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Accounting change: explaining the outcomes, interpreting the process

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Abstract

Purpose – The issue of accounting change, why and how accounting evolves through time and within specific organisational settings, has been addressed by an important body of literature. This paper aims to explain why, in processes of accounting change, organisations confronting similar environmental pressures show different outcomes of change.

Design/methodology/approach – Drawing on archetype theory, the paper analyses the case of two Italian local governments. Comparative case studies were carried out, reconstructing a period of 15 years.

Findings – Although confronted with similar environmental pressures, the two cases show two different patterns of accounting change, where only one case is able to finally reach radical change. Accounting change can be prompted by external stimuli, but, once the change is prompted, the outcomes of the change are explained by the dynamics of intra-organisational conditions.

Originality/value – The study contributes to accounting change literature by adopting an approach (i.e. archetype theory) that overcomes some of the limitations of previous studies in explaining variations in organisational change. Through this, the authors are able to explain different outcomes and paces of accounting change and point out the intra-organisational factors also affecting them in the presence of similar environmental pressures. A specification of the theoretical framework in a particular setting is also provided.

Keywords Accounting change, Archetype theory, Local government, Accounting

Paper type Case study

1. Introduction

The issue of accounting change, why and how accounting evolves through time and within specific organisational settings, has been addressed by an important body of literature (e.g. Libby and Waterhouse, 1996; Burns and Scapens, 2000; Townley *et al.*, 2003; Covaleski *et al.*, 2003; Ezzamel *et al.*, 2007). Many authors have tried to explain the different results and antecedents of change by considering institutional dimensions of organisations and their environment. In order to do so, they often draw on institutional theories, i.e. new-institutionalism and old institutional economics (Covaleski and Dirsmith, 1988; Cobb *et al.*, 1995; Burns, 2000; Burns and Vaivio, 2001; Collier, 2001; Baxter and Chua, 2003; Ribeiro and Scapens, 2006; Nor-Aziah and Scapens, 2007; Al-Omiri and Drury, 2007; Lukka, 2007; Moll *et al.*, 2006). They see accounting systems as linked to rules and norms structuring social and organisational life (Covaleski and Dirsmith, 1988; Ribeiro and Scapens, 2006). Existing studies,

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however, do not account for organisations' heterogeneity and practice variation (Lounsbury, 2008) in terms of different responses to the same implemented change also in presence of similar external pressures. New-institutionalism, indeed, assumes change processes finally converge towards a common equilibrium (Scott, 2001; Powell and DiMaggio, 1991). Old institutional economics does not address the possible outcomes of the process of change in terms of its characteristics (e.g. more or less radical) and paces.

This paper aims at explaining why in processes of accounting change organisations confronting similar external environmental pressures show different outcomes of change. In order to do so, we propose that archetype theory (Hinings and Greenwood, 1988; Greenwood and Hinings, 1996) provides a powerful tool in defining and studying accounting change. According to this theory, environmental pressures are filtered by organisations through an internal process of interpretation and attribution of meanings. Although underutilised in accounting studies (for an exception, see Windels and Christiaens, 2006), it can provide a dynamic interpretation of the outcome and the pace of accounting change.

Our analysis is based on comparative case studies of two Italian local governments (LGs). The cases, although confronted with similar environmental pressures, show two different patterns of accounting change, where only one is able to finally reach radical change. Accounting change is prompted by external stimuli, but, once the change is prompted, the outcomes of change are explained by the dynamics of intra-organisational conditions. In this paper we elaborate on the internal dynamics in order to explain the different outcomes and paces of change.

The paper is organised as follows: section 2 provides an overview of previous institutional studies and of how archetype theory can fill some of the existing gaps in accounting; section 3 clarifies the methods; section 4 presents the dimensions under study; section 5 discusses the criteria for the selection of the organisations under study and section 6 presents the analysis. Section 7 discusses the factors affecting accounting change. The final section raises implications for theory and practice, acknowledges limitations of the study, and offers directions for further research.

2. Accounting change and institutional theories: filling the gap

Accounting is recognised to play a fundamental role in organisational change (Nahapiet, 1988; Libby and Waterhouse, 1996; Townley *et al.*, 2003; Dambrin *et al.*, 2007) and is central to public sector reforms started during the last decades (Lapsley, 1999).

An important body of literature has drawn on institutional theories (new institutionalism and old institutional economics) to study accounting change and how it evolves (Covaleski and Dirsmith, 1988; Cobb *et al.*, 1995; Burns, 2000; Burns and Vaivio, 2001; Collier, 2001; Baxter and Chua, 2003; Ribeiro and Scapens, 2006; Moll *et al.*, 2006; Nor-Aziah and Scapens, 2007; Ezzamel *et al.*, 2007; Al-Omiri and Drury, 2007; Lukka, 2007). Specifically, within this stream, new-institutionalism focuses on the role of environmental forces in shaping and constraining organisations (Meyer and Rowan, 1977; Scott, 2001; Powell and DiMaggio, 1991). Accounting change has been often identified as exogenously driven and due to new regulation or cosmetic behaviours (Covaleski *et al.* 2003; Tsamenyi *et al.*, 2006; Ezzamel *et al.*, 2007; Al-Omiri and Drury, 2007; Lukka, 2007). Old institutional economics is more concerned with the

importance of internal rules and routines in shaping processes of change (Burns and Scapens, 2000; Burns and Baldvinsdottir, 2005). These authors, in particular, focus on how accounting change unfolds through processes of institutionalisation (Scapens, 1994; Burns *et al.*, 1999; Burns and Scapens, 2000; Brignall and Modell, 2000). Existing studies, however, do not account for organisations' heterogeneity and practice variation (Lounsbury, 2008) in terms of different responses to the same implemented change also in presence of similar external pressures.

On the one hand, new institutionalists focus on the institutionalisation and diffusion of change as a result of external social and technical influences (Scott, 2001; Powell and DiMaggio, 1991; Collier, 2001; Lukka, 2007). As a consequence, they try to understand the ability of an organisation to change by looking at how institutionalised norms and values affect its available choice-set. This approach assumes change processes finally converging towards an isomorphic equilibrium (defined by market, regulative, normative and cognitive pressures), while it is unable to explain why in reality single organisations show different results of change (Ribeiro and Scapens, 2006; Greenwood and Hinings, 2006). New institutional accounting literature mainly focuses on how cultural, environmental and technical aspects influence new practice adoption (Dillard *et al.*, 2004). Most of the studies deal solely with the process of institutional diffusion itself or on the socio-economic context leading to change. New practices are often seen as a fixed outcome at a certain point in time, disregarding the organisational values at play and the micro-dynamics associated with it (Bealing *et al.*, 1996; Fogarty, 1996). The focus is on the stability of accounting systems and incremental change. Little attention has been given to study more disruptive changes and their organisational context. Most of the studies explicitly address only the macro level of the field, disregarding more micro perspectives (Carruthers, 1995; Chua, 1995; Collier, 2001). Empirical results, however, show that organisations vary in their answer to similar changes and practices (Lounsbury, 2001, 2008). Such variation cannot be explained by the a-rational mimicry proposed by new-institutional theory (Lounsbury, 2008; Strang and Macy, 2001). Moreover, over reliance on mimicry as an explanatory mechanism of organisational reaction to change tends to neglect relevant internal dynamics, such as power (Mizuchi and Fein, 1999). It is, thus, important to pay attention to the different ways in which organisations strategically respond to institutional pressures (Oliver, 1991).

On the other hand, Burns and Scapens (2000), and the old institutional school, study the unfolding of accounting change processes within organisations. In particular, they focus on the process of change in terms of institutionalisation of accounting actions and practices into new taken-for-granted ideas. Accounting rules and routines set in place can change and stabilise into new ones, interacting with the institutional realm. This happens through a process of institutionalisation and deinstitutionalisation, encoding and enacting. Their model, however, does not address the possible outcomes of the process of change in terms of their characteristics (e.g. more or less radical) and differences across organisations. The main focus, indeed, is on the institutionalisation of accounting rules and routines *per se*. They thus overlook the role played by the organisational dynamic filtering of such changes. The process of institutionalisation will work similarly in different organisations attempting accounting changes. As a consequence, the only differentiating aspect relates to the rules and routine pre-existing in the organisation, with an evident simplification of the process of change. Finally, their model tends to confuse the outcome and the pace of change under the common

umbrella of revolutionary and evolutionary change. Nevertheless, the final result of a process of change (i.e. its outcome) and its pace have been shown to be different concepts by other studies (Tushman and Romanelli, 1985; Pettigrew *et al.*, 1992; Romanelli and Tushman, 1994; Hinings and Greenwood, 1988; Greenwood and Hinings, 1993, 1996; Malhotra and Hinings, 2005). Also this model, then, cannot fully explain the internal dynamics that differentiate accounting change outcomes at the organisational level under more or less similar external pressures.

Some neo-institutionalists have developed a possible third perspective, i.e. an integrated archetypal approach, according to which environmental pressures are filtered by organisations through an "internal" process of interpretation and attribution of meanings (Tushman *et al.*, 1986; Dillard *et al.*, 2004). According to this view, explanatory factors, rather than being fixed, are fluid and their interaction unfolds over time through the shift between archetypes (Clark *et al.*, 1988; Hinings and Greenwood, 1988; Greenwood and Hinings, 1993, 1996). Change (and its related outcome and pace) is defined by the shift between different archetypes and comprises both structures and systems and beliefs and values. The archetype framework represents a possible answer to the highlighted limitations of previous studies. It allows, indeed, distinguishing between different outcomes (radical vs. incremental), paces (i.e. evolutionary versus revolutionary) and levels (structures and systems versus ideas and values) of change, adopting a micro-level perspective (the organisation). Archetype theory considers changes in structures and systems within already institutionalised archetypes. It then allows focusing on how changes in structures and systems can lead to a change in ideas as well. Moreover, focusing on the organisation, it rediscovers the role of agency through the consideration of power relationships and groups' interests. Internal dynamics are fundamental to account for both the different results obtained from the implementation of the same change and the failure of the isomorphic explanation (Dillard *et al.*, 2004; Lounsbury, 2001, 2008; Hinings and Greenwood, 1988; Greenwood and Hinings, 1993, 1996; Oliver, 1991). Under this respect, archetype theory provides a comprehensive framework considering both external pressures and intra-organisational dynamics.

Archetype theory and change

Variations in external forces are important in driving change, but they fail to fully explain the final outcome of such change, as the traditional new-institutional theory would suggest. The micro-processes that occur within organisations are equally important in determining how the environment is interpreted and how organisations respond. Organisations are not just passive actors, but can be seen as political domains in which multiple actors interact to pursue their goals and interests, willingly using power, distorting normal organisational processes, and even using organisations as personal weapons (Selznick, 1952, 1957; Cyert and March, 1963; Pfeffer, 1981, 1992). To understand change it is then necessary to examine the organisational interpenetrations of contexts and intra-organisational dynamics.

Archetype theory connects both external and internal dynamics in a more comprehensive way by recognising that environmental pressures are filtered by organisations through an internal process of interpretation (Greenwood and Hinings, 1996). Because of this filtering, organisations may respond differently to the same stimuli for change. Compared with the other two institutional approaches, this theory

provides a finer-grained definition of the final outcome of change, in terms of shift in both structures and systems and related ideas and values. An archetype, indeed, is a set of structures and systems that reflects a single interpretive scheme, made up of ideas, beliefs and values (Greenwood and Hinings, 1993). Organisational structures and systems can be seen as embodiments of ideas, beliefs and values that constitute an overarching and prevailing interpretive scheme. The degree of consistency of change with the existing archetype gives rise to a differentiation between convergent incremental or radical outcomes of change[1]. Radical change happens when not only do structures and systems shift from one archetype to another, but also the related interpretive schemes. When only the structures and the systems change, on the opposite, there is incremental change. Similarly, on the basis of the pace of upheaval and adjustment, change is evolutionary, when it occurs slowly and gradually, and revolutionary, when it happens swiftly and affects virtually all parts of the organisation simultaneously (Greenwood and Hinings, 1996).

