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Accounting for Competition, Governance and Accountability During Institutional Change in Not-for-profit and Public Sector Organisations



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profit and Public Sector Organisations**

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Academic dissertation

To be presented, with the permission
of the School of Business and Economics at
Åbo Akademi University, for public defence

Opponent is Professor Giuseppe Grossi at
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Åbo Akademi University
Åbo, 2013

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Published by Jean Claude Mutiganda
Åbo Akademi University
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Henriksgatan 7, FI-20500
Turku, Finland
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Printed in Finland by Painosalama Oy, 2013
ISBN 978-952-12-3002-8

Acknowledgements

The studies in this thesis were carried out at the School of Business and Economics of Åbo Akademi University, Turku – Finland. I wish to give a special thank you to Professor Lars G. Hassel, as my supervisor, co-author and mentor. He encouraged me to go extra miles necessary on the road of excellence in critical accounting research. He inspired me and showed me the way to do research and to write for successful publication in international accounting journals. Thank you, Dr. Arne Fagerström, as my supervisor and co-author. He encouraged me to do research contributing to theory development and accountability with relevant implications for practitioners and policy makers. Thank you, Professor Gary Cunningham, for proofreading and commenting my research articles and for introducing me to critical analysis of my own research. Thank you, Professor Jan-Åke Törnroos, Professor Bengt Kristensson Uggla, Dr. Benita Gullkvist, Ms. Åsa Jakas and Dr. Barbro Schauman, for your methodological inspirations and encouragements.

I also want to thank research colleagues around the world for their insightful and encouraging suggestions to improve my research studies. A special thank you goes to Professor Christopher S. Chapman, Professor Michael D. Shields, Professor Wai Fong Chua, Professor Irvine Lapsley, Professor Kenneth Merchant, Professor Kari Lukka, Professor Markus Granlund, Professor Juhani Vaivio, Professor Teemu Malmi, Professor Frank Moers, Professor Einar Håkner, Professor Sikka Prenn, Professor Ricardo Morrais, Professor Frank Hartmann, Professor Shahzad Uddin, Professor Aihie Osankhoe, Professor Janne Järvinen, Professor Kerry Jacobs, Dr. Eelko K.R.E. Huizingh, Honorary Associate Professor Linda English, Associate Professor Ileana Steccolini, Dr. Kelum Jayasinghe, Dr. Evariste Habiyakare, Mr. Glen Grant, Mr. Marcus Prest and Ms. Nina Ostman-Tylli.

Professor Jane Broadbent and Professor Giuseppe Grossi were appointed as pre-examiners of this thesis. I thank you for your constructive comments and suggestions for further research.

I am grateful to persons and organisations who supported the studies in this thesis practically and financially. As special thank you to the Rector of Åbo Akademi University, the research foundation of Åbo Akademi University, the School of Business and Economics at Åbo Akademi University, Professor Lars G. Hassel and the Finnish Cultural Foundation. I also recognise and express my deepest gratitude to Dr. Hannu Pajunmpa, Dr. Stig Rosengård, Mr. Peter Kankkonen, Mr. Göran Jansson and Ms. Birgitta Kangas. Special thanks to all persons and organisations that participated in the empirical part of the studies in this thesis and the staff of the library at the School of Business and Economics of Åbo Akademi University. Thank you, Ms. Fiona Crawford, for your excellent work in editing this thesis.

I am grateful to my parents, parents-in-law, family relatives and friends for being there and helping with practical issues.

Above all, I thank my wife Catherine. She is a great friend and lovely spouse. She has always been there helping, praying, waiting for and backing me up through out the entire research process. Thank you *älskling*, I love you! I also thank our kids, Carlene, Clarine, Carsten and Chris for being wonderful.

This has been an interesting, demanding and rewarding experience. I made it by the grace of the One who fortifies me. Glory to Him forever and ever.

Kokkola, December 2013

Jean Claude Mutiganda

Abstract

Purpose

The aim of this thesis¹ is to analyse theoretically how institutionalisation of competitive tendering², governance and budgetary policies cannot be taken for granted to lead to accountability among institutional actors³. The nature of an institutionalised management accounting policy, its relevance as a source of power in organisational decision making, and in negotiating inter-organisational relationships, are also analysed.

Practical motivation

The practical motivation of the thesis is to show how practitioners and policy makers can institutionalise changes which improve the power of management accounting and control systems⁴ as a mechanism of accountability among institutional actors and in negotiating relationships with other organisations.

Theoretical motivation and conceptual approach

The theoretical motivation of the thesis is to extend the institutional framework of management accounting change proposed by Burns and Scapens (2000) by using the theories of critical realism, communicative action, negotiated order and the framework of circuits of power. The Burns and Scapens framework needs further theorisation to analyse the relationship between the institutionalisation of management accounting and accountability; and the relevance of management accounting information in negotiating in inter-organisational relationships.

Methodology and field studies

Field research took place in public and not-for-profit health care organisations and a municipality in Finland from 2008 to 2013. Data were gathered by document analysis, interviews, participation in meetings and observations.

Findings

The findings are explained in four different essays that show that institutionalisation of competitive tendering, governance and budgetary policies cannot be taken for granted to lead to accountability among institutional actors.

¹ The term 'thesis' is used to refer to this doctoral research project as a whole. The term 'study' is used to refer to each essay or part thereof.

² Competitive tendering is a procurement method to outsource goods and services. For further details, see: Bergman, M. A. and S. Lundberg (2013), 'Tender evaluation and supplier selection methods in public procurement'. *Journal of Purchasing and Supply Management*, Vol. 19, No. 2, pp. 73-83.

³ This thesis uses the term 'institutional actors' to refer to persons who are involved in the institutionalisation of a specific management accounting change policy.

⁴ Management accounting and control systems are accounting based mechanisms that organisations use to motivate, influence and control actions and conduct of stakeholders such as employees, managers and customers. For further details, see: Macintosh, N. B. and P. Quattrone (2010), *Management accounting and control systems: An organizational and sociological approach*, 2 edn., (J. Wiley., New York).

The ways by which institutional actors think and act can be influenced by other institutional mechanisms, such as inter-organisational circuits of power and intra-organisational governance policies, independent of the institutional change process. The relevance of institutionalised management accounting policies in negotiating relationships between two or more organisations depends on processes and contexts through which institutional actors use management accounting information as a tool of communication, mutual understanding and power.

Research limitations / implications

The theoretical framework used can be applied validly in other studies. The empirical findings cannot be generalised directly to other organisations than the organisations analysed.

Practical implications

Competitive tendering and budgetary policies can be institutionalised to shape actions of institutional actors within an organisation. To lead to accountability, practitioners and policy makers should implement governance policies that increase the use of management accounting information in institutional actors' thinking, actions and responsibility for their actions. To reach a negotiated order between organisations, institutionalised management accounting policies should be used as one of the tools of communication aiming to reach mutual agreement among institutional actors.

Keywords

Accountability, Budgeting, Ceremonial, Circuits of power, Competitive tendering, Governance, Institutional change, Instrumental, Management accounting, Negotiated order, Health care, Public sector organisations

Abstract in Swedish

Avhandlingens syfte

Syftet med avhandlingen är att analysera om en institutionalisering av konkurrensutsatt upphandling, förvaltarstyrning och riktlinjer för budgetering kan leda till ökat redovisningsansvar bland institutionella aktörer inom hälsovårdssektorn. Avhandlingen granskar också hur relevant institutionaliserad ekonomistyrningsinformation är i rådande maktstrukturer när beslut fattas inom organisationer och i affärsförhandlingar mellan organisationer.

Teoretiska motiv

Den teoretiska motiveringen för avhandlingen är utveckla Burns och Scapens (2000) institutionella ramverk för conceptualisering av förändring inom ekonomistyrning genom att använda teorier om 'critical realism', 'communicative action', 'negotiated order' och 'framework of circuits of power'. Burns och Scapens ramverket kompletteras med en mera bredare och mera ingående teoretisk analys för att granska förhållandet mellan institutionaliserad ekonomistyrning och redovisningsansvar för att förstå den relevans ekonomistyrningsinformation har i affärsförhandlingar mellan organisationer.

Praktiska motiv

Avhandlingen vill visa för ledningen i organisationer inom sjukvård och för politiska beslutsfattare med förvaltaransvar hur förändringar kan institutionaliseras för att stärka effekterna av ekonomistyrnings- och kontrollsystem i syfte att förtydliga redovisningsansvar för institutionella aktörer och i affärsrelationer med andra organisationer.

Datainsamling

Fältstudierna genomfördes i offentliga och icke vinstdrivande hälsovårdsorganisationer och en kommun i Finland under perioden 2008-2013. Informationen samlades genom dokumentanalys, intervjuer, deltagandet i möten och personliga observationer.

Resultat

Resultaten redogörs i fyra olika uppsatser. Uppsatserna visar att det inte är givet att institutionalisering av konkurrensutsättning, förvaltarstyrning och riktlinjer för budgetering leder till tydligare redovisningsansvar bland institutionella aktörer. Sättet på vilka institutionella aktörer tänker och agerar kan påverkas av andra institutionella mekanismer, såsom maktförhållanden inom organisationer och olika förvaltnings seder mellan organisationer, vilka kan vara oberoende av den institutionella förändringsprocessen. Relevansen av institutionaliserade riktlinjer för ekonomistyrning i affärsförhandlingar mellan två eller flera organisationer beror på processer och kontexter genom vilka institutionella aktörer använder ekonomistyrningsinformation som ett verktyg för kommunikation, ömsesidig förståelse och maktutövande. Det teoretiska ramverket som avhandlingen utvecklat kan tillämpas i andra typer av organisationer för att se om de empiriska resultaten kan överföras till andra sammanhang.

