The Project to Improve Financial Reporting and Auditing (PIFRA): Issues in the implementation of ERP in Public sector of Pakistan

Tajammal Elahi

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Dedication

 I dedicate this thesis to my beloved Prophet Muhammad (peace be upon him) who received the first revelation from Allah with the word "Read".

Abstract

This is a case study on PIFRA (Project to Improve Financial Reporting and Auditing) in the public sector of Pakistan. It investigates the process of implementation of New Accounting Model (NAM) and SAP as a reform imitative to overhaul the century old archaic financial management system. This study has three dimensions: implementation of SAP as an integrated system for budgeting and accounting offices at all levels of Government; introduction of modified cash basis of accounting; and the World Bank as a meaningful force for change.

New institutional sociology (NIS) and institutional logic have been employed to analyse the process of change at macro as well as micro level. The concepts of isomorphisms in general and cognitive-cultural in particular, legitimacy, decoupling, and agency have been used to understand and assess the extent of institutionalization.

The analysis has been divided into three areas: SAP implementation, organizational change, and training. In SAP implementation, separation of audit and accounts, duality of control and role of the World Bank have been analysed to comprehend the issues and their implications for institutionalization. In organizational change, change management as a component of the project, role of the PricewaterhouseCoopers as an architect of NAM and as a supervisory consultant, technical staffing, core team and resistance have been evaluated through NIS. In training, multiple perspectives of training and its distinct relation with institutionalization have been investigated.

It is a qualitative study with interpretive approach. Data has been collected through semi-structured interviews, project documents and reports generated by the World Bank and the project management team.

The thesis seeks to contribute in terms of its three dimensions and the use of NIS and institutional logic to have a broader picture of the change. Moreover, the identification of training as a driving factor in institutionalization and the role of accountants in post-SAP implementation scenarios also make a contribution to the accounting literature. Contributions towards policy and practice have been made in terms of advice for the World Bank, Government and practitioners when undertaking such projects in future.

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Chapter 1: Introduction

This thesis presents an analysis of the implementation of accounting practices and the SAP-ERP (Enterprise Resource Planning)system in the public sector of Pakistan. It describes the process of switching from archaic accounting practices to state-of-the-art technology from the German software company, SAP. This implementation can be viewed in the wake of a wave of reforms across the globe during the 1990s in the name of Good Governance and New Public Management. It is a study of institutionalization of reforms in budgeting and accounting offices across the country. Specifically, it describes how the validity of a cash basis for accounting was questioned, and the extent to which the proposed accounting system, NAM, has been successfully implemented at federal, provincial and district levels of Government. It offers an insight into the issues of implementation of SAP in the particularcontext of a developing country, with the World Bank as a key player.

1.1: Rationale for the study

Dirsmith (1998, p.69) is of the view that researchers might 'probe substantive domains wherein organizations are breaking out of their traditional orientations and forms, and within which accounting and accountants may play different roles'. An initiative called PIFRA (Project to Improve Financial Reporting and Auditing) was launched to overhaul the financial management of the Government of Pakistan. Before delving into the process of change triggered by the project, the context is described here that necessitated it.

Theimmediate focus of the research is SAP implementation in the public sector of Pakistan. However, this involves not merely a shift from a manual to an automated system, but is a multi-dimensional change from cash-based to accrual-based accounting. Another dimension of this change is the presence of the World Bank as a meaningful force in prompting this entire reform agenda.

PIFRA was conceived as a public sector financial management programme, with a number of components. This study is restricted to the Financial Accounting and Budgeting System(FABS) component. The Auditor General of Pakistan is the "owner" of the project as he is responsible for maintaining accounts at all tiers of Government. A number of organizations and actors/implementers can be identified which have been involved in this mega-process of change. Taking the term from DiMaggio and Powell (1983), public financial management can be treated as an *organizational field* which is composed of the Government, budgeting and accounting organizations, consultancy firms and the World Bank. These actors or implementers can be identified as the Auditor General of Pakistan, a project management

team, the World Bank, PricewaterhouseCoopers, Siemens, SAP Competency Centre and a core team. The organizations include the Accountant General's offices in federal and provincial Governments, District Accounts and Treasury offices, the federal Ministry of Finance and provincial Finance Departments, other federal ministries and provincial departments, and self-accounting entities like the Foreign Office, Pakistan Post, the Pak Public Works Department, Forest Department and Pakistan Mint; these sites have either completed implemented or are still in the process of implementation. Overall, there are more than 500 sites.

Since a variety of organizations and actors are involved in this implementation, I tried to interview the entire range so that all perspectives could be captured. The main research question of the study on major issues of implementation, and almost all interviews, began with this core area and then probed further according to the role of the respective interviewee.

I began the interviews with the buzzword 'Change', suggesting a thorough change. The question posed is, what is the nature of the change that augurs total transformation and revolutionizes the routines and practices in budgeting and accounting offices at transactional as well as aggregation levels? The implementation was actually targeting the entire culture of all the offices. The second question posed is how this enormous change was effected; it was followed by a series of questions such as did it really achieve its professed goals and objectives? is it a superficial change to prove something to the world, or it is a meaningful change? is the level of change being sustained or is it still a hotchpotch of new practices and old attitudes? Further, was there any resistance to change, and if so what its nature, how was it handled, and has it died down or is it still manifested in different ways? In exploring this change I also intend to identify the key players and the extent to which they play their assigned roles.

The question 'Why' was also posed, to question theinitiation of the project in the first place and then to investigate how the project was handled by project management, the owner and other members of the steering committee. Is the project a success or a failure, and can we apply conventional yardsticks to measure its success or failure? Can it be viewed objectively, or is subjective assessment acceptable to the stakeholders? In the context of key players, the role of the World Bank needs to be probed at different phases of the project. All these questions will be instrumental in informing us about the theoretical underpinnings of this change process, in the context of Pakistan.

1.2: The legacy system

A brief look at the legacy system in budgeting and accounting offices at all levels will enable us to appreciate the changes introduced by PIFRA. A study conducted by PricewaterhouseCoopers in 1992-93 (Diagnostic study) is a reliable source, providing ready reference, with which to begin. This study can also be taken as the harbinger of PIFRA, as its recommendations were ultimately executed in a fully fledged project. This diagnostic study also encompasses an audit component but this does not fall within the ambit of the current research; our focus will be confined to the budgeting and accounting offices of the Government of Pakistan.

The PricewaterhouseCoopers study mentions that accounting reports 'failed to cater for the needs of users in terms of timeliness, reliability, completeness and presentation. Reliable financial information plays a pivotal role in the entire financial cycle, which includes planning, programming, budgeting, accounting and auditing. According to the IMF' report of a diagnostic study on the Government of Pakistan's fiscal reporting system (ibid), the objectives of Government financial management should be aggregate control, cash and debt management, appropriation control and financial analysis . Lack of integration between budgeting and accounting data is another issue, as monthly civil accounts did not include budgetary data. Hence, a crucial comparison was missing, which should have been available for fund control and resource allocation. The report also highlighted the causes of this state of affairs: manual accounting operations were inadequate, considering the size and complexity of the Government's operations. Manual procedures led to extensive duplication, inefficiencies and delays in recording, processing and reporting reconciliation of financial information. Moreover, there was a gap between the accounting practices in practice and accounting policies; critical accounting data was not available owing to the lack of an interface with outside sources of data. On the subject of financial administration and procedures, the report pointed out that major internal controls, like reconciliation, were not effectively in place; the financial roles and responsibilities of Government were not clear, and an effective management reporting system was missing. For instance, executive agencies were responsible for budget control but extensive pre-audit by the Pakistan Audit Department had undermined this responsibility. Effective internal controls over the accounting system were also missing. The focus of functional staff was on the maintenance of records, with

over-control in minor transactions instead of systematic and effective control of key issues to ensure integrity of financial records and timely accounting of significant transactions. Computerization in the Pakistan Audit department was also found to be inadequate, failing to respond to the needs of the organization. Hence, the strategy suggested by the study revolved around long-term comprehensive and integrated computerization. Another critical area mentioned in the report on the diagnostic study was training, all aspects of which were questioned.

Although the validity of this diagnostic study and its functional specifications were later questioned by the departments as well as by Siemens (the vendor of SAP) at the time of SAP implementation, it was a fact that the level of computerization in the budgeting and accounting offices was of marginal use. This was corroborated by the respondents in budgeting and accounting offices who claimed that 'adhocism' was the order of the day. One of the respondents from a budgeting office commented that "the legacy system did not meet the requirements, so we transferred the data to Excel for further manipulation. To change an amount in the system used to take almost an hour, and during budget preparation days, enormous changes were made; hence, we prepared a parallel budget in Excel and the finalized figures were transferred to the main machine, but this led to lots of inconsistencies. Parallel manual work was also done, which was deemed more reliable." The respondent further elaborated that "We requested the Punjab Information Technology Department for the provision of some IT solution for budget preparation but at that time the next budget was forthcoming and we were told to continue with the existing arrangement; some solution was to be provided for the next financial year. But before that time PIFRA approached us and SAP implementation was started."

Accounting offices were suffering from a growing volume of transactions which was almost beyond the capacity of the manual system and they demanded that the federal Ministry of Finance and provincial Finance Departments at accelerate the existing process of generating monthly accounts. In 1988 the Pakistan Audit Department (PAD) started a pilot project to automate its accounting function. Initially, one Accountant General's (AG) office and four District Accounts Offices (DAOs) were computerized to varying degrees, but this automation had certain drawbacks which were pointed out by the diagnostic study. These were: automation of the accounting function was developed with no strategic plan, and the information needs of PAD were not kept in view; very few offices were even partly automated, and there was absolutely no question of integration; there was a lack of

standardization, as different IT platforms were used and there were issues over interfacing with each other; there were difficulties in adhoc reporting and insufficient audit trails; software maintenance was a major issue as the system's was outmoded and inflexible; and a comprehensive set of standards for developing, implementing and maintaining the computerized system was missing. Consequently, with the exception of a few DAOs, timely financial information was not available. Much office space was filled with mega-sized registers and files bursting with papers. The few offices with computers were automated only to the extent of payroll, while the remaining payment and receipt sections were manual, and activities were not synchronized. Hence, incidents of fraudulent payment were frequent. As far as periodical accounting reports were concerned, they were neither reliable nor timely. Hence, their utility as a crucial document for decision making was almost non-existent. The importance attached to monthly accounts can be assessed by the fact that according to one respondent, in some accounting offices they were prepared by the security guards. Another significant fact regarding maintenance of accounts was that the constitution of Pakistan authorizes the Auditor General to prepare accounts of public sector bodies. However, the diagnostic study highlighted this as an anomaly, as the Auditor General was both maintaining the accounts and auditing them, which brings into question the validity of such accounts.

The preceding discussion offers an insight into the context of PIFRA by highlighting the ills rampant in the budgeting and accounting offices in the public sector of Pakistan. Hence, PIFRA was offered as a solution to address the issues of the legacy system. The International Development Association (IDA) provided assistance to PAD in addressing performance issues in three areas: Government financial management, computerization and training. The diagnostic study was part of this assistance. The same study was also mandated to recommend a long-term strategy to improve and integrate Government financial management at both federal and provincial levels. According to a brochure printed by the PIFRA Directorate (PIFRA brochure), the concept of Good Governance was seen as a basis for the entire framework of a deep-seated reform agenda. PIFRA was launched with the vision to "adopt and implement a modern accounting system designed according to recognized accounting principles and standards and based on modern information technology" (ibid). It was also meant to implement a governance structure and legal framework for an independent audit function. Improvement of the professional capacity among elements of the civil service responsible for fiscal management was also part of the vision, as was increased use of the

private sector to supplement public sector resources, and the adoption of improved standards for private sector financial disclosure.

PIFRA, a flagship project, was part of greater reforms, highlighting the objective to increase the accuracy, completeness, reliability and timeliness of intra-year and year-end Government financial reports at the national, provincial and district levels. It also classified its intended outcomes in terms of internal and external stakeholders.

The list of outcomes for internal stakeholders was: re-engineered business processes, prompt processing of claims, improved HR functionality, improved monitoring of budgets, accurate, timely and transparent reports, good governance, improved decision-making processes, cash-forecasting systems, and an automated financial management system with greater internal controls, facilitating system-based audit, more visible audit trails, and a high level of accountability. Its impact for external stakeholders was: increased assurance, transparency and accountability in terms of public spending, compliance with international accounting standards, dissemination of information, confidence, reliability and trust for the public.

One can infer from the foregoing discussion that PIFRA was conceived as a mega-IT project with a significant number of theoretical changes. In terms of SAP implementation, German and Australian SAP consultants agreed that they had "not come across such a voluminous project in terms of scope as well as number of transactions; it is normally one department or one ministry implementation but not the whole Government on one platform like public sector of Pakistan". The scope of the project can be appreciated through the following diagram (Figure 1.1) that vividly depicts the ambit of the project.

Figure 1.1. Scope and context of PIFRA
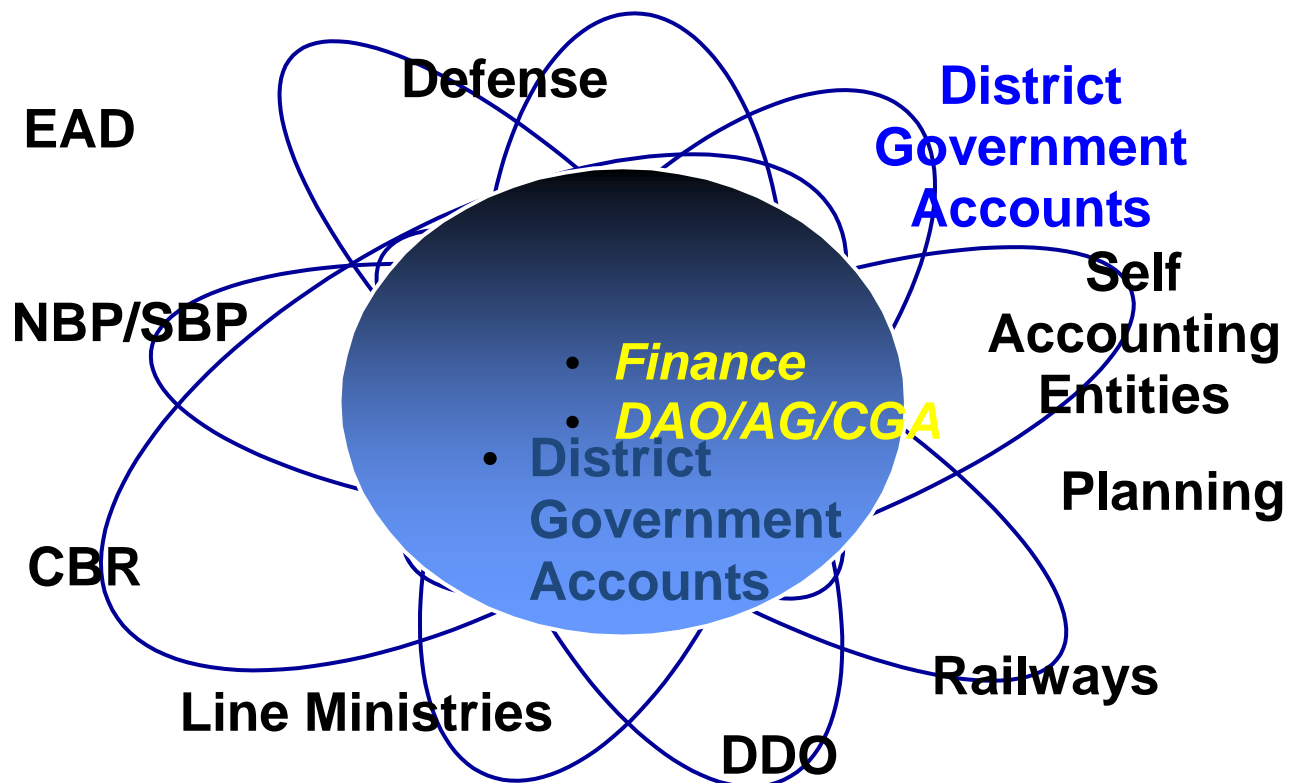
Another hallmark of the project was the presence of the World Bank as a stakeholder, key player and a force in the entire implementation of NAM and SAP. The World Bank has been seen as having a magic wand to implement fundamental change in the face of all hurdles and obstacles. Its role was well described by the project manager of Siemens:"Had there been no World Bank, there would not have been any implementation at all". There were massive delays on the part of the Government as a conventional tactic to shelve the reforms, but the World Bank did not waver in showing its resolve to stick to the objectives of the project. PIFRA is an unusual project in terms of its content for change. It was not only proposing changes in Pakistan's accounting but also how to do accounting in this fast-paced world. Another interesting feature of this project is that accounting was being performed by non-accountants, while a major IT network was established without large-scale hiring of IT-literate personnel at department level.

Certain other features have made PIFRA a unique initiative: it was massive in terms of the number of users and number of transactions; it was planned to revolutionize the entire culture of an accounting organization; and its complexity in terms of the variety of scenarios to be implemented at multiple levels of Government, and the duality of control of the accounting organization, were remarkable. The present study is therefore intended also to offer lessons for stakeholders like the World Bank, public sector managers and consultants.

I was personally associated with the project at the time when it was being implemented at test and initial pilot sites. I became the business process owner of one of the modules, interacting with consultants from PricewaterhouseCoopers and Siemens to configure the system according to the functional specifications and business requirements of the Government. However, this is not a limitation of the present study; in fact, my role in the project gave me access to relevant interviewees and documents. The findings of the study cannot be considered as prejudiced, as my participation in the project implementation was some 6-7 years ago, and the project has gone a long way since I left it.

IFMIS[1] have been installed in private as well as public sectors across the globe, to integrate the many functions of an organization. SAP-ERP[2] has gained acceptance as a packaged solution for most of the information needs of an enterprise. A majority of the private-sector Fortune 1000 organizations in the USA and UK have either installed or are in the process of installing ERP. It has also successfully made inroads in the public sector in a number of countries. One of the key areas in which ERP implementations have demonstrable success is IFMIS.