Archetype theory is comprised within institutional theories, as archetypes represent institutionally prescribed ways of doing things (Scott, 2001) and examples of rationalised myths (Meyer and Rowan, 1977; Greenwood and Hinings, 2006). Following this perspective, environmental factors promoting and influencing change include both market and institutional forces. Market factors generally refer to demand, geographic distance, size, service and product mix relative to competitors (D'Aunno *et al.*, 2000). Institutional factors consist of regulations, norms and cognitive models that influence organisational behaviours (Scott, 2001). However, change is not a simple matter of adjustment to external pressures (Hinings and Greenwood, 1988; Ter Bogt and Van Helden, 2000). It is also shaped by intra-organisational conditions (Pettigrew, 1985). External factors act as constraints and stimuli to which responses must be worked out by the members of an organisation.

Drawing on the archetype model of change developed by Greenwood and Hinings (1996), four main intra-organisational factors can be depicted, which influence responses to external pressures:

(1) the interests of those affected by change (Lukes, 1974);

(2) the values, which are generally the prevailing conceptions of what an organisation should be doing, of how it should be doing it and of how it should be judged (Hinings and Greenwood, 1988; Greenwood and Hinings,1996);

(3) the power of particular groups to influence the translation of their values and their interests into favourable organisational arrangements (Pfeffer, 1981; Hickson *et al.*, 1986); and

(4) the capacity for action, which is determined by a combination of technical (clear understanding of the new interpretive scheme and related systems and tools, skills and competencies to design new organisational structures and routines) and managerial capabilities (leadership, ability in achieving the final destination).

Leadership or managerial abilities can be further distinguished into symbolic and substantive, transactional and transformational (Burns, 1978; Tichy and Ulrich, 1984; Schein, 1986).

3. Research methods

Research design

Change can be investigated at different levels of analysis: field, organisational or departmental (Dent *et al.*, 2004). In this paper, we adopt the organisational perspective by focusing on interpretive schemes, structures and systems related to accounting activities. The organisational level represents the place where internal and external factors come into play and interact. This allows to better address the role of management in facing the interaction between the needs to satisfy external institutional demands and those related to the internal requirements of technical work that are necessary to satisfy those demands (Collier, 2001).

Our paper is based on comparative case studies of two Italian LGs. The comparative method adopted allows us to overcome some of the generalisation problems arising from the analysis of a single case (Eisenhardt, 1989; Pettigrew, 1990). According to Yin (2003), case studies can be exploratory (aiming at defining questions and hypotheses for a subsequent study or determining the feasibility of a certain theory/procedure), descriptive (presenting the complete description of a phenomenon in its context) or explanatory (investigating cause-effect relationships). This paper draws on the first type of cases in order to assess the appropriateness (Yin, 2003) of a theory (archetype theory) in explaining accounting change outcomes. Following Yin (2003) and Ragin (1994, 2000), data have been categorised and coded in order to identify relevant patterns able to explain the final outcome of accounting change.

Case studies are appropriate when the purpose of the case study is to analyse the unfolding of events (Pettigrew, 1990; Huber and Van der Ven, 1995). Thus, they are useful to better understand accounting changes because such changes take place over lengthy periods of time (not less than three years are required to gain some indications on how the changes are proceeding and how organisational dynamics interact; Huber and Van der Ven, 1995; Greenwood and Hinings, 1996) and are the product of multiple factors that are oscillatory and iterative. For the purposes of this paper, case studies were carried out *ex post*, i.e. the process was partially observed as it developed (from 2001 to 2004) and partially reconstructed retrospectively through interviews with key informants who were directly involved in the change before the research began. The authors went personally to the two sites several times. Such reconstruction of events could be influenced by agents' *ex post* rationalisation. This threat is common to all social research methods (Trochim and Donnelly, 2006). Social sciences, in fact, draw heavily upon personal perceptions of events (Patton, 2002; Trochim and Donnelly, 2006). In order to strengthen the credibility (Lincoln and Guba, 1985; Trochim and Donnelly, 2006; Patton, 2002) of the study, we explicitly relied on triangulation of investigators, informants, data sources and methods (Patton, 2002; Flick, 2002). According to Whipp (1987), moreover, time itself is necessarily social and subjective. Time is not just "out there", but rather "in here" as a social construction (Pettigrew, 1990). In organisations, time frames are built internally and their social construction can vary across individuals, so that we have to study both events and their social constructions to understand the unfolding of change. In this perspective, *ex post* rationalisation can even be helpful to better understand how people interpret and gain awareness of the overall change. Indeed, agents' subjective interpretation helps shape the change itself. Moreover, while in the short-term the sources of change may appear blurred, in the long-term multidirectional relationships become clearer to

organisational members and can be more soundly highlighted (Pettigrew, 1990). Our interviewees underlined several times that they did not realise the importance of the change while it was happening. In some cases, they considered the interview itself useful to understand the actual implications and meanings of the accounting changes carried out over the last years. This strengthens our approach, which aims at investigating accounting change as perceived by the people involved.

Collection and analysis of data

Multiple data collection methods were used (Flick, 2002). For each organisation we analysed several archival materials:

- Official accounting documents (such as budgets, financial reports, environmental reports, etc.), which represent accounting changes themselves. We analysed their content and structure and their changes over time, in order to understand their evolution and relationships with external and internal factors.
- Official documents presenting and communicating the adoption of new accounting tools and practices, in order to understand organisational formal aims and perceptions.
- Organisations' meeting notes, in order to gather managers' reactions.

We also conducted interviews to gain knowledge of the history of accounting changes as seen by the actors involved and of their perception of events. We ascertained intra-organisational and environmental factors affecting change and their interaction, evaluated the actual implementation and impacts of the new tools on ideas, meanings and values shared by people, and identified organisational accounting archetypes. The key informants were managers from both central and line departments. Specific interviewees were identified following a snowball sampling approach (Patton, 2002) in order to listen to the most relevant actors taking part in the change. The gatekeepers were the CFO in Clio Town and the CEO in Calliope Province. Further interviewees were identified by drawing on both official documents and gatekeepers' suggestions, in order to get information-rich cases involved in the process of change. This allowed identifying informants with a long track of permanence within the organisation (thus able to reconstruct the whole process of change) and representing different organisational groups. The so interviewed managers, in turn, suggested other potentially useful informants. Different suggestions often converged towards the same interviewee, thus confirming his/her relevance in the process. In the first case we interviewed managers from the Departments of Finance, Public Works and General Services[2]; in the second case we interviewed managers from the Internal Audit Office, the Finance Office, the Environment, the Cultural Events and the Professional Education Departments.

During the interviews, one researcher concentrated on interviewing and the other on taking notes. Interviews lasted, on average, an hour and a half. Six interviews were performed in Clio Town, and nine in Calliope Province. Interview notes were written up and discussed by the researchers within a few days of the interview. Transcripts of the interviews were validated by receiving interviewees' feedback. Following a thematic coding approach, an analytical narrative was developed in order to provide information essential to the interpretation of the events, but without losing the sense of change complexity (Langley, 1999).

The change of accounting systems and tools in both case studies covered a period of 15 years and was divided into three sub-periods. The first sub-period started with the introduction of a fundamental bill of reform of the LG sector in 1990 and finished in 1994. The second sub-period began with the introduction of a new regulation for LGs' accounting and finance in 1995 and finished in 1999, when a new bill regulating public sector control systems was approved. The last sub-period was from 2000 to 2004, when fieldwork closed.

4. The outcome of accounting change and its explanatory factors

Emerging factors were identified and categorised as shown in Appendix 1, where examples of representative quotes are also reported. Interview and archival sources were combined in order to triangulate the data gathered. This strengthened the credibility of their subsequent categorisation (Lincoln and Guba, 1985; Trochim and Donnelly, 2006; Patton, 2002).

We were interested in understanding the outcome of the accounting change taking place and its pace. Archetype theory allowed us to distinguish between the structures and systems being changed, and the related change in values and beliefs that actually defines the achievement of change (see Appendices 1 and 2). After the formal adoption of new accounting tools and practices, indeed, the outcome of change[3] (i.e. the type of archetypal change achieved overall at the end of the period under analysis) can be assessed by looking at the shift in ideas, beliefs and values (i.e. interpretive scheme) taken on by the majority of groups within an organisation. Radical change exists only when the change in structures and systems is accompanied by a change in the related interpretive schemes of the majority of groups within the organisation. As far as the LG field is concerned, in particular, many authors have identified the required change from the bureaucratic to the managerial archetype under analysis here (e.g. McNulty and Ferlie, 2004; Hammerschmid and Meyer, 2005; Kirkpatrick and Ackroyd, 2003). Drawing on Hinings and Greenwood (1988), we assessed:

- the actual use of new accounting tools;
- the decision-making criteria used for evaluating complex activities drawing on bureaucratic versus managerial principles (Hinings and Greenwood, 1988; Pollitt and Bouckaert, 2000); and
- the agreement with the new managerial ideas.

At the same time, we comparatively defined the pace of accounting change as "evolutionary" when it developed gradually over a few years and through a small number of subsequent changes, and "revolutionary" when it happened in a relatively short period of time, involving many changes at once (Greenwood and Hinings, 1996).

In Italy, a civil law country, regulative forces play a fundamental role in shaping public sector organisations' structures, systems and behaviours. The Italian LG field has been traditionally inspired by a bureaucratic archetype, embedded in laws, norms, values and cultures. Related control systems were mainly hierarchical, with a main focus on procedures (Borgonovi, 2005). Accordingly, LG accounting was dominated by a form of "budgetary accounting", whose main purpose was to limit spending (Appendix 2). This constitutes archetype one (the bureaucratic archetype).

In 1990, new public management (NPM) ideas began seeping into the Italian public sector, showing the possibility of a new "managerial archetype" for public

administration. As in other countries worldwide, such a model was incorporated in various legislative initiatives inspired by managerialism and marketisation principles (Mussari, 1997; Pollitt and Bouckaert, 2000; see Appendix 2). In the Italian public sector the ideas of managing by results and of introducing a "managerial culture" were broadly publicised (Mussari, 1994; Borgonovi, 2005). The fundamental reform bill (Act 142 of 1990) defined the municipality as the building block of democratic representation and charged it with "representing the relevant community, protecting its interests and promoting its development". Correspondingly, LGs were asked to undergo a profound process of change and were given more autonomy in levying taxes and determining fees for services, while witnessing a steady reduction in the amount of transfers from higher levels of government.

In 1995, a decree (No. 77) reforming LGs' accounting was introduced. It required them to maintain the traditional cash- and obligation-based system. Its pivotal role in the LGs' information system was confirmed, since budgeting, accounting and reporting continued to use it as a basis. However, it was supplemented by "managerial" tools, such as management control systems, accrual-based reports, the triennial strategic plan and the executive budget[4].

In 1999, Legislative Decree 286 reorganised public-sector control systems, introducing the principle of separation between:

- controls on compliance;
- strategic planning and control;
- management control; and
- personnel performance evaluation.

The bureaucratic and the managerial archetype characteristics are summarised in Appendix 2.

Environmental forces were considered by looking at both market and institutional pressures. As far as the former are concerned, we looked at the financial performance, in terms of gains or losses shown by the LG's financial statement (Hinings and Greenwood, 1988).

