oriented budgeting and control practices in the 1980s and 1990s in the Netherlands, the authors explore the processes of adjustment or alignment between these distinct endeavours. Drawing on institutional theory, and having observed a gap between the ways of thinking that underlie NPM, and the ways of thinking of those involved in preparing and using new provincial programme budgets, the authors set about seeking to reduce that gap in their role as 'consultant-researchers'. The specific accounting change in question, they suggest, is based on a different set of logics than was previously in place. The authors explore how a budget format – viewed as a template that exists at a relatively operational level – can influence the formal rules which guide the everyday processes and activities of the individuals in the organisation. They emphasise in particular how the dynamics of practice are driven by the multiple logics operating in a particular setting. This attentiveness to the presence of multiple logics is particularly significant, for it is a useful reminder that reform processes within organisations draw on complex and multi-faceted sets of ideas and practices, rather than homogeneous or wholly coherent ones. And often the achieving of an alignment between them is a matter of making reality fit the new template, rather than the other way round.

The issue of how the generic ideas of NPM are put to work through the instruments of accounting, and in specific local settings, is examined also by [Arnaboldi and Palermo](#). Their focus is on Italian central government, and how the reforms are operationalised differently in three separate Ministries (interior, economics and finance, transport). Drawing on the distinct yet complementary notions of 'translation' and 'ambiguity', they demonstrate how the translations of performance-based appraisal and reward systems within three central government departments have differing outcomes, which they attribute to the reciprocal interactions between ideas and instruments, coupled with the influence of organisational backdrops and local translators ([Latour, 1987](#); [March, 1978, 1987, 1989](#)). The ambiguity inherent in such processes, they suggest, leaves scope for multiple interpretations, uncertainty of meanings, unclear intentions and conflicting goals. Drawing on the work of [Miller and Rose \(2008\)](#) and [Latour \(1987\)](#), they show how rationalities, programmes and technologies mutually influence and progressively shape each other, as they enter organisational and individual life. They show also how the ideas of reformers and of those operationalising them are heterogeneous and rivalrous, and that the calculative instruments through which they are supposed to work engender unforeseen problems. This, in turn, touches on the issue of power, in so far as their study demonstrates how experts may exploit the ideas of the reformers to their own ends, making it difficult for a 'centre' to act as a centre ([Kurunmäki and Miller, 2006](#)). This reinforces the findings of both [Hyndman and Connolly](#), and [Ter Bogt and Van Helden](#), namely that the gap between the ideas of the reformers, and the instruments that are supposed to make them work, can be considerable, and that the enactment of the NPM reform programme is conditioned by a particular balance of forces, powers and local tactics.

A comparable picture of the encounter between the generic and non-local ideas of NPM, and the multiple understandings of those who are supposed to put them to work, is presented in the paper by [Conrad and Uslu](#). Drawing on structuration theory ([Giddens, 1984](#)), they show how the introduction of 'star ratings' and the 'annual health check' for NHS Trusts, together with the ideas of 'choice' and 'cooperation' as articulated for the domain of health-care more generally, represented an attempt to introduce a new shared language for assessing performance, one that was hoped to enhance understanding between accountants, managers and clinicians. They go on to show how the shift from a focus on cost, which characterised the introduction of the National Reference Cost Index, to a focus on income under the Payment by Results regime, can be viewed as an attempt to give a new legitimacy to the language of accounting and a new way for local actors to understand their work. They depict the process of operationalising this shift in terms of an attempt to shift power relations within NHS Trusts, by giving increased visibility to the drivers of income. Their study of three Trusts, with differing reactions to the reforms, shows what happens when the idea of 'income', and the instruments for measuring it, come into contact with the different and sometimes opposed ideas of managers and clinicians. Their

study shows also how the assembling of these multiple components typically only achieves temporary stability, in so far as the most recent focus on the idea of 'quality', in the so-called 'Darzi' proposals, seeks to reinstate an emphasis on clinical outcomes, alongside the existing emphasis on financial flows.

In varying degrees, and with differing emphases, and building on existing studies ([Covaleski and Dirsmith, 1986](#); [Flyvbjerg, 1998](#)), the preceding papers address the issue of power or modes of governing. [Lapsley et al.](#) place the issue of power at the centre of their analysis, by examining how government budgeting processes take place differently in coalition as compared to minority governments. By drawing on the notions of circuits of power and negotiated order, and by considering the case of the Scottish parliament budgeting processes, they suggest tentatively that one can observe stability in one case (coalition governments), and a more fragmented and negotiated order in the other case (minority government). Their analysis draws attention to 'behind the scenes' budget discussions, as well as the materiality of the instruments and networks that operate within and across political allegiances and political machines. By considering budgeting processes and budgeting amendments over a 10 year period, and in four stages, [Lapsley et al.](#) are able to show the extent to which the budgeting process became a more publicly negotiated order at some stages than at others. In particular, they show how the budget setting process in the first and second years of the minority government can be viewed as a 'negotiated order'.