To summarize, SAP[3]-ERP is being implemented under the umbrella of PIFRA, the Project to Improve Financial Reporting and Auditing in the public sector of Pakistan, a World Bank funded project launched in 1997. Against the backdrop of discussion on different aspects of the project and the existing literature on such implementations, this study endeavours to explore the implementation process through its various phases, and its overall impact. It will also probe the heritage financial management system of Pakistan which necessitated the launching of this project, and both the theoretical and practical solutions offered.

1.3: Research question

The major research question then is "to what extent has the institutionalization/implementation of a new accounting model and SAP been achieved in the public sector of Pakistan?" There are also subsidiary questions to address the issues raised by the major question:

- What are factors/forces have impeded the implementation of NAM as well as SAP?

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[1]IFMIS-Integrated Financial Management Information Systems
[2]ERP-Enterprise Resource Planning
[3]SAP-Systems, Applications, Products in data processing, is German off-the-shelf software.

- What is the role of the World Bank and other stakeholders in the entire implementation process?
- How effective was 'change management' in terms of introducing a new structure as well as system?

1.4: Overview of theoretical framework and contributions

NIS (New Institutional Sociology) has been chosen as a theoretical framework because it can offer wider institutional and social positioning of financial accounting, ERP implementation and the role of a variety of stakeholders. Over the last two decades, institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) has emerged as a powerful explanation of the influence and outcomes of external institutions on organizational decision making. Most NIS studies assume that intra-organizational structures and procedures are mainly shaped by external factors rather than cost-minimizing objectives (Moll et al., 2006). A process of isomorphism follows, through which external institutions permeate internal structures and procedures are highlighted (DiMaggio and Powell, 1983). The drive for legitimacy develops the process of institutionalization which makes organizations more similar to each other without necessarily making them more efficient (ibid). In the analysis chapter, 'SAP implementation', I discuss the separation of audit and accounts, effected because of the immense pressure exerted by the World Bank to confer legitimacy through coercive, mimetic as well as normative isomorphism. The entire system was proposed in order to make the accounting function more efficient. Hence, legitimacy and efficiency have been combined as one of the outcomes of change triggered by PIFRA, in turn a contribution to the framework of institutional theory.

The analysis chapters, 'Organizational change' and 'Training', contain discussion on the extent of institutionalization, which is a main research question of this study. The cultural-cognitive side of NIS has been applied to understand the process of change and resistance. Training has been taken as an agent of change and then how it works to change the perception of users is examined.

NIS has been criticized for being macro in its focus. Hence, institutional logic has also been used to dig deep into the micro-level of the organization. It helps in appreciating the causes of resistance in the budgeting as well as accounting organizations of the Government of

Pakistan. Thus, NIS and institutional logic enable this study to analyze all changes from outside as well as inside the budgeting and accounting organizations.

This thesis makes a number of contributions in the research world. First, it offers a framework of fusion of NIS and institutional logic which affords greater analysis of factors of change. Secondly, there is a contribution to knowledge in terms of surprises which I came across while undertaking this research; for instance, the extent of training in implementation, and the move from resistance to becoming a champion of change. Thirdly, advantages of NIS have been reinforced, with cultural/cognitive aspects of implementation emerging from the interviews.

1.5: Outline of thesis

This thesis is composed of eight chapters. The first is an introduction to the study and a presentation of the legacy system, the context of the project, its unique features, an overview of theoretical framework, and contributions. The second chapter reviews the literature in the fields of ERP implementation, World Bank-funded projects and the adoption of accrual accounting. The third chapter describes the theoretical framework, its features, methodology and methods. The analysis chapters are divided into findings and analysis. Chapter four is the first analysis chapter, focusing on SAP implementation; major issues and stumbling blocks are discussed in this chapter to put the change in its true perspective. Chapter five, 'Organizational change', is another chapter of analysis which singles out areas like change management, ownership, the new accounting model, technical staffing, the role of PricewaterhouseCoopers, business process reengineering, and resistance. 'Training' is the last chapter of analysis, in which different aspects of training are discussed in relation to institutionalization and the roles of the various actors in the project. The penultimate chapter is a discussion of all areas of analysis, linking the literature and theory. The concluding chapter of the thesis discusses the extent to which the research questions have been answered, and identifies the contribution of this study towards knowledge, theory, policy and practice; limitations and suggestions for further research are presented at the end.

Chapter 2: Literature Review

2.1: Introduction- ERP implementation in the global context

A majority of the private sector Fortune 1000 organizations in the USA and the UK have either installed or are in the process of installing ERP, and ERP solutions have also successfully made inroads in the public sector in a number of countries. One of the key areas in which ERP implementations have demonstrable success is IFMIS. Since the 1990s,international donor organizations such as the Inter-American Development Bank and USAID have been supporting IFMS design and implementation in countries in transition (Integrated Financial Management Systems Best Practices: Bolivia and Chile, 2004). Neu et al. (2002) echo that the World Bank has been lending to developing countries with special emphasis on financial technologies as tools to achieve other objectives. Moreover, in the USA a number of organizations like NASA, Homeland Security and the Department of Housing and Urban Development have been implementing IFMS to integrate all their financial management functions through a unified platform (GAO Reports, 2003, 2007) During and after implementation of these projects, studies have been conducted to highlight "lessons learnt". Nevertheless, every country has its own context in which its systems are studied and evaluated, and Pakistan's PIFRA (Project to Improve Financial Reporting and Auditing) is no exception.

2.2: PIFRA in its context

A number of areas regarding PIFRA need to be studied within the national context. For instance, if we talk about the role of donors in implementing reforms, the World Bank has been involved from conception to completion of the project. In spite of its extensive experience of implementation of IFMS, the World Bank appeared naïve in envisioning the project, as the theoretical proposed changes ignored many practical areas, such as maintenance of the system and the heavy costs this incurs, vulnerability of the supporting infrastructure, lack of commitment and ownership, the scope of the implementation involving

some 500 sites, delays in implementation, the setting of unrealistic periodic targets by review missions, and the realization that the professed objectives need further investigation. Moreover, there are political undercurrents at the consultancy level as well as various levels of Government. Most of the emphasis by the World Bank during monitoring was on the functional aspects of the implementation. Although the mechanisms and structure of governance are at the heart of the problem within these projects, underlying most of the functional problems, donors continue to ignore this important aspect and fail to throw sufficient weight behind the core issues, hampering successful implementation of IFMS projects. These areas also need to be analyzed and possible governance mechanisms identified and elaborated within country-specific contexts in order to enhance the success rate of such implementation; this is especially true for projects involving ERP implementation as they bring in their wake massive change management that cannot succeed unless the underlying governance issues are addressed.

Among a number of projects funded by different international lending agencies, PIFRA is a flagship project in the public sector, involving extensive and revolutionary change. With automation, Government rules and regulations need overhauling, but this area is largely ignored, making the cumbersome implementation of ERP even more difficult (Davenport, 1998).

In a word, research is to be undertaken in the following three dimensions: implementation of ERP in the public as well as the private sector; moving from cash-based to accrual-based accounting; and the role of the World Bank in implementing financial management reforms.

2.3: ERP defined

ERP systems are defined as module-based integrated software packages to manage the personnel, material, monetary and information flows of an organization (Bancroft et al., 1997; Curran et al., 1998; Davenport, 1998). Rosemann (1999 cited in Al-Mashari et al. 2003) defines an ERP system as customizable, standard application software which offers integrated business solutions for the core processes (e.g. production planning and control, warehouse management) and the main administrative functions (e.g. accounting, human resource management) of an enterprise. In a slightly different way, Gable (1998) defines it as

an all-encompassing package of software solutions seeking to integrate the complete range of a business's processes and functions in order to present a holistic view of the business from a single information and IT architecture.

2.3.1: ERP- a solution

By the turn of this century, SAP R/3 had been installed at over 20,000 locations in over 107 countries (Bhattacherjee, 2000). Companies like Geneva Pharmaceuticals (Bhattacherjee,2000), Eastman Kodak (Stevens, 1997), Lucent Technologies (Francesconi, 1998), Farmland Industries(Jesitus, 1998), Du Pont (Stevens, 1998),Digital Equipment Corporation (Bancroft et al.,1998), Owens Corning (Bancroft et al., 1998), and Dead Sea Works (Pliskin and Zarotski, 2000) use SAP R/3 to track cost and resource information, monitor service levels and expenditures, and provide front-line workers with the information needed for better decision making. By creating a centralized database and standardizing corporate data flow, ERP encourages changes and efficiencies to take root in a firm (Kirschner, 1997 cited in Mandal and Gunasekaran (2003).However, in spite of all advances, project managers still wonder what the ingredients of successful system implementation are.

ERP systems have captured the market with promising features like cost reduction, improved efficiency, better customer service and satisfaction, the ability to change and configure business in response to a changing marketplace, and enabling e-commerce (Attaway,1999; Glover et al., 1999 cited in Nikolaou, 2004). Booth et al. (2000) attributed the boom in ERP to further spurs like the issue of euro currency and technical accounting problems. Other studies (Hope and Hope, 1997 cited in Hyvonen, 2003; Johnson and Kaplan, 1987) elaborated the reason for the emergence of ERP as a reaction to external pressures in the battle for survival.Integrated software packages like SAP R/3, Baan, J.D.Edwards, Oracle and People Soft increased in the industrialized world (Grandlund and Maalmi, 2002). For instance, in Australia, a survey by Gartner Group and ASCPA found an average usage rate of ERP of 52.7 percent (Booth et al., 2000). Davenport (1998: 121) aptly says that for "managers who have struggled at great expense and great frustration, with incompatible information systems and inconsistent operating practices, the promise of an off the shelf solution to the problem of business integration" was extremely attractive.

A study by Benchmarking Partners for Deloitte & Touché Consulting (Computer Technology Research Corporation, 1999) categorized companies' motivations for ERP implementation into two groups, technological and operational.

"Technological drivers relate mainly to the Year 2000 (Y2K) compliance requirements, replacement of disparate system, improvement of quality and visibility of information, integration of business processes and systems, simplification of integration of business acquisitions into the existing technology infrastructure, replacement of older, obsolete systems, and the acquirement of system that can support business growth. Operational drivers, on the other hand, are related to improving inadequate business performance, reducing high-cost structures, improving responsiveness to customers, simplifying ineffective, complex business processes, supporting new business strategies, expanding business globally, and standardising business process throughout the enterprise"(Al-Mashari et al., 2003:254).

2.3.2: Studies on ERP from multiple perspectives

A number of writers have identified ERP by features such as the extent of its integration, flexibility through client-server technology, open database connectivity, a modular and open system architecture, all-embracing functionality and interface with other companies (Booth et al., 2000). As mentioned earlier, ERP is constructed on an integrated data warehouse where all data is captured once and made available to all in the organization. However, implementation is costly as well as time consuming. It is also described as, at least, cumbersome (Davenport, 1998) because "everything depends upon everything else"; the configuration work becomes a difficult task as problems in one module may thwart progress in other areas.

Despite the rapidly increasing number of ERP adopters challenges in implementing this complex system remained. Davenport (1998) pointed out that the high level of standardization of processes was a straitjacket for varied operations and for the integration and automation of data, frequently culminating in massive problems. The package undoubtedly offered competitive advantage to organizations but the failures of implementation were also of great concern (ibid). There are examples of organizations withdrawing from ERP, even after investing a significant amount of money, for example Allied Waste Industries Inc.Waste Management, Inc.; the Hershey Food Corporation held

SAP responsible for an order processing problem that delayed the delivery of candy and other products during the Halloween season (Boudette, 1999).

ERP implementation can have many benefits for an organization, although its achievement depends upon effective implementation of the full ERP system (Soja, 2008). A number of models dealing with the variety of aspects of ERP implementation have highlighted different mechanisms (Brown and Vessey, 2003; Nah et al., 2001; Soja, 2004; Somers and Nelson,2001; Al-Mashari et al.,2003). ERP implementation is a critical initiative deeply "penetrating" an affected enterprise (Soja. 2008). As a result, one of the major factors describing ERP project conditions is its link with enterprise strategy. The ERP system clearly connects strategy, organizational structure, business processes and IT systems together in a consistent framework (Gibson et al., 1999). Hence, it is paramount to translate the corporate business strategy into an ERP implementation strategy (Al-Mudimigh et al., 2001). The implementers should envisage a plan for change that promises full alignment with the overall business strategy (Al-Mashari and Zairi, 2000). ERP projects should demonstrate a clear link to organizational strategy and be business- rather than technology-driven to ensure they achieve their envisioned impact (Somers and Nelson, 2001).

Since an ERP project is a complex and challenging, affair a number of measures, like a comprehensive performance measurement system, should be in place to ensure smooth implementation with business-centred outcomes (Al-Mashari and Zairi, 2000). Moreover, ERP implementations usually exceed the time frame for a typical business project; therefore, clear goals, a plan, and a vision are required to guide the ongoing organizational effort (Nah et al., 2003). The steering committee should determine the scope and objectives of the project in advance and then adhere to them to realize the professed objectives (Parr and Shanks, 2000).

Soja (2008) attempted to probe ERP project conditions in Poland, taking into account various types of project, differing in duration, scope and organization size. The analysis also took into account the achieved success level of investigated projects and explored what the described conditions looked like in successful implementations. The study used data from questionnaires sent to 68 organizations implementing ERP, and the respondents were ERP adopters and experts from vendors. In order to capture the holistic view of the impact of ERP

on an organization, the study employed its own classification of ERP implementation results, grouped as technical, economic, organizational and social effects.

The research outcome shows that successful ERP projects managed to incorporate enterprise strategy into the implementation project and established various implementation goals. Drawing on the experience of the projects investigated, the study prescribed how the company strategy could be incorporated into an ERP project and linked to project goal definition. However, human as well as inter-organizational aspects were identified as areas to be explored in the arena of ERP implementation. The results also showed that the adopters' experience varied with the type of project. The evaluation in this paper leads towards the proposed research as it is a unique project within a specific context.

According to Rizzi and Zamboni(1999), implementation of ERP can be taken as one of the most effective ways of traceability, integration, data storing, retrieving, management and analysis of functionalities. Nevertheless, ERP systems cost millions of dollars to buy, many time as much to install and, more importantly, they culminate in disruptive organizational changes (Volkoff, 1999). It is on this basis that some companies have enjoyed considerable improvements whilst others have had to scale back their initiatives and to accept minimum payoffs, or even decide to quit (Soh et al., 2000).

According to Al-Mashari (2002), one major benefit of ERP emanates from its enabling role in reengineering the company's existing way of doing business. All the processes in a company must be consistent with the ERP model, and the costs of aligning them with the ERP model could be very high, especially when a company plans to roll out the system worldwide. Organizations that do not adopt this philosophy are likely to face major problems (Gibson et al.,1999). However, ERP implementation results in considerable benefits engendered by the integrated nature of the system as well as from reengineering business processes and changing the business culture (Bingi et al., 1999).However, business process reengineering (BPR) and customization tasks are also major reasons for dissatisfaction with ERP (Scheer and Habermann,2000). To answer questions about the level of impact on business performance resulting from ERP system implementation, the investigator must

identify the levels of ambition of the organization concerned and what it aspires to achieve in terms of competitive results (Al-Mashari et al., 2001). Al-Mashari's paper suggests that the missions and visions need to be translated into critical factors of success which are communicated across the board at all levels in the organization. In a sense, one major condition for ERP systems achieving the visualized benefits is how well they serve the delivery of critical factors. The benefits are dependent on the approach adopted for evaluation, selection and project management of the ERP system. In light of Lyytinen and Hirschheim's (1987) definition of failure, success in IT projects can be measured by:

- Correspondence success: where there is a match between IT systems and the specific plan;
- Process success: when the IT project is completed within time and budget;
- Interaction success: when users' attitudes towards IT are positive; and
- Expectation success: when users' attitudes towards IT are positive.

The link between ERP benefits and strategic goals, objectives or critical factors is relative in terms of what specifically can be expected. Shang and Seddon (2000) classified ERP benefits into five groups:

- Operational: cost reduction, cycle time reduction, productivity improvement, quality improvement, and customer service improvement;
- Managerial: better resource management, improved decision making and planning and performance improvement;
- Strategic: supporting business growth, supporting business alliance, building business innovations, building cost leadership, generating product differentiation and building external links;
- IT infrastructure: building business flexibility, IT cost reduction and increased IT infrastructure capability; and
- Organizational: to supporting organizational changes, facilitating business learning, empowering and building common visions.

Al-Mashari et al. (2003) proposed that regular audits and bench marking exercises should be common practice to derive optimum benefits from the ERP system, and that leadership and commitment are the most essential pre-requisites for ERP implementation.

Nandhakumar et al. (2005) studied ERP implementation in a large company, EUROMOBIL, in its organizational context. Several studies have highlighted the critical success factors

which are known to the management and implementers in advance (Aladwani, 2001;Dong, 2000;Holland and Light, 1999;Nah et al., 2001;Shanks et al., 2000),but they ignore certain subtle contextual forces and influences which are unforeseen and unfold as the implementation progresses (Allen, 2001;Nandhakumar et al., 2003;Skok and Legge, 2001).

Studies also indicate that ERP implementation might change the infrastructure and operating practices of an organization. Hence, the implications of ERP implementation could be significantly wider than those of any traditional transaction, or functional system (Bingi et al., 1999;Davenport, 2000). Several authors (Hanseth and Braa, 1998;Hanseth et al., 2001) have identified the complex nature of the changes occurring in both the organization and the ERP system during implementation.

Koch(2000 cited in Nandhakumar et al. 2005) collated ERP adoption with 'unleashing a beast' into the organization that assumes its own authority.

The research approach adopted by Koch was an interpretive case study involving a collection of exhaustive, qualitative data on the implementation process of ERP in a specific context. The case study was a typical large-scale ERP implementation, and it revealed the uncontrollable nature and emergent properties of large-scale information systems. The conceptualization of control and the drift of the ERP implementation process suggested that the planning stage might not be able to predefine all the changes to be made or to foresee their organizational implications. This is a lucid departure from the previous literature on ERP that assumes that critical success factors (CSFs) are a good representation of contextual forces and that outcomes are predictable. Mintzberg and Westley (2001)argued that when a situation is unique and confusing, as is often the case with ERP implementation, the preferred course of action should include trial-and-error, venturing, learning by doing, intuitive action and improvising. CSFs and rational planning would be the first choice only when the issue is clear and there are well-established organizational processes to be implemented into the system.