As far as the latter are concerned, regulative pressures were identified by the researchers in terms of new law requirements present in every period (see Appendices 1 and 3). Drawing on literature (Scott, 2001), normative and cognitive forces were categorised by considering respectively the LG's participation in specific networks and research projects and in best practice awards and competitions. Also interviewees' answers were coded when pointing out the most important external normative and cognitive factors affecting their process of change (see Appendix 1).

Intra-organisational dynamics associated with change generally emerged from interviewees' answers and were consistently identified and coded. However, drawing on archetype literature, some questions were posed to ensure the investigation of the main theoretical factors. Interest satisfaction was identified, coding interviewees' opinions and level of agreement/disagreement on previous versus existing accounting systems and values recalled before and after the different changes (Hinings and Greenwood, 1988; Appendix 1).

Value commitment was assessed analysing interviewees' judgments on new managerial values (Hinings and Greenwood, 1988). In particular, we asked whether

and to what extent they agreed (or disagreed) with the organisational values imposed by previous external pressures or tradition (i.e. related to the previous bureaucratic archetype) before and after the changes. Similarly, we asked about their agreement (or disagreement) with values proposed by new external pressures (i.e. related to the new managerial archetype; see Appendices 1 and 2) after the managerial changes.

Power is related to the means and degrees of control over human and material resources (Colignon and Covaleski, 1991; Dillard *et al.*, 2004). It was defined by both looking at different actors' hierarchical position within the organisation and asking them about their relative influence on decision making, resource allocation, agenda control and new meanings diffusion at different moments of the process of change (Pfeffer and Salancick, 1978, Lukes, 1974; Foucault, 1979; Hardy, 1996).

Finally, capacity for action was assessed by looking at both technical and managerial capabilities (i.e. leadership). In particular, we asked questions about the level and type of technical knowledge before and after the introduction of the accounting changes, whether training courses were carried out, and how they affected people's behaviours (Hinings and Greenwood, 1988). We assessed leadership by looking at how managers implemented changes (i.e. symbolically relying on their responsibility or substantively contributing in defining values; Pfeffer, 1992; Romanelli and Tushman, 1983; Hinings and Greenwood, 1988; Nadler and Tushman, 1989) and through which means (transactional – i.e. hierarchical position and resource exchange – or transformational – i.e. commitment, communication, and motivation; Burns, 1978, Tichy and Ulrich, 1984; see Appendix 1).

5. The field and the local governments under study

Italy has two levels of LG:

(1) provinces (103); and

(2) municipalities (more than 8,000).

Both municipalities and provinces provide public services and are responsible for the development and promotion of the local community. Provinces have a stronger role in coordinating and monitoring the activities of other public and private organisations and in receiving and transferring funds.

The LG field was chosen for this study because (Nahapiet, 1988; Hinings and Greenwood, 1988):

- it is well defined and its organisations are under similar legal status and have similar legal and service responsibilities, thus ensuring a like-with-like comparison;
- except for some institutional bodies or organisational units prescribed by the law, local authorities have discretion to organise as they wish;
- the Italian LG sector has undergone a process of change since 1990, thus becoming an interesting field for change studies; and
- ambiguity on goals and performance standards and heterogeneous institutional forces are important elements which make the study of the interaction among change, internal and external factors more complex and challenging.

Both organisations, which will be called Calliope Province and Clio Town[5], attempted to change their accounting systems and tools and followed the process of "managerialisation" begun in Italy over the last 15 years. These two organisations were chosen because they have a long track record of experience with accounting change. Both have reputations for being innovative, since they have often been selected to take part in best practice projects promoted by the Italian Central Government and to join in benchmarking projects and networks. Moreover, both were accessible to the researchers because a large number of their top managers and professionals had been met personally during conferences and educational programs and were willing to be interviewed by academics. Finally, despite their fame as innovators and the similar environmental pressures, after the first on-site visit, the two LGs immediately showed different results in accounting change processes. This made their study interesting in order to understand the reasons underlying such diverging outcomes.

6. Calliope Province and Clio Town: accounting change and shift in archetypes

Calliope and Clio had to cope with very similar institutional factors. In terms of regulative pressures, both were required to comply with the new law requirements and the managerial principles recalled in Section 4 (see also Appendix 3).

In the same period, all Italian LGs had to react to "Tangentopoli", a historical moment characterised by political scandals over corruption at all governmental levels. Tangentopoli coincided with and fostered the spread of NPM ideas, and the diffusion of values of autonomy and accountability of managers. This was possible especially thanks to academic and practitioners' networks. As a consequence of these normative forces in the field, the two LGs decided to join and take active part in a number of national and local networks.

Finally, cognitive pressures were the driving forces behind the competition among governments to be perceived as the best performing. As their stories highlight, Clio and Calliope were both recognised as innovators for their early accounting experimentations. They both competed for national awards and openly declared the aim to become best practices for the other LGs.

Some differences in market forces in terms of organisational financial performance can be, instead, envisaged. Their role is discussed in more detail in the following pages.

Calliope Province

Calliope Province is characterised by a significant size (about 1,015 employees). It is situated in a highly developed area of Northern Italy, devoted to both agricultural and industrial activities. Calliope is rich in cultural and social initiatives, has an old academic and communal tradition, and is renowned for its artistic and architectural beauties. It has never experienced any financial stress (Appendix 3).

1990-1994. At the beginning of the 1990s in Calliope Province, managers' power and autonomy over resources allocation were quite low. They were allowed to authorise payments at most. Moreover, the organisation relied on traditional controls of formal compliance and an old IT system strictly bound to the reporting schemes required by law. This situation began to change when the regulatory context changed. In 1990 a new law was passed, identifying LGs as service providers with the possibility

to spin off public services. New criteria for performance evaluation were also defined, drawing on the concepts of efficiency and effectiveness.

After these precipitating events, some departments began experimenting with new systems of management control, budgeting and policy evaluation, according to a more managerial idea of programming. One of these was the Finance Department. The CFO was the first to see in the new law an opportunity to introduce new tools and improve current management processes. He succeeded in committing and involving the Finance Department in the development of a first draft of an executive budget:

> The Province was still linked to the traditional bureaucratic model. It lacked both the adequate culture and the motivation to change and the resources for improving management systems. It was thanks to the new laws that I took the chance to experiment. It's the fact that things are mandatory that makes them really happen! (CFO).

The experiment was carried out for two years in an attempt to gain better and more precise control of activities and to make people more responsible for their actions. Nevertheless, in the end it was abandoned without much clamour because of little interest being shown by politicians. They were, in fact, responsible for the official adoption of changes throughout the organisation.

The Professional Education Department also found in the new law the possibility to provide information perceived as necessary but that was unavailable in the existing system. In particular, they introduced new control tools to monitor projects funded by the European Union. This brought two opposite results:

> On one hand, other organisations involved in the funds management started complaining about the "restrictions" imposed by the inflexible measures identified for the projects evaluation. On the other hand, the experiment seemed to actually improve the programming cycle (Professional Education manager).

These two early sponsors of change saw the regulative pressure as an "external justification" to start change, that is, it affected "if" new options were at least explored by the organisation.

Managers from the other departments acknowledged that, thanks to the particular capabilities of the Professional Education Department, their new control system proved to be much more advanced than those applied by the others and the province itself. This led to clashes among departments and pushed the manager of the Professional Education Department to take on a critical position when, in the end, he was asked to adapt his system to the general frame chosen for the whole organisation.

Such isolated experiments were carried out only in two departments. According to the interviewees, such tools were not regarded as disruptive or long lasting. Neither experiment ever became official or widely used. As a consequence, an incremental change can be envisaged at the organisational level, where only some structures and systems changed, but they were not followed by a consistent change in the ideas and values concerning their use and function (see Appendix 3). These first changes, moreover, were carried out at an evolutionary pace, where it was only attempted to put two new and partial tools in place over a five-year period.

Looking at the intra-organisational dynamics, this period was characterised by dispersed power. Managers could autonomously decide to implement new accounting innovations. Only politicians, however, could formally support or repress experiments.

This situation hampered the actual sharing of the new meanings and, as a consequence, the radical change under two perspectives:

(1) on the one hand, it dispersed the efforts of change at the departmental level; and

(2) on the other hand, politicians remained the only ones in charge to finally exercise their veto on the few attempted changes.

High and concentrated technical capabilities (only two Departments experimented with changes and owned the relative managerial technicalities, while others were still characterised by a prevailing bureaucratic culture) helped to identify two different substantive and transformational leaders – i.e. the CFO and the manager of Professional Education – who represented a possible reference point to commit others to change (e.g. politicians in the case of the executive budget proposal):

> I noted a kind of dissatisfaction in my department and in our stakeholders. So I decided to set up something new that could help identify clear objectives, no matter what! (Professional Education manager).

In the end, however, they were unable to interact with others and convince the organisation as a whole. Political pressures and a generally indifferent commitment to the new ideas that had just started coming around represented the main obstacle to radical change. As a consequence, only structural changes were introduced and remained confined in the two departments:

> The other managers tended to undervalue and ignore the changes. Also, politicians attached little importance to them. They didn't see the changes as a danger for the kind of information they produced, although some financial data were present (CFO).

1995-1999. In the mid-1990s, the Province hired a CEO for the first time. He came from the private sector and was strongly convinced about the positive effects of the introduction of more managerial culture and tools in public organisations:

> The new CEO represented a substantial innovation in the leadership style because he managed things through more informal channels (Professional Education manager).

In 1995, a new law was passed making the adoption of the executive budget compulsory. A "Nucleo di Valutazione" (Commission for Personnel Evaluation) and an Internal Audit Office were also introduced in order to support the CEO. In particular, it was given three main tasks:

(1) to build the executive budget;

(2) to implement a managerial control system; and

(3) to link budget results to the personnel evaluation system.

In order to help employees understand and manage these changes, training programmes were organised.

Calliope's culture and shared values started changing:

> The first years of the reform were absolutely devoted to the careful introduction of new tools and encouraging the discussion among different departments. Training courses were attended by the employees. The CEO administered *ad hoc* questionnaires to both evaluate the perceived importance of the process and its related financial resources and spread the new ideas [...] We experienced a real and fast mind-set revolution! (Cultural Events Department manager).

> Those years represented a break, a point of no return. Structures changed and new ways of doing things came in. We appreciated the improvements and brought the new ideas in (CFO).

Capabilities also started growing and diffusing. In particular, the organisation was highly interested in achieving the best possible design and use of the new managerial tools:

> Cooperation and capabilities increased. In order to achieve better results with the system and positively impact on areas where managers had identified problems, even the Internal Audit Office and the Finance Department (who used to fight over each other's responsibilities) started a deeper and more integrated cooperation! (Public Works Department manager).

The new managerial control system was fully operating in 1997. At the beginning it was implemented only for a few activities, but was then extended to the whole organisation. According to the Internal Audit Office manager, the newly implemented system deeply changed the management and helped the allocation of resources and responsibilities under both the executive and the overall budget perspective:

> The new system allowed us to strengthen programming, control and performance evaluation, which were weak and focused mainly on inputs in the previous model. It was adopted by the whole organisation and changed managers' behaviours in managing their Departments, making them more responsible and aware of what was going on. Anyway, I think, they always underutilised and underestimated all its potential! Of course, the relationship of mutual trust between the President of the Province and the CEO helped the achievement of the objectives. And in the end this left a big power into the CEO's hands (Audit Office manager).