Praktiska implikationer

Konkurrensutsättning och riktlinjer för budgetering inom offentliga organisationer kan institutionaliseras för att påverka hur institutionella aktörer agerar inom sina organisationer. För att leda till tydligare redovisningsansvar borde ledningen och beslutfattare inom hälsovården implementera förvaltarstyrning som stärker användningen av ekonomistyrningsinformation i sina verksamheter. För att lyckas i affärsförhandlingar mellan organisationer, bör institutionaliserade riktlinjer för ekonomistyrning användas som ett av kommunikationsverktygen med målet att nå ömsesidiga överenskommelser bland institutionella aktörer.

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Abbreviations

EU	European Union
NIE	New Institutional Economics
NIS	New Institutional Sociology
OIE	Old Institutional Economics

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List of Original Papers

I. Mutiganda, J. C. (2013), 'Budgetary governance and accountability in public sector organisations: An institutional and critical realism approach'. *Critical Perspectives on Accounting*, Vol. 24, No. 7-8, pp. 518-531

II. Mutiganda, J. C. (2013), 'Budgetary delegation and accountability relationships: An institutional and communicative action approach'. *Work in progress*

III. Mutiganda, J. C. (2013), 'Circuits of power and accountability during institutionalisation of competitive tendering in public sector organisations: A field study in public care of the elderly'. *Qualitative Research in Management & Accounting*, submitted (in review)

IV. Mutiganda, J. C., L. G. Hassel, A. Fagerström (2013), 'Accounting for competition, "circuits of power" and negotiated order between not-for-profit and public sector organisations'. *Financial Accountability & Management*, Vol. 29, No. 4, pp. 378-396

1. Introduction

In recent years, institutional theory has had a major impact on research in a wide variety of fields within social sciences, including ... accounting. (Scapens and Varoutsas 2010, p. 314)

A wide body of literature has used institutional theory to analyse institutionalisation of management accounting and control systems within organisations (Coyte *et al.*, 2010; Lucas and Rafferty, 2008; Lukka, 2007) and between organisations (Coad and Cullen, 2006; Hyvönen and Järvinen, 2006; Scapens and Varoutsas 2010). These studies have been inspired by an institutional framework proposed by Burns and Scapens (2000). The framework provides conceptual tools to analyse the intra-institutional process, that is, a process taking place within an institution, through which management accounting rules and routines become institutionalised or 'taken for granted' by institutional actors (Burns and Scapens, 2000). Burns and Scapens (2000, p.4 and p. 20) recommend that their framework be extended to analyse relationships among management accounting change and other areas of organisational life. Scapens and Varoutsas (2010) also recommend extension of the Burns and Scapens framework to institutional change taking place between two or more organisations.

Previous studies have extended the Burns and Scapens framework to the theory of power (Burns, 2000; Ribeiro and Scapens, 2006; Yazdifar *et al.*, 2008), new institutional sociology (Lukka, 2007), sociology of knowledge (Busco *et al.*, 2006) and old institutional economics (Lucas and Rafferty, 2008) in analysing the intra-institutional process of resistance to change and the relationship between institutional change and stability. The gap in the literature is how the institutionalisation of management accounting change affects the ways in which institutional actors use the institutionalised tools of management accounting to give accounts of their actions or conduct to their hierarchy (Broadbent and Guthrie, 2008; Broadbent and Laughlin, 2013; Greiling and Spraul, 2010). In other words, how does the institutionalisation of management accounting change improve accountability among institutional actors?

Accountability is a process of asking and giving accounts for conduct between or among at least two persons or organisations (Broadbent *et al.*, 1996; Roberts and Scapens, 1985). Accountability is a broad concept that can be used in different contexts to mean different things (Mulgan, 2000; Sinclair, 1995; Stewart, 1984). Giving an account for conduct, however, involves telling about oneself (Roberts, 2009). Telling about oneself leads to a contrast between disclosing accountability and being accountable for one's actions and conducts (Butler, 2005; Greiling and Spraul, 2010; Messner, 2009). Accounting and operational information act as raw material of accountability (Broadbent and Laughlin, 2013; Greiling and Spraul, 2010; Stewart, 1984) and governance (Almquist *et al.*, 2012; Brennan and Solomon, 2008; Shaoul *et al.*, 2012). Governance is the work of leading an organisation that involves setting goals and using power to monitor their implementation (Hyndman and McDonnell, 2009). The gap in the literature is about how business sector organisations use management accounting and operational information as strategic power (Carter *et al.*, 2010) to win competitive tendering in public sector organisations and how procurement contracts concluded afterwards affect accountability of public decision

makers for the use of public funds to outsource goods and services (Argento *et al.*, 2010; Grossi and Mussari, 2008). Power is the capacity of a person or organisation to influence the thoughts and actions of another person or organisation in a way that person or organisation would not do otherwise (Collier, 2001; Liguori, 2012; Lukes, 1974). Power becomes strategic when it can be used to attend a well defined goal (Carter *et al.*, 2010). Therefore, a theme of this thesis is to analyse the relationship between the institutionalisation process, power and accountability among institutional actors and between organisations.

2. Theoretical Framework, Aim of the Thesis and Research Questions

The Burns and Scapens framework is based on various aspects of institutional and structuration theories (Scapens and Varoutsas 2010). Structuration theory focuses on the relationship between structures, that is, formal processes or frameworks; and agencies, that is, social practices (Giddens, 1984). The main criticism against structuration theory is based on its conceptual assumption that agency and structure reproduce each other (i.e., the duality of structure).⁵ Institutional theory has different branches that apply different ontological assumptions (Johansson and Siverbo, 2009). This section gives an overview of different branches of institutional theory, before explaining gaps in the Burns and Scapens framework, the aim of the thesis, further theorisation and research questions.

2.1. Background: different branches of institutional theory

A theory is a set of inter-related concepts, useful to explaining a research issue (Ahrens and Chapman, 2006). Institutional theory has three main branches: old institutional economics (OIE), new institutional economics (NIE), and new institutional sociology (NIS). A common feature of all branches of institutional theory is the relevance of institutions and institutional contexts in analysing organisations and decision-making processes within organisations (Hodgson, 2006; Scapens and Varoutsas 2010).

OIE emerged in the late 1890s from American scholars including Torstein Veblen, Wesley Mitchell, John R. Commons and Clarence Ayres (Hodgson, 1993). The founders of OIE criticised neoclassical economic explanations of organisational change by using atomistic assumptions of economic rationality and equilibrium (Rutherford, 2000). OIE argues that organisational change is evolutionary and that organisations go through an intra-institutional process of change that is necessary to adapt to changing contexts of organisational life (Johansson and Siverbo, 2009). The cornerstone of OIE is that continuous duplication and reproduction of new institutional policies within an organisation lead to taken-for-granted ways of thinking and acting of institutional actors when the institutional change has been accomplished (Burns and Scapens, 2000; Scapens and Varoutsas 2010; Veblen, 1898; 1919). In this setting, an institutionalised change becomes an institution, that is, 'a way of thought or action of some prevalence and permanence which is embedded in the habits of a group or the customs of a people' (Hamilton, 1932, p.84).

Critics of OIE argue that OIE is not a theory because it does not provide alternative ways to analyse organisational change beyond economics assumptions of bounded rationality and equilibrium (Langlois, 1989).

⁵ For further discussion, see: Downey, S. (2005), 'From simulation model to critique of structuration'. *Structure and Dynamics*, Vol. 1, No. 2, pp. 1-27.

Recent studies have reiterated the theoretical status of OIE in a less radical way and have called for further studies applying OIE in analysing the institutionalisation of management accounting change that takes place between organisations (Johansson and Siverbo, 2009; Scapens and Varoutsas 2010).

Coase (1937) developed *NIE* in the 1920s. *NIE* tries to avoid the criticism levelled at OIE by analysing institutions as an outcome of bounded rationalities that guide the neoclassical economic school of thoughts (Hodgson, 1993). *NIE* conceptualises institutions as exogenous, that is, a body of external rules and norms that constrain and shape individual behaviour. In contrast, OIE treats institutions as endogenous, that is, representing taken for granted ways of thinking and acting by institutional actors (Rutherford, 2000). *NIE* has given rise to various theories, such as transaction cost economics, agency theory and game theory, that are applied in a variety of fields such as common law, human rights, public administration, performance management and economics (Scapens and Varoutsas 2010).

NIS was developed in the late 1970s following a lengthy philosophical debate on the relationship between organisational formal structure, processes and practices (DiMaggio and Powell, 1983). Meyer and Rowan (1977), founding fathers of *NIS*, use sociology to argue that organisations adopt new procedures and processes in order to achieve legitimacy (i.e., stakeholder acceptance) and secure resources that they need (i.e., resource dependency). The rationale behind institutional change from a *NIS* perspective is a search for legitimacy and resources (Ribeiro and Scapens, 2006). Macro institutional pressures for change go beyond customer and supplier relationships to include social norms and cultural rules. As a consequence, organisations that operate in similar environments tend to have similar organisational structures and processes (Meyer and Rowan, 1977). *NIS* defines an institution as 'a reciprocal typification of habitualised action by types actors overtime' (Berger and Luckmann, 1967, p.54). Oliver (1991) extends *NIS* to strategic management and argues that organisations act strategically to respond to macro and micro environmental pressures for change. As a consequence, organisations can adopt formal structure and processes in order to secure their legitimacy but without changing their informal ways of acting in practice (Oliver, 1991). Tolbert and Zucker (1999) use structuration theory, however, to criticise the strategic perspective of *NIS* because an institutionalised structure, such as an institutionalised management accounting policy, should generate action. More recently, *NIS* has come closer to OIE by analysing when and how institutional change takes place at micro and macro organisational levels (Scapens and Varoutsas 2010).