Mandal and Gunasekaran (2003) highlighted areas like strong leadership, a clear plan and strategy for implementation, and constant watch on the budget. However, the plan and strategy should evolve through the organization's requirements and its ability to change. Some of the questions to be considered at the planning stage are:

- What are the specific information needs at the operational and managerial levels for different functional areas?
- How will the proposed ERP system integrate with the existing information systems?
- What is the schedule for adaptation of the new system?

Cooke and Peterson (1998) observed that organizations that had no SAP implementation strategic plan performed poorly 90% of the time, compared to those who had a plan. ERP implementation cases from countries around the world demonstrate that success is conditional on adequately managing the complex context of the implementation, which necessitates change management across various key areas related to business processes, IT structure, and management systems (Al-Mashari and Zairi, 2000).

Cleland (1991) and Skelton and Thamhain (1993) emphasized use of the "concurrent engineering method" in developing an ERP system. This requires simultaneous involvement of several functions with joint responsibilities for the development, as a time-based management innovation directed at shortening the ERP delivery time. Parsaei and Sullivan (1993 cited in Mandal and Gunasekaran, 2003) suggested two basic approaches for implementing concurrent engineering: team-based and computer-based approaches.

However, it is necessary to acquire, represent, integrate and coordinate the requisite concurrent engineering knowledge in information system design.

Al-Mashari and Zairi (2000) were of the view that for effective implementation of an ERP system, particularly SAP R/3, an organization must have a holistic view of the process. Various issues at strategic, managerial and operational levels should be addressed in order to achieve optimum outcomes from an ERP system. It was further recommended that an organization should establish competencies in four core areas: change strategy development and deployment, enterprise-wide project management, BPR integration with IT, and technical aspects of ERP installation.

Meyers et al. (1999) evaluated some130 research papers to identify factors influencing the implementation of new technologies for improved operational efficiencies. They classified implementation success factors as buyer characteristics, seller characteristics, buyer–seller interface, and environment.

According to Mabert et al. (2000),an ERP implementation can take many years to complete, costing tens of millions of dollars for a moderate-sized firm and upwards of $100 million for large international organizations; in spite of significant investment in time and resources, there is no guarantee of a successful outcome. A further study by Mabert et al. (2003) empirically probed whether there were key differences in the approaches of companies that managed their implementations on-time' and/or on/under-budget versus the firms that did not. These are two success measures which are often cited by companies for ERP implementations(Mabert et al., 2000, 2001). A number of key findings emerged from the study. First, while most implementation projects are unique in many ways, there are still many underlying issues, activities and strategies that are similar. Second, the case studies strongly suggest that the overriding objective of most companies is to complete the project on-time and within the budgeted resources. Third, to meet on-time and budget targets, ERP projects have to be planned very carefully and managed very efficiently. And lastly, the companies that stayed on-time and on/under-budget for their ERP implementation had many common characteristics. These are:

- Senior executives were very much involved in the project, from inception to completion, and also established clear priorities.
- A cross-functional ERP Steering Committee with executive leadership was constituted to oversee the project. The Steering Committee was all-powerful in making key decisions, both during the planning and implementing stages. In the larger firms the team members were fully dedicated to the ERP project and were often co-located in a 'war room'.
- The implementation team spent extra time at the outset to define in great detail exactly how the implementation would move forward. This included what modules and process options would be implemented and how senior management's priorities would be incorporated.
- Clear guidelines were laid out on performance measurements. These metrics were not just technical ones but also included business operations.
- Changes to the ERP system were kept to a minimum.
- Organizational change and training strategies were developed in advance and were updated during the implementation.
- Projects where many key modules were implemented at the same time took a shorter time (usually referred to as the mini-Big Bang approach. Implementing the entire

system at the same time is called the Big-Bang approach) than phasing in modules a few at a time (referred to as the phased-in approach).

- Key technology issues, such as data integrity and technology infrastructure, were addressed at an embryonic stage.
- Only minor reengineering endeavours were carried out.
- The implementation plan and subsequent progress were communicated regularly to all stakeholders (employees, suppliers and customers).

This set of characteristics relative to the nature and timing of the implementation process may be grouped into three categories: planning effort, implementation decisions, and implementation management. Planning effort refers to all factors that have to be addressed in the planning stages before the inauguration of the project. These include executive support and involvement in the planning of the project, the composition of the implementation team, and addressing key technology issues. Implementation decisions refer to strategic options on how to conduct the implementation. These include such decisions as whether to implement using the Big-Bang approach or the phased-in approach, and the amount of software customization and reengineering to be done. The third crucial area is implementation management itself, referring to all actions during the implementation.

The study analytically verified the importance of planning, execution and strategy on implementation time and budgets. While the findings have some common elements with other IT implementation studies, many are unique to ERP implementations because of the integrative features of ERP systems. The features highlighted by Mabert et al. (2000) cannot be applied to PIFRA as an ERP implementation because it has its own particular context, as already mentioned in the introductory chapter.

According to Umble et al. (2003), ERPs appear to be a dream come true. The commercially available software packages offer seamless integration of all information flows in the company: financial and accounting, human resource, supply chain and customer information. But the price of securing the benefits of ERP may be high. Not only do ERP systems take a lot of time and money to implement, they can disrupt a company's culture, create extensive training requirements, and even lead to productivity dips and mishandled customer orders that, at least in the short term, can damage the bottom line. Although it has been estimated

that the payback period for an ERP system typically ranges from one to three years, the evidence is mixed.

The study conducted by Umble et al. (2003) also highlighted a number of factors critical to the success of ERP implementation, which is not a risk-free venture. These are: clear understanding of strategic goals; commitment of top management; excellent project management; organizational change management; a great implementation team; data accuracy; extensive training; focused performance measures; and multi-site issues. System selection guidelines and implementation procedures were also delineated and the case study of Huck International analyzed in the light of above parameters. This company survived implementation, consolidation and record growth, enabling development of new strategies and techniques to manage the business with a powerful and, initially, relatively under-utilized tool.

Davenport (2000) explained the major elements of a rational approach to implementing an ERP system. There are two parts to this approach: preparing the people, and preparing the technical system. Preparing the people involves gaining support from future users of the system, training them how to use the technical aspects of the system, and acquainting them with how jobs and processes will change after implementation. Preparing the technical system entails converting data from the legacy systems to the required formats, installing the ERP software, and testing the software. To prepare the people, Davenport (2000) also recommended that prior to implementation; an organization should create a structure comprising specific roles: an executive sponsor, a project leader or manager, process owners, super users, a vision and planning team, and implementation teams.

A study by Kim et al. (2005) investigated the factors which hamper the implementation of ERP. It highlighted 47 factors, of which 6 were critical: human resource and capability management; cross-functional coordination; system development and project management; ERP software configuration and features; change management; and organizational leadership.

2.3.3: Conclusion

Multiple features of ERP implementation have been identified by a number of researchers, and complexity as well as integration can be taken as its hallmark. They highlighted boons as

well as banes: there are success as well as failure stories in abundance. We can categorize ERP studies into a number of groups. One group highlights the variety of aspects /conditions of ERP implementation that make it a success story (Soja, 2008; Brown and Vessey, 2003; Nah et al., 2001; Soja, 2004; Somers and Nelson, 2001; Mandel and Gunasekaran, 2003; Al-Mashari et al., 2003). They emphasize that corporate business strategy be incorporated into an ERP implementation strategy. Another significant feature which is relevant to the proposed research is that the implementation should be business driven rather than technology driven(Al-Mashari and Zairi, 2000).

Another group of studies discussed the role of business process reengineering with its pros and cons (Al-Mashari, 2002; Gibson et al., 1999; Bingi et al.,1999; Scheer and Habermann, 2000). Analysis of implementation in terms of critical success factors is a further approach (Aldwani, 2001; Dong, 2000; Holland and Light, 1999, Nah et al., 2001; Shnaks et al., 2000), although critics are of the view that contextual forces and unforeseen influences should be considered and no implementation should be viewed solely through the lens of critical success factors (Allen, 2001; Nandakumar et al., 2003; Shok and Legge, 2001). The proposed research also adopts the view that all implementations are different from each other, and the short-cut of one-size-fits-all does not apply.

Other studies which show considerable insight offer a valuable vision regarding the role of contextual forces, which are interrelated as well as contingent upon each other (e.g. Nandhakumar et al., 2005). The study by Al-Mashari and Zairi (2000) suggested that an organization must have an all-embracing view of the entire process. Mabert et al. (2003) carried out extensive case studies of a number of companies with varied size and budget to ascertain the key characteristics of those companies which completed their implementation on time and on/under budget. The study by Umble et al. (2003) focused on the benefits of ERP to an organization, although the price may be high. Kim et al. (2005) which exclusively highlighted the stumbling blocks in the way of ERP implementation, while Davenport (2000) prescribed a two-pronged approach, preparing the people and preparing the technical system.

These studies have covered different facets of ERP implementation and prescribed different solutions. In addressing the current research question and its subsidiary questions, several issues of ERP/SAP implementation will be investigated, including change management,

project management, training, business process reengineering and bottlenecks, with reference to the special context of the public sector of a developing country. No single study has previously investigated all these areas, hence, the need for the proposed work. The magnitude of ERP implementation in the public sector of Pakistan demands a thorough study as it has a wide variety of dimensions and, as stated above, no single study has covered all the aspects together. However, the significance of previous research should not be underrated, as it provides insight and food for thought for the proposed research.

2.4. Adoption of Accrual Accounting

2.4.1 Introduction

Hines (1988) is of the view that accounting is a form of communication which both represents and constructs reality through the discourse and images created. That is, accountants (and others) in choosing what to account for and when and how to account for it, shape contextual factors (e.g. society) which in turn impact on the form of accounting chosen. Accounting does not dominate in these reflexive processes, but it does have an impact on them. Hence, public sector accounting is not socially, politically or economically neutral (Broadbent and Guthrie, 1992; Guthrie, 1994).

2.4.2 Accrual accounting versus cash accounting

Accrual accounting reforms are more than neutral, technical, disinterested activities.

Accrual accounting is explained as recognition of revenue and expenses in the accounting period in which they are earned or incurred respectively, rather than when cash is paid or received. Therefore, a key difference between this and cash accounting systems is the timing of the recording of transactions. The essence of accrual accounting is the shifting of this timing and the recognition of expenses in the period in which they are incurred, rather than paid (Guthire, 1998).

Minogue (2000) argues that the New Public Management(NPM) approach to public sector financial management is based upon the view that: large state bureaucracies are inherently defective and wasteful; the free market is the most efficient method of allocating scarce resources; private sector management techniques are a suitable model for the public sector;

and if the preferred approach of privatization is not considered to be appropriate then commercialization or pseudo-markets should be adopted as the second best option. Along with NPM reforms, a number of governments have moved from cash to accrual accounting principles. Indeed, it is argued that without such movement some of the NPM changes would be undermined (Chan, 2003; Likierman, 2003).

The official claim underlying the change has been that conventional public administration has narrow performance indicators, that is they focus on compliance within spending limits and accountability for cash flows and balances. A redefined public sector performance rhetoric now comprises 'outputs', 'efficiency' and 'results''of activities and includes holding managers accountable for the 'full cost' of operations and consideration of long-term obligations and overall 'financial position'. Accrual information is considered as an accurate assessment of the full cost of service provision and an indicator of the efficiency of programme performance. The argument that accrual accounting offers a more accurate view of the cost of government service provision has been of particular importance to proponents of micro-economic reform and competition policy (Hilmer, 1995 cited in Guthrie, 1994). According to Brunsson (1994 cited in Olson et al. 2007) the implementation of accrual accounting indicates the "company-ization" process.

It is also argued that cash accounting makes Government appear to deliver services more cheaply than the private sector, which is forced to include non-cash expenses such as depreciation in its accounts. The simple fact that the difference between cash and accrual based accounting numbers is ultimately one of timing is ignored. Hence, over the medium to long term, one could not reasonably expect a cumulatively significant difference in the cost measure provided by either, given equivalent resource inputs by government.

While talking about differences of the local Government accounting and that of the business world in Norway, Monsen and Olson (1996) have commented that both of them belong to different worlds and have different corresponding institutional environments as well. However, accrual accounting has been introduced in many countries but this process of harmonization is different from that of Norway. This perspective provides direction for this research project due to similarities in the government accounting contexts of Norway at this time and Pakistan at the time of the PIFRA project.

2.4.3: Accrual accounting in Australia

Guthrie (1998) presented a historical analysis of the adoption of accrual accounting in the public sector of Australia. A feature of the broader public sector changes over the previous two decades was the focus on smaller government, efficiency and initiating commercial business management and other ideals like value for money into the Australian public sector. The introduction of market mechanisms and competitiveness envisaged the citizen as consumer of services (Pina and Torres, 2003).This shift from cash to accrual is explained by the fact that half of OECD countries use some form of accrual accounting in financial reporting, although only a small number in budgeting (Matheson, 2002).

It is also worth mentioning here that New Zealand, Australia, Canada and the United States were among the harbingers of this reform, which they implemented in the 1990s. In Europe, Sweden and the UK followed suit, while the other countries are either in the process of shifting or planning to shift to accrual accounting (Hoek, 2005)

In the Australian Public Sector (APS) the accounting profession and various governments supported a vision of accrual accounting for the following categories: Accrual Financial Reporting; Accrual Management Systems; Whole of Government Reporting; and Accrual-based Budgeting. It was believed that accrual-based accounting reports are far more comprehensive than cash-based reports (ibid). The conjoint emphasis in Australia was on changing the administration of the public sector, replacing old discourse ideals and methods of management with the hallmarks of NPM. The adoption of accrual accounting and budgeting techniques was not seen as an end in itself, but rather as a means to introduce significant changes in the scope, scale and style of public sector administration and activity.

The Commonwealth Auditor-General, Pat Barrett (1993, p. 6-7), indicated that the outcome of adoption of accrual accounting in the APS would be sevenfold:

- more comprehensive identification of the cost of government programmes;
- a greater emphasis on cost control and efficiency measurement;
- accrual numbers would have a considerable impact on the determination of pricing policy for user charging;

- the need to demonstrate increased productivity in the context of workplace bargaining negotiations;

- the provision of greater accountability for resources used by and invested in public sector bodies;

- the provision of accountability for the downstream effects of policies on liabilities to be met by future generations, which refers to a clearer emphasis on the measurement of intergenerational equity; and

- measurement of the financial impact of government policies against original estimates, which has gained increasing favour in its incarnation as 'budgetary honesty' charters and in initiatives in some jurisdictions (e.g. New South Wales) towards constitutional restrictions over government indebtedness.

It was also asserted that the adoption of accrual accounting in the public sector would result in improved accountability by governments to their constituents, better financial management by public service managers and greater comparability of management performance between jurisdictions.

Despite the relatively uncritical acceptance of this concept by governments, their central agencies and advisers, there were a number of sceptics, including Treasury officials, for instance, N. Conn, Secretary of the Northern Territory Treasury, who contended that, in reality, the term 'accrual accounting' had become a code for a much wider-ranging set of changes (Conn,1996, p. 82). Several of the claimed reforms originated not so much in the adoption of accrual accounting and budgeting, but in the broader package of managerial technologies which accompanied changes in accounting procedures (Guthrie, 1994). Despite the increasing appeal of accrual accounting and its wide-ranging implications for the role and functioning of public sector accounting systems, there has been little study of its application and consequences for the wider community. The literature was dominated by official-style publications from the profession (AARF/PSASB, 1990,;Mackintosh, 1992; Micallef et al., 1994) and central agency promoters of accrual accounting reforms (Finance Dept, 1992, 1994; McPhee, 1993; Mellor, 1996 cited in Guthire, 1998), in many cases without reference to problems and issues which might occur.

There have been a number of parliamentary reviews which were generally in favour of accrual accounting and other related changes. Many contributions to academic research into public sector accounting have been identified within a traditional technical perspective, concentrating on the setting of rules or debating the need for change to traditional practices (Broadbent and Guthrie, 1992). There have been a few context-specific case studies of the processes and role of accrual accounting (Guthrie and Parker, 1997; Pallott, 1992), and publications highlighting the possible unintended implications and problems resulting from the application of accrual accounting reforms (Aiken and McCrae, 1992; Carnegie and Wolnizer, 1995,1996; Guthrie, 1993b; Lewis, 1995; Ma and Mathews, 1992,1993; Pallot, 1990; Parker and Guthrie, 1993). Hence, in spite of the relative quantitative advantage of publications favouring the adoption of accrual accounting, the advent of both accrual management accounting and accrual financial reporting for government budget agencies has not been without criticism.

The so-called benefits of commercial business accounting are not so evident for government departments, especially since there is no interest in ideas of profitability or financial position. Critics like Aiken and Capitanio (1995); Lewis, (1995); McCrae and Aiken, (1995); and Ma and Mathews, (1992, 1994) have argued against accrual financial reporting for government departments for several reasons:

- the purpose of departments does not include making a profit, hence, profitability is not a relevant yardstick of performance;
- financial structure is not relevant (e.g. gearing is not an indicator of vulnerability);
- solvency is not relevant (e.g. working capital is not an indicator of ability to continue in business as this is determined by the will of Parliament to continue to appropriate moneys); and
- capacity for adaptation is not relevant (e.g. a department may not be allowed to dispose of assets and keep the proceeds or change business).

According to Hoek (2005), cash budgets remain important for macro-economic analysis. On the other hand, some critics opine that an accrual budgeting system is inappropriate for a Government because budgetary laws call for the legislature to authorize cash payments, and the accrual system is tailored to income formation as it matches revenue with cost, and it is not possible in the public sector to match tax revenues with production cost.