At the end of the 1990s, the Province was achieving a radical change and moving towards the managerial archetype, witnessing an improvement in day-to-day activities. Driven by legal requirements, new accounting structures had been introduced, and also at the interpretive scheme level there was an increased awareness of the usefulness and possible positive outcomes of such changes. Managers recognised that the programming and budgeting process had become faster and more effective, that resource allocation was more responsive to the actual needs of the organisation, and that more autonomy was granted in solving emergencies. New tools started to be used at all levels to improve decision-making. People in the organisation seemed to welcome the new systems:

> At the beginning the organisation was both curious about the tools and aware of the possible implementation problems [. . .] Innovation requires adaptation and personal involvement and it was hard to account in advance for both the new system's costs and benefits. Nevertheless, as time passed, we drew a positive evaluation of the overall process because we realised the possibility of managing the organisation under principles of effectiveness and efficiency. At the beginning there were three main groups really pushing for change: the Internal Audit Office, the Finance Department and the Human Resource Department. However, in the end almost all of the people in this organisation agreed about the usefulness of the realised changes and saw the budget and the responsibility centres as the most important and positive innovations introduced during the 1990s [. . .] After a short time these tools were perceived as fundamental for good management (Environment Department manager).

Moreover:

> What really made the difference was probably managers' openness to innovation. The few existing groups resistant to change were easily isolated, Also politicians sustained the process (Environment Department manager).

Together with the structural changes required by law, managers embraced the values of the new managerial archetype. Internal documents started recalling and quoting new tools and the information they provided. People started using the new tools and appreciating the effects on everyday activities so that they finally began suggesting further improvements to the system. A radical change can thus be envisaged, where the old bureaucratic structures and ideas were replaced by the new managerial ones throughout all the organisation (Appendix 3). Change can also be defined revolutionary, since it entailed a big number of changes together (financial reporting, management accounting, internal controls, etc.) carried out and completed over a relatively short period of time (i.e. within the second period in the identified temporal brackets).

It is notable that the shift from the first to the second period is characterised by the movement from a pattern of interests that supported the existing archetype combined with an indifferent pattern of value commitment (only two Departments started autonomously managerial experimentations, while the rest of the Province "lacked both the adequate culture and motivation to change and the resources for improving management systems"; CFO) to a dominant pattern of interests in favour of the new archetype combined with a reformative pattern of value commitment (in the end almost all people in the organisation agreed with the realised changes). Much of this shift was due to the actions of the CEO, who personally arranged meetings and *ad hoc* training courses with the different departments. This clearly helped develop more dispersed technical capabilities. He managed to engage people in the process of change pushed from the external regulation, making them more aware of their role, the logics and the possible positive effects of the new systems:

> The CEO started negotiating, asking around if people were happy with the change (Professional Education manager).

New ideas were thus more easily known and understood. This second period shows also more concentrated power dependencies: all the relevant power was concentrated in the newly appointed CEO. He played a strong role throughout the organisation and turned out to be a substantive and transformational leader ("The new CEO represented a substantial innovation in the leadership style" – Professional Education manager). In this case, indeed, the leadership not only coincided with the high hierarchical position (granting him formal power), but also with the knowledge and the ownership of the new managerial meanings. These elements contributed to commit people and negotiating a satisfactory change with all the Departments. People became aware of the new possibilities and curious of their results. As a consequence, external regulation brought to the introduction of the new structures, but internal dynamics made ideas diffusion and understanding possible.

2000-2004. During the last period some Departments began to complain about the actual implementation and effectiveness of the systems, showing that room for improvement still existed. Some departments, like the Professional Education, decided to introduce new solutions relying on the competencies of external consultants:

> There was a strong need for a higher integration of expertise within the organisation. The Department decided to put itself in a more strategic position, aware of the local needs and the network we were part of (Professional Education manager).

A new Legislative Decree, passed in 1999, required LGs to reconfigure their internal control systems. The Internal Audit Office was charged with making more coherent all

the required internal control systems. For this purpose, the Internal Audit Office proposed the introduction of an overall strategic control system and a strategic plan. However, the Council rejected the proposal, suggesting only a review of the existing control systems.

In 2001, the CEO left his position due to illness and a new CEO was hired. However, the changes underway were sustained by the Internal Audit Office, which represented the main link between the two periods and ensured a high degree of continuity in the managerial control tools used in the Province. During the following years, there were two main events:

(1) the decentralisation of the audit function at the departmental level; and

(2) the introduction of an overall strategic control system.

> The decentralisation of the audit function and the role identification for departmental controllers empowered the system. They allowed the organisation to both systematise and gather fundamental information in a more precise way and to disseminate the periodic budgetary guidelines more effectively. The final result was an increase in the overall knowledge about organisational activities as a whole. This represented a further improvement towards the more efficient and effective model we had in mind (Environment Department manager).

As a consequence, information and knowledge sharing was further improved at all the organisational levels.

Finally, the introduction of a strategic system was proposed (this time by politicians) and passed under the idea of increasing councillors' external visibility. These changes increased the CEO's "technical power" rather than his leadership and legitimisation, in contrast with the more "personal" style of his predecessor:

> With the coming of the new CEO, the management of political and technical aspects within the organisation grew apart and became more and more separate (manager of the Internal Audit Office).

While Calliope underwent a radical change by completing the transition from the bureaucratic to the managerial archetype in the second half of the 1990s, the last period can be considered a slow incremental adjustment within this new archetype. Organisational and accounting devices, such as responsibility and audit decentralisation, were introduced in order to make the new accounting systems and structures more effective. These improved the interviewees' knowledge and use of the new managerial tools, but did not affect the establishment of new values (such as the strategic ones). Throughout all this third period, again, only two changes were introduced. As a consequence, an evolutionary pace can be envisaged.

This period shows a challenging pattern of interests where the CEO, his staff, the Internal Audit Office and some senior managers were satisfied with the new implemented archetype, while other groups heavily complained because of some technical problems in the design and use of the new accounting tools (need for higher integration):

> The only possibility of integration for the different systems was during the preparation of cost accounting reports. That was the moment where we tried to integrate the traditional budget with the new tools (Cultural Events Department manager).

Value commitment became competitive because the initial group of sponsors of change went on supporting the implemented systems, despite others' complaints. Disagreement and dissatisfaction allowed only incremental changes (e.g. the decentralisation of the audit function), because of the difficulty of finding a common ground for negotiation. The appointment of the new CEO, more concerned with technical issues than people's involvement, led to dispersed power, where managers, drawing on the previously acquired capabilities (further improved by the most recent changes), started regaining autonomy. However, the new CEO owned "technical powers" on resources and decision making ("With the coming of the new CEO, the management of political and technical aspects within the organisation grew apart" – Internal Audit manager). This allowed the CEO's staff (working with the Audit Office) to mandate the use of the system, to ensure compliance and therefore to embed the system. As a consequence, what changed was the very pattern of leadership, which became more symbolic and transactional: the former sponsors of change in the end only had a symbolic role and were not proactive in committing people. Moreover, the new CEO introduced a logic supporting more direct bargaining with the new leading groups asking for further changes and this "encouraged the establishment of direct relationships between managers and politicians". This uncoordinated way of introducing new accounting structures slowed down the diffusion of new ideas (such as the ones related to strategic issues and systems) and caused the last period under study to be characterised only by an evolutionary incremental change.

Clio Town

Clio Town is situated in a sunny Italian island, renowned for its natural beauty. It is one of the most important industrial ports in the island and hosts some oil and chemical plants. Clio employs about 153 people. In 1994 after a period of industrial decline, the local industrial district was declared a "crisis area" and also the municipality experienced a strong financial stress (see Appendix 3).

1990-1994. At the beginning of the 1990s, the municipality of Clio had no managerial control tools because no law had ever required them. The information system was based on a mainframe (IBM S36) that supported, without providing links among the different procedures, cash accounting and budget procedures. The annual budget preparation was the result of official and unofficial meetings between the CFO and the Cabinet. The managers of the other Departments were not involved in the process and virtually ignored the financial situation of the municipality. The Cabinet was responsible for the majority of spending decisions and had the final veto power:

> At that time, it was politicians who decided, we weren't involved in the process (General Services manager).

In 1990, when the first reform law (identifying LGs as service providers and new criteria for performance evaluation) was passed, Clio was suffering from financial difficulties and running the risk of going bankrupt. In June 1992 a new young CFO was recruited:

> My strong intention was to do something really new in the organisation! (CFO).

The severity of the situation was such that Clio had shown huge deficits in the recent years' financial statements and often had to use bank overdrafts in order to cover

everyday current expenditures. Relations with suppliers were strained because of frequent payment delays. The CFO decided to react:

> I felt I had to find remedies to such a situation as soon as possible, otherwise we would get stuck! Before my arrival the role of the CFO had been one of a recorder of financial data. I wanted to play a more proactive and stronger role (CFO).

He therefore proposed several initiatives to the Cabinet, such as increasing local fiscal leverage and tariffs for services, recovering outstanding credits, fighting tax evasion[6] and reengineering spending and procurement procedures:

> The Council considered these proposals to be highly unpopular, but I clearly pointed out that Clio had no alternative but to accept the changes. After my pressure, in the end they accepted to prepare a "prudent budget" (CFO).

As a consequence, the CFO put in place a real "tension strategy" in an effort to trigger change:

> If you want to keep stress to change high, you must stress the availability of alternatives. If you want me to introduce innovation, please let me do so and follow me, otherwise [. . .] I give up and you can find a solution by yourself! (CFO).

Of course, changes were not painless. Confrontation and clashes between the Finance Department and the other Departments and the Cabinet, who were quite happy with the existing system, occurred. The actions of the CFO were seen as an undue intrusion into departments' decision-making processes:

> At that time, we didn't feel any urgency to change. Today, I can understand that it was important and necessary to shake up our Municipality. However, at that time, we went on unaffected by the transformation (General Services manager).

In the end, though unpopular, changes in the expenditure procedures were implemented. At the end of 1993, the annual report showed a cash surplus.

The CFO decided to create an internal "steering committee", whose expected task was to spread a managerial culture inside the organisation and support his changes. An Internal Audit Office was created within the Finance Department. This Office became responsible for increasing the efficiency in the whole municipality.

Summing up, before 1995 Clio (like Calliope) experienced a slow, evolutionary incremental change within the old bureaucratic archetype (Appendix 3). Although the new CFO introduced new procedures for expenditure control, these new accounting tools were not understood. Changes were hindered and resisted by people inside the organisation. Accounting changes were seen as imposed by the Finance Department. The need for change was not perceived. The new accounting structures and systems introduced were only a few (those related to the financial crisis) and finally not used. Instead, departments continued to use the old bureaucratic and familiar procedures. The new accounting tools themselves were mainly focused on expenditure control (traditionally associated with the bureaucratic model of public administration) rather than on managerial autonomy and responsibility. The small number of actual changes over the five years, moreover, characterised the pace as evolutionary.

In this period, Clio's internal dynamics resembled Calliope's ones, i.e. there was a dominant pattern of interests that supported the existing archetype combined with an indifferent pattern of value commitment:

> We couldn't understand the reason for all those changes in the organisation and we went on as we knew! The new CFO didn't make any effort to improve our understanding of the new tools! (General Services manager).

This led to low people's involvement and understanding of the new tools and eventually slowed down the change. They did not see any reason to change and the financial stress was not perceived as their problem. Power was concentrated and retained by politicians who were the only ones eventually deciding on financial and accounting changes. They further isolated the new values at the managerial level. Technical capabilities were high and concentrated only in the Finance Department, which had the explicit task to steer the organisation towards the recovery from the crisis. The CFO started prompting change by adopting a symbolic and transactional leadership aimed at pushing change from the top and keeping the "tension to change" high. Although showing a long-term vision, this was not enough to involve the other Departments and commit them to change. The symbolic and transactional approach, rather, made the reform perceived as top-down and as something personally owned by the CFO. As a consequence, the other managers did not feel any urge to accomplish the required change.

1995-1999. In 1995, when the national accounting reform was passed, the CFO identified another opportunity to advance the innovation process:

> The Legislative Decree 77/95 was the key to opening up the change process (CFO).