2.2. The Burns and Scapens (2000) framework

Burns and Scapens (2000) took inspiration from OIE (Scapens, 1994), some features of *NIS* (Meyer and Rowan, 1977) and structuration theory (Barley and Tolbert, 1997; Giddens, 1984). Although structuration theory is not an institutional theory, it can be used to study institutional change processes (Barley and Tolbert, 1997; Dillard *et al.*, 2004; Seal *et al.*, 2004).

Burns and Scapens (2000) replaced the concept of structure with the OIE concept of institution and suggested a framework to analyse how management accounting rules and routines become institutionalised within an organisation.

Rules are formal prescriptions about how things should be done. Routines represent thoughts and actions adopted by groups of people and applied at individual level (Burns and Scapens, 2000). The core argument in the framework is that the institutionalised rules and routines form an institution when assumptions about how things are done in practice have become taken for granted by institutional actors regardless of resistance to change encountered in the institutionalisation process (Burns and Scapens, 2000).

Burns and Scapens (2000) used institutional dichotomies, such as ceremonial and instrumental values and evolutionary and revolutionary change, to illustrate the outcome of the institutionalisation process. A value reflects how individuals think and act under circumstances that might not be within their control (Bush, 1987). Ceremonial value gives rise to behavioural patterns that prescribe status, reinforce principal and agent relationships, and legitimise the use of power by one group of people over another when there are 'sufficient reasons' or 'plausible arguments' to do so (Bush, 1987, p.5). Instrumental value uses the best available tools, skills and knowledge to solve problems faced by an organisation in which the change has taken (or is taking) place. The test of any instrumental use of accounting information is whether the information is used to solve organisational problems efficiently even when that requires a shift in power relationships between or within organisations (Bush, 1987, p.6-7). At an institutional level, Dugger (1990, p.426) advised testing institutional change by analysing whether the change 'helps the community even at the expense of self,' an instrumental change; or 'helps the self even at the expense of the community,' a ceremonial change. Institutional change is evolutionary when the change evolves gradually. In the contrary scenario, that is, when new institutional rules replace old rules and routines radically and rapidly, the change is revolutionary (Johansson and Siverbo, 2009). As a consequence, evolutionary and revolutionary changes reflect the pace of an institutional change rather than its outcome per-se (Liguori, 2012; Liguori and Steccolini, 2011).

Previous management accounting and control studies that applied the Burns and Scapens (2000) framework did not question how the institutionalisation of management accounting rules and routines affects the accountability of institutional actors in organisations that have complex hierarchies (Hyvönen and Järvinen, 2006; Macinati, 2010; Nyland *et al.*, 2009). Moreover, although Lukka (2007) showed that institutionalised management accounting rules remain loosely coupled with old management accounting routines, his study did not question the taken for granted assumption in the Burns and Scapens (2000) framework that institutionalised rules shape the ways organisational actors think and act.

2.3. Aim of the thesis

The aim of the thesis is to extend the Burns and Scapens (2000) framework by analysing how the institutionalisation of management accounting rules and routines cannot be taken for granted to lead to accountability between institutional actors. The nature of an institutionalised accounting policy, its relevance in organisational decision making and in negotiating inter-organisational relationships will also be analysed. The thesis extends the Burns and Scapens framework to accounting for competition in inter-organisational settings (Scapens and Varoutsas 2010) by analysing how institutionalisation of competitive tendering takes place in public sector organisation and effects on accountability among public decision makers for the use of public funds to outsource goods and services.

2.4. Further theorisation and research questions

The studies in this thesis use a multiple theory approach, which is recommended in accounting research because it overcomes limits of conceptual assumptions that underlie a single theory (Broadbent and Guthrie, 2008; Lukka, 2010). First, the studies use the theory of critical realism to analyse the relationship between institutionalisation of governance, budgetary policies and accountability. Critical realism is selected because it provides conceptual tools to analyse the nature of the institutional change in context and its effects on how institutional actors think and react to change (Bhaskar, 2011; Reed, 2005). Second, the theory of communicative action (Habermas, 1984; 1987) is used to analyse the relevance of communicative rationalities to the institutionalisation of budgetary accountability among institutional actors. Third, the framework of circuits of power (Clegg, 1989) is used to analyse how mechanisms of power affect the institutionalisation of macro institutional policy, such as competitive tendering, within an organisation and managerial accountability among institutional actors. Managerial accountability shows how persons who have been delegated authority and responsibility to perform certain duties give accounts of reasons for actions or conduct to their hierarchy (Ahrens, 1996; Ezzamel *et al.*, 2007; Roberts and Scapens, 1985). To increase the focus of this study, managerial accountability is limited to the use of public funds to outsource services of good quality at lower costs. Fourth, the theory of negotiated order (Strauss, 1978) is extended to the framework of circuits of power (Clegg, 1989) to analyse how management accounting information that is institutionalised within an organisation becomes a tool of power that can be used to negotiate contractual relations with other organisations. Each theoretical approach is explained further, below.

- *Critical realism*

Critical realism is a philosophy and critical social theory that focuses on analysing the nature of reality in context (Bhaskar, 1975; 2011). The ontology of critical realism argues that the world, social and natural, has three stratification levels of reality: the real, the actual and the empirical, and exists independently of our knowledge of it. The empirical is the domain of experience; the actual is the domain of experience and events; and the real is the domain of mechanisms, events and experience (Bhaskar, 1975; Sayer, 2000). Critical realism differs from other critical theories on ontological grounds. For example, OIE focuses on one aspect of the world, the social, and on one domain of reality, the empirical. Critical realism, however, is compatible with institutional theory (Fleetwood, 2004; Sayer, 2000). The compatibility of critical realism with other theories depends on whether the research focus is on substantive causes of a given phenomenon or on the nature and mechanisms underlying such a phenomenon. Critical realism provides conceptual tools to analyse the nature and mechanisms that underlie an institutional change process (Fleetwood, 2005; Reed, 2005; Sayer, 1992). Recent studies recommend applying critical realism in organisations and accounting change research (Al-Amoudi and Willmott, 2011; Modell, 2009; Newton *et al.*, 2011).

The world in critical realism is constituted by objects and structures, which have particular powers or strengths and liabilities or weaknesses to produce events.

An object is anything and anyone that can be a subject for a study. Powers and liabilities of an object refer to what the object can do and what it can suffer. The relationship among objects can be internal or external. An internal relationship exists when the relationship is necessary for the existence of the objects involved. For example, there is an internal relationship between a landlord and tenant because reference to a tenant implies the necessary existence of a landlord (Sayer, 2000). An external relationship is not necessary for the existence of the objects that form it. For example, the relationship between a hospital executive committee and a physician working in that hospital is external.

Internally related objects form a structure. A structure has its own powers and liabilities capable of leading to different events independently. A mechanism is the particular way of doing by objects and their structures. Critical realism argues that the ways causal powers and liabilities of objects and their structures lead to an event depend on the activation of a necessary condition. A condition refers to an external mechanism that is necessary for the occurrence of an event (Bhaskar, 1975; Sayer, 1992). For example, a gun that is loaded with ammunition is ready to be shot. The gun cannot shoot, however, without someone pulling the trigger. In this example, pulling the trigger is a necessary condition for the gun to fire. Firing is an event that takes place in the actual domain of reality. Mechanisms that make a gun ready for shooting are in the real domain of reality. Therefore, the occurrence of an event in the actual domain of reality does not depend on the institutionalisation of mechanisms leading to that event from the real domain of reality but on the activation of a condition that is necessary for the event to occur (Bhaskar, 2011). An event can be experienced differently by different actors in the empirical domain of reality; this can cause other, different events or lead to different effects (Sayer, 1992; 2000).

This study uses critical realism to extend the Burns and Scapens (2000) framework by analysing the relationship between the institutionalisation of management accounting and governance policies and accountability. Research question one is:

How does institutionalisation of governance and budgetary policies affect the accountability of organisational actors when analysed from the perspective of critical realism?

The theoretical contribution is to show to what extent the institutionalised change in the Burns and Scapens (2000) framework can be taken for granted to shape the ways institutional actors think and act in accountability relationships when the intra-institutional change has taken place in a complex setting of governance policies.

- ***Communicative action***

The theory of communicative action (Habermas, 1984; 1987) is a critical social theory that analyses how a society and its institutions use the steering media of money and power to colonise or alternatively to satisfy the needs of its organisations and their members. Broadbent *et al.* (1991) and Laughlin (1987) have extended the theory of communication action to accounting research by analysing how management uses accounting information and management accounting systems to shape thoughts and actions of organisational stakeholders at different levels of hierarchy (Broadbent *et al.*, 2010; Broadbent *et al.*, 2008; Broadbent and Laughlin, 2013).

Habermas (1984) defines communication as a process of interaction between two or more persons or organisations with freedom to express their thoughts and capacity to understand and explain their actions. The theory uses the concept of *communication action* to describe a rationality that organisational members use to reach mutual understanding through undistorted dialogue. *Strategic action*, on the other hand, relies on communicative process in which the speaker has pre-defined goals to achieve success (Habermas, 1984). The goal of communicative action is to reach mutual understanding (Habermas, 1984). Reaching mutual understanding can be difficult, however, when communicating actors have divergent aims to achieve success (Roberts, 2001; 2009). As a consequence, a balance between self-motivated need to achieve success and a communicative action aimed at reaching mutual understanding shows the extent to which institutional actors can find a common ground to institutionalise a change (Broadbent *et al.*, 2010; Lehman, 2006).