Therefore, there remains considerable scope for further work which examines the promotion and application of accrual accounting in different organizational, social and political contexts in which reform is being pursued. In a word, to date, there have been few voices of dissent and little evidence about the impact of introducing accrual accounting reform to the Australian public sector.

Guthrie (1998) highlighted the fundamental differences between the private and public sectors, to emphasize that the reforms and practices adopted by the former cannot be copied completely in the latter. However, Peter (2005) is of the view that accrual accounting does not need the abolition of cash-based appropriations.

According to an OECD (1993, p. 13) report: "The introduction of accrual accounting implies a requirement for substantial investment in management information systems in order to support ex-ante budgeting requirements and to support improved management practices. It requires a cultural change by managers within departments and agencies through an understanding and acceptance of how to use the additional information and of the potential benefits which it produces, and a commitment to change".

It was believed that if the current market-based reforms continued in the APS, there would be greater convergence between the objectives of private and public sector management. Part of this convergence would be reflected in the adoption of accrual accounting and other management technologies from the private sector. The underlying rationale was that the objectives and processes of government management should be (or are) so close to those of the private sector that commercial accounting processes are applicable. However, this approach to the administration of the public sector hides the other side of public sector activities, that is concern for the distribution of wealth, the need for equal opportunity, finance to maintain and expand infrastructure, and protection and conservation of the environment (Guthire, 1998), and to overcome the inequities in a system of economic management that delivers unemployment and despair along with the fruits of commercial success (ibid).

In a word, the one clear message that emerges from the above analysis of the accrual accounting reforms in Australia is that there remains considerable room (and indeed there is a

need) for further debate and research. Recent accrual accounting reforms are open to question on a wide number of grounds, from their faith in apparent business accounting and old-fashioned management accounting techniques to reliance on a commercial view of accounting reporting and standards. The paradoxes associated with reforms and the differing contexts in which they are applied make overall assessments difficult. However, this should not inhibit further questioning and research into the differences between the claimed potential of such reforms and their practical impacts.

The International Organization of Supreme Audit Institutions (INTOSAI) highlights four financial reporting systems in its Accounting Standard framework: full cash accounting, modified cash accounting, modified accrual accounting, and full accrual accounting. Cash and full accrual accounting represent two extreme points on a spectrum of possible accounting and financial reporting bases. Between these extremes, countries have adopted the system with variations (Hoek, 2005).

2.4.4: Accrual Accounting in the UK

Connolly and Hyndman (2006) conducted a case study within the wider UK public sector, the first investigation of its type in the UK, aiming to redress the situation through field research. Its main objective was to ascertain the major benefits and drawbacks experienced in implementing Resource Accounting (RA), employing a series of semi-structured interviews with key players (accountants involved with implementing or overseeing the implementation of RA in government departments in Northern Ireland. The main research questions posed were: how was RA implemented; how was the new information used; what were the benefits of RA; what were the drawbacks and costs associated with its use; and did devolution in Northern Ireland affect its introduction?

RA was predicated on the assumption that the generation and use of new information would lead to decisions being made that would support effective and efficient operations, as well as providing a better basis of accountability. A White Paper (HM Treasury, 1995 cited in Connolly and Hyndman, 2006), contained the broad strategy for managing the transition from cash-based Appropriation Accounts (AAs)to accruals-based RAs, prescribing a timetable for providing live Resource Accounts by 2001/2002, with the parallel running of AAs and RAs

in advance of this. This timetable was to be adhered to in all parts of the UK(England, Northern Ireland, Scotland and Wales), and remained largely unchanged despite the establishment of devolved governments/assemblies in Northern Ireland, Scotland and Wales in 1999.

The introduction of Resource Accounting in the UK was part of an international development in which central government accounting shifted from its traditional cash-based accounting to accruals accounting. The shift towards a comprehensive accruals-oriented public sector accounting and financial reporting structure was introduced in the late1980s, most notably in Australia and New Zealand (Funnel and Cooper, 1998; Ball et al.,1999; Christensen, 2002;Pallot, 2002 cited in connoly and Hyndman). By 2002, it was estimated that half of OECD member countries were using some form of accruals accounting in their financial reporting (Matheson, 2002). Nevertheless, cash rather than accruals accounting was still the mainstay of public sector accounting and financial reporting worldwide (OECD, 2002). The dominant financial statement of cash accounting is the budget out-turn report, which shows cash spent against budgeted allocation. However, critics of cash accounting were of the view that the information was incomplete and often weakened the ability of decision makers to make decisions that resulted in effective and efficient outcomes. The arguments for using accrual accounting in place of cash accounting, often resonated with ideas relating to such issues as better information for decision making and more accurate costs (Connolly and Hyndman, 2006). Principal benefits articulated by HM Government included improved resource allocation, improved capital investment decisions and enhanced accountability and control (HM Treasury, 1994, 1995 cited in Connolly and Hyndman, 2006).

It was suggested that by introducing accrual accounting, more relevant information to inform resource allocation would be available. It was further argued that resource accounting allowed a more strategic approach to public expenditure, enabling departments to cost the resources that they used and match them with the outputs they delivered (Likierman, 1997). Hence, using departmental RAs to underpin resource allocation decisions at the aggregate level enabled allocations among competing priorities to be made in combination with full cost information (Evans, 1995). Such views imply accurate, true, rational information being used to support rational, objective-focused decision making.

Despite the articulated benefits of RA, a number of potential problems were highlighted (Carlin, 2004). Some doubted the quality of the new information provided by RA and the incentives coupled with its use, and the view was expressed that the introduction of both RA and Resource Accounting and Budgeting(RAB) was a possible source of new difficulties. Sceptics particularly referred to the cost and complexity of RA, the validity of information it provided, and barriers to effective accountability and control.

It was argued that cash-based accounting had the merits of simplicity and objectivity, and had served many countries well for two centuries or more (Dorgan, 1996). Likierman (1992, p.23), who was later responsible for guiding the introduction of RAB in UK central government, once opined that cash accounts "despite their crudeness, have a degree of transparency that accrual accounts cannot give and that many private sector financial reports do not seek to offer". Moreover, it was claimed that standards affecting the public sector, which provided a basis for RA, might be heavily influenced by political processes, thereby undermining its objectivity (Hodges and Mellett, 2002).In addition, it was suggested that the changes that RA required might be difficult to justify in cost-benefit terms, particularly for small departments (NAO, 2003 cited in Connolly and Hyndman, 2006). Guthrie (1998), in reviewing the Australian experience of accrual accounting in government, advised that more research in this area should be conducted before such reforms were applied generally in the public sector. Recent private sector financial reporting failures, which called into question the reliability of private sector accounting practices (for example, Polly Peck, Enron,WorldCom), were presented as evidence to support prudence in terms of transporting such practices into the public sector. Furthermore, critics questioned the seeming naivety that allowed governments to believe that the public sector would not face the ambiguities and choices in accrual accounting that made these failures possible (Guthrie, 1998;Mellett, 2002).

It was further claimed that the potential for misunderstanding and manipulation of RA information made Parliamentary committees apprehensive that understanding would be reduced and Parliamentary oversight weakened. Parliamentary staff and NAO officials were concerned that the increased complexity of the accruals-based system might have negative implications for Parliamentary accountability and control (Jones, 1996). These concerns were intensified due to the heavy reliance on professional judgement associated with accruals-based measurement (US Government Accounting Office, 2000). Both Jones (1996) and Pollitt (2002) expressed further concerns that RA was based upon the assumption that private sector methods were superior, asserting that government departments were not business

organizations and that the requirements relating to accountability and control were different. For example, Guthrie (1998, p.5) argued that, unlike the private sector, the public sector was "not interested in notions of profitability or financial position".

The findings of the paper, (Connolly and Hyndman, 2006) suggested that all claimed benefits were not actually accrued by implementing resource accounting in Northern Ireland. It also suggested that a lengthy continuum of accounting change was underway, featuring introduction, development and maturity stages, with limited progress in moving along this continuum. It was further pointed out that generalizing from the specific case study should be made with care and caution as contextual matters and comparative studies were required to fully appreciate the accrual accounting implementation in the public sector. .

2.4.5: Accrual accounting in Sweden

In Sweden, accrual accounting was introduced in local Government in 1986 and implemented at central Government level in 1993. The introduction of accrual accounting into central Government was part of a greater reform agenda, officially needed to support the performance management system that had been launched in the late1980s (Mattisson et al., 2003). Cash-based accounting information was not considered helpful for, e.g., value-for-money-discussions in such a system. Paulson (2006) investigated the experience of accrual accounting in central Government and identified three objectives for financial management: control of central Government finances, resource allocation in line with political priorities, and high efficiency and effectiveness in the use of central Government resources.

Frame appropriation was another innovative financial management reform, initiated in 1993. It made it possible for agencies to balance over-or under-used appropriations between different budget years and to manage a credit on the appropriation for a future budget year. The reform was an attempt to give decision makers in the agencies incentives to use their resources in an efficient manner over a longer time period than the individual budget year. In the traditional system, where appropriations were withdrawn at the end of each budget year if they had not been fully utilized, it was a custom among the agencies to consume the rest of the appropriation during the last month of the budget year, whether they genuinely needed it

or not. The same frame appropriations were also introduced at the agencies level, which was a departure from the legacy cash-based system.

In the early 1990s, the central Government in Sweden was overtaken by a severe financial crisis. In response, a three-year expenditure ceiling was instituted, with a target of surplus in public finances as a percentage of GDP over an average economic cycle. Moreover, a top-down process of budget preparation replaced bottom-up decision making.

The modified cash principle is still in use in the state budget of Sweden. A number of attempts have been made to change these principles to accrual budgeting, resulting in the publication of two White Papers, but accrual budgeting is not yet a reality. Both the survey and the interviews by Paulson (2006) show that the use of accrual accounting information may be lower than it otherwise would be, owing to the fact that the state budget in Sweden is still based upon a modified cash principle. This finding confirms the arguments of Likierman (2000).

The report from Rekenkammer (2004, p.90 cited in Paulson, 2006) in the Netherlands, which includes experiences from accrual accounting in a number of countries, suggests that: "the main lesson from Sweden is that the separate introduction of accrual accounting while retaining a cash based budgeting system is not advisable and creates many matching problems".

In this vein, IFAC PSC contended that one of the purposes of accrual accounting was to enable users to "assess the entity's compliance with accrual budgets"(IFAC PSC, 2000,p.59 cited in Paulson, 2006),which clearly was not possible at the time. However, if accrual budgeting is implemented in Sweden it will be interesting to study the development of the use of accrual accounting information during ensuing years.

This lag is not something peculiar to the Swedish public sector, as a considerable number of other countries have followed the same pattern. It was also noted in the IFAC PSC paper that in some countries accrual accounting and cash-based budgeting were accepted as a viable solution. On the other hand, some consider accrual budgeting as an inevitable second step after the adoption of accrual accounting in the public sector.

Bourmistrov and Mellemvik (2003) presented several possible models of implementation of accrual accounting and accrual budgeting. Their findings revealed that accrual accounting

information was more management oriented than budgetary politics and policy making costed by different objects such as organizational units, activity areas and projects. Management accounting information was more widely than financial accounting information. It was anticipated by Bromwich and Lapsley (1997) that management accounting information would appear to be an important component of public management reforms in central Government. Bearing in mind the results of their study, it can be asserted that accrual accounting was instrumental in realizing objectives such as supporting performance management and high efficiency and effectiveness in the use of central Government resources.

The study by Paulson (2006) also shows that agencies consider accrual accounting as an easier system to handle, although this cannot be taken as evidence of the low cost of running the system. Massive educational efforts were made on the eve of introduction of accrual accounting in the early 1990s, and the same was true with the software implementation. This was also experienced by countries like New Zealand (Pallot, 2001) and Australia (Guthrie, 1998).

2.4.6: Accrual accounting in Romania

It is acknowledged that there is a shortage of empirical literature on the application of accrual accounting in the public sector from the viewpoint of practising accountants, and that most of the research there is has been undertaken in the United States or Western Europe. Hence, findings cannot be generalized to other environments like developing countries.

In Romania, accrual accounting was implemented at local as well as central Government level from January 2006, after a three-year parallel run with the legacy system cash accounting. The global budgeting and accounting reform also had an effect on higher education institutions, under the auspices of local government. Rodica and Adriana (2007) studied the accrual accounting system in the Romanian public higher education sector, and discovered that the role of human resources in the transition from cash to accrual accounting was of prime importance. They questioned how well the specialized finance and accounting staff were prepared to switch to accrual accounting tasks in this sector.

There is a dearth of evidence from the accountants' point of view regarding implementation of accrual accounting in Romanian public sector universities, as it is a recent phenomenon, and the study ensues. Comparisons have been made with the different approaches in Flemish, Greek, Italian, New Zealand and UK universities (Christiaens and Els de Wielemaker, 2003; Venieris and Cohen, 2004; Arnaboldi and Azzone, 2004; Coy and Pratt, 1998; Gray and Haslam, 1990). Rodica and Adriana (2007) conducted their case study using survey and semi-structured interviews to capture the perceptions of accounting and finance staff working in Romanian public higher education.

The findings suggest that those accountants who had worked with an accrual-based accounting system during their professional career in the private sector were more inclined to apply it than those who had always worked with cash accounting; this is consistent with previous studies (Lapsley, 1986).

The interviews indicated that the use of accrual accounting information might be lower than it otherwise would be, owing to the fact that the budget system in Romania is still cash based. The same phenomenon was also noted by other researchers (Likierman, 2000; Hepworth, 2002). However, the time lag between the introduction of accrual accounting and accrual budgeting in public sector organizations is not unique to Romania, as corroborated by several studies (OECD, 2000; Lüder and Jones, 2003).

Moreover, the human element in changing policy is significant for the success of any reform, because people are affected by such changes.

The conclusion of Rodica and Adriana's paper is in agreement with the experiences drawn from other countries in the implementation of accounting reform. For instance, the UK experience exposed that one–size-fits-all cannot be applied, and it must be borne in mind that not all private sector accounting techniques are suitable for use in the public sector, and that it is dangerous to assume the superiority of private sector methods over public sector ones without critical assessment (Hodges and Mellet, 2003).

It must be remembered that accrual accounting is not a magic wand for improving the performance of the public sector. It is simply a tool to extract better information about the true cost of public sector institutions. Hence, it should be used in combination with other

management reforms in order to achieve the desired improvement in decision-making in the public sector.

2.4.7: Accrual accounting and consulting firms

Christensen (2005) attempted to explore the role of large private sector consulting firms in public sector accounting change. The case under scrutiny was adoption of accrual accounting in New South Wales. This investigation was presented to the consulting firms at third hand as the bureaucrats and politicians had already adopted a similar tactic in response to the pressure for change (Oliver, 1992). The consulting firms created a phantom image of idealized public sector accounting by unleashing criticism on the cash basis of accounting, so accounting change as non-coercive isomorphism prevailed.

The two forces identified in the NSW case were non-coercive isomorphism and commercial self-interest disguised in the workings of an epistemic community. The case provides evidence contradicting the conventional journalistic literature that views consultancy as some 'shadowy presence behind great initiatives' (Fincham and

Clark, 2002, p.8). Instead, the workings of the epistemic community meant that the consultants were open, unequivocal and discernible in their influence.

The study identified a number of areas to be investigated, such as how the process of interaction between the consultants and the public sector worked to create knowledge. The NSW case suggested that a uni-directional flow of interaction (from consultant to client) was absent, and that the consultants were eager to use their interaction with a new set of clients to develop skills that would be commercially worthwhile in future assignments.

2.4.8: Conclusion

The studies on accrual accounting in the public sector fall into two types. First, there are studies which validate the adoption of accrual accounting, elucidating why it was necessary and stressing its benefits. The second group comprises studies that are critical of the shift from a cash basis of accounting to accrual accounting; they consider the benefits as

superficial and change as a sham. These studies were conducted in two different settings, developed and the developing world.

It was believed that accrual accounting was in fact part of a greater agenda of NPM (Alford and O'Neill, 1994; Minogue, 2000; Chan, 2003; Likierman, 2003). It was taken as a harbinger of efficient outcomes and results, whereas conventional public sector accounting focused on narrow performance indicators like compliance within spending limits and accountability for cash flows (Hilmer, 1995 cited in Guthrie, 1994; Guthrie, 1993).Australia's Commonwealth Auditor General, Pat Barritt, expressed an opinion that the impact of accrual accounting would be sevenfold for the APS, as outlined in section 2.4.3 Improved resource allocation, better capital investment decisions and enhanced accountability and control have also been pointed out as benefits of accrual accounting (HM Treasury, 1994, 1995). However, Connolly and Hyndman (2006) concluded that the intended benefits did not result from accrual accounting in Ireland.

At the same time, despite the increasing appeal of accrual accounting and its wide-ranging implications for the role and functioning of public sector accounting systems, there has been little study of its application and consequences for the wider community. The literature is dominated by `official style' publications from the profession (AARF/PSASB, 1990 and1994; Mackintosh, 1992; and Micallef et al., 1994) and central agency promoters of accrual accounting reforms (Finance Dept, 1992, 1994; McPhee, 1993; and Mellor, 1996 cited in Guthire, 1998), in many cases without reference to problems and issues which might occur.

Many contributions to public sector academic accounting research have been located within a traditional technical perspective concentrating (Broadbent and Guthrie, 1992) on the setting of rules or debating the need for change to traditional practices. But there have been few context specific case studies of the processes and role of accrual accounting (Guthrie and Parker, 1997; Pallott, 1992). There have been few publications highlighting the possible unintended implications and problems from the application of accrual accounting reforms (Aiken and McCrae, 1992; Carnegie and Wolnizer, 1995 and 1996; Guthrie, 1993b; Lewis, 1995; Ma and Mathews, 1992 and 1993; Pallot, 1990; and Parker and Guthrie, 1993). Hence, in spite of the relative quantitative advantage of publications favouring the adoption of accrual accounting, the advent of both accrual management accounting and accrual financial

reporting for government budget agencies has not been without criticism. The so called `benefits' of a commercial business accounting are not so evident for government departments, especially since they are not interested in ideas of profitability or financial position. Critics like Aiken and Capitanio, (1995); Lewis, (1995); McCrae and Aiken, (1995); and Ma and Mathews, (1992) and (1994) have argued against Accrual Financial Reporting(AFR) for departments because: the purpose of departments and gauge to measure performance are not relevant for them. Despite the articulated benefits of Resource Accounting (RA), number of potential problems has been highlighted (Carlin, 2004). Sceptics particularly refer to RA's cost and complexity, the validity of information provided by IT and barriers to effective accountability and control (Connolly and Hyndman, 2006).