As in Calliope, the new law requirements were used as an excuse to introduce new tools and managerial structures and systems and legitimise them within the organisation.

While the recovery process was producing the desired effects, ensuring an improvement in their financial position and allowing the Council to reduce the tax burden, in 1996 the organisation introduced a new information technology system (Microsoft Windows NT) paralleled by a training programme for employees. However, this change was neither well understood nor favourably perceived by other Departments. It was simply considered as being "economically convenient":

> When the CFO decided to invest in information technology in my department, I immediately agreed because I needed hardware. All work was manual before. But I accepted without reservation only because everything was decided and financed by the CFO. Anyway, results were good and performance improved (Public Works manager).

Moreover:

> . . . after introducing the new information system, I organised courses for all employees to get accustomed to it. Many employees did not attend the class. Later, when they asked us for help, my staff and I accepted under a condition: we would withdraw money from their budgets, as a compensation for our help, in order to pay for a new course for us (CFO).

The CFO started applying unilaterally transfer prices to other Departments, but this method was given up very soon.

From 1996 each manager was required to communicate to the Finance Department the following year's annual goals, expected revenues and expenditures, in order to feed the executive budget. Accrual accounting and managerial control tools were introduced only in 1999 thanks to the creation of an Accrual and Cost Accounting Group (ACA Group). This project was intended to start devolving some accounting

procedures and thus integrate the systems. To this end, the ACA group worked closely with each Department. In the expected integrated system, cash-based information was destined to have the lion's share, while accrual accounting data were doomed to play a minor role. The design of the new integrated system highlighted some shortcomings of the current software, because it was not able to support the preparation of an accrual budget and did not provide a flexible reporting system. Although managers and politicians did not express any specific information need and were still quite satisfied with the set-up tools and processes, this software did not satisfy the CFO. He required new reporting schemes, flexible enough to gather useful information from different databases and to better support decision-making. The ACA group decided that SAP R/3 would represent the right answer to those needs. All these changes, again, were proposed and appreciated only by the Finance Department:

> After ten years of introduction of accounting innovations, there was still a part of the organisation which was not affected by the use of the new tools (CFO).

Moreover:

> Everything happened within the Finance Department, we were not actually affected by their changes! (Public Works manager).

At the end of the 1990s, like in the previous period, Clio failed to achieve radical change. The new systems were not seen (except by the CFO) as a way to change the existing pattern of interests or to mobilise new professional values. The organisation remained stuck to the old bureaucratic template. Managerial accounting changes were attempted and formally introduced (because they were compulsory by law), but they were "absorbed" by the Finance Department, which was in charge of conforming to the new accounting rules. Changes and their importance were not perceived by the rest of the organisation. Moreover, most decision making processes were taken "unofficially", so that documents failed to report and make reference to the real extent of the use of new accounting tools. As far as the pace is concerned, however, this second period was more revolutionary: a number of changes (mostly, but not only, required by law; see the ACA Group) were introduced in less than five years.

Also this time change was felt as imposed by the Finance Department, which had the power and the competencies to influence structures and systems thanks to the financial crisis (Appendix 3). As a consequence, the majority of people and groups were not convinced or committed to the new archetype ("Everything happened within the Finance Department…", "I accepted without reservation only because…"; Public Works manager). These uncoordinated pushes for change led towards a challenging pattern of interests (after ten years of accounting innovations, there was still a part of the organisation that was not actually affected by the changes) and a competitive pattern of value commitment (e.g. many employees did not attend the specifically arranged courses). Since the new accounting tools were not perceived as being useful for their own activities, departments did not take part in the change itself. Moreover, the power, still concentrated, shifted from the politicians to the CFO, thanks also to the new law requirements asking for greater managerial autonomy. The CFO and his Department controlled resources (see the training courses), decisions (the CFO imposed the change without previous consultation with the other departments) and meanings (being the only one with the required knowledge). This clashed with the old routines still promoted by the other groups.

Competing ideas fought each other without allowing a main approach to win. A similar pattern can be identified as far as technical capabilities are concerned: they were high and concentrated in the Finance Department, which was the only department to be able to suggest a solution and recover from the crisis. The other departments went on not understanding the rationale behind the change because they did not have the technical means and the power to manage it. Also the CFO's leadership was unclear, i.e. transactional and alternatively symbolic and substantive. He was, in fact, prompting change by both using his formal position (he imposed the change through the ACA Group and by financing other departments) and generating commitment through training courses (again as a form of exchange). This was not enough to generate radical change: the exchange logic, indeed, prevailed, putting the other Departments in the position of defenders against the unwanted centralised changes (see the "compensations" for the training courses and the introduction of SAP).

2000-2004. By 2000 Clio had reduced both the amount and the number of long-term borrowings, found new sources for financing investments and improved its capacity of recovery of cash receivables. Other LGs began considering Clio as a benchmark in adopting optimal accounting systems and the CFO was invited to conferences and lectures.

At the end of 2000, as programmed, the opportunities offered by ERP systems were presented to the Council, which approved the "SAP project", due to begin in 2001. Much attention was paid to publicising the new system to employees. Project goals, phases, methods and tasks were presented to the organisation by the ACA group members. This time users in the various departments agreed that the new system could actually lead to the diffusion of a managerial culture, focusing on cost control, efficiency and effectiveness and responsiveness. SAP was expected to contribute to both the improvement and diffusion of employees' skills and competencies and the creation of new professional profiles:

> The new system was also meant to increase the interaction between and within Departments and the diffusion of a process-oriented vision of the municipality, devolving activities from the Finance Department to others . . . Departments had to get involved and communicate their perspective (CFO).

In the end, most of the departments finally seemed happy with the resulting systems and eventually started taking part themselves in the change:

> Our municipality had become a pioneer. It obtained a favourable price even for the acquisition of the new SAP system [. . .] Things finally started working out! (General Services manager).

While ending the SAP implementation phase, in 2004, according to the CFO and his staff, "some new dark clouds were looming on the horizon again". They were, in fact, afraid of a worsening financial situation resulting from the Maastricht Treaty[7]:

> We warned everybody about new financial troubles! Sooner or later, other departments would realise the problems and decide to react [. . .] They would come to us and ask for help. And we'd be there with our recovery solutions! (CFO's assistant).

At the end of the third period, the Finance Department was already developing a recovery plan and thanks to the SAP reporting system, they had already foreseen how to react: spinning off transport and water supply services, reorganising the "Service to Citizens" Department, and closing public kindergartens.

In Clio many accounting tools (such new spending and procurement procedures, integrated accruals and cash-based accounting systems, SAP, etc.) were introduced as a consequence of he financial pressures and the necessity to conform to regulative forces, but they only vaguely affected the traditional bureaucratic archetype. The municipality started a change towards the adoption of managerial tools, but it remained in an intermediate category over a long period of time, where only formal structures and systems seemed to change, whereas actual behaviours and ideas remained the same. At the beginning of the new century, its prevailing interpretive scheme was still mostly stuck to the old bureaucratic archetype. Managerial accounting tools existed, but were not fully understood yet. Managerial ideas were just "something going on" in the Finance Department. Although in this last period something seemed to start changing gradually in terms of agreement with the managerial ideas and use of the new systems, behavioural change had not occurred. The pace of change was again evolutionary (only the SAP system was slowly and partially introduced). The final destination of Clio's accounting change remained uncertain.

In this period, Clio was still characterised by what has been defined as a challenging pattern of interests and a competitive pattern of value commitment (see the factors categorisation in Appendix 3), where different groups showed different attitudes towards the managerial ideas put forth. Most groups became increasingly satisfied with the new managerial tools and values, as a consequence of the strong communication strategy put in place for SAP and because they started appreciating positive effects on the management of their activities as well ("Things finally started working out!"; General Services manager). In contrast, the CFO and his staff were only moderately satisfied with the advantages brought about by the new accounting innovations. They started pushing for new changes even before the others could realise the first wave of reform (see the new recovery plan). Similarly, people's commitment was still wavering between the bureaucratic and the managerial values. The CFO, in particular, was the one continuously trying to add new blocks to the managerial systems already put in place. This was perceived by some departments as a source of instability in the process of change. Different timing and uncoordinated efforts represent the main hindrance to change characterising all the three periods under study. Along all the periods Clio also kept concentrated power dependencies, which, in contrast to Calliope, did not help change. This was probably due to its combination with concentrated technical capabilities and transactional symbolic leadership, which absorbed change only within the Finance Department (more directly involved in the introduction of the new systems). Only in this last period did technical capabilities start to increase (as a consequence of the repeated training courses) and this led to the increased recognition that new tools could actually be useful for cost control and efficiency, effectiveness and responsiveness. The CFO's leadership, however, remained transactional and alternatively symbolic and substantive: on the one hand, he exploited his position to persist in the introduction of innovations (e.g. the "SAP project") and legitimate himself; on the other hand, this time he tried to involve other Departments ("The new system was also meant to increase the interaction"; CFO). Moreover, the CFO felt stronger and stronger thanks to the fame his municipality was gaining throughout the country as a consequence of his experimentations. At the end of the 15 years, he was still standing alone on the path of change.

7. The process of accounting change: an archetypal view

In the following subsections, we propose a possible explanation of the different outcomes of accounting change achieved by the two LGs in the light of archetype theory. In particular, we look at how similar external factors have been filtered and have interacted with different intra-organisational dynamics. For each subsection, we discuss their dynamic interactions and how these affect radical accounting change.

Environmental factors affecting change

Although in presence of common regulative, normative and cognitive pressures, the two LGs achieved different final outcomes and paces of accounting change. In both cases, the regulative pressures represented the first and fundamental factor for triggering both radical and incremental change. the law was able to directly affect the introduction of new structures and systems (e.g. accrual accounting, executive budget, control systems, etc.), but alone it did not influence the diffusion and understanding of the related ideas and values. Regulative pressures are thus only enablers of change, while they are not sufficient to ensure that radical accounting change will take place.

Besides regulative pressures, normative and cognitive ones were present and high in both LGs in terms of participation in networks and competition to become best practices. During the second half of the 1990s, both Calliope and Clio became known in the LG field and were selected to take part in "best practice projects" and "excellence awards" promoted by the Italian Central Government. In particular, Clio was the first Italian municipality to adopt a SAP system for bookkeeping: it was recognised as an innovator and new systems and structures were introduced, but this was not enough to finally reach radical change. Calliope, on the opposite, showed that such pressures can represent an opportunity for radical change, although they are not a sufficient condition (e.g. all interviewees in the Province recalled that they perceived the importance of issues such as efficiency, effectiveness and customer satisfaction at the moment of change, although they expressed different levels of agreement with them). Consistent with the existing literature, this strengthens the idea that while normative forces impact more on "how" change takes place (Brignall and Modell, 2000; Soin *et al.* 2002; Christensen, 2005), cognitive ones impact more on "whether" it is actually adopted and translated at the organisational level (Vaivio, 1999; Vamosi, 2000; Broadbent *et al.* 2001), i.e. whether it affects both structures and systems and interpretive schemes.