The theory can be used compatibly with the Burns and Scapens (2000) framework because both conceptualise institutional change as a continuous process of interaction among actors in their organisational settings. A gap in the Burns and Scapens (2000) framework is the way communication among institutional actors affects institutionalisation of management accounting rules and routines. The theory of communicative action provides a conceptual framework to fill this gap by analysing how institutional tools, processes and mechanisms of communication (Ross and Chiasson, 2011), such as management accounting and control systems, shape the ways institutional actors think and act in their fields (Broadbent *et al.*, 2010); and how institutional actors interact with each other in accountability during the continuous process of institutional change (Broadbent *et al.*, 2001; Broadbent and Laughlin, 2013; Roberts, 2009).

This thesis uses the theory of communicative action to extend the Burns and Scapens (2000) framework to accountability by analysing the relationship between budgetary delegation, communicative action and accountability among budgetary actors. Research question two is:

How budgetary delegation institutionalises accountability among budgetary actors when analysed through the lens of the theory of communicative action?

The contributions of the thesis are to show the relevance of communicative rationalities as a mechanism of accountability and their effects on the assumption that institutionalised change shapes the ways of thinking and doing of institutional actors when institutional change has taken place (Burns and Scapens, 2000).

- *Circuits of power*

The framework of circuits of power (Clegg, 1989 p.187-210) analyses how power and resistance go together to shape the actions of organisational actors. Power is based on capacity to allocate and control resources, meanings and membership (Hardy, 1996). Resources can be financial and non-financial (Collier, 2001). Meanings that are allocated by the use of power can be legal or illegal, moral or immoral, objective or subjective (Nahapiet, 1988).

Allocating membership confers legitimacy to persons and organisations that receive the membership and obligation of loyalty towards the issuer of the membership (Burns, 2000; Liguori and Steccolini, 2011; Yazdifar *et al.*, 2008). Power is not like a one way traffic (Foucault, 1991), however, because power and resistance form many circuits (Clegg, 1989). A circuit of power is a structure of power that is inter-related among its holders and forms a mechanism to influence other persons or organisations (Clegg, 1989).

Clegg, the founder of the framework of circuits of power, argues that circuits of power are threefold: episodic, facilitative and dispositional. The power to influence the action or conduct of another person or organisation in day-to-day interactions is episodic (Silva and Backhouse, 2003). For example, team leaders when giving orders to team members use their episodic circuits of power. The power to use discretion about how to apply the rules of the game in practice is known as facilitative circuits of power. For example, the power of medical professionals to use discretion in deciding how to treat their patients is facilitative. The power to use technics of production and innovation to influence organisational decision making is also facilitative (Backhouse *et al.*, 2006; Ribeiro and Scapens, 2006). The power to use dominance in the giving of reward or punishment is dispositional (Foucault, 1991; Smith *et al.*, 2010). For example, political decision makers use their dispositional circuits of power to set budgetary policies for their cities or countries (Lapsley *et al.*, 2011). Episodic, dispositional and facilitative circuits of power interact in an obligatory passage point, that is, a point at which one circuit of power prevails over another (Clegg, 1989). Resistance to change arising from relationships between the circuits of power in obligatory passage points leads to what Clegg (1989) refers to as *organisational outflanking*. Organisational outflanking shows how holders of dominant circuits of power act strategically (Carter *et al.*, 2010) in controlling and influencing actions of other organisations and their members in order to satisfy their own interests (Johnston, 2004; Ribeiro and Scapens, 2006).

The framework of circuits of power provides conceptual tools with which to analyse the role of power in the institutionalisation of management accounting and control systems such as budgets. For example, Lapsley *et al.* (2011) used the framework of circuits of power at the macro institutional level to analyse the adoption of budgetary policies in minority governments of Scotland. They showed that successful negotiation of budgetary policies among political parties (i.e., dispositional circuits of power) depends on how the minority government enrolls opposition parties into the coalition. Enrolment constitutes a facilitative circuit of power in negotiating budgetary policies. Lapsley *et al.* (2011) called for further research to analyse the role of episodic circuits of power in the institutionalisation of management accounting policies.

At the micro institutional level, Ribeiro and Scapens (2006) used the framework of circuits of power to extend the Burns and Scapens (2000) framework by analysing how innovation becomes institutionalised within an organisation. Their research shows that institutional actors with high levels of technical knowledge (i.e., facilitative circuits of power) can resist the institutionalisation of intra-institutional policy change (i.e., dispositional circuits of power) that is undermining established routines in the field (i.e., episodic circuits of power). However, how the circuits of power affect the accountability of institutional actors in the institutionalisation of management accounting change and competitive tendering at organisational level is yet to be explored in critical accounting research.

For example, in the early 2000s the Commission of the European Union (EU) issued a directive to member countries to institutionalise competitive tendering during procurement of public goods and services (Mossialos *et al.*, 2010). The institutionalisation of competitive tendering at national and local levels has led to controversial outcomes (Argento *et al.*, 2010; Arlbjørn and Freytag, 2012). This raises the question as to how circuits of power among public sector decision makers, that is, public officials and political decision makers, and business organisations involved in the institutionalisation of competitive tendering affect managerial accountability among political decision makers and public officials.

This thesis aims to fill this gap and extends the framework of circuits of power to the Burns and Scapens (2000) institutional framework by asking research question three:

How circuits of power between private sector organisations and public sector decision makers affect institutionalisation of competitive tendering in public sector organisation and managerial accountability among public sector decision makers?

A theoretical contribution is to show the roles of circuits of power during the institutionalisation of macro institutional policies, such as competitive tendering, and their impact on managerial accountability among public sector decision makers at a local organisational level.

- *Negotiated order*

The theory of negotiated order analyses institutional change (also called social order) as an outcome of negotiation (Strauss, 1978). Negotiation can be inter-personal or inter-organisational. Inter-personal negotiation occurs among persons in an organisation. Inter-organisational negotiation takes place among organisations (Maines, 1982).

Negotiated order is not a random process but a systematic process of interaction among negotiating parties leading to an agreed upon way of acting (Strauss, 1978). As a consequence, change of a negotiated order can lead to an institutional change (Strauss, 1982). Similar to OIE and NIS, the theory of negotiated order recognises that interactions among institutional actors have an impact on how new institutional policies become institutionalised (Basu *et al.*, 1999). Institutional theories do not provide conceptual tools, however, to analyse the relationship between institutional rules and routines and the process of negotiating order through which the institutional rules and routines become institutions (Modell, 2006). Understanding the process and context of reaching a negotiated order gives conceptual tools to explain successful institutionalisation of management accounting policies (Pedersen and Mahad, 2011) and their impacts on the ways that institutional actors think and act in their fields (Basu *et al.*, 1999; Parhankangas *et al.*, 2005; Rahaman and Lawrence, 2001).

For example, Modell (2006) used the theory of negotiated order and NIS to analyse the process of institutionalisation of new cost allocation policies in Swedish universities. The study showed that the power and politics of institutions and their actors shape the context and process of negotiating a new institutional order. Failure to overcome challenges of negotiating a new order affected the ways cost allocation policies became institutionalised.

A negotiated order leads to institutional stability and continuity at inter-organisational level (Parhankangas *et al.*, 2005). Reaching a negotiated order, however, depends on relationships between circuits of power held by institutional actors (Lapsley *et al.*, 2011). There is a gap in the literature relating to how management accounting rules and routines which are institutionalised within an organisation (Burns and Scapens, 2000) shape the process of negotiating order with other organisations when institutional actors have competing circuits of power. This thesis aims to fill this gap by asking research question four:

How does institutionalised accounting information affect taken for granted ways of thinking and acting of institutional actors in negotiating inter-organisational order when analysed from the framework of circuits of power?

A theoretical contribution is to show the nature of an institutionalised management accounting policy change (Burns and Scapens, 2000) and its role as a circuit of power in negotiating order between organisations.

Table 1 provides a summary of the research questions.

Table 1. Research questions

Research question 1:	How does institutionalisation of governance and budgetary policies affect the accountability of organisational actors when analysed from the perspective of critical realism?
Research question 2:	How budgetary delegation institutionalises accountability among budgetary actors when analysed through the lens of the theory of communicative action?
Research question 3:	How circuits of power between private sector organisations and public sector decision makers affect institutionalisation of competitive tendering in public sector organisation and managerial accountability among public sector decision makers?
Research question 4:	How does institutionalised accounting information affect taken for granted ways of thinking and acting of institutional actors in negotiating inter-organisational order when analysed from the framework of circuits of power?

Each research question is addressed in an essay. Essay 1 has been accepted for publication in *Critical Perspectives on Accounting* (2013, Vol. 24, No. 7-8, pp. 518-531). Essay 2 is a work in progress and has been accepted for presentation and publication in many international accounting conferences. Essay 3 is in the process of publication in *Qualitative Research in Accounting and Management*. Essay 4 has been accepted for publication in *Financial Accountability and Management* (2013, Vol. 29, No. 4, pp. 378-396).

3. Institutional Change Context

Because of major institutional changes that occurred beginning in the 1990s, public sector organisations in Finland are an appropriate setting to collect data for the studies in this thesis. As discussed in more detail in the essays, the main institutional changes that occurred during the period studied can be summarised as: 1) financial, managerial and accounting change in hospital districts and municipalities; and 2) the institutionalisation of competitive tendering during procurement of public goods and services in public sector organisations.