According to Hoek (2005), cash budgets remain important for macroeconomic analyses. On the other, some critics opine that accrual budgeting system cannot be the system for a Government owing to number of reasons. It has also been mentioned that there is a little evidence about the impacts of accrual accounting in the Australian public sector. And there is a sufficient scope for probe the application of accrual accounting in different organizational and political context.

Against the backdrop of the literature reviewed above, the proposed study is intended to fill the gap highlighted by many researchers that problems and issues related to the implementation of accrual accounting need to be addressed. Moreover, context-specific studies are emphasized, because to date most have been conducted with reference to the West, with very few available in relation to the developing world. The very adoption of accrual accounting has also been questioned by many writers because the milieu as well as the objectives of public and private sectors are not identical, and the diagnosis for the private sector cannot necessarily be applied to the public sector. In the case of Pakistan, accrual accounting along with a new chart of accounts was part of the diagnostic study conducted by PricewaterhouseCoopers. This study also needs to be examined as prima facie recommendations were made in keeping with the private sector, with little consideration for the public sector as a different organization. The recent failures of big corporate names has further disputed the status of accrual accounting as the most appropriate and viable solution to address the ills of the public sector. However, Hoek (2005) was of the view that accrual accounting did not necessarily mean the abolition of cash-based appropriations.

As I have already mentioned in discussing ERP implementation, comprehensive change was designed with a variety of facets including a switch from cash accounting to accrual accounting. This phenomenon was confirmed by an OECD (1993, p.13) report which stated that "The introduction of accrual accounting implies a requirement for substantial investment in management information systems in order to support ex-ante budgeting requirements and to support improved management practices. It requires a cultural change by managers within departments and agencies through an understanding and acceptance of how to use the additional information and of the potential benefits which it produces, and a commitment to change".

INTOSAI's Accounting Standard framework for accounting and financial reporting bases ranges from full cash accounting, through modified cash accounting and modified accrual accounting to full accrual accounting. Many countries have adopted the less extreme systems with variations (Hoek, 2005). Pakistan, under the umbrella of PIFRA, opted for the modified cash basis of accounting, a combination of the two extremes. In the proposed research, a number of areas calls for investigation: the process of implementation of accrual accounting, the problems and challenges with reference to the Pakistani context. This echoes the Romanian study described in section2.4.6. In-depth analysis is required to assess the benefits and use of accrual accounting reports.

Another aspect of adoption of accrual accounting has been pointed out by Paulson (2006) that the use of accrual accounting is lower due to the state budget based upon modified cash principle in Sweden. But this lag is not Swedish public sector specific as a good number of other countries including Romania and Pakistan have also followed the same pattern (Tudor and Blidisel, 2007). It is also noted in the same paper that in some countries accrual accounting and cash based budgeting is taken as a viable solution. On the other, some take accrual budgeting as a second step after adopting accrual accounting in the public sector. .In the same paper, it has been mentioned that the massive trainings were conducted on the eve of introduction of accrual accounting in early 1990s and the same was true with the software implementation. It has also been experienced by the countries like New Zealand (Pallot,

2001) and Australia (Guthire, 1998). So this aspect of the implementation also needs to be examined in its perspective.

Another perspective has been taken up by Christensen (2005; Fincham and Clark, 2002) which is the role of consultants in such implementations. The same area is also very relevant in case of Pakistan as multiple of consulting firms were involved in implementation with varied objectives. Hence, the proposed research would also be an endeavour to probe their role in its perspective.

2.5: The World Bank's role in implementing reforms

2.5.1: Introduction

The World Bank emerged towards the end of the Second World War as one of a plethora of institutions whose objective was to promote multi-lateral cooperation and international stability (Neu and Gomez, 2006). Although the Bank was initially capitalized with nominal subscriptions from its member governments, the major financing is raised through capital markets (Jones, 1992 cited in Neu and Gomez, 2006). Since its inception, the Bank has grown to include a series of three primary lending institutions: the International Bank for Reconstruction and Development (IBRD); the International Development Association (IDA); and the International Finance Corporation (IFC) (World Bank, 2004). According to statistics, the Bank provided more than $22billion in loans in the most recent fiscal period to support 440 new projects. Given magnitude of these loans, the Bank is the primary contributor of development assistance in the world (ibid).

2.5.2: Social responsibility vision of the World Bank

Neu and Gomez (2006) examined the link among the social responsibility visions of the World Bank, the social responsibility requirements included within Bank lending agreements, and outcomes when these requirements are implemented. The presumption was that this

vision plus the resulting practices and ways of implementing Bank projects would be vital components of the ethics of World Bank lending.

The definition of social responsibility by the World Bank is that "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development" (World Bank, 2005).

The analysis by Neu and Gomez (2006) comprised three parts, each considering different institutional level. First, the World Bank's website and promotional material were browsed to infer the Bank's vision of social responsibility. Then the Bank lending agreements in general and those pertaining to education in Latin America in particular were accessed, to find out how this vision of social responsibility has been translated into a number of concrete lending requirements and accounting practices. And lastly, a single lending agreement was targeted through the use of in-depth semi-structured interviews with participants.

There are in fact two facets of the Bank's vision of social responsibility. The "social" face concentrates on eliminating poverty through building social and human capital, emphasizing participatory and "grassroots" approaches. The "financial" face underscores the importance of efficiently using financial resources, minimizing corruption, and the need for accountability. The three financial components of the project are the introduction of financial management systems, reporting and auditing requirements, and detailed procurement procedures.

Interviews were arranged with Bank representatives, Government officials and the project team at the outset of the study and then again after 18 months to find out the results in relation to three categories: participatory approaches; reporting requirements and accountability; and tensions between the social and financial faces of responsibility.

As far as the participatory approach was concerned, it did exist although an asymmetry of power between the bank and the borrower country was evident, according to a number of interviewees. Others noted that despite the pretence of participation, the final lending agreement and the project design were directed by Bank requirements rather than by the input of the borrower country. Hence, there was little negotiation over the final lending agreement,

which was simply a process that involved clarifying and putting into context the policies of the Bank.

There was no disagreement among interviewees that existing financial management systems had to be revamped. However, there was concern about the usefulness for the borrower country of the Bank-mandated financial reporting systems. For instance, the Bank dictated terms for how the financial accounting systems should organize transaction information.

The Bank was interested in receiving project management reports with expenditure segregated by funding source, which made the accounts more complicated from the point of view of the borrower country. For example, by adhering to this requirement of the Bank, 8,000 accounts were created which were of no use to the borrower country, which had to reorganize the package to pull out the reports catering for domestic needs and decision making. This example shows that the financial management system was configured from the perspective of the Bank rather than that of the borrower country. Consequently, it became more difficult for the borrower country to use the information system efficiently or effectively. The interview material also highlights that the translation from abstract lending principles to concrete field practices was an uneven process, as tension existed between the social and financial faces of responsibility, with priority given to the latter.

Neu et al.(2006) also analyzed the World Bank's vision of social and financial responsibility embedded in the specific lending agreement relating to education in Latin America, and how this was subsequently put into practice in a particular education project. The analysis contributed to an understanding of accounting and social responsibility in two ways: first it explained the importance of supra-national organizations such as the World Bank by exploring the scope of the Bank in terms of number of countries, number of projects and the amount of money it lends annually. It also showed that the Bank's activities have an impact on business in the borrower countries. Secondly, the study highlighted the importance of examining field-specific practices. Discussions of supra-national organizations such as the World Bank tend to focus on abstract questions such as whether the Bank's participation in the developing world is positive or whether its lending activities represent a new form of economic imperialism. The study by Neu et al.2006) proposed that these questions could only be answered by assessing the field-specific consequences associated with the Bank's

involvement. As the analysis highlighted, how social responsibility was envisioned by the Bank as well as the accounting technologies used to implement the vision were directly connected to the social responsibility practices that the Bank was trying to encourage on the part of borrower governments. This suggests that by demanding social responsibility on the part of the Governments as well as the World Bank will promise democratic social responsibility in practices.

2.5.3: World Bank lending agreements and conditionalities

A study by Kapur and Webb (2000) highlighted that the Internal Financial Institutions (IFIs) have jumped to the frontline in a number of 'wars' like AIDS, human rights violation, gender discrimination, environmental degradation, corruption, drug trafficking and authoritarian Governments. However, to what extent do the IFIs perform their traditional roles like road construction, power plants and schools and to what extent they will be effective in their tasks? The authors also pointed out dilemmas in governance-related conditionalitites (GRC). One was the GRC threat to institutional effectiveness unless it was proved to be acting as an end in itself; the other was the threat to international fairness. The IFIs' agenda is driven by the major shareholders. Hence, there will be a low degree of professional autonomy as there is evidence that IFI resources are largely driven by the foreign policy interests of the major shareholders. It was further concluded that GRCs be instrumental in empowering people, provided they applied in a consistent manner. On the contrary, if they are applied in an ad hoc manner keeping in view the interests of major shareholders and with individual discretion instead of commonly agreed rules, the outcome will hardly be fair or in favour of the poor. The study also underlined another aspect of GRC, that borrower countries are forced to draft new laws and rules instead of focusing on requiring the convergence of formal laws and their practice and acting according to their own laws.

While talking about colonialism in his book on Orientalism, Edward said that "knowledge of subject race… is what makes their management easy and profitable" (cited in Neu, 2002). Other researchers have referred to ERP technologies as the softwares of imperialism, operating through the agency of accounting, geography, law and medicine (Headrick, 1981;

Bell, Butlin et al., 1995; Neu, 1999 cited in Neu, 2002). In his 2002 study, Neu examined the functioning of the World Bank as an extra-Governmental organization- in one of its lending project in Latin America. The study focused on how the World Bank lending agreement contained techniques, auditing practices, accountability mechanisms, financial calculations, information systems and other numerical representations which shaped the field of education in Latin American countries. The study analyzed the lending agreement between Colombia and the World Bank to assess that how these extra-Governmental organizations perpetuate colonial relations of domination.

With reference to Latin American countries, it was argued that the crisis of legitimacy of the state originated from debt as well as from long spells of civil war. Hence, economic crisis ensued. Against this backdrop, educational institutions were more susceptible to the influence of external organizations. In Latin America, educational activity was characterized by paucity of financial resources, disparity of education level among various sectors, and the presence of extra-Government organizations (Neu et al. 2002). Since the World Bank had been focusing on lending for education over the previous two decades, the 2002 study was based on one lending agreement and secondary reading of 20 other lending agreements in the education sector of Colombia. A project appraisal document and other information available on the World Bank's website were accessed. In spite of the fact that the project in question was a rural educational programme, financial technologies were incorporated into the agreement. NPV was included, and by virtue of this lending was taken as an investment instead of a loan, which had an ideological impact as the Bank was taken as a partner having mutual stakes. Moreover, the financial activity of investing overshadowed the educational aspect of the project. Unfortunately, this insertion of financial technologies into institutional fields is not a unique phenomenon; Miller and Rose (1990) employed discounted cash flow projections in the UK to explain shifting modes of governance. Several studies were cited by Neu et al. (2002) in which financial technologies had been instrumental to governing at a distance, including implanting an agency and an auditor to monitor the project. According to Amin (2001), in the present scenario, implantation of an army is not necessary for colonization, which can be carried out through vocabularies, people and practices contained in the lending agreements and technologies enlisted by the World Bank (ibid). Neu et al. (2002) acknowledged the limitation in their study that all information had been culled from archival documents; actual interviews with officers of the Ministry of Education were not conducted.

Hence, the actual impact of the changes introduced by the World Bank cannot be gauged reliably.

As far as the proposed research on PIFRA another World Bank-funded project, is concerned, both primary and secondary data will be collected, that is interviews with a variety of users and stakeholders as well as archival documents, to gain a better understanding of the impact of the Project.

In another study by Neu et al. (2008), the diffusion of accounting and accounting practices focused on the lending activities of the World Bank in a Latin American setting in general and in Mexico and Guatemala in particular, in the area of higher education. The analysis highlighted three aspects of the diffusion process. First, it elucidated that the World Bank operates as an agent of diffusion by incorporating accounting and accountability practices in lending agreements as well as by the provision of technical assistance and publication of reports delineating best practices. Second, diffusion is not an automatic process as a number of local factors play a determining role in the process; this was confirmed by contrasting the Guatemalan and Mexican contexts. Third, in the case of higher education, even students can partially bar the introduction of financial reforms. The study suggested that accounting and accountability practices in Guatemala might work through mimetic isomorphism but without that mechanism which permits national Governments to control from a distance.

The studies examining the developed world normally assume that the state is the primary facilitator of action. Hence, all accounting and accountability reforms are the outcome of their own initiatives. On the other, the studies focusing on the developing world assume that all reforms are imposed by international organizations like the World Bank and IMF. Between these two extremes, the study by Neu et al. (2008)concluded that the implementation of reforms was a shared activity, as the international lending organizations had economic and symbolic capital and the national Governments also had a say in deciding when and how to implement the reforms prescribed by the former. It was substantiated in the study that accounting and accountability practices travel through the agency of international organizations; however, this is a complex phenomenon and not as simple as portrayed in the

stories of globalization and imperialism. The same study suggested that more investigation needs to be undertaken to evaluate the impact of such reforms.

It was noted by Thomas (2004) that in the 1980s the World Bank started adjustment lending by launching economic reforms among its borrowers. Loan conditions might entail privatization, trade liberalization, meritocratization of the civil service, reform of public procurement, overhauling of public expenditure procedures, making a strong justice system, and empowerment of local Governments. However, a number of scholars saw the conditionality as a failure, a failed formula, ineffective and counterproductive. According to one critic, conditions were enforced but their long-term efficacy was never questioned. However, it appeared that conditions were not enforced by the World Bank because of its own institutional incentives. The World Bank did not penalize the non-compliance of conditions by borrowers in the form of cancellation of disbursements, loans and future credits. Accordingly, it was believed that if conditionality could not work as a strategy, it should be abandoned. Critics advised donors to adhere to selectivity instead of lending to support reform.

Thomas (2004) composed a rejoinder to the enforcement critique by saying that no research had shown that the Bank's institutional incentives were the primary reason for its failure to enforce conditions. Moreover, the issue of conflict of interest needed to be explored. It was proposed that instead of doing away with reforms, reforms should be in place to rule out conflict of interest, reduction of discretion of conflicted staff and the institute's oversight of decisions taken by conflicted staff. In a nutshell, the success of the Bank lay in keeping to its rules and to ensuring that its interest in development overrode its interest in lending.

According to Santiso (2001), good governance in developing countries had become an objective as well as a condition for development loans. This study examined the World Bank's efforts to strengthen good governance and the effectiveness of aid. Since 1996 the Bank had launched more than 600 governance-related programmes in 95 countries. However, some critics considered that the new governance agenda was only a smorgasbord of economic and political prescription for development, and a fig leaf hiding renewed conditionalities. Gilbert, Powell and Vines (1999) commented that the Bank did not simply lend but bracketed it with conditionality.

It is important to note that the Bank restricted itself to the economic dimension of the good governance, and even in this domain it showed its concern over the effectiveness of the state rather than equity of the economic system. In the same paper Santiso (2001) presented one definition of conditionality:"mutual arrangement by which a Government takes, or promises to take certain policy actions in support of which an international financial institution or other agency will provide specified amount of financial assistance" (Killick, 1998:6). By reviewing the South East Asian and Latin American experiences of structural adjustment lending, Killick (1998) had made the point that conditionality as a mechanism had failed to trigger policy reforms. It was also asserted that conditionality could not be a substitute for domestic ownership and commitment to reform. Collier (1999) contended that IFIs must redesign their lending policies and traditional assumptions and switch to a more selective approach. He mentioned abuse of conditionality, referring to it as an implied transfer of sovereignty which was not only unprecedented but also dysfunctional. However, Santiso (2001) also highlighted a number of limitations of the selectivity approach, like difficulty in implementing it as rampant poverty was associated with weak governance. In spite of all the weaknesses implied in this approach, it was indisputable that aid worked better in a good policy milieu (Tarp, 2000).

Kapur and Webb (2000) emphasized that governance-related conditionalities could have desirable results if they were not applied in an ad hoc manner. However, if they were designed to cater for the short-term foreign policy agenda of major shareholders, and were based on their discretion, the outcome could hardly be either fair or favourable to the poor.

Santiso (2001) prescribed that a radical approach should be adopted by the Bank to strengthen good governance in developing countries. He further proposed that donors should forego greater control over the use of aid, to encourage evolution of a genuine partnership between the donor and recipient country in order to implement sustained reforms. However, in exceptional circumstances democratic conditionality might also be applied to check the onslaughts of autocratic rule.

At PIFRA, bearing in mind the study by Santiso (2001), the lack of ownership was very conspicuous from the start of the project, and a widespread feeling among users was that the diagnostic study done at the behest of the World Bank, as well as the recommendations of the consultants, were altogether extraneous and everything was being imposed by the donors to fulfil their own hidden agenda. All emphasis was on changes in the formal structure of the office of the Auditor General of Pakistan, but in reality its implementation was far from being realized in its true spirit. Hence, the change was taken as a sham owing to lack of commitment on the part of the financial managers of the country. In the proposed study, this aspect of the World Bank will be examined to establish how reforms were imposed on the borrower country; it already seems that all focus was on form, and the real spirit was almost totally absent. A number of studies conducted in Latin American settings have been cited, in which the tools of financial management played a secondary role in the reform package. However, PIFRA bears little resemblance to these other projects, and so a detailed examination is justified.