Finally, some differences in organisational size and market pressures (i.e. financial performance) have to be noticed. Calliope Province was larger, in terms of number of employees, than Clio Town. Increasing size is supposed to make organisations more formalised (Lawrence and Lorsh, 1967; Pugh *et al.*, 1969). Recent organisational studies linking size to change show that smaller organisations are more flexible and thus are able to adapt to changing environments thanks to flatter and faster structures (Pasmore, 1994; Bloodgood, 2006). In contrast, the routinisation of activities in bigger organisations is considered one of the major sources of resistance to change (Kelly and Amburgey, 1991; Amburgey *et al.*, 1993). Moreover, larger organisations can be less motivated to change because of their higher perception of legitimacy and authority (Pfeffer and Salancick, 1978). Also, accounting studies show that as an organisation becomes larger the need for rules, specialisation of functions, hierarchies and decentralisation increases (Child and Mansfield, 1972; Chenhall, 2003). This enhances

complexity by increasing control sophistication and formalised procedures (Khandwalla, 1977; Bruns and Waterhouse, 1975). They thus tend to limit innovation and flexibility in structuring the organisation. In our two cases, the different sizes, however, do not explain why it is the larger and more complex organisation (Calliope Province) that actually managed to change. Indeed, this is contrary to what would be expected. Over the period under study, moreover, neither organisation experienced jolts in the relative size as a trigger of change. Instead, the number of employees remained substantially the same.

Similarly, organisations with an increasing performance or which do better than expected are considered to be less likely to engage in change (Prahalad and Bettis, 1986; Bloodgood, 2006). On the opposite, poor organisational performance is considered a market pressure that motivates change in order to stop the decline (Boeker and Goodstein, 1991; March and Simon, 1958; Kiesler and Sproull, 1982). Also in this case, the two organisations showed outcomes of change divergent from what expected, since it was the richer and more stable one to radically change, while Clio, with lower financial performance and more uneven internal power distribution (both pushing for change), changed only incrementally. Financial pressures had the effect to push towards a search for higher efficiency and a reduction in expenditures mainly achievable through new (though simple) accounting tools. This was not enough, however, to finally reach radical change. The explanation for the final outcome of change in the two cases has to be supplemented by other factors.

We explore possible alternative explanations of the different final outcomes of change drawing on archetype theory. This provides a comprehensive lens to read change since other factors, such as power, resources, and resistance to change, are also incorporated by taking into account people's interest, commitment and power in the process of change.

Intra-organisational factors affecting change

Environmental pressures are not sufficient to provide an explanation for the resulting outcomes of change (radical or incremental) and their pace. The two cases highlighted that also the interaction among intra-organisational factors has to be considered in order to understand the achievement of a radical and revolutionary change, like in Calliope. In both cases a concentrated power (in the CEO and some Departments in Calliope and in the CFO in Clio) helped introduce new tools and structures, at least formally. Concentrated power, indeed, allowed identifying a clear champion who became the reference point (also for technical advice) for those who wanted to implement the new changes. Power over new managerial meanings, in particular, revealed to be fundamental to start the diffusion of new ideas and increase others' commitment. This was the case in Calliope's early experimentations in the 1990s. A similar pattern was followed by its CEO afterwards. High and concentrated power dependencies in those supporting and introducing change, then, play a major role in fostering the achievement of radical change at the organisational level. It has to be noticed that this finding contrasts with previous archetype literature (Hinings and Greenwood, 1988; Greenwood and Hinings, 1996), which observed that concentrated/intermediate patterns of power lead only to incremental change.

Also, technical capabilities are a relevant factor to be considered. In Calliope Province decentralised and dispersed capabilities fostered radical change. Training

courses and frequent meetings, in particular, were recalled as the means helping new ideas and capabilities to spread. This directly affects the achievement of radical accounting change, since it concerns the understanding of the managerial ideas, the adoption of the new related behaviours and the final actual use of the new systems and tools. Previous archetype literature considers only the level of technical capabilities (Hinings and Greenwood, 1988; Greenwood and Hinings, 1993, 1996). However, in predicting radical change, not only should the degree of technical capabilities be considered, but also their level of diffusion. We found, in fact, that the extent of dispersion was what really differentiated the capability patterns in the two cases. In Calliope more dispersed technical capabilities led to radical change, while in Clio concentrated technical capabilities fostered only incremental change, since they did not change behaviours and beliefs as a whole.

Also, when leadership is built upon substantial personal characteristics (such as openness, availability to discuss with others, etc.) and abilities to involve and commit people, accounting change becomes smoother and quicker. This represents, indeed, an effective way of sharing ideas and spreading new approaches throughout the organisation. In Calliope substantial transformational leaders were also legitimised in terms of knowledge and ownership of the new meanings and systems.

Finally, in Clio Town the presence of competitive value commitment fostered a cosmetic incremental change where only a few people owned the relevant technical capabilities, and virtually all power dependencies remained concentrated. Departments' disagreement with the new values (i.e. status quo versus reformative commitment) brought uncoordinated efforts and competing pushes, heading in different directions. Reformative commitment was present throughout all the periods only in the Finance Department, which also concentrated technical capabilities and formal power. This, again, restricted the change to only a small group of people, who actually absorbed it. There were only a few "owners" of the change who were committed to the ongoing reform, and their power hinged mainly on formal and hierarchical reasons (further strengthened by regulative and market pressures). They were unable to commit others to change. In contrast, in Calliope Province there was commitment towards the new values and people had a strong feeling of self-involvement (as the manager of the Environment Department recalled). This was possible also thanks to the clear initial power configuration (made strong by the CEO's ownership of the new meanings), the substantive and transformational leadership and the diffused technical capabilities. They initiated a self-reinforcing cycle, where the positive results of change were seen and communicated across departments. People had the knowledge and the capabilities to understand and try to further improve new accounting systems and structures (like in the third period).

The combination of concentrated power and concentrated technical capabilities in a limited group of persons (like in Clio Town) can be paralleled to the idea of "specialised work groups"[8]. Such groups filter environmental disturbances; they ensure that systems are in place to provide leadership for the organisation as well as direction for the full expression of the values and interpretive schemes (de Board, 1978). In Clio Town, during the first period, the Finance Department took on the features of an absorbing group, allowing the municipality to recover from its bad financial position and to maintain its old habits and interpretive schemes by simply changing formal structures and systems (incremental change). Over time, the Finance Department

strengthened its role as the "absorber" of external constraints and pressures. This could help explain a gradual shift towards a "colonising" role. In the last years, in fact, the Finance Department started to influence not only managerial innovations at the structure and systems level, but also a departure from the old bureaucratic interpretive scheme and a coming closer to managerial culture and values.

The organisational filtering of environmental factors affecting change

The two cases show that the combination of environmental and intra-organisational factors (more than the factors alone) can help explain and differentiate the outcomes and paces of accounting change over time. In both LGs changes were prompted by external factors, consisting mainly of market forces (financial stress) and regulative pressures (central government's laws). Organisational filtering by internal factors finally shaped the divergent effects in the two entities, explaining the dynamics and patterns identified before. In Clio, in particular, the necessity of change due to financial pressures was perceived only by the Finance Department and hardly diffused across the organisation (which rather saw it as an imposition). In this case, the uneven concentration of power within the department, the high concentration of capabilities and the hierarchical transactional leadership, all initially derived from the need to recover from the financial crisis. This configuration of internal dynamics filtered the external market pressures finally hindering radical change, contrary to what expected from the theory (Boeker and Goodstein, 1991; Bloodgood, 2006). Change in accounting structures and systems was introduced (e.g. new spending and procurement procedures, and integrated accrual accounting systems), but it was not followed by a revision at the interpretive scheme level. Strong financial pressures can then offset possible positive effects of intra-organisational dynamics, i.e. only incremental accounting change occurs. In contrast, as discussed in the previous subsection, where the financial performance was good (see Calliope), the external legitimisation provided by law did not concentrate technical capabilities and allowed a more transformational and negotiated leadership.

8. Conclusions

This paper aimed to explain the different results of accounting change achieved by organisations in the presence of similar environmental pressures. In order to overcome some of the limits of the previous literature, we adopted the archetype framework as a comprehensive conceptual lens. Our results highlight the interplay between environmental and intra-organisational dynamics and its effect on the final outcome of accounting change. Focusing on two by two relationships between single variables is not enough to explain change. Rather, the interaction among multiple variables at play has to be considered.

Our theoretical contribution is threefold:

We contribute to accounting change studies by adopting an approach, i.e. archetype theory, that has been mostly under-utilised in the past (for an exception, see Windels and Christiaens, 2006). Through this, we were able to show that different outcomes and paces in processes of accounting change cannot be fully explained by environmental pressures; nor do differences in relative size and financial performance come to the rescue. In contrast, the consideration of how external pressures are filtered by organisations is fundamental. Intra-organisational dynamics, more than external ones

by themselves, contribute to explain practice variations at the organisational level. This allows sense to be made of accounting change beyond the traditional new-institutional limits of isomorphic behaviour. The adoption of archetype theory, moreover, allows us to overcome some of the limitations of previous studies by considering accounting change at two levels of analysis – i.e. structures and systems – and interpretive schemes within certain institutionalised archetypes. It also helps the identification of accounting change, distinguishing between its outcome (radical versus incremental) and pace (evolutionary versus revolutionary).

Second, we better specify the classic archetype framework by highlighting the importance of taking into consideration the level of dispersion of technical capabilities within an organisation during the process of change. Moreover, in contrast to previous archetype studies (Hinings and Greenwood, 1988; Greenwood and Hinings, 1996), we found that concentrated power can actually help radical change happen by identifying a clear champion of change, responsible for the whole process. Third, by studying a particular setting characterised by high regulative pressures and strong legal institutions, we point out some relevant factors that are likely to influence accounting change in LGs. Furthermore, we better specify the bureaucratic and managerial archetypes (Hinings and Greenwood, 1988; McNulty and Ferlie, 2004; Hammerschmid and Meyer, 2005) between which the NPM reforms required a shift in the LG field, keeping the particular perspective of accounting structures and systems.

From the analysis some implications for practitioners emerge. First, in order to start and support accounting change it is important to take into consideration both environmental and intra-organisational stimuli. It is important to study their interaction by developing a "map" of internal and external factors as a starting point for choosing the most suitable strategy of change. Regulation and financial stress can be an "external justification" for change. However, they cannot be sufficient in ensuring and impacting on organisational interpretive schemes. It is their filtering through intra-organisational factors that impacts on the possibility to achieve an archetypal change. More specifically, concentrated power and dispersed capabilities will be necessary to change structures and systems, but interests and value commitment are fundamental to ensure that radical accounting change can take place.

Some specific observations can be also made regarding public sector reforms. Reforms often tend to be introduced in a top-down fashion, with a strong focus on the adoption of new regulations and scant attention towards their actual implementation. Our analysis showed that new laws can be useful in prompting a "cosmetic" change in structures and systems, but there is also a risk that they do not translate into an archetypal change. Policy makers should try to influence internal conditions by using institutional and market leverages. They should follow the process of reforms implementation and resort to experimentations, training and best practice networks in order to impact on commitment, internal capabilities and diffusion of competencies, which facilitate change.

Of course, this paper is not without limitations. Given the long-time perspective needed for the reconstruction of events, only managers (those with a longer tenure) were interviewed. In order to face these issues and strengthen the credibility (Lincoln and Guba, 1985; Trochim and Donnelly, 2006; Patton, 2002) of the study we explicitly relied on the triangulation of methods (Patton, 2002, Flick, 2002). The use of archetype theory has some limitations as well. While it is able to account for uneven change at the

organisational level, in fact, it is not able to analyze how more sector-specific institutions undermine management restructuring (Kirkpatrick and Ackroyd, 2003). Moreover, it is a functional theory because it draws on a final performance evaluation of the change itself, where negotiation is necessary in order to implement and achieve it. Mueller *et al.* (2003) suggest modifications to the classical archetype theory, which lends too much weight to the role of a dominant interpretive scheme. In particular, they discuss whether in pluralistic organisations the idea of a dominant interpretive scheme is still relevant. They suggest that contestation is a more helpful concept where ongoing conflicts between different interpretive schemes are possible (see Cooper *et al.*, 1996). Also Malhotra and Hinings (2005) propose that change may not be a replacement of one archetype by a completely new one. Some conditions and specifications of archetype theory might be relaxed by further studies on accounting in order to better address these limitations.