3.1. Institutional changes in hospital districts and municipalities

Macro institutional changes in hospital districts can be subdivided into four groups: change of financing structure (Häkkinen and Lehto, 2005), introduction of accrual accounting principles and amendment of municipal law (Kurunmäki, 1999a), institutionalisation of management-by-result (Hyvönen and Järvinen, 2006; Kurunmäki, 1999b), and empowerment of medical professionals in management accounting for their clinics (Jacobs, 2005; Kurunmäki, 2004).

Traditionally, healthcare in Finland has been provided substantially by the public sector and financed by public funds. There are 20 hospital districts, which include five university medical school hospitals. Each hospital district is owned by a federation of surrounding municipalities and provides speciality healthcare services (Speciality Health Care Act, 1989). Healthcare centres provide primary care. Until the end of 1992, the central government had a centralised planning system through which it steered and controlled the development of healthcare services and their delivery. The centralised planning system used a rolling five-year national plan binding upon municipalities, public hospitals and healthcare centres; a centralised subsidy system was tied to the state budget (Häkkinen and Lehto, 2005). The aim was to ensure regional equality in the distribution of public health-related resources. State subsidies were allocated directly to public hospitals and financed substantial hospital investments approved by the central government and an average of around 40% of recurring costs such as material and personnel costs (Kurunmäki, 1999b; Linnakko and Back, 1994).

In the 1980s, however, criticism from municipalities of this financing structure began to surface. Not only could central government officials refuse to finance investment plans of municipalities but they could also suspend financing of investment projects that had been approved previously if a municipality did not comply strictly with national guidelines (Häkkinen and Lehto, 2005). Moreover, although the five-year national plan was based on national policy, municipalities continued to finance the remaining part of public hospital costs over which they had no effective control. Public hospitals had incentives to continue planning new investments and to increase their costs as a way of attracting more state subsidies instead of striving for effectiveness and efficiency (Kurunmäki, 1999b; Linnakko and Back, 1994).

There was increasing criticism about the financial accountability of healthcare professionals as key decision makers in using public healthcare resources (Lapsley, 2001; Nyland and Pettersen, 2004; Pettersen, 2001) and the centralised financing system was accused of being wasteful (Kurunmäki, 1999b; Linnakko and Back, 1994).

In response to these criticisms, in 1993, a revised State Subsidy Act (1992) came into force. The 1992 Act abolished allocation of state subsidies to public hospitals, and replaced it with a system that allocates all state subsidies to municipalities on a per-capita basis with adjustments based on the incidence of diseases per municipality (Linnakko and Back, 1994). Hospital districts are now financed by their owner municipalities except when they sell services to other municipalities (Hyvönen and Järvinen, 2006). The 1992 Act transferred financial control of public hospital expenditure and investments from the central government to municipalities (Häkkinen and Lehto, 2005). Moreover, municipalities became free to purchase speciality healthcare services from any provider of their choice (Häkkinen and Lehto, 2005; Hyvönen and Järvinen, 2006; Linnakko and Back, 1994).

A revised Municipal Act in 1995 contained provisions regarding budgeting, accounting, financial management and auditing of municipalities effective from 1 January 1997 (Section 101 of the Municipal Act, 1995). In 1995, municipal accounting was based on cash accounting principles (Näsi, 1999). With the revised Accounting Act (1997), accrual accounting principles were required (Vinnari and Näsi, 2008). The municipality section of the national accounting board in Finland provides further specific accounting regulations applicable to municipalities and municipal organisations (Vinnari and Näsi, 2008). The 1995 Act requires municipal budgets to be in balance and emphasises the autonomy of municipalities in setting priorities to provide social, educational and recreational services to the population (Häkkinen and Lehto, 2005). Hospital districts are obligated to comply with the Municipal Act (1995) and the revised Accounting Act (1997). These legal reforms made hospital districts independent accounting entities that have a legal obligation to apply national accounting standards in making their budgets and financial reports (Kurunmäki, 1999a).

The ability of municipalities to purchase speciality healthcare services from any provider of their choice introduced competition among hospital districts (Kurunmäki, 1999b). This led to the institutionalisation of a managed care system in which hospital districts act as sellers of speciality healthcare services to municipalities (Hyvönen and Järvinen, 2006). In practice, however, municipalities that are members of a hospital district use budgetary policies to set limits on the annual budgets of that hospital district so that planned costs of that hospital district are not larger than the municipalities' own budgeted costs for speciality healthcare (Hyvönen and Järvinen, 2006). A leading municipal politician confirmed this:

Our municipality owns more than 50% of this hospital district ... Its budget proposal is discussed in the executive board of the hospital district which sees to it that it is within budget limits that can be acceptable in our municipal executive board ... Otherwise, it has to be revised.⁶

In order to adapt to major institutional changes, management control systems of hospital districts had to be reviewed and updated (Järvinen, 2006; Lehtonen, 2007).

⁶ The author translated all quotes not in English

Moreover, a management-by-result system, which was aimed at increasing the accountability of medical professionals in managing clinics became institutionalised (Kurunmäki, 1999b). One finance director of a hospital district confirmed:

Management by result was introduced in the mid-1990s so that physicians could have active managerial roles in their clinics and accountability for results ... the aim was that hospital districts be competitive from within and be able to compete with other hospital districts ...

As a consequence, medical professionals voluntarily received additional training allowing them to have managerial roles and accountability, including price setting and budgetary management, in their clinics (Jacobs, 2005; Kurunmäki, 2004). A head physician from a clinical group of internal medicine in a hospital district summarised these institutional changes:

In the late 1980s, when I graduated from my physician training, it was an insult to ask a physician any question related to hospital budgets or costs. That was not an issue for us to care about ... Gradually, however, hospital districts started to organise voluntary training programs for physicians in which they learned how to calculate costs, set prices, plan and interpret a budget ... I attended those courses ... Currently, I can handle business issues related to our clinical group with ease ... and I want to do it.

Institutional changes in governing and financing public health care in Finland have had an impact on the ways in which municipalities use public funds to provide health care services to their population (Tynkkynen *et al.*, 2012). In this setting, institutionalisation of competitive tendering in the procurement of public health care services in municipalities is an on-going issue.

3.2. Competitive tendering of public elderly care services

Every municipality in Finland has an obligation to provide care services to elderly persons, financed by public funds including municipal tax revenues. Municipal authorities, however, have the right to decide how to provide care to the elderly. For example, a municipality can use its own institutions, purchase elderly care services from private providers or both (Tynkkynen *et al.*, 2012).

In 2007, national legislation on competitive tendering in public procurement of goods and services was passed in Finland (the Public Procurement Act, 2007), which enforces the EU directive on public procurement of goods and services (Directive 2004/18/EC). Like the 2007 Act, the 2004 EU directive addresses public procurement broadly but does not include practical specifications about how to implement competitive tendering processes in specific areas such as public health care (Mossialos *et al.*, 2010). Implementation of the 2007 Act led to official calls of competitive tenders for public elderly care services in municipalities. A manager of public elderly care stated:

When the social security board of the city decided to organise competitive tendering of elderly care services, it was my responsibility to design a call for competitive tenders and to publish it nationally and internationally ... I am an expert in public management of social services ... I had, however, no previous experience of doing this...

Inviting international business organisations into the local aged care market introduced new circuits of power into municipalities, changed inter-organisational relationships between municipal authorities and local providers of elderly care services and launched a new negotiated order. The director of social and health care services in a municipality remarked:

... According to the new public procurement law, it was compulsory for us to organise competitive tendering of elderly care services that the city needed to purchase from private organisations ... In a way, we have now realised that competitive tendering of public aged care services is not the most appropriate strategy ... It can even lead to a monopoly in the long-run.

The process of institutionalisation of new policies in hospital districts and municipalities involves many actors and can be influenced by macro institutional forces at national and supra-national levels.

4. Methodology and Context Data

The studies in this thesis used field study methodology and methods that are described in the following subsections.

4.1. Methodology and methods

In field research, the term *methodology* refers to the approach that is used to conduct research, for example: qualitative and quantitative methodologies. The term *method* refers to research technics that are used to collect and interpret data, for example, interview, document analysis or observation. The concept of *field* refers to a place from which data are collected (Ahrens and Chapman, 2006). The concept of *study* refers to the research project (Dul and Hak, 2008; Yin, 2008).

Quantitative and qualitative methodologies have ontological and epistemological differences. For example, quantitative research has a positivistic ontology that assumes that there is an objective empirical reality that is external to the subject of the study (Bhaskar, 2011). Quantitative methods use archives, surveys and experiments to collect data and apply statistics to analyse the data (Dul and Hak, 2008). Quantitative research puts more emphasis on method than methodology and aims to reach findings that can be generalised to analysed larger population (Ahrens and Chapman, 2006).

Qualitative ontology assumes social reality is emergent, subjective and constructed (Bhaskar, 2011). As a consequence, the meaning of the data depends on theoretical explanation that connects the data to the research questions and findings (Sayer, 2000). Qualitative data can be based on document analysis, interviews, participation in meetings and observation (Baxter and Chua, 1998; 2008). Field studies can use either qualitative or quantitative methods or combine them (Ahrens and Chapman, 2006). Interpretation of the data, however, needs to apply features of qualitative methodology (Dul and Hak, 2008).

The studies in this thesis use qualitative methods and methodology because they provide tools to collect data that show how institutional actors interact with one another during the institutionalisation of governance and budgetary policies, competitive tendering and accountability.

Layder (1993) suggested a four-step approach to designing and conducting qualitative field research that is intended to contribute to theory: the self, situated activity, setting and context. The self is any actor or organisation for which action is self-motivated. Because of unlimited aspects of the self, he recommended focus on specific aspects of actors or organisations (Layder, 1993). Analysing the self requires examination of how an actor influences action or the conduct of other actors in a situated activity, that is, any action of the self done in social relations with other selves aiming to influence their ways of thinking or doing (Layder, 1993).