Studies have also shown that compliance without consideration of local requirements has no positive impact on management. In this vein, Rahaman, Lawrence and Roper (2004 cited in Moll et al. 2006) conducted a study of the Ghana River Authority and found that, although it complied with the World Bank pressure, it had little impact on the management of the social environment or integration with the general public of Ghana.

Neu et al. (2002) stated that the World Bank, IMF and OECD played their role through the promotion of best practice and the publication of performance indicators as they influenced the distant countries directly or indirectly. Di Maggio and Powell (1983) noted that, due to the high level of uncertainty between actions and outcomes, mimetic and normative isomorphism promoted the practices of legitimate others. Coercive isomorphism was present as a result of the economic capital of both the World Bank and the IMF. Through technical assistance from the World Bank, normative as well as coercive isomorphism operates and one-size-fits-all projects were initiated, with standardized practices being diffused to the distant fields.

In discussing the issues/challenges of implementation,   Neu et al. (2006) pointed out that technologies generated unexpected issues, were used by the operators for their own ends, and were hindered by insufficient funding and professional rivalries. Limited availability of reliable data, efficient communication systems and clear lines of command were also highlighted as impediments to smooth implementation.

Another aspect of the World Bank-funded project which will be examined in the proposed study as one of the challenges to implementation is the conditionality of the World Bank associated with the projects. It has already been acknowledged that the national circumstances vary, and should be taken into account when dealing with a specific country. These are: implementation capacity and aid dependency; degree of commitment and readiness for reform; effectiveness of resource use; fiduciary framework; and macro-economic and financial vulnerability (World Bank, 2005,2006).

There is another view from the enforcement critics,that conditionality has failed because borrowers do not abide by the conditions. They claim that borrowers do not comply with conditions because the Bank's own drive to lend prevents it from enforcing conditions effectively. Accordingly, some enforcement critics argue that conditionality must be given up in favour of selectivity, a strategy in which donors would lend to governments that already have good policies and institutions in place (Thomas, 2004).

2.5.4: Conclusion

This review of the literature on the role of the World Bank in relation to its funding and attached conditionalities in the wake of social responsibility and reforms has revealed that the reforms in the arena of financial management are not introduced in isolation and that there are other dimensions to the reforms. Neu and Gomez (2006) pointed out that reform has two facets, social and financial. The financial aspect includes financial management systems, reporting and auditing requirements and detailed procurement procedures. Lending agreements were dictated by the World Bank and the borrower country was just at the receiving end. Moreover, the reported requirements of the borrowers were not taken into account as the World Bank was more interested in its own requirements. Hence, the financial management system designed at the behest of the World Bank was of little use to the borrower country.

In this study of PIFRA, this area needs to be further investigated. As a member of the implementation team for a significant amount of time, I was aware of widespread feeling among the users of the new system that it had not been designed to cater for their needs; rather, it was meant to fulfil the requirements of donor agencies including the World Bank. Different studies have also stressed that international financial institutions have their own agendas, executed in the form of conditionalities. Some researchers referred to these technologies as the software of imperialism, operating through the agency of accounting, geography, law and medicine (Headrick, 1981; Bell, Butlin et al., 1995; Neu, 1999 cited in Neu, 2002). Another aspect of PIFRA is the enactment of new laws; Kapur and Webb (2000) confirmed that governance-related conditionalities emphasized the enactment of new laws and rules instead of a convergence of existing laws and practices. Some authors have dubbed the conditionalities as failure, and questioned its efficacy in the long run.

Non-compliance of conditionalities by the borrower country does not necessarily entail cancellation of funding by the World Bank. Hence, critics recommended that the rule of selectivity should be adhered to by the World Bank, instead of lending to support reform. PIFRA has also experienced ups and downs in terms of implementation and there have been major delays, but it is still very much in existence and has received extended funding. This is another area which will be examined to assess the role of the World Bank.

Several studies have been conducted in Latin American settings, where many World Bank-funded projects were launched. However, in the context of Pakistan I can hardly find any research in the financial management area, apart from some publications by the World Bank itself. Hence, this gap also needs to be investigated in the proposed study.

2.6: Summary

This chapter was divided into three major areas: ERP implementation, accrual accounting and the World Bank, which correspond to the three dimensions of the project. Gaps in the

literature have been identified, so that the proposed research will contribute towards the creation of knowledge.

In the section on ERP implementation, it was noted that most of the studies had been conducted to ascertain the benefits of ERP and the critical success factors. However, it was also mentioned that contextual forces and unforeseen influences should be taken into consideration (Allen, 2001;Nanda,Kumar et al., 2003;Shok and Legge, 2001). The proposed research uses the same justification, as all implementations are different from each other and one-size-fits-all does not apply. The magnitude of the project and its multiple dimensions also demand a thorough study.

As far as accrual accounting is concerned, in the case of Pakistan full accrual accounting is not involved. A modified cash basis of accounting was adopted, with Pakistan-specific features. For instance, the people responsible for implementation were non-accountants and their confidence level for the proposed system was very low. In such a milieu, the extent of implementation and its outcome will be examined. The role of consultants is another area which needs to be investigated, as the New Accounting Model (NAM) was tailored by one of the big four accounting firms, Price Waterhouse Coopers,who were also contracted to work as supervisory consultant to oversee the NAM/SAP implementation.

The role of the World Bank in development projects has always been an area of interest for researchers. PIFRA was the victim of massive delays, although the project has been extended a number of times by the Bank. The conditionalities considered as a failure by writers like Kapur and Webb (2000) call for close examination to discover the role of the World Bank in this project. Moreover, was the reform agenda offered by the World Bank really helpful or was it merely a conventional project with transitory benefits?

Against this background, a case study has been conducted to look into the process of institutionalization of NAM as well as SAP, within the dimensions of PIFRA.

Chapter 3. Theoretical Framework

3.1: Introduction

In the previous chapter, studies on ERP implementation, the adoption of accrual accounting by the public sector, and World Bank-funded projects aimed at introducing changes in different sectors were evaluated. The review acquainted us with the fact that there is an abundance of literature in these three areas, applying a variety of theoretical perspectives to evaluate these changes in the public sector. The proposed study will apply New Institutional Sociology (NIS) and institutional logic as a theoretical framework to view this mega-change in the public sector of Pakistan.

In this chapter, justifications for choosing NIS have been presented. Moreover, NIS has been discussed in relation to accounting, ERP and the World Bank research. Various concepts involved in application of NIS have also been reviewed. They are: legitimacy, decoupling, coercive isomorphism, normative isomorphism, cognitive-cultural isomorphism and organizational field. Institutional logic has been expanded to appreciate how does it work as an analytical tool keeping in view the analysis of the findings of the proposed study at micro level. Limitations of NIS have also been presented. This chapter is concluded with a way forward to analysis chapters which are based on themes evolved out of the data.

3.2: Why NIS as a Theoretical Framework

NIS has been chosen so that the research can offer a wider institutional and social positioning of financial accounting, ERP implementation and the role of various stakeholders. The growth of institutional theory is increasing in the study of organizations. Its extension can be evaluated by the fact that institutional arguments are being tested at intra-organization, organization and inter-organization levels of analysis (Scott, 2008). The studies reviewed in the previous chapter show that the different aspects which are to be evaluated in the proposed research have been partially covered, but not all dimensions have been addressed in a single paper. They also confirm that institutional theory is one of the preferred choices of researchers in public sector accounting, as it offers a substantial theoretical framework within which to view public sector accounting transformation (Moll et al., 2006).

It is intended to combine the notions of legitimacy and efficiency as one of the outcomes of change occasioned by PIFRA. This combinations ensures that the study will be a contribution

towards the framework of institutional theory. The study will also enable us to appreciate the interactions among wider social, environmental and political pressures for change. However, it should be remembered that Pakistani Government regulation cannot change the organization overnight; it takes time for change to permeate the body of an organization.

According to Gosain (2004), there is plenty of room for research where pluralistic institutional environments exist and multiple views regarding legitimacy prevail. The public sector of Pakistan fits into this area as it embodies such features. Moreover, as organizations do not respond passively to institutional pressures, and act differently towards them (Soh and Sia, 2004), there is also scope for the current study to focus on a distinct organization. This work will broaden the application of institutional theory (Gomes et al., 2008) as it is being undertaken in a different country, in a different time period and in the context of the public sector.

3.3: NIS and Accounting Research

NIS is the branch of organizational studies which has had most influence on recent accounting research (Moll et al., 2006). Monsen and Olson (1996) have noted that institutional perspectives has been increasingly used in accounting research. Most NIS studies assume that intra-organizational structures and procedures are mainly shaped by external factors rather than by cost-minimizing objectives (ibid). The process of isomorphism, through which external institutions permeate internal structures and procedures, is then highlighted (DiMaggio and Powell, 1983). According to Scott (1991, p.179), "the incorporation of institutionalized environmental structure is an isomorphic process and takes place through a broad array of adaptive process occurring over a period of time and ranging from co-optation of the representative relevant environmental elements to the evolution of specialised boundary roles to deal with strategic contingencies". This isomorphism is further categorized into competitive and institutional isomorphism. The former relates how competitive forces lead organizations towards least cost and efficient structure and practices, whereas the latter considers change as a cultural and political process. In the case of the public sector, competitive isomorphism is ruled out as competition mostly relates to the private sector.

3.3.1: Legitimacy and NIS

NIS is constructed on the premise that organizations maintain societal values in order to gain legitimacy. "Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995, p. 574). According to institutional theory, structural and behavioural changes in organizations are driven less by competition and efficiency, and more to attain organizational legitimacy. It is this drive for legitimacy that develops the processes of institutionalization which ultimately make organizations more similar without necessarily making them more efficient (DiMaggio and Powell, 1983). All institutional pillars offer a basis for legitimacy; however, they vary from each other. In a resource-dependent approach legitimacy is taken as another kind of resource that organizations derive from their institutional environment (Suchman, 1995). From the institutional perspective, legitimacy is a condition portraying perceived consonance with relevant rules and laws, normative support or alignment with cultural-cognitive framework. Moreover, it carries a symbolic value to be displayed in such a way that it is discernible to the outsiders (Scott, 2003).

Institutional isomorphism is further categorized as coercive, normative and mimetic (DiMaggio and Powell, 1983). A number of studies have been conducted to view how these institutional forces influence organizations.

For example, Arena and Azzone (2007) used the framework of new institutional theory to examine the adoption and characteristics of internal audit departments in the wake of changes in the economic and political environment, following financial scandals in Italy and abroad. The research framework is based on New Institutional theory which takes surrounding environment as a key element in shaping their behaviour. In this study, the main external forces which influence individuals as well as organizations are coercive, mimetic and normative isomorphism.

This framework had recently received considerable attention from researchers in auditing and accounting, supporting its validity for interpreting the process of adoption and enactment of

innovation. In addition to the general tension between external and internal environment, the range of specific elements drawn from institutional theory is wide (Pattersen, 1995, 1999; Bealing et al., 1996; Rollins and Bremser, 1997; Modell, 2003; Power, 2003). The specific feature of the theory adopted by Arena and Azzone (2007) was reference to the seminal work of DiMaggio and Powell (1983), which investigated the isomorphicbehaviour of organizations facing similar conditions. The three processes through which institutional isomorphism effects change, coercive, mimetic and normative, are discussed in more detail below.

- *Coercive isomorphism*

This originates from political influence and the problem of legitimacy. It may result from formal or informal pressure exerted on organizations, including government mandate. It has also been acknowledged that regulative features are more visible, although superficial. Researchers like Evans (2004) and Roland (2004) considered that it might occasion manipulation, gaming and decoupling rather than compliance.

- *Mimetic isomorphism*

This is an outcome of standard responses to uncertainty. In several situations, such as the presence of ambiguous goals and environmental uncertainty, organizations may imitate each other.

- *Normative isomorphism*

This is associated with professionalization, when members of an occupation attempt to define the conditions and method of their work (Di Maggio and Powell, 1983).

3.4: Empirical studies

A number of researchers have adopted this approach in exploring accounting and auditing innovation (Arnaboldi and Lapsley, 2003; Al-Twaijry et al., 2003; Arena et al., 2006). Arnaboldi and Lapsley (2003) analyzed the adoption of activity-based costing by UK local authorities reacting to coercive pressure from central Government. They identified isomorphism among local authorities which implemented activity based costing(ABC), supporting the importance of this framework in exploring the adoption of management accounting innovation. Al-Twaijry et al. (2003) embraced the isomorphic perspective to

investigate the development of internal audit departments in Saudi Arabia. They analyzed the establishment of internal audit departments, paying particular attention to the motivations for deciding whether or not to establish internal audit units, including resources, qualification, independence and scope of work. Institutional theory offered a perspective for their findings regarding the establishment of internal audit departments and the role of the Government in promoting their development in Saudi Arabia, highlighting the need for greater coercive pressure. Likewise, Arena et al. (2006) focused on coercive isomorphism for exploring the adoption of internal audit departments in Italian companies. Their findings corroborated the relevance of coercive pressure, highlighting the influence of further elements in informing their development. Their study draws on the three forms of isomorphism to analyze adoption and characteristics of internal audit departments in Italy. In particular, it assumes that coercive, mimetic and normative pressures are relevant drivers for explaining the adoption and development of internal audit units.

Moving on from coercive isomorphism, regulations on internal controls represent formal pressure which can influence organizations' choices with respect to internal auditing. National regulators often give guidance on the development of internal controls, first stating the necessity of implementing a sound control system, and secondly giving directives for its design. This may have an effect on companies' internal audit: internal auditors are supposed to verify the effectiveness of the internal control system (COSO, 1992 cited in Arena et al.2006), taking into account normative requirements. The role of laws and regulations in shaping internal audit strategies was particularly relevant in the Italian setting where attention to both internal controls and internal audit was recent; often organizations' approaches are not based on consolidated routines and their (re)action can be more strongly influenced by external pressures in a process of external conformance (DiMaggio and Powell, 1983; Meyer, 1994). In the Italian context, the coercive pressure could be related to two main factors: industry and listing. It should be noted that banks and insurance companies are the only organizations where internal auditing activities are compulsory by law. Second, listed companies, though not required to adopt internal audit units, have more precise requirements with respect to internal controls. Moreover, companies listed in the US have to comply with the Sarbanes Oxley Act (SOA). CEOs and CFOs have to certify the reliability of financial statements, facing severe monetary and non-monetary sanctions if they violate the SOA's provisions. On the basis of these considerations, the Italian study assumed that industry and listing (in Italy and in the US) might be relevant dimensions for analyzing the adoption and

characteristics of internal audit units. In particular, companies where normative requirements are stronger are more likely to develop internal audit departments than other organizations. Moreover, they are expected to shape these units to comply with their normative requirements; for example, companies listed in the US are more likely to adopt the COSO framework than other organizations, since it represents the underpinning of the SOA.

The second form of isomorphism is mimicry. According to DiMaggio and Powell (1983), companies seek to model themselves on the practices of similar organizations in the same field, which they perceive to be more legitimate or successful. There is evidence of mimetic isomorphism in relation to different issues, such as strategies, organizational structures, organizational processes and technology choices (Haveman, 1993; Burns and Wholey, 1993; Massini et al. 2005). Mimetic isomorphic pressures lead companies to imitate other firms by modeling themselves on organizations perceived as more legitimate.

According to the neo-institutional theorists, legitimacy is inferred by traits such as size and success; in particular, legitimacy often spreads from large organizations to small ones. Moving on from these considerations, companies' size is assumed to be significant in the establishment and development of internal audit departments. Larger companies are believed to be more likely to adopt internal audit units than the smaller ones, and with different characteristics. They are assumed to show greater support for internal auditing, which can be explained by factors such as the number of internal auditors, the age of internal audit departments and training efforts (Arena et al. 2006). Moreover, various studies carried out among large Italian companies highlighted a high diffusion of internal control models, and in particular the COSO framework (ibid). Finally, there could be an influence from professional bodies and consultants operating in the field (normative isomorphism). The Institute of Internal Auditors (IIA) has been very active in promoting the diffusion of guidance and professional standards and fostering the adoption of internal audit best practices both in the US and in Europe, as stated by the Institute's mission on its website (www.iia.org). Confirming the relevance of normative pressures, Al-Twaijry et al. (2003) identified the establishment of IIA local affiliates in Saudi Arabia as one of the most important reasons for the establishment of internal audit departments.

Arena and Azzone (2007) assumed that membership of the organizations in the IIA local affiliate would play a role in informing companies' support for internal auditing. In particular, it could influence methodological choices and the type of internal audit training. In the end, it is important to highlight that neo-institutional theory does not provide a hierarchical order among different institutional pressures; their ordering depends on the 'time-space' situation, but all the dimensions coexist in each context, being deeply intertwined with each other. Therefore, coercive, mimetic and normative isomorphic forces can influence diverse features of adoption and characteristics of internal audit units, to different degrees.

Some studies have indicated that various professional accounting bodies have developed officially sanctioned ways of developing their formal systems, and the accounting system is no exception (Bealing, 1994). Institutional theory has also been employed to comprehend accounting practices in under-developed economies where it is assumed that Western rules and procedures are symbols of modernization without consideration of their own context and local requirements (Meyers and Rowan, 1977; Scott, 2001). Hoque and Hopper (1994 cited in Moll et al., 2006) applied institutional theory to the factors that impact management control systems in a Bangladeshi jute mill. The results indicated that most of the control systems were fashioned to legitimize the organization instead of improving it. New institutional theorists initially focused on legitimacy, but later the issues of change, power and efficiency were also placed under the umbrella of this theory (Scott, 2001; DiMaggio, 1988; DiMaggio and Powell, 1991).

Gomes et al. (2008) studied the adoption of double entry book keeping in Portugal from the perspective of NIS, and concluded that institutional pressures were the reason for its introduction in 1761. The presence of coercive isomorphism was acknowledged in the form of enactment of law through the agency of individuals in the institutionalization process of double entry book keeping in Portugal.

Against the background of these empirical studies, viewed from different perspectives, in evaluating PIFRA, a public sector project with multiple actors and stakeholders, we must thoroughly investigate the following areas: why was PIFRA launched, who were the major

players in that particular organizational field, what pressures were exerted by different actors to implement the project, and which forces were at work to make it happen?