Our results also call for further developments through the enlargement of the empirical analysis to other organisations, fields and countries. Our study showed the importance of considering the combination of environmental and intra-organisational factors affecting change and their reciprocal influences, not only from a static perspective, but also from a dynamic point of view. Further unexplored issues are related to the study of the bidirectional interaction between internal dynamics and external pressures and the way in which the process itself can shape accounting change results.

Notes

1. The concept of incremental change recalls the idea of "first order" change (Laughlin, 1991; Broadbent, 1992), which involves shifts in managerial arrangements and organisational tangible systems in such a way that the interpretive schemes remain largely untouched and undisturbed. Radical change, instead, can imply the idea of "second order" change, where major shifts occur in the core value systems or "interpretive schemes" of the organisation (Bartunek, 1984; Laughlin, 1991; Broadbent, 1992).
2. The General Services Department was responsible for the provision of both direct and indirect services, such as personnel management, public library, social services, local peace officers, etc. Given the small size of the municipality, all existing departments were interviewed.
3. It is not in the authors' intention to give a value judgement about the process and the content of change the two organisations were attempting. The outcome of change is only defined with respect to the attempted managerial change they were claiming.
4. The executive budget is an analytical cash- and obligation-based document approved by the Cabinet and detailing revenues and expenditures. Each manager is required to communicate to the Finance Department the following-year's annual objectives, expected revenues and expenditures to be added into the organisational Executive Budget. The Finance Department has the task to aggregate them consistently and to derive from them the Legislative Budget of the whole LG.
5. Calliope, the "Fair Voiced", is the muse of epic poetry and is seen holding a writing tablet in hand, sometimes seen with a roll of paper or a book, and crowned in gold. Clio, the "Proclaimer", is the muse of history and is often seen sitting with a scroll and accompanied by a chest of books. Both names (and muses) have been chosen to represent the narrative of the unfolding of events.

6. The amount of tax evasion is considered because of its negative effect on the municipality's amount of revenues and overall financial equilibrium.
7. The Maastricht Treaty led to the introduction of the euro as a common European currency. It also defined the current structure of the European Union as made up by the European Community, the Common Foreign and Security Policy, and Justice and Home Affairs. In order to enter the European Union, specific targets were set regarding governments' deficit and debit stock.
8. These groups with an "absorbing role" (defending the value-base and continuity of the group/organisation, and, thus, weakening pressures towards the adoption of new archetypes), have been studied by Laughlin (1991) and Broadbent (1992). These authors also show that over time such groups can become "colonising", i.e. they diffuse new values and meanings and contribute to the transition to new archetype.

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Appendix 1

Factor	Definition and categories	Assessment criteria	Interview textual example	
			Calliope Province	Clio Town
Outcome of change (Hinings and Greenwood, 1988; Greenwood and Hinings, 1993; Greenwood and Hinings, 1996)	Shift in ideas, beliefs and values that shape prevailing conceptions of what an organization should be doing (domain), how it should be doing it (principles of organizing) and it should be judged (evaluation criteria), combined with structures and processes that serve to implement and reinforce those ideas Incremental change: organizations modify their structures and systems in a way that is consistent with the existing archetype Radical change: organizations shift both structures and systems and values and ideas from an existing archetype to a new one Evolutionary change: slowly and gradual Revolutionary change: swift and affecting virtually all parts of the organization simultaneously	Radical change: - Actual use of new accounting tools - Decision making criteria for evaluating complex activities drawing on bureaucratic (local administration, constitutive role of legitimacy, hierarchical bureaucratic control system, focus on formal procedures, budgetary accounting, etc.) vs. managerial principles (administration as service provider, performance-driven legitimacy, decentralized control systems, focus on processes, outputs and outcomes, managerial control systems, performance measurement, etc.) - Agreement with new managerial ideas Pace: count of the number of changes introduced and the number of years involved (small for evolutionary, big for revolutionary)	*"The new system allowed strengthening of both programming and control and performance evaluation, which were weak and focused mainly on inputs in the previous model. It was adopted by the whole organization and changed managers' behaviours in managing their Departments, making them more responsible and aware of what was going on"* (Internal Audit Office) – Radical change *"As time passed, we drew a positive evaluation of the overall process because we realized the possibility of managing the organization according to principles of effectiveness and efficiency... in the end almost all of the people in this organization agreed with the realized changes and saw the budget and the responsibility centres as the most important and positive innovations introduced during the Nineties ... After a short time these tools were perceived as fundamental for a good organizational management"* (Environment Department) – Radical change *"The decentralization of the audit function and the identification of the role of departmental controllers empowered the system. They allowed the organization to both systematize and gather fundamental information in a more precise way and disseminate the periodic budgetary guidelines more effectively. The final result was an increase in the overall knowledge about organizational activities as a whole.*	*"... we didn't feel any urgency to change"* (General Services Department) – Incremental change *"I accepted without reservation because everything was decided and financed by the CFO. Anyway, results were good and performances improved"* (Public Works Department) – Incremental change *"After ten years of introduction of accounting innovations, there was still a part of the organization which was not affected by the use of the new tools..."* (CFO) – Incremental change *"Everything happened within the Finance Department, we were not actually affected by their changes!"* (Public Works Department) – Incremental change

(*Continued*)

Figure A1.
Factor categorisation: some examples

Factor	Definition and categories	Assessment criteria	Interview textual example	
			Calliope Province	Clio Town
			This represented a further improvement towards the more efficient and effective model we had in mind" (Environment Department) – Radical change	
Patterns of value commitment (Hinings and Greenwood, 1988)	Status quo: widespread commitment to the existing set of values within the organization, problems are solved in terms of existing routines	- Most groups (in terms of number) prefer the existing archetype - The sponsor of change, if existing, is committed to the new archetype	*"The Province was still linked to the traditional bureaucratic model. It lacked both the adequate culture and motivation to change and the resources for improving management systems. It was thanks to the new laws that I took the chance to experiment. It's the fact that things are mandatory that makes them really happen!"* (CFO) – Indifferent	*"When the CFO decided to invest in information technology in my department, I immediately agreed because I needed hardware. All work was manual before. But I accepted without reservation because everything was decided and financed by the CFO. Anyway, results were good and performances improved"* (Public Work Department) - Competitive
	Indifferent: groups are neither committed nor opposed to prevailing and alternative ideas	- Most groups (in terms of number) do not express any preference - The sponsor of change, if existing, is committed with a new archetype		
	Competitive: some groups support the interpretive scheme in use, others prefer an articulated alternative originating in the institutional context	- Some groups (in terms of number) denote a preference with the existing archetype. - Some groups are promoters of a new archetype.	*"At the beginning there were three main groups really pushing for change: the Internal Audit Office, the Finance Department and the Human Resource Department. However, in the end almost all of the people in this organization agreed with the realized changes"* (CFO) - Reformative	
	Reformative: widespread commitment to an alternative organizational orientation is visible whereas the existing one is opposed	- All groups are in favour of the new archetype		
Patterns of interests (Lukes, 1974; Benson 1977 Walsh *et al.*, 1981)	Dominant	- Most groups (in terms of number) feel their interests satisfied or dissatisfied with the existing situation - The sponsor of change, if existing, is dissatisfied with the existing situation	*"What really made the difference was probably managers' openness to innovation. The few existing groups resistant to change were easily isolated. Also politicians sustained the process"* (Environment Department) - Dominant	*"When the CFO decided to invest in information technology in my department, I immediately agreed because I needed hardware. All work was manual before. But I accepted without reservation because everything was decided and financed by the CFO. Anyway, results were good and performances improved"* (Public Work Department) - Challenging
	Challenging	- Some groups (in terms of number) are satisfied with the existing diffusion of resources and values. - Some groups cannot satisfy their interests.	*"... There was a strong need for a higher integration of expertise in the organization. The Department, thus, decided to place itself in a more strategic position, aware of the local needs and the network of which we were part"* (Professional Education) - Dominant	
	Repressed	- Many groups (in terms of number) are dissatisfied with their interests. - Few organizational actors may be satisfied.		

(*Continued*)

Figure A1.

Factor	Definition and categories	Assessment criteria	Interview textual example	
			Calliope Province	Clio Town
Outcome of change (Hinings and Greenwood, 1988; Greenwood and Hinings, 1993; Greenwood and Hinings, 1996)	Shift in ideas, beliefs and values that shape prevailing conceptions of what an organization should be doing (domain), how it should be doing it (principles of organizing) and it should be judged (evaluation criteria), combined with structures and processes that serve to implement and reinforce those ideas Incremental change: organizations modify their structures and systems in a way that is consistent with the existing archetype Radical change: organizations shift both structures and systems and values and ideas from an existing archetype to a new one Evolutionary change: slowly and gradual Revolutionary change: swift and affecting virtually all parts of the organization simultaneously	Radical change: - Actual use of new accounting tools - Decision making criteria for evaluating complex activities drawing on bureaucratic (local administration, constitutive role of legitimacy, hierarchical bureaucratic control system, focus on formal procedures, budgetary accounting, etc.) vs. managerial principles (administration as service provider, performance-driven legitimacy, decentralized control systems, focus on processes, outputs and outcomes, managerial control systems, performance measurement, etc.) - Agreement with new managerial ideas Pace: count of the number of changes introduced and the number of years involved (small for evolutionary, big for revolutionary)	*"The new system allowed strengthening of both programming and control and performance evaluation, which were weak and focused mainly on inputs in the previous model. It was adopted by the whole organization and changed managers' behaviours in managing their Departments, making them more responsible and aware of what was going on"* (Internal Audit Office) – Radical change *"As time passed, we drew a positive evaluation of the overall process because we realized the possibility of managing the organization according to principles of effectiveness and efficiency... in the end almost all of the people in this organization agreed with the realized changes and saw the budget and the responsibility centres as the most important and positive innovations introduced during the Nineties ... After a short time these tools were perceived as fundamental for a good organizational management"* (Environment Department) – Radical change *"The decentralization of the audit function and the identification of the role of departmental controllers empowered the system. They allowed the organization to both systematize and gather fundamental information in a more precise way and disseminate the periodic budgetary guidelines more effectively. The final result was an increase in the overall knowledge about organizational activities as a whole.*	*"... we didn't feel any urgency to change"* (General Services Department) – Incremental change *"I accepted without reservation because everything was decided and financed by the CFO. Anyway, results were good and performances improved"* (Public Works Department) – Incremental change *"After ten years of introduction of accounting innovations, there was still a part of the organization which was not affected by the use of the new tools..."* (CFO) – Incremental change *"Everything happened within the Finance Department, we were not actually affected by their changes!"* (Public Works Department) – Incremental change

(*Continued*)

Figure A1.