In this setting, social relations become a field of interaction among the selves (Broadbent and Laughlin, 1997) in which a negotiated order becomes achieved (Strauss, 1978). The setting includes organisational strengths and weaknesses and circumstances under which interactions among the selves take place. The context includes organisational constraints at micro institutional level and environmental pressure at macro institutional level (Layder, 1993). Layder (1993) did not prioritise which steps take precedence over others.

Sayer (1992) recommends an intensive research methodology in conducting a critical field study. One aspect is emphasis on active interaction between the researcher and field actors in order to understand mechanisms that lead to events or non-events in particular settings and contexts. When the aim of the study is not to generalise empirical findings, an intensive research methodology offers tools to collect data that corroborate how organisational actors think and act in interactions with other actors and how circuits of power among actors or organisations interact in obligatory passage points (Davenport and Leitch, 2005). Data collection should use multiple methods, such as interviews, document analysis and observation (Yin, 2008). Interview questions should seek to analyse how events occur under a particular setting and context and how actors react to those events (Sayer, 1992). Interpretation of the data should seek to understand the meaning that actors give to their actions (Danermark *et al.*, 1997).

In critical realism, mechanisms that lead to an event may not be apparent or visible in the empirical field. Therefore, the next step in analysing data is to apply retrodution, a thinking process that involves reconstruction of basic conditions under which things are or are not (Danermark *et al.*, 1997). In retrodution, the focus is on why, how, when and where an event happens while another does not under similar conditions (Sayer, 2000).

4.2. Field studies

Following approaches of Layder (1993), Sayer (1992) and Ahrens and Chapman (2006), field research was conducted from 2008 to 2013 in Finland in two hospital districts, referred to as Silta and Omega; a not-for-profit health care organisation, referred to as Credo; and a municipality, referred to as Sunset City.

- *Field studies in hospital districts*

The choice of Silta and Omega hospitals was made during a pilot study in 2009 that indicated Silta and Omega were appropriate fields to analyse relationships among the institutionalisation of governance and budgetary policies and accountability of institutional actors from a critical perspective. Access to the field and possibility to collect first hand information from key actors can also be mentioned among factors that motivated this choice. Silta and Omega have stable financial situations but face increasing competition from neighbouring hospital districts.

Each hospital district has a council as the highest governing authority, an executive board and an executive committee. Elected politicians from municipalities compose the council and the executive board. The council meets twice a year to issue budgetary policies and to approve the annual financial reports of the hospital district.

The executive board monitors the execution of the council's decisions and meets once a month. The hospital district's director leads the executive committee, composed of leading medical professionals and the finance director of the hospital district, which is accountable to the council and the executive board. The executive committee is responsible for the operative activities of the hospital district. Silta and Omega hospitals are divided into four clinical groups based on medical specialities, and have a general administration department. The heads of clinical groups, surgery, internal medicine, psychiatry and medical support, which includes laboratory, pharmacy and logistics, are physicians assisted by head nurses. Clinical groups are divided into many clinics and clinical units. The number and size of clinical units depends on the specialities of each clinic. Managers of clinics and clinical units are senior physicians or senior nurses.

Field studies started with analyses of archival data from hospital districts' websites, newspapers, printed information, financial reports, and board and council meeting minutes. Analyses of archival data gave insights into the budgetary management of Silta and Omega but revealed little about accountability among budgetary actors.

In the second step of the field studies, interviews were conducted with key decision makers in Silta and Omega, such as hospital directors and finance directors (Silta and Omega), heads of the surgery and medical support clinical groups (Silta hospital), chief planning officer (Silta hospital), chief internal auditor (Omega hospital), chairperson of the executive board (Omega hospital) and chief auditor (Omega hospital). Interviewees explained processes of institutionalisation of accountability for budgets allocated to clinical groups and the role of elected municipal representatives at hospital district level in this process.

The third step included interviews with selected key individuals who influence municipal budgetary policies such as the chairperson of the audit board of the city in which Omega hospital is located, and the chief finance officer and financial manager of the city in which Silta hospital is located. To increase reliability, additional interviews were conducted in 2010, 2011 and 2012 with the chief planning officer and internal auditors at university hospital A, the chief finance officer at University hospital B, the finance manager at a city hospital, and the chief planning officer at another hospital district.

To analyse how medical professionals think and act when managing the budgets of their clinics and giving accounts for their actions to those above them in the hospital hierarchy, the study conducted interviews in 2012 with selected key medical professionals having managerial duties in the clinical groups of Silta and Omega hospitals. Data validity and reliability checks are explained in more detail in the essays.

Interviews were based on semi-structured and open-ended questionnaires that the interviewee could obtain a few days prior to the interview upon request. Interviewees could answer interview questions in writing before the interview or orally during the interview. Interviewees had a good command of English but could express themselves in Finnish or Swedish depending on their choice. Interview summaries were in English and were discussed afterwards with the interviewees as one means to assess reliability of the data.

- *Field studies in Sunset City and Credo*

The choice of Sunset City is based on a competitive tendering process for elderly care services in that city in the late 2000s. Also, direct access to field actors and the opportunity to obtain first hand information due to participation in meetings at various levels of the hierarchy in Sunset City and in Credo made them a good choice for the field study.

While the total costs of social and health care services in Sunset City are between 40% and 50% of the budget of the city, public elderly care costs are among the highest cost lines. A gradual increase in the aging population, rapidly growing costs of public elderly care and a decrease in tax revenues put pressure on the social authorities of Sunset City to look for alternative ways to provide elderly care services to the elderly. Therefore, the political and social policies of Sunset City in the mid-2000s were to purchase a considerable amount of public aged care services from private providers at a so-called market price.

Credo did not win the tender competition because its offer was not the cheapest. Credo, however, used its circuits of power, including its institutionalised cost accounting information, and successfully negotiated an elderly care contract with Sunset City after the tender process. Therefore, Credo provides a good site for a field study that analyses critically the role of institutionalised accounting information in not-for-profit organisation negotiating care contracts with public authorities in the era of competitive tendering.

Data collection based on document analysis, interviews and participation in meetings lasted from 2008 to 2013. Document analysis started by examining public procurement rules in Finland and the decision-making process of the social security board of Sunset City. The social security board is a political organisation composed of local politicians who are elected democratically in municipal elections for a four-year term. The role of the social security board is to make decisions regarding the social affairs of the city and to monitor their implementation. It reports to the executive board of the city or municipality, another political body composed of elected politicians. The highest leading political body, however, is the council. Members of the council are representatives of political parties who have won majority votes in municipal elections. Each municipality or city has an audit committee. The audit committee reports directly to the council; it is composed of local politicians elected in municipal elections and has the power to monitor all decisions made by other political bodies of the municipality and municipal officials (Municipal Act, 1995).

To obtain information about competitive tendering of elderly care services, the study conducted interviews with the following officials, all in Sunset City: the director of social and health care services, the finance manager of social services, the manager of aged care services, the chairperson of the social security board, two members of the social security board, a member of the audit committee and an internal auditor.

To obtain information about the role of accounting information in the decision-making process of Credo and how Credo used its cost accounting information to negotiate the elderly care contract with Sunset City, interviews were conducted with following officials at Credo: the chairperson of the executive board, the chief executive officer and four members of the executive board of Credo.

To obtain information about the impact of public procurement law on the quality of elderly care services during competition, the study conducted interviews with a member of the Parliament of Finland, a legal expert in public procurement of elderly care, a regional inspector of elderly care services and two local entrepreneurs in elderly care.

To assess similarities and differences between the institutionalisation of competitive tendering for elderly care service at a regional level, the study conducted interviews with the chief executive officer and head of the executive board of another not-for-profit organisation that has been involved in competition for elderly care services in another municipality (not reported in this study).

To obtain information about how organisational actors think and act in negotiating order, that is, analysis of the self in situated activity and organisational setting, the field research included participation in various board and managerial meetings of Credo in which the role of accounting information was discussed and used in setting strategies to sell aged care services to Sunset City and other clients. Participation in four meetings of the social security board of Sunset City gave information about the process of public procurement of various health care services. Participation in meetings of the audit committee of Sunset City revealed how the circuits of power interact in public procurement during competitive tendering and thereafter, that is, analysis of the selves in social relations. Participation in board meetings of Credo gave information about how the leadership of Credo aligned its episodic and facilitative circuits of power into obligatory passage points controlled by the dispositional circuit of power of Sunset City. Participation in meetings lasted around 60 hours.

5. Summary of Findings and Concluding Remarks

This section gives a brief overview of research findings and theoretical contribution of each essay separately. Concluding remarks, practical implications and recommendations for further research follow.

5.1. Critical realism in the institutionalisation of governance and budgetary policies: what about accountability?

Aim and research question

This study aims at using critical realism to extend the institutional framework proposed by Burns and Scapens (2000). The research question is how institutionalisation of governance and budgetary policies affects the accountability of organisational actors when analysed from a critical realism perspective.

Findings

The research shows that institutionalisation of governance and budgetary policies resulted in two institutions of budgetary governance: the political and the technical. The political institution issues governance and budgetary policies to the technical institution, which in turn is accountable to the political institution. Each institution has its own strengths and weaknesses that make it work in a particular way during the institutionalisation of budgetary governance and accountability. For example, the political institution can set limits on the budget of the technical institution. The technical institution, however, can use its professional autonomy and discretion to overspend its budget when that is necessary in order to treat the patients thoroughly.