3.5: Organizational field

It is fundamental to institutional theory that a firm's choices and actions originate from its organizational field. Organizational fields are defined as communities of organizations that constitute a recognized area of institutional life and whose interactions are regularized and 'fateful' (Scott, 1994 cited in Vermeulen et al. 2007). Fields are sustained through shared 'institutional logics' (Friedland and Alford, 1991) that guide and direct field constituents by defining membership, role identities and relationships of exchange (Lawrence, 1999). As such, logic establishes and sustains markets, which we define as patterns of exchange relationships involving monetary transactions. Markets, in other words, are social constructions linking suppliers, producers and consumers and are essentially defined within an institutional logic. Over time, fields become subject to considerable discussion and pressures for change because their constituents may be "armed with opposing perspectives rather than with common rhetoric" (Hoffman, 1999, p.352; Brint and Karabel, 1991; Scott, 2001; Greenwood et al., 2002). Stability in the market pattern of a field, therefore, may be temporary rather than absolute. When markets are created, field constituents are subjected to a dynamic interplay in which multiple outcomes may be realized. Such changes often start with exogenous jolts that destabilize existing practices (Meyer et al., 1990; Greenwood and Hinings, 1996; Thornton, 2004). Subsequently, for successful market creation there should be an available alternative supported by a network of powerful actors that can act as a conduit for the new idea (Davis et al., 1994; Greenwood and Suddaby, 2006). Prominent players in market creation are the state, professional associations and corporate actors (Vermuelen et al., 2007).

When we talk about the constituents of the organizational field in the case of PIFRA, we can identify the state or public sector, the World Bank and consultants who played their respective roles. As regards the effective role of the state, it has been emphasized that state policies should be clear and accompanied by strict surveillance and considerable sanctions (Vermeulen et al., 2007). At the same time, Tolbert and Zucker (1983, p.27) are of the view that "legal requirements don't always ensure adoption", which implies that Government agencies have their limitations. It is argued that the successful transfer of new practices in

relatively stable markets depends on a combination of coercive, normative and mimetic transfer mechanisms. Lounsbury (2001) contended that field-level associations are critically important both in legitimating new organizational practices *and* in evoking resistance to deviating practices. Leading organizations with vested interests can inhibit or augur change. Fligstein (1996) and Leblebici et al. (1991 cited in Vermeulen, et al, 2007) reported how incumbents actively resist novelty, often negotiating favourable regulatory regimes. Schneiberg and Bartley (2001 cited in Vermeulen, et al, 2007) argued that strong corporate actors could benefit from a surplus of resources, compared to the state, and therefore have the ability to 'force' their will on government officials due to the latter's sheer ignorance. Thus, the influence of Government in institutional change may be inadequate.

Vermuelen et al. (2007) studied the attempts by the Dutch government to alter an established, mature market for concrete in such a way that it would become more environmentally sensitive through the use of different materials. They discovered how institutional fields and markets are maintained despite governmental policies directed towards change, showing how Government efforts failed to achieve the professed objectives of adopting a new material. A number of factors were identified as being instrumental to failure, including multiple levels of Government, fragmented political initiative, and the number of interacting communities of players in the chain of production. This offers insight into the role of Government in introducing and maintaining change, and PIFRA will be examined in the light of all these perspectives.

3.6: World Bank

Studies have also shown that compliance without consideration of local requirements has no positive impact on management. In this vein, Rahaman, Lawrence and Roper (2004 cited in Moll et al. 2006) conducted a study on Ghana River Authority and found that it complied with the World Bank pressure but it had little impact on the management of social environment as well as integration with general public of Ghana.

Neu et al (2002) mentions that the World Bank, IMF and OECD play their role through the promotion of "Best practices" and publication of performance indicators as they influence the distant fields directly or indirectly. Di Maggio and Powell (1983) note that due to high level of uncertainty between actions and outcomes, mimetic and normative isomorphism promote the practices of legitimate others. Coercive isomorphism is also there owing to the economic

capital of World Bank as well as IMF. Through technical assistance by the World Bank, normative as well as coercive isomorphism operates and 'one size fits all' projects are initiated by the World Bank and standardized practices are diffused to the distant fields.

While talking about the issues/challenges of implementation, it has been pointed out by Neu et al (2006) that technologies generate unexpected issues; are used by the operators for their own ends and hindered by insufficient funding and professional rivalries. Moreover, availability of reliable data, efficient communication system and clear line of commands has also been highlighted as impediments to smooth implementation.

Neu, D, et al (2006) have also analysed the social and financial responsibility vision of the World Bank which are embedded in the specific lending agreement relating to education in Latin America and how they are subsequently put into practice within a particular education project. The analysis contributes to understanding of accounting and social responsibility in two ways.i.e.first; it explains the importance of supranational organizations such as World Bank by dilating upon the scope of the Bank in terms of number of countries, number of projects and the amount of money it lends annually. It also shows that Bank's activities have an impact on the businesses in the borrower countries. Second, the study highlights the importance of examining field-specific practices. The discussions of supranational organizations such as the Bank focus on more abstract questions such as whether Bank participation in the developing world is positive or whether the Bank's lending activities represent a new form of economic imperialism. The study by Neu. D (2006) proposes that these questions can only be answered by assessing the field-specific consequences associated with Bank involvement. As the analysis highlighted, how social responsibility is envisioned by the Bank as well as the accounting technologies that are used to implement the vision are directly connected to the social responsibility practices that the Bank is trying to encourage on the part of borrower governments. Thus, it suggests that by demanding social responsibility on the part of the Governments as well as World Bank will promise the democratic social responsibilities practices.

Another aspect of the World Bank funded project which is to be probed in the instant study as one of the challenges to implementation is the conditionality of the World Bank associated with the projects. In this vein, it has been acknowledged that the circumstances of the

countries vary and they should be taken into account while dealing with a specific country. They are: implementation capacity and aid dependency; degree of commitment and reform readiness; effectiveness of resource use; fiduciary framework; macroeconomic and financial vulnerability (World Bank, 2005; World Bank, 2006).

There is another view by the enforcement critics that conditionality has failed because borrowers do not abide by the conditions. They claim that borrowers do not comply with conditions because the Bank's own drive to lend prevents it from enforcing conditions effectively. Accordingly, some enforcement critics argue that conditionality must be given up in favor of selectivity, a strategy in which donors would lend to governments that already have good policies and institutions in place (Thomas, 2004).

While dilating upon institutionalization, Clegg (1989) remarks that the success of institutionalization project and the form the resulting institution takes depends on the relative power of actors who support, oppose or otherwise strive to influence it (DiMaggio, 1988:13). The role of the World Bank in PIFRA needs to be investigated in the light of above mentioned studies as the World Bank has its own institutional logic and has potential to influence the borrower country through its economic power.

3.7: ERP Implementation and Neo-Institutional Theory

Another dimension of the research, the implementation of ERP, which has been considered by many other authors.

Soh and Sia (2004), for example, focused on misalignment between the ERP package and the implementing organization and analyzed the institutional pressures on the latter. The ERP package is developed according to the referent institutional context, leading to misalignment and at times failure of implementation. These differences may be of country, industry or even the goals and practices of a particular industry. It is advised that while implementing such packages, due care must be given to national laws and regulations relating to accounting, banking, funding, labour, employment, etc.

The impact of ERP systems on organizational processes, structure and even culture are far broader and more intense than less complex technologies (Robey et al., 2002; Soh et al., 2000). Towards the end of the twentieth century, institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) emerged as a powerful explanation for the influence of external institutions on organizational decision making and outcomes.

ERP systems have been credited as both the objects and the carriers of external institutional forces (Liang et al., 2007). Gosain (2004) explained how institutional forces might not direct the adoption of enterprise systems such as ERP, but might also have a powerful impact on how those systems are configured during implementation.

ThisConfirms that institutional pressures, which have been shown to be important for IT adoption and implementation, are also significant in the assimilation phase. Kimaro and Sahay (2007) conducted a study on the implementation of decentralization of health information systems (HIS) in Tanzania at the behest of donor agencies. This study bore in mind the three key sets of institutional influence on HIS: political administrative, health management, and health service delivery systems.Legitimacy was identified as one of the outcomes of institutionalization (Jepperson, 1991). With the then top-down technical focus and limited presence of incentives and specific resources for HIS at the lower level, HIS had limited legitimacy for the staff. Hence, norms, rules and meanings attached to HIS were not fully institutionalized to secure the required legitimacy. Moreover, most vertical- programme managers did not trust the HMIS because they had not been asked to participate in the design process, making it further lose its wider legitimacy. Legitimacy can be encouraged through participatory design (Lines, Anderson and Monteiro, 2003; Puri, 2003 cited in Kimaro and Sahay, 2007) and political negotiations between various stakeholders, but both of these mechanisms were largely non-existent in the Tanzanian context.

Centralization of its activities contributed to the lack of legitimacy of HMIS at the district and health facilities, owing to specific rules divorced from local realities and imposed through an autocratic style of management. Consequently, health workers tended to glean data only in response to the needs of higher authorities without being concerned about its quality. Typically, beliefs and norms cannot be imposed as they are, but must be modified and re-constructed to fit into the specific setting (Scott, 2008). This may involve, for example,

changing the previous informal constraints embedded in information gathering, processing, and its use for decision making. The institutionalization of HIS should have been carried out in a manner leading to its wider legitimacy, requiring associated rules to be adapted incrementally. North (1990) elucidated that, while rules may be changed overnight as an outcome of political decisions, norms usually register change slowly because they are socially created and a part of broader, historic cultures and routines.

Areas like the imposition of rules, lack of incentives for change, and failure to consider a special context and the issue of legitimacy, will be investigated in the proposed research.

3.8: Institutional Logic

Friedland and Alford's (1991) seminal essay, along with empirical work by Haveman and Rao (1997), Thornton and Ocasio (1999) and Scott et al. (2000 cited in Thorton and Ocasio, 2008) resulted in a new approach to institutional analysis, namely institutional logics as defining the content and meaning of institutions. According to Thornton (2004), institutional logic shapes rational, mindful behaviour, and individual and organizational actors have some hand in shaping and changing institutional logic. This approach offers a bridge between the macro, structural perspectives of Meyer and Rowan (1977) and DiMaggio and Powell (1983) and Zucker's more micro-process approaches.

As a first step in the development of the concept, Alford and Friedland (1985) highlighted the practices and beliefs in vogue in Western societies. Capitalism, state bureaucracy and political democracy were identified as contending institutional orders which determined how individuals engage in political endeavours. Institutional logic offers supra-organizational norms which represent organized social life and normative sources of organizational structure (Friedland and Alford, 1991). These are constructed though institutionalized practices and historical experiences into normative models of organizational legitimacy, and it is these norms and unconscious assumptions that shape action independently of immediate individual or organizational interests (ibid, p.244). They define the ends and fashion the means by which interests are determined and adhered to, inculcating value and giving real worth (Townley, 1997). The concept was further elaborated by Friedland and Alford (1991) in the wake of

their exploration of the relationship among individuals, organizations and society. On the one hand, they rejected individualistic, rational choice theories and macro-structural perspectives, and on the other they conceived that each of the institutional orders has a central logic that guides its principles and invests social actors with vocabularies of motive and a sense of self. These practices are further at the disposal of individuals, groups and organizations to use them for their own advantage. The core institutions of society were seen to have a central logic which controls the means as well as the ends of individual behaviour and their building blocks. The same institutions also offer sources of agency and change.

Jackall (1988, p.112) also defined institutional logic as "the complicated, experientially constructed and thereby contingent set of rules, premiums and sanctions that men and women in a particular context create and recreate in such a manner that their behaviour and accompanying perspective are to some extent regularized and predictable. In a word, an institutional logic is the way a particular social world works". This notion is identical with Alford and Friedland's (1991); however, the former focuses on the normative side of the institution whereas the latter is more concerned with symbolic resources and inter-institutional contradictions of the inter-institutional system.

Thornton and Ocasio (1999, p.804) refined the concept to define institutional logics as "the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality". This approach integrated the structural, normative and symbolic dimensions of institutions as complementary to each other.

According to Thornton and Ocasio (2008), the variety of definitions of institutional logic presupposes a meta-theory with multiple principles, namely embeddedness of the agency; society as an inter- institutional system; the material and cultural foundation of institutions; institutions at multiple levels; and historical contingency. Decisions are the outcome of the interplay between individual agency and institutional structure (Friedland and Alford, 1991; Jackall, 1988; Thornton and Ocasio, 1999). The embeddedness of the agency assumes the partial autonomy of individuals, organizations and institutions in society. Instead of putting forward homogeneity and isomorphism in organizational fields, the institutional logic

approach mirrors any context as greatly influenced by different logics of various societal sectors (Thornton and Ocasio, 2008). The same phenomenon can be seen when we find that Scott et al. (2000) referred to the healthcare field as shaped by the institutional logic of the market, the logic of the democratic state, and the professional logic of medical care. On the subject of material and cultural foundations of institutions, Thornton and Ocsio (2008) believed that the institutional logic perspective took into account the fact that institutions develop and change as an outcome of the interplay of material as well as cultural forces. The institutional logic approach stresses that institutions provide social actors with a highly contingent set of social norms where behaviour is triggered by the logic of appropriateness (March and Olsen, 1989).

Friedland and Alford (1991) identified a number of institutional logics such as market rationality, bureaucratic rationality, community and reciprocal obligation, and truth and its symbolic construction of reality in science and religion. Institutional logic covered a broader spectrum as was developed at a variety of levels: organizations, markets, industries, inter-organizational networks, geographic communities and organizational fields (Thornton and Ocasio, 2008). A study by Haveman and Rao (1997) in the Califonia thrift industry concluded that the rise of progressive changes in institutional logic at the societal levelled towards the formation of distinct organizational forms at the industrial level. The work of Bhappu (2000) also focused on societal level institutional logic by examining the Japanese family system, which is taken as a precursor of institutional logic of Japanese corporate networks. Scott et al. (2000) questioned how societal-level professional, Government and managerial market logics shaped the transformation of the healthcare organization field. Jackall's (1988) ethnographic analysis concentrated on institutionalization at the organizational level. Thornton and Ocasio (1999) undertook a study on the formation of industry-level institutional logic in higher education publishing. Several studies have analyzed the existence of competing logics within the field (Kitchener, 2002; Reay and Hinings, 2005; Greenwood and Suddaby, 2006; Lounsbury, 2007). Thornton and Ocasio (2008) believed that institutional logic is more than strategies or the logic of action, since it is a source of legitimacy and affords a sense of order and ontological security.

Townley (1997) suggested that institutional logic had significant implications for comprehending the processes of resistance to institutional isomorphism. Scott (1987) elaborated this, saying that resistance might be achieved not by means of sanctioning facilities or differential resources but by the constructions of actors and their capacity to lay claim to concepts like institutional authority, legitimacy and sovereignty. Townley (1997) conducted a study on performance appraisal from the perspective of institutional logic regarding state universities in the UK. The Jarratt Committee recommended judgmental appraisals which were to be based on a hierarchical structure. Universities attached a low degree of social legitimacy to the prescribed judgmental appraisal and resisted this changes supporting an alternative institutional logic. Universities' historical development, organizational position and the nature of academic work constituted a different institutional logic, derived from two elements: an institutionalized myth of university autonomy and the knowledge-based nature of academic work. The same study referred to DiMaggio and Powell (1983) who highlighted the state and the professions as primary modern shapers of institutional forms. However, to Townley (1997) the state and professionals neither shared the same interests nor backed similar institutional forms. Professionals did not reinforce state isomorphism, but sustained a specific model of universities. In the university sector responses to isomorphism varied according to whether the institutions were categorized as ancient, civic, new or technical.

3.9: Cultural-cognitive Dimension

Institutions "are comprised of regulative, normative and cultural-cognitive elements that together with associated activities and resources provide stability and meaning to social life" (Scott, 2008, p.48). This has been expanded to claim that institutions are not only a source of stability and order but they also go through incremental as well as revolutionary change. Hence, the subject of study must include institutions as processes, of both institutionalization and deinstitutionalization. Researchers have investigated how institutions arise and are maintained and also how they are changed (Scott, 2008). In talking of the neo-institutional work conducted by sociologists, Scott said that most of their work was guided by a combination of cultural-cognitive elements at the macro-level, that is the impact of macro-structural carriers like international organizations, the state and trade and professional associations. In the case of PIFRA, a study of implementation of a new accounting model as

well as ERP, a variety of forces interacted at different levels to implement a project which was massive in its scope and size. Both the theoretical and practical dimensions of change through PIFRA will be investigated. The cultural-cognitive view acknowledges that internal interpretive processes are shaped by external cultural frameworks (Scott, 2008). With this in mind, the perception of change by different users of the system at a particular point of time will be analyzed, as perception may register change within a changing environment. In the proposed study it will be remembered that cultural conceptions often vary; people in the same situation can perceive the situation quite differently both in terms of what it is and what it should be. This phenomenon needs to be studied to investigate how change is understood and interpreted by different groups of users during different phases of the project.

A variety of dimensions have been introduced in the foregoing discussion: multiple levels of institutional logic, competing logics, interplay of material and cultural forces as drivers of change, and logic as a source of appropriateness and legitimacy.

3.10: Limitations

Although institutional theory has been selected as a lens through which to analyze the current case, like other theories it has its limitations which may affect the scope of the theory and its value as an analytical tool. Broadbent et al. (2001) selected Habermas's model of society in addition to institutional theory to study organizational resistance in medical practice in the UK. They believed that three institutional pillars offered a partial understanding of the functioning of organizations. Habermas' framework points out that the normative is not uniform and can be a source of conflict and resistance. However, this is not considered by institutional theory (ibid). Further, institutional theorists have failed to recognize those points where regulative, mimetic and normative contexts come together and where they are in conflict. Resistance come to the fore at such junctures and needs to be examined.