Factor	Definition and categories	Assessment criteria	Interview textual example	
			Calliope Province	Clio Town
Outcome of change (Hinings and Greenwood, 1988; Greenwood and Hinings, 1993; Greenwood and Hinings, 1996)	Shift in ideas, beliefs and values that shape prevailing conceptions of what an organization should be doing (domain), how it should be doing it (principles of organizing) and it should be judged (evaluation criteria), combined with structures and processes that serve to implement and reinforce those ideas Incremental change: organizations modify their structures and systems in a way that is consistent with the existing archetype Radical change: organizations shift both structures and systems and values and ideas from an existing archetype to a new one Evolutionary change: slowly and gradual Revolutionary change: swift and affecting virtually all parts of the organization simultaneously	Radical change: - Actual use of new accounting tools - Decision making criteria for evaluating complex activities drawing on bureaucratic (local administration, constitutive role of legitimacy, hierarchical bureaucratic control system, focus on formal procedures, budgetary accounting, etc.) vs. managerial principles (administration as service provider, performance-driven legitimacy, decentralized control systems, focus on processes, outputs and outcomes, managerial control systems, performance measurement, etc.) - Agreement with new managerial ideas Pace: count of the number of changes introduced and the number of years involved (small for evolutionary, big for revolutionary)	*"The new system allowed strengthening of both programming and control and performance evaluation, which were weak and focused mainly on inputs in the previous model. It was adopted by the whole organization and changed managers' behaviours in managing their Departments, making them more responsible and aware of what was going on"* (Internal Audit Office) – Radical change *"As time passed, we drew a positive evaluation of the overall process because we realized the possibility of managing the organization according to principles of effectiveness and efficiency… in the end almost all of the people in this organization agreed with the realized changes and saw the budget and the responsibility centres as the most important and positive innovations introduced during the Nineties … After a short time these tools were perceived as fundamental for a good organizational management"* (Environment Department) – Radical change *"The decentralization of the audit function and the identification of the role of departmental controllers empowered the system. They allowed the organization to both systematize and gather fundamental information in a more precise way and disseminate the periodic budgetary guidelines more effectively. The final result was an increase in the overall knowledge about organizational activities as a whole.*	*"… we didn't feel any urgency to change"* (General Services Department) – Incremental change *"I accepted without reservation because everything was decided and financed by the CFO. Anyway, results were good and performances improved"* (Public Works Department) – Incremental change *"After ten years of introduction of accounting innovations, there was still a part of the organization which was not affected by the use of the new tools…"* (CFO) – Incremental change *"Everything happened within the Finance Department, we were not actually affected by their changes!"* (Public Works Department) – Incremental change

(*Continued*)

Figure A1.

Factor	Definition and categories	Assessment criteria	Interview textual example	
			Calliope Province	Clio Town
Normative pressures (Powell and Di Maggio, 1991; Scott, 2001)	Conceptions of the preferred and the desirable, standards for behaviour assessment, and norms which define legitimate means to pursue specific ends. They lead organisations' search for legitimacy by conforming to shared norms	LG's participation in specific networks and research projects	*"We decided to join the EMAS project for the environment. Environmental issue are becoming more and more important"* (Environment Department)	*"Thanks to its innovative accounting projects, Clio became known among all professionals. Some LGs contacted me to obtain help in improving their accounting systems. Our capabilities and innovative proposals had been recognized outside the walls"* (CFO)
Cognitive pressures (Powell and Di Maggio, 1991; Scott, 2001)	External cultural frameworks which shape internal interpretive processes and consists of the shared conceptions and meanings constituting the nature of social reality. Organisations imitate each other in an attempt to gain legitimacy, particularly in situations of uncertainty	LG participation in best practice awards and competitions	*"We've always been part of benchmarking initiatives. We aim at being the best on our territory. In 1995 we also entered a new benchmarking network with the local organizations"* (CEO)	*"Our municipality had become a pioneer. It obtained a favourable price even for the acquisition of the new SAP system..."* (General Services manager) *"Thanks to its innovative accounting projects, Clio became known among all professionals. Some LGs contacted me to obtain help in improving their accounting systems. Our capabilities and innovative proposals had been recognized outside the walls"* (CFO)
Market pressures (Hinings and Greenwood, 1988; Greenwood and Hinings, 1996)	Demand, service mix, financial equilibrium	Gains or losses shown by the LG's financial statement	-	-

Figure A1.

Appendix 2

Table AI.
Bureaucratic and managerial archetypes within the local government field

	Bureaucratic archetype	Managerial archetype
Interpretive schemes (Hinings and Greenwood, 1988; Borgonovi, 2005; Schedler, 2007)	Local administration Based on professional differentiation Professional practice defined by intra-jurisdictional professionals Public administration as a closed system Constitutive role of legitimacy Objectives selected in accordance with political rationality Neutral administrative activity, separated from politics	Service provider Based on the integration of professional activities Analytical appraisal by trans-jurisdictional management Public administration as an open system Performance-driven legitimacy Objectives selected also in accordance with economic and organisational rationality Administrative activity interacting with politics
Structures and systems (Hinings and Greenwood, 1988, Borgonovi, 2005, Pollitt and Bouckaert, 2000)	High differentiation and low integration Incremental resource allocation system Hierarchical bureaucratic control system Recruitment and promotion based on professional competence Internal organisation not tied to selected objectives Focus on formal procedures Formal evaluation, based on regulation	Modest differentiation and high integration Non-incremental resource allocation system Decentralised control system, reporting to the CEO Recruitment and promotion based on professional and managerial competence Internal organisation tied to selected objectives Focus on processes (input-output) Efficiency and effectiveness evaluation, linked to public needs
Accounting structures and systems (Borgonovi, 2005; Pollitt and Bouckaert, 2000)	Main purpose: to limit spending; to show compliance of actions with budget Basis: obligation and cash Focus: financial inputs Tools: budgetary accounting Centralised data gathering, information processing and use (Finance Officer) Finance Officer	Main purpose: to limit spending; to orient behaviours toward goal attainment Basis: obligation and cash, accrual Focus: financial and non financial inputs, outputs Tools: budgetary accounting, executive budget, accrual-based reporting, managerial control systems, performance measurement Decentralised data gathering, information processing and use; integrated accounting system Finance Officer and Controller

Appendix 3

	1990-1994	Factors configuration over time 1995-1999	2000-2004
Calliope Province			
Accounting structures and systems	Bureaucratic	Managerial	Managerial
Interpretive scheme	Bureaucratic	Managerial	Managerial
External pressures			
Regulative pressures	"Local Governments as service providers" (possibility to spin-off public services and new criteria for performance evaluation) From professionals' to managers' autonomy and accountability on inputs and outputs	New accounting and financial systems Re-configuration of internal control systems	–
Normative pressures	Reaction to "Tangentopoli" Diffusion of values of autonomy and accountability of managers through academic and practitioners' networks	Controllers and CEOs embody rational and managerial values Academics and practitioners start a debate on accrual-based versus obligation-based accounting	Debates on citizens' empowerment, involvement and participation Definition of accounting standards for the public sector
Cognitive pressures	Diffusion of managerial models through academic, practitioners' and LGs' networks Influence by private sector managerial models Competition with other LGs to gain legitimacy	Diffusion of managerial and accounting models through academic, practitioners' and LG's networks Influence by private sector managerial models Competition with other LGs to gain legitimacy	Diffusion of voluntary external comprehensive performance reporting and strategic control tools (such as balanced scorecards) through academic, practitioners' and LG's networks Influence by private sector managerial models Competition with other LGs to gain legitimacy
Market pressures			
Intra-organisational dynamics	No history of financial stress		

(*continued*)

Table AII.
Calliope and Clio: case development and patterns

Table AII.

	Factors configuration over time		
	1990-1994	1995-1999	2000-2004
Interest satisfaction	Dominant: Most groups are highly satisfied with the existing archetype. Some managers are experimenting accounting innovations autonomously (CFO and manager for professional education)	Dominant: Most groups are highly satisfied with the new incoming managerial archetype. Managers are convinced the new values and accounting tools will establish a more advantageous situation	Challenging: The original group of sponsors of change is satisfied with the new implemented archetype. Some groups are moderately dissatisfied with it
Value commitment	Indifferent: Most groups do not express preference. The few sponsors of change (the CFO and the manager of professional education) are partially committed to the new emerging values (and accounting tools)	Reformative: Most groups share the aims and contents of the new managerial archetype	Competitive: The original group of sponsors of change defends the new introduced tools. Other groups assume a more critical position and try to promote new emerging tools and ideas
Power dependencies	Dispersed: Managers are autonomous in deciding and invest in new accounting innovations. Politicians have formal veto power on experiments	Concentrated: All powers are concentrated in the CEO and his staff. He uses decision processes and meanings generation to promote change into the organisation	Dispersed: Managers gain more autonomy. The CEO's staff and the audit office resist against a possible reorientation of the system
Capabilities	High and concentrated in those departments experimenting with changes Substantive and transormational leadership of the CFO and the manager of professional education	High and dispersed: High competencies are owned by the CEO, his staff and senior managers. Skills have been diffused in the organisation by training programs Substantive and transormational leadership of the CEO	Moderate and dispersed knowledge and skills on the new archetype Symbolic and transactional leadership: Leadership is questioned. The former sponsors of change play a symbolic role and hardly generate commitment. He negotiates with the new leading groups asking for changes

(*continued*)

	1990-1994	Factors configuration over time 1995-1999	2000-2004
Clio Town			
Accounting structures and systems	Bureaucratic	Managerial	Managerial
Interpretive scheme	Bureaucratic	Bureaucratic	Wannabe managerial
External pressures			
Regulative pressures	"Local Governments as service providers" (possibility to spin off public services and new criteria for performance evaluation) From professionals' to managers' autonomy and accountability on inputs and outputs	New accounting and financial systems Re-configuration of internal control systems	–
Normative pressures	Reaction to "Tangentopoli" Diffusion of values of autonomy and accountability of managers through academic and practitioners' networks	Controllers and CEOs embody rational and managerial values Academics and practitioners start a debate on accrual-based versus obligation-based accounting	Debates on citizens' empowerment, involvement and participation Definition of accounting standards for the public sector
Cognitive pressures	Diffusion of managerial models through academic, practitioners' and LGs' networks Influence by private sector managerial models Competition with other LGs to gain legitimacy	Diffusion of managerial and accounting models through academic, practitioners' and LG's networks Influence by private sector managerial models Competition with other LGs to gain legitimacy	Diffusion of voluntary external comprehensive performance reporting and strategic control tools (such as 'balanced scorecards) through academic, practitioners' and LG's networks Influence by private sector managerial models Competition with other LGs to gain legitimacy
Market pressures	Bankruptcy risk in 1990s	Financial recovery	New financial problems due to service cost coverage

(*continued*)

Table AII.

Table AII.

	1990-1994	Factors configuration over time 1995-1999	2000-2004
Intra-organisational dynamics			
Interest satisfaction	Dominant: Most groups are moderately satisfied with the existing archetype because they are facing fiscal and financial constraints. The sponsor of change, the new CFO, is totally dissatisfied with the existing situation	Challenging: Most groups are moderately dissatisfied with the new incoming managerial archetype which threats the existing distribution of advantages. The CFO is both dissatisfied with the existing archetype and with the new changes introduced	Challenging: Most groups are increasingly becoming satisfied with the new incoming managerial tools and values, but interests on resources and decision processes are not yet fully satisfied. The CFO and his staff are moderately satisfied with the advantages brought about by accounting innovations
Value commitment	Indifferent: Most groups are indifferent to the new archetype. The CFO is the main supporter of the new managerial archetype	Competitive: Some groups are still committed to the previous archetype. The CFO tries to diffuse the new interpretive schemes	Competitive: Some groups are still embedded in the previous bureaucratic archetype. The CFO goes on investigating the managerial archetype
Power dependencies	Concentrated: Power is mainly held by politicians	Concentrated: Power has shifted from politicians to the CFO. The CFO has control on resources and decisions (adopted with politicians) and meanings, but only within the Finance Department	Concentrated: The CFO has control on resources and decisions
Capabilities	High and concentrated in the Finance Department Symbolic and transactional leadership: The CFO prompts change thanks to his formal position. His only counterparts are politicians	High and concentrated in the Finance Department Alternatively symbolic and substantive/transactional leadership: The CFO prompts change by using either his formal position or generating commitment. The counterparts are the other managers. The style of leadership is mostly transactional	Moderate and slightly dispersed at organisational level. In the Finance Department they are still high Alternatively symbolic and substantive role and transactional leadership: The CFO prompts change by using either his formal position or generating commitment The style of leadership is mostly transactional