The research shows that the political and technical institutions are in the real domain of reality. The relationship between governance and budgetary policies forms a mechanism whose activation affects the ways that budgetary actors in the technical institution discharge their accountability towards the political institution. Accountability takes place in the actual domain of reality. Accountability narratives, however, reflect the ways institutional actors think and act in their empirical domain of reality, that is, in the clinics. For example: the use of political and managerial power to set arbitrary limits on the budget of the technical institution in Omega hospital led to ceremonial accountability of budgetary actors in the technical institution. In contrast, active interactions among hospital executives and medical professionals who manage clinical groups in Silta hospital led to instrumental accountability of the heads of clinic groups.

The research shows that budgetary actors had different patterns of thinking and doing at different organisational levels in Omega and Silta hospitals and different accountability

perspectives in the actual and empirical domains of reality. The differences are caused by the ways governance policies from the real domain of reality interact with budgetary actors' ways of thinking and doing in the empirical and actual domains of reality.

For example, the institutionalisation of governance for performance in the empirical domain of reality at Silta hospital has increased the instrumental accountability of medical professionals who manage clinics and clinical groups. In contrast, the institutionalisation of governance for mission, that is a governance policy aiming to reach the general mission of the hospital district to provide specialised health care services to the population, at Omega hospital has increased ceremonial accountability in the empirical and actual domain of reality of the technical institution at Omega.

The framework by Burns and Scapens (2000) assumes the institutionalisation of management accounting rules and routines leads to taken for granted ways of thinking and acting of institutional actors when institutional change has taken place. The findings of this study show, however, that mere institutionalisation of management accounting rules, such as budgetary policies, does not *per se* lead to taken for granted ways in which institutional actors think and act in giving account for their conduct in the empirical and actual domains of reality when their accountability is shaped by mechanisms of the real domain of reality, such as political governance policies, over which they have no control or influence.

The main contribution of this study is to extend the Burns and Scapens (2000) conceptual framework to critical realism by showing that the institutionalisation of intra-institutional budgetary policies in the real domain of reality does not always lead to taken for granted ways in which budgetary actors discharge their accountability in the actual and empirical domains of reality when influenced by controversial governance policies from the hierarchy.

5.2. Budgetary delegation and communicative action in the institutionalisation of accountability

Aim and research question

This study analysed the relationship between budgetary delegation, communicative action and institutionalisation of accountability among budgetary actors. The aim of the study is to use the theory of communicative action (Habermas, 1984; 1987) to extend the institutional framework proposed by Burns and Scapens (2000) to accountability. The research question asks how budgetary delegation institutionalises accountability among budgetary actors when analysed through the lens of the theory of communicative action.

Findings

The research shows that budgetary delegation institutionalises different institutions of accountability, instrumental and ceremonial, among budgetary actors depending on management's oversight of budgetary delegation and the reaction of medical

professionals to these processes. Instrumental accountability is the result of mutual understanding between management and budgetary actors in planning, negotiating and implementing delegated budgets and a willingness of budgetary actors to accept budgetary constraints on their organisational units. Effective management oversight and a possibility for budgetary actors to communicate openly about reasons for, and compromises about, the imposition of budgetary constraints are other explanatory factors that show how budgetary delegation institutionalises instrumental accountability among budgetary actors. For example, at Silta, the use of an integrated planning system that links clinical operational goals and budgetary plans, and a possibility for medical professionals to propose and influence budgets of their clinics has led to instrumental accountability of heads of clinical units and managers of clinics. The lack of such a communicative action approach in Omega explains the ceremonial accountability finding.

The research assessed the ways of thinking and doing of budgetary actors by examining how heads of clinical groups make budgetary decisions in accountability relationships and how they use communication with clinical unit managers to make sense of their accountability to their patients and to executives. At Silta, informal communication between hospital executives and clinic managers supplements formal communication channels at different hierarchical levels, which increases understanding of how and why instrumental accountability in managing clinical budgets has been achieved. At Omega, however, the use of informal communication as an alternative way to understand what is going on in clinics cannot be taken for granted to increase budgetary accountability of clinic managers.

Burns and Scapens (2000) argued that the institutionalisation of management accounting rules and routines leads to taken for granted ways of thinking and doing of institutional actors regardless of resistance to change encountered in the institutionalisation process. This study shows, however, that intra-institutional change is shaped by various rationalities that are used to communicate the institutional change and to monitor its outcome. At Silta and Omega hospitals, for example, each medical expertise has a different approach on how its budget should be shaped and monitored. As a result, budgetary delegation in clinical units cannot be taken for granted to institutionalise accountability among clinical unit managers in the same way as suggested in management accounting institutional change literature (Burns and Scapens, 2000; Scapens, 2006; Scapens and Varoutsas 2010). This study uses the theory of communication action (Habermas, 1984; Laughlin, 1987) to argue that accountability is more an issue of emancipation than colonisation.

The contribution of this research is to use the theory of communicative action (Habermas, 1984) to extend the institutional framework proposed by Burns and Scapens (2000) to accountability by showing the relevance of communicative rationalities through which budgetary delegation institutionalises accountability among budgetary actors and their effects on taken for granted assumptions underlying an institutionalised change.

5.3. Circuits of power during the institutionalisation of competitive tendering and accountability

Aim and research question

This study uses the framework of circuits of power (Clegg, 1989) to extend the Burns and Scapens (2000) institutional framework to managerial accountability. The research question was how circuits of power between private sector organisations and public sector decision makers affect institutionalisation of competitive tendering in public sector organisation and managerial accountability among public sector decision makers.

Findings

The research shows that public officials at Sunset City had an episodic circuit of power based on their professional expertise in health care management and legitimacy to act as representatives of Sunset City during the institutionalisation of competitive tendering. The need to cut costs for public elderly care services and the obligation to institutionalise competitive tendering during procurement of public goods and services increased the episodic circuit of power of public officials in charge of elderly care. In principle, political decision makers could use their dispositional circuit of power to overturn the decisions of public officials. During the institutionalisation of competitive tendering, however, the episodic circuit of power of public officials prevailed over the dispositional circuit of power of political decision makers. The study argues that public officials and political decision makers failed to use appropriate management accounting and control tools among their episodic and dispositional circuits of power to design, implement and institutionalise competitive tendering that minimises procurement risks. As a result, a multinational business organisation used its strategic power based on technical and operational dominance as a facilitative circuit of power to win competitive tendering and to outflank an institutionalised relationship with Sunset City at the expense of higher costs for public services that the city must finance. Managerial accountability among public sector decision makers was ceremonial.

For practical and policy implications, it is important to assign tasks to encode, enact and reproduce an institutionalisation process to persons that can use appropriate management accounting and control systems to minimise procurement risks. Instrumental use of management accounting and control systems can minimise procurement risks and improve managerial accountability among public sector decision makers.

The primary theoretical contribution of this study is to extend the framework of circuits of power (Clegg, 1989) to the Burns and Scapens (2000) institutional framework in analysing inter-organisational institutionalisation process (Scapens and Varoutsas 2010) and intra-organisational managerial accountability as outcome.

From a conceptual approach, this study adds the concept of organisational outflanking to the Burns and Scapens (2000) institutional framework to show how and why the institutionalisation of competitive tendering cannot be taken-for-granted to save costs of public services nor to improve managerial accountability among public sector decision makers.

5.4. Accounting for competition, negotiated order and circuits of power during institutional change

Aim and research question

The aim of this study was to extend the Burns and Scapens (2000) framework to the theory of negotiated order and the framework of circuits of power by analysing the extent to which institutionalised accounting information becomes a circuit of power in negotiating inter-organisational order during competition. To increase the focus, this paper analyses the role of cost accounting information. The research question was how institutionalised accounting information affects the taken for granted ways of thinking and acting of institutional actors in negotiating inter-organisational order when analysed from the framework of circuits of power.

Findings

The research shows that institutionalised accounting information at Credo became an instrumental tool in designing and offering a contract of elderly care services to Sunset City, despite the risk of losing the contract because of competition. The instrumental finding is consistent with earlier institutional change studies discussed in the paper and shows the relevance of the Burns and Scapens (2000) framework as a starting point to analyse the outcome of intra-institutional change in negotiating order.

The instrumental use of accounting information became an episodic circuit of power that the leadership of Credo used to challenge the ways of thinking and acting of Sunset City authorities during contractual negotiations. This episodic circuit of power, however, could not have been strong enough to negotiate order in favour of Credo without its facilitative circuits of power. The facilitative circuit of power that Credo used was based on its service quality and ethical ideology in taking care of the elderly. Credo used its episodic and facilitative circuit of power to argue that high quality elderly care comes at a cost, which political decision makers and public officials at Sunset City had to support as a matter of welfare principle. To reach a negotiated order, Credo supplemented its episodic and facilitative circuits of power with legal expertise in public procurement of elderly care services, which influenced the dispositional circuit of power of Sunset City authorities. Convincing political decision makers and public officials at Sunset City was an obligatory passage point for Credo. As a consequence, Sunset City agreed to continue contractual relationships with Credo.

This finding shows how episodic and facilitative circuits of power at micro institutional levels can be used to negotiate inter-organisational order at macro institutional level and the role of institutionalised accounting information in this setting.