The issue of power is addressed also by [Manochin et al.](#), and in a manner that brings together the interrelations between ideas and instruments, and the encounter between the local and the non-local in a domain that is 'beyond' the state. The focus here is deceptively simple: the use of 'traffic lights' – green, amber and red – by a Registered Social Landlord, as a visual representation of self-conduct that embodies a way of seeking to make a housing association 'well governed, well managed and financially viable'. Consistent with previous accounting studies that have emphasised the issue of visibility and the visual ([Burchell et al., 1980](#); [Quattrone, 2009](#)), the authors examine the ways in which board members and the executive used 'traffic lights' as a discursive and visual technology of governance. This neatly brings together a particular way of using management accounting information, with the aim of operationalising the twin principles of continuous improvement and self-assessment. The idea of 'decent and affordable housing' is brought into contact here with the notion of 'good governance', which in turn is linked to the instrument of 'traffic lights' as a way of making performance visible to the Board. The use of such traffic lights is of course not unique to the entity or the domain studied, but what this paper illustrates so well is how such instruments are a key part of the assemblage of components that seek to make possible a re-conceptualisation of the domain of social housing in the UK. The traffic lights facilitate attempts to govern the domain of social housing at a distance, according to newly introduced financial and governance norms, and according to the notion of tenants as consumers.

2. Conclusions and implications for future research

The simplest single point that emerges from the above review of the papers published in this special issue is the multiplying of outcomes, as the ideas that make up the NPM reforms are joined with the instruments of management accounting, and put to work in local settings. Put differently, as ideas and instruments travel, they come into contact with other ideas and instruments, some of which are local, and some of which are non-local. This distinction between the local and the non-local is of course only a relative distinction, and is a continuum rather than a binary categorisation. But it alerts us to the ways in which the travelling of ideas and instruments is itself the forming of an assemblage, the creation of multiple and variable relations between a whole host of actors, agencies, aspirations and instruments that are dispersed in time and space, rather than a unidirectional process of performativity enacted by instruments alone.

Some of these ideas and instruments may be travelling in the same direction as those of the reformers, but some may be travelling in different and even opposed directions. Also, some ideas and practices travel 'light', while others may be too heavy to travel easily. Looked at in this way, the papers published in this special issue may allow us to differentiate, for instance, accruals accounting (heavy) from standard costing (light), or programme budgeting (heavy) from performance assessment (light). Again, this characterisation is no doubt very crude, and any such differentiation should clearly take the form of a continuum. But it may at least offer a way of starting to pose questions about the conditions under which relatively stable and apparently mobile instruments can sometimes travel with ease, transforming domains in the process, and sometimes falter.

There is clearly a great deal of further work to be done, if we are to understand more fully the ways in which management accounting is put to work in these variable organisational and national settings, both 'within' and 'beyond' the state. The papers in this special issue demonstrate the range of domains that need to be addressed, and the range of methodological approaches that can help us in getting to grips with this immense and heterogeneous phenomenon. We need, for instance, to know much more about what happens when the local and the non-local intersect. We need to know under what circumstances 'economisation' happens readily, and when it encounters limits or blockages, whether in particular national settings or in specific domains. We need to explore further the conditions under which a 'hybridising' of the calculative expertise of accounting occurs, or when turf battles ensue, and we need to understand how particular instruments can 'mediate' between very different domains (Kurunmäki, 2004; Kurunmäki and Miller, 2010; Miller and O'Leary, 2007). And we need to understand such processes in terms of the ways in which relations of power are themselves operationalised within and through the multiple linkages and alignments that are formed between all the diverse components that make possible the governing of economic and social life.

Finally, and no less importantly, we need to understand what happens as efforts continue with the aim of transforming single organisation public service providers

into partnerships, networks, collaborations and so forth. And we need to examine the extent to which such ambitions and aspirations are reinvigorated, as the collapse of international financial systems is translated into a crisis of public sector funding in many western economies. For this, we suggest, is likely to give even greater prominence to the multiple roles for management accounting within and beyond the state.

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