The study contributes to the literature by showing that institutionalised accounting change can be instrumental in shaping the ways that institutional actors think and act and can become an episodic circuit of power in an intra-institutional setting. Because inter-organisational negotiated order does not take place in closed systems such as laboratories, however, the instrumental and episodic circuit of power arising from institutionalised accounting change cannot be taken for granted to prevail in obligatory passage points in which facilitative and dispositional circuits of power interact. Lapsley *et al.* (2011) analysed how facilitative and dispositional circuits of power interact in obligatory passage points in negotiating budgetary settings involving minority governments. Lapsley *et al.* (2011), however, did not analyse how episodic circuits of power interact with other circuits of power in obligatory passage points and called for further studies filling this gap. This study extends the findings of Lapsley *et al.* (2011) to the episodic circuit of power. Scapens and Varoutsas (2010) called for further studies applying the Burns and Scapens (2000) framework in institutional change that takes place in inter-organisational settings. This study answers the call of Scapens and Varoutsas (2010) by adding negotiated order and circuits of power perspectives to the Burns and Scapens (2000) framework.

5.5. Summary of the main contributions of the four studies

Table 2 summarises the main theoretical contributions of this thesis.

Table 2. Theoretical contributions

Essay 1:	This study extends the Burns and Scapens (2000) framework to critical realism. The main theoretical contribution is to show how and why the institutionalisation of intra-institutional budgetary policies does not always lead to taken for granted ways in which budgetary actors discharge their accountability. Example: governance policies from the hierarchy affect the accountability of budgetary actors and the outcome of the institutional change process.
Essay 2:	This study uses the theory of communicative action (Habermas, 1984; 1987) to extend the Burns and Scapens (2000) framework to accountability. The main theoretical contribution is to show the relevance of communicative rationalities underlying budgetary delegation during the institutionalisation of accountability among budgetary actors at different organisational levels.
Essay 3:	This study uses the framework of circuits of power (Clegg, 1989) to extend the Burns and Scapens (2000) institutional framework to managerial accountability. The main theoretical contribution is to show the role circuits of power in inter-organisational institutionalisation process (Scapens and Varoutsas 2010) and effects on intra-organisational managerial accountability as outcome. The study adds the concept of organisational outflanking to the Burns and Scapens (2000) framework to explain how and why institutionalisation of competitive tendering cannot be taken for granted to save costs in public sector organisation nor improve managerial accountability among public sector decision makers.
Essay 4:	This study extends the Burns and Scapens (2000) framework to the theory of negotiated order and the framework of circuits of power. The main theoretical contributions are to show how institutionalised accounting information can be instrumental in organisational decision making. The instrumental pattern of thinking and acting becomes an episodic circuit of power. The episodic circuit of power cannot be taken for granted to prevail over other circuits of power, however, in negotiating in inter-organisational relationships.

5.6. Concluding remarks

The findings of the studies in this thesis demonstrate how institutionalisation of competitive tendering, governance and budgetary policies cannot be taken for granted to improve to accountability among institutional actors. The studies in this thesis have used multiple theories to analyse the roles of communicative rationalities, negotiated order, critical realism and circuits of power during the institutionalisation process at organisational levels and among organisations.

By using a critical realism approach, the studies in this thesis show that institutionalisation of budgetary policies cannot be taken for granted to lead to accountability in the actual and empirical domains of reality because accountability relationships are influenced by mechanisms of the real domain of reality, such as governance policies that are independent of the intra-institutional process of management accounting change.

By using the theory of communicative action, the studies in this thesis show that budgetary delegation institutionalises different institutions of accountability, ceremonial and instrumental, among budgetary actors. The accountability outcome depends on communicative rationalities that management uses to reach mutual understanding with budgetary actors during the institutionalisation process and willingness of budgetary actors to accept responsibility and accountability to use their budgets as agreed upon with management. Monitoring accountability through informal discourses with budgetary actors, however, cannot be taken for granted to improve instrumental role of budgetary information in organisational decision making during budgetary implementation. The study argues that budgetary delegation does not institutionalise accountability among budgetary actors as described in the Burns and Scapens (2000) framework and other institutional change literature, because accountability is an issue of emancipation rather than colonisation (Broadbent and Laughlin, 2013; Habermas, 2006; Lehman, 2006).

The studies in this thesis used the framework of circuits of power to demonstrate how failure of public sector decision makers to use management accounting and control systems that minimise procurement risks among episodic and dispositional circuits of power of public sector organisation led to organisational outflanking and ceremonial accountability among public sector decision makers during institutionalisation of competitive tendering. The ways in which a multinational business sector organisation used its operational and technical dominance as a facilitative circuit of power to win the competitive tendering process in this setting, explain the organisational outflanking finding and its effect on managerial accountability relationships among public decision makers. The financial consequences on rapidly growing costs of public services outsourced from competitive winners, such as, multinational business sector organisations, are political topics in the media and at the government level in Finland.

The studies in this thesis extend the Burns and Scapens (2000) institutional framework to the theory of negotiated order and the framework of circuits of power to demonstrate that management accounting information that is institutionalised within an organisation can become instrumental in organisational decision making. The instrumental way of

thinking and acting constitutes an episodic circuit of power organisations can use to negotiate contractual relationships with other organisations.

To reach a favourable negotiated order, however, the organisation needs to activate its facilitative circuits of power based on ideology, ethics and networks. As a consequence, the instrumental use of an institutionalised accounting information within an organisation cannot be taken for granted to prevail in obligatory passage points during negotiation of inter-organisational order, unless supplemented by other institutional mechanisms.

The cultural context and the setting of public sector organisations in which the empirical parts of the studies in this thesis have been conducted are specific to the Nordic countries' ways of life. For example, low power distance, high uncertain avoidance and weak hierarchy⁷ in not-for-profit and public health care organisations in Finland are factors that limit generalisation of the empirical findings to organisations other than those analysed. The theoretical frameworks of the thesis can be applied validly in other studies.

5.7. Practical implications and further research

Essay 1 shows how governance policies affect ways in which the institutionalisation of management accounting change leads to accountability among institutional actors.

A practical implication is that it is essential to institutionalise governance and management accounting policies that are not contradictory and that reflect the ways in which institutional actors think and act in their fields. A next step is to analyse in further research how and in what ways organisations can use organisational actors' thinking as a key to success in designing and institutionalising new governance and management accounting policies.

Essay 2 shows how the communicative rationalities underlying budgetary delegation affect the institutionalisation of accountability among budgetary actors. A practical implication is that reaching mutual understanding among budgetary actors in planning, negotiating and concluding budgets is a key that management can use to institutionalise instrumental budgetary accountability at different organisational levels. Further research could analyse how discourses of accountability affect management accounting practices and communication among budgetary actors in organisational decision making. To reach this goal, experimental research can give more insights than qualitative field research.⁸

Essay 3 shows how extra-organisational facilitative circuits of power affect the institutionalisation of competitive tendering, organisational outflanking and managerial accountability among public decision makers. A practical implication is to avoid initiating an intra-institutional policy change for which outcomes in terms of costs and accountability can go beyond the control of the organisation where institutional change has taken place. An essential next step for further research is to analyse strategies through

⁷ See for more details: Hassel, L. G. and G. M. Cunningham (2004), 'Psychic distance and budget control of foreign subsidiaries'. *Journal of International Accounting Research*, Vol. 3, No. 2, pp. 79-93.

⁸ For further discussion and methodological guidance, see: Libby, R., R. Bloomfield and M. W. Nelson (2002), 'Experimental research in financial accounting'. *Accounting, Organizations and Society*, Vol. 27, No. 8, pp. 775-810. For specific aspects of management accounting research that applies quantitative methodology, read: Bisbe, J., J.-M. Batista-Foguet and R. Chenhall (2007), 'Defining management accounting constructs: A methodological note on the risks of conceptual misspecification'. *Ibid.* Vol. 32, No. 7-8, pp. 789-820.

which public sector organisations can institutionalise competitive tendering mechanisms to save the increasing costs of public services.

Essay 4 shows how accounting information institutionalised within an organisation can be instrumental in organisational decision making and a circuit of power in negotiations of inter-organisational relationships during competition in the public sector. A policy implication is to apply a careful approach to the relevance of institutionalising price competition in specific areas, such as public health care, in countries that have a welfare tradition such as Finland. A relevant next step is to analyse in further research institutional roles of internal auditors to monitor public procurement processes and price setting strategies in competitive tendering.

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Accounting for Competition, Governance and Accountability During Institutional Change in Not-for-profit and Public Sector Organisations

Understanding the relationship between the institutionalisation of competitive tendering, governance, budgetary policies and accountability has relevance for practitioners and policy makers interested in using management accounting and control systems to improve accountability among institutional actors and between organisations.

This doctoral thesis presents research that analyses this within organisations and examines the relevance of an institutionalised management accounting policy in negotiating relationships between organisations.

The theoretical aim is to extend the institutional framework of management accounting change proposed by Burn and Scapens (2000). The framework shows how institutional change processes occur within an organisation. Further theorisation is needed to analyse the relationship between the institutionalisation process, power and accountability among organisational actors and the role of management accounting information in negotiating order between organisations. The research uses a multiple theory approach, which provides effective conceptual tools to analyse how institutional actors think and act from different perspectives and in different settings.

The empirical part of the thesis uses intensive field studies in public and not-for-profit health care organisations and a municipality in Finland. The organisations analysed have institutionalised competitive tendering, governance and budgetary policies.

Findings are presented in four essays that support the theoretical reasoning of the thesis with practical policy implications. The main theoretical contributions are to show how and why the institutionalisation of competitive tendering, governance and budgetary policies cannot be taken for granted per se to shape the ways in which institutional actors think and act in accountability and in negotiating order with other organisations.

The studies in this thesis are interesting for readers working in other organisations because they show how institutional actors think and act in accountability and in negotiating relationships with other organisations during the on-going financial crisis with impacts on competitive tendering, governance and budgetary policies at organisational level.