Dillard et al. (2004) have also highlighted some limitations of institutional theory vis-a-vis accounting research. The whole focus of institutional theorists is on constraining and limiting the nature of institutionalized beliefs and values; the dynamics related to change or the role of agency are not generally considered. They further explained that accounting research mostly

emphasizes the stability of a system, and institutionalization is an outcome rather than a process. Hence, there are fewer studies which examine change in organizational practices, and the role of power and group interests have been neglected. Dillard and colleagues combined Weber's notions of capitalistic institutions with structuration theory and institutional theory to overcome the shortcomings of the latter.

In building a theoretical framework from institutional theory and resource dependence theory, Oliver (1991) noted that the former was based on assumptions of organizational passivity and its failure to address strategic behaviour and the exercise of its influence in its conceptions of institutionalization (Covaleski and Dirsmith, 1988; DiMaggio, 1988; Perrow, 1985; Powell, 1985 cited in Oliver, 1991).

Tsamenyi et al. (2006) also applied NIS to study how changes in the accounting and information system in a Spanish electrical company were shaped by the interplay between institutional and market forces, and intra-organizational power relations. In the same study they criticized the theory for its inability to capture the dynamics of organizational change; Giddens' notion of power was also used to analyze change and resistance by the employees.

3.11: Discussion

We have established that institutional theory has taken tangible strides towards a mature and more developed theory encompassing a wider area to be studied with enhanced analytical tools. This resulted from our review of the role of agency and the limitations of institutional theory, and various components of institutional theory: isomorphisms (Arrena and Azzone, 2007; Anaboldi and Lapseley,2003; Al-Twaijry et al., 2003; Arena et al., 2006; Haveman, 1993; Buns and Wholey, 1993; Bealing, 1994; Gomes et al., 2008); legitimacy (Hopper, 1994; Jepperson, 1991); efficiency, organizational field (Hoffman, 1999; Brint and Karabel, 1991; Scott, 1995, 2001; Greenwood et al., 2002; Lounsbury, 2001; Vermuelen et al., 2007; Neu et al., 2002; Neu et al, 2006); institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999, 2008; Scott et al., 2000; Thornton, 2004; Townley, 1997; Jackall, 1988; Bhappu, 2000; Kitchener, 2002; Reay and Hinings, 2005; Greenwood and Duddaby, 2006). . The limitations pointed out by many researchers have been given due attention, and have led

the theory towards wider scope and multiple perspectives. Scott (2008) discussed multiple perspectives where development of institutional theory was visible, highlighting the transmutation of regulative into normative and cultural-cognitive elements; and change which looked superficial at the outset but proved to be significant over time. Here we can see the role of the World Bank in introducing as well as implementing change, because the interplay of all isomorphisms can be ascertained at multiple levels of the project. With the help of these isomorphisms one-size-fits-all projects are launched to diffuse standardized practices. Scott (2008) also pointed out that scholars need to identify which institutional elements operate at different levels of analysis, from micro-interpersonal to global systems. While analyzing the changes occasioned by PIFRA, we need to evaluate the role of different actors at both organizational and organisational field levels to answer the research question. The hiring of many consultants and contractual employees at market rates by PIFRA illustrates another factor mentioned by Hoffman (1997), that is making them champions of change in the organization. Other researchers (Vermuellen et al., 2007; Schneiberg and Bartley, 2001; Fligstein, 1996; Leblebici et al., 1991) have analyzed the role of Government and the amount of resistance by stakeholders under the umbrella of institutional theory, which is relevant to the current project and its evaluation. The function of institutional logics at societal, organizational field and organizational levels was addressed above, can be utilized in the current research. The role of agency, the shift from organization to organizational field and institutional change instead of institutional stability are vivid examples of the development of institutional theory. In response to the limitations defined earlier, Scott (2001) and DiMaggio and Powell(1991) noted that institutional theorists initially focused on legitimacy, but over time the issues of change, power and efficiency also became the subject of research. The major limitation of institutional theory is that it is macro-focused, and several institutionalists realized the need for integration with micro-explanations. To bridge this gap, several accounting studies (Collier, 2001; Burns, 2000) attempted to offer a better explanatory framework.

When we view the proposed case study on implementation of ERP in the public sector of Pakistan through the lens of institutional logic as well as the different types of isomorphism described in this chapter, it seems that a theoretical framework containing the interplay of different isomorphisms and institutional logic seen from several perspectives can be applied to answer the main research question and the subsidiary questions. DiMaggio and Powell

(1991) mentioned that coercive isomorphism is present whenever there is financial dependence, centralized resources with limited alternatives or when there are ambiguous outputs. PIFRA was initiated to overhaul the archaic financial management system of Pakistan whose credibility had been questioned by different stakeholders. This implied a question of legitimacy; financial assistance by the World Bank was another explicit force which prompted the Government of Pakistan to launch the project. However the project suffered from many setbacks, and resistance by different Government departments was a hallmark. The competing institutional logics of different users and implementers at different levels can be explored to understand the reasons behind the various stumbling blocks in the way of implementation of reforms. Resistance to change can also be viewed through the lens of competing institutional logics, as reported in a number of studies. For example, Marquis and Lounsbury (2007) concluded that competing logics could be instrumental in resistance to institutional change, as in the case of the contest between the institutional logic of global corporations and local professional banking. Other perspectives support the presence of competing logics and subsequent stability in their respective fields, as reported by Haveman and Rao (1997), Reay and Hinnings (2005) and Meyer and Hammerschmid (2006).

In the case study of PIFRA, a number of actors have been identified at the organizational field level: Government (different departments in general and the Auditor General of Pakistan in particular), the World Bank, and different consulting firms (Price Waterhouse Coopers, Siemens, etc.). In Government there are at least two levels: the policy and decision-making level and the grass roots level where implementation is effected. Government departments have their own institutional logic, including a typical bureaucratic mindset (which always represents the status quo), a strong sense of autonomy, etc. On the other, the World Bank and supervisory as well as implementation consultants have quite different institutional logics, inspired by New Public Management, private sector goals, appropriateness and legitimacy. Data collection should keep these parameters in view if it is to provide further insight as well as dimensions into the implementation of this mega-project. The interplay of different institutional logics will also be investigated in order to answer questions like why these institutional logics are there and how they operate in a particular environment. Moreover, the actors mentioned earlier in the project may also be approached as embedded agents. According to Berger and Luckmann (1967), although individual and organizational action is embedded within institutions, institutions are socially constructed, and hence formed by the

actions of individuals and organizations. The entire implementation process is of course steered and triggered by individuals, and it will be critical to analyze their role at various phases of the implementation.

The preceding discussion on institutional theory, types of isomorphism and other related areas like organizational field, role of the state, the World Bank and institutional logic lead us towards a hierarchical framework starting with economic and political forces and moving towards the organizational field and then a particular organization. Dillard et al. (2004) developed this hierarchy by saying that Governmental officials, regulators and legislators are the primary agents at economic and political levels. Industry leaders, labour unions and external consultants may have an influence at organizational field level, and managers and workers may be the primary actors at the organizational level.

It is also pertinent to note that, during data collection and subsequent analysis, the perception of the users and stakeholders regarding the success or failure of the project can be surprising, reinforcing the cultural-cognitive perspective of NIS. Moreover, in spite of decoupling in implementing reforms, the process of institutionalization was present. However, further research is required to find out its later phases. Training is another area which has been found to be a catalyst in implementation, playing a vital role in institutionalization of NAM and SAP; the amount of resistance and the pace of implementation can be directly linked with training. Training is also evident as an actor in changing mindsets and dispelling misgivings about the new system.

Another question that needs to be answered is whether the solution prescribed by the World Bank was adopted in toto or was later trimmed according to the demands of the major users/implementers. Here the role of different actors as agents can be viewed to analyze the implications of the agendas for reform. The main research question can be investigated with the help of tools of isomorphism, while the multiple subsidiary questions can be inspected through institutional logic. The meta-theory of institutional logics can be utilized to view the entire proposed study from multiple perspectives.

3.12: Methodology

The adoption of NIS as a theoretical framework was discussed in the previous chapter. It has an epistemology of social constructionism. According to Scott (2008), the subject matter of social sciences is distinct from that of the physical sciences. He further explained that "in John Searle's terminology, portions of the real world, although they are treated as 'epistemically objective' facts of the world, are facts only by human agreement" (ibid, p.64). As far as social institutions are concerned, they are referred to as types of social reality which involve regulative as well as constitutive rules. The cultural-cognitive element which is the most distinctive feature of NIS focuses on constitutive rules which are based on different ontological assumptions. Taking games as an illustration, cultural-cognitive theorists make the point that games are more than rules and enforcement mechanisms; they are composed of socially constructed players coupled with different capacities and parts (ibid). Berger and Luckmann said that "social reality is a human construction, a product of social interaction" (ibid, p.16), stressing the creation of shared knowledge and belief system rather than production of rules and norms. For this reason, a cognitive framework is preferred to a normative one, which is the hallmark of the sociological version of new institutionalism in organizations.

Scott (2008, p.68) further pointed out the role of cultural-cognitive theorists who "emphasize the extent to which behavior is informed and constrained by the ways knowledge is constructed and codified". According to Bryman (2004.p.17) "Strauss et al. and Becker recognize that constructionist position cannot be pushed to the extreme: it is necessary to appreciate that culture has a reality that persists and antedates the participation of particular people and shapes their perspectives but it is not an inert objective reality that only possesses a sense of constraint: it acts as a point of reference but is always in the process of being formed". On the other hand, Walsh noted that "we cannot take for granted as the natural scientist does, the availability of a pre-constituted world of phenomenon for investigation and must instead examine the processes by which the social world is constructed" (ibid, p.18).

Reality is itself a relative term which is handled differently by natural scientists and social scientists. As far as social reality is concerned, Scott (2008, p.64) stated that "social reality is an important subclass of reality"; both have their peculiar drawbacks which can be minimized but cannot be ruled out.

Scott was of the view that "most of the neo-institutional work conducted by sociologists in the recent period is guided by the combination of a cultural-cognitive emphasis and attention to the macro levels: processes operating at a trans-organizational level. Moreover, this work stresses cultural elements – widespread beliefs, conventions and professional knowledge systems – but also attends to the impact of macro structural carriers such as international organizations, the state and trade and professional associations" (2008, p.88).

PIFRA as a case study is not only a macro-but a micro-study as well. At the macro-level, the World Bank has a meaningful influence in the implementation of both NAM and SAP. However, to address the micro-aspect of the study, institutional logic is used to help in understanding the process of change and resistance in the organization. It also assists in interpreting the different phases of institutionalization. Decoupling is another phenomenon which can be analyzed at the micro-level to establish whether changes and reforms announced by the organization have really been put into practice. The micro-level analysis can also be made through examining the project in terms of legitimacy. Through this, it can also be determined whether or not the project has attained the level of taking the new system for granted. How the idea of success of the project is constructed is actually constructionism, as conventional yardsticks to assess the success of the project are not used as the interviewees have their own perception of success.

3.12.1: Methods

There are two main approaches to any research, qualitative and quantitative, which can be used separately or mixed. Qualitative research involves the collection of various empirical materials that offer a deep understanding of different phenomena (Denzin and Lincoln, 2000). The emphasis of this type of research is on processes and meanings that are not examined in terms of quantity or amount. It aims to examine the everyday world with its constraints and focuses on social and cultural phenomena (Myers, 1997). Moreover, qualitative research methods are formulated in a way that helps to understand people in their social contexts. This approach allows an in-depth examination of the phenomena and detailed evaluation of

selected issues as it is not limited to rigid variables, thus enabling the researcher to have a holistic view[4](Key, 1997; Patton, 2002). It also helps to see why something is the way it is rather than just presenting a phenomenon, and helps in understanding dynamic developments in a process (Weiss, 1998). The issues of implementation and its impact require and understanding of the whole, hence the qualitative approach was extensively applied in this research.

3.12.2: Case Study Method

From a number of research traditions, case study is the method which I am employing to evaluate the issues of implementation of PIFRA. Yin(1994) defines "case study [as] a strategy for doing research [that] involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence" (cited in Robson, 2002, p.178). Unlike experimenters who manipulate variables or surveyors who pose standardized questions, case study researchers study the features of a unit. The purpose behind this type of study is to probe deeply and analyze intensively the variety of phenomena that build the life cycle of a unit. It should also be possible to generalize about the larger population (Cohen et al., 2000 cited in Blaxter, 2006), although Mikkelsen (2005) stressed that any generalization in case study must be made with care and caution (Blaxter, 2006). It is also said that the case study is best suited to the small-scale researcher as its area is restricted to, for example, an organization, a group or even an element of an organization. Mitchell et al. (2005) confirmed that the objective of case study is to probe the dynamics of some single, bounded system carrying a social nature, like a community, institution or group. Blaxter (2006) cited the case study conducted by Davis and Salkin (2005) which focused on a family. Its approach was qualitative, although the case study can also adopt a quantitative mode depending on multiple factors like approach, purpose and audience. Valsiner (1986) commented that "study of individual cases has always been the major strategies in the advancement of knowledge about human beings" (cited in Robson, 2002, p.179). Bromley (1986) said that "individual case study or situation analysis is the bedrock of scientific investigation", further noting that science is not concerned with individual cases. Cook and Campbell (1979) considered case study as a fully legitimate alternative to experimentation in

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[4]A holistic stance assumes that understanding of a programme or product depends on awareness of its political and social contexts (Patton, 2002).

suitable conditions (cited in Robson, 2002). In a word, the case study is not a defective experimental design and is basically a different research strategy with its own designs. In the methodological context, it can also be taken as a 'soft option', permissible as an exploratory introduction to some more 'hard-nosed' experiment or survey, or complementary to other approaches (ibid).

3.12.3: Advantages of Case Study

Blaxter (2006) highlighted six advantages of the case study, which are described here to substantiate it as the preferred choice for this research .

1. A case study is derived from people's experience; hence, it seems strong in reality. McNeill (1990, p.87) was of the view that a case study can be carried out by any method "though the less statistical methods are usual".
2. It permits the generalization of specific events although with extreme caution.
3. The case studies mirrors the complexity of social life and draw multiple interpretations and a variety of meanings.
4. It provides plentiful data which may serve as a basis for further analytical work.
5. Since case studies are based on actual practice, they can be employed as a vehicle to effect change in real life.
6. Inferences from case studies are more convincing and persuasive because they stem from the experiences of people.

Payne and Payne (2004) defined the case study as a thorough study of a single social unit having distinct boundaries, as it may be one school, a home or a community. Lewis' account of poverty in 'The children of Sanchez', which focused on a single Mexican family, and Stone's (2002) research for a TV programme to encourage reflections on media coverage of the Balkans War are cited as examples of case studies (Payne and Payne, 2004). Platt (1988) said that case studies had rhetorical as well as logical functions. Its limited scale and manageability are two potent factors that attract researchers. It is a study with more detail and more depth. In my research, I am concentrating on ERP implementation under the umbrella of PIFRA, keeping in mind its manageability and in-depth analysis. Although through case

studies one may not establish a new theory, earlier assumptions can be questioned; for example, Delbridge and Lowe (1997) studied the role of supervisors in contemporary manufacturing (cited in Payne and Payne, 2004). Another positive feature of the case study is that it develops fresh insights.

3.13: Data Collection

I will be relying on multiple methods, i.e. Semi-structured interviews and secondary data.

The use of multiple methods has its merit as they can address different but complementary questions, it permits triangulation (Robson, 2002), and it is recommended as a multiple source of data (Yin, 2003).

3.13.1: Interviews

The fieldwork will begin with semi-structured interviews with different groups of users and stakeholders, to probe deeply into issues instead of having simple yes or no answers.The major groups interviewed will be current and previous project management, core team members, Siemens and Price Waterhouse Coopers consultants, users at sites, resource personnel, and World Bank review mission members. Since I belong to the Audit and Accounts service of Pakistan, it will not be a problem to contact most of the respondents, or to conduct follow-up interviews for further clarification. Interviews can also be conducted on Skype if an individual is not available during my fieldwork in Pakistan, or has left the country, as in the case of the Siemens project director who was there during crucial phase of the implementation and has gone back to Germany. According to the terminology used by Pawney and Watts (1987 cited in Robson, 2002), this is a respondent interview.

Robson (2002) commented that the interview is a flexible and adaptable way to find things out, while Yin (2003) stated that case study interviews are normally open ended, encouraging respondents' opinions in the role of informant rather than respondent. Bruce (2007) commented that semi-structured interviews enable the interviewer to probe deeper and with greater freedom.

3.13.2: Features

Not only is interview the most widely employed method in qualitative research, but it is also quite different from the quantitative approach. For instance, there is interest in the

interviewee's point of view; going off at a tangent is encouraged as it offers insight into what is relevant and important; the interviewer can depart from the set pattern; and the interviewee can be interviewed more than once (Bryman, 2004). Moreover, it is flexible, as during the course of research the interviewer can change the emphasis according to issues raised by the interviewees. In a word, it provides richer as well as more detailed data (ibid). Although most of the questions are meant for all respondent groups, some particular questions are put only to the relevant individuals.

3.13.3: Secondary data

My second source of information is secondary data, which has both merits and limitations along with all empirical evidence. Churchill (1987, p.181) said "do not bypass secondary data. Begin with secondary data and only when secondary data are exhausted or show diminishing returns, proceed to primary data" (cited in Guauri et al., 1995). Blaxter (2006) said that this form of data collection does not require first-hand contact with the respondents; instead, one traces their steps through documents. Lancaster (2005) defined it as second-hand data and further commented that the researcher may be overwhelmed by the problem of sorting the relevant data.

3.13.4: Target Data

Blaxter (2006) and Ghauri et al. (1995) enumerated different types of document which can be used as a source of data: Government surveys, historical records, media documents, personal documents and reports of international organizations. Lancaster (2005) categorized secondary data into internal and external. Internal data includes an organization's own operational data, reports, internal memos, publicity and database management system. On the other hand, external data includes Government publications, online indexes and catalogues, publications from commercial research organizations, academic books and journals, market reports, research and professional body reports, newspapers and magazines and Chamber of Commerce reports (Lancaster, 2005). In the current research, I will rely on different reports generated by project management, aide-memoires issued by the World Bank, newspaper articles, minutes of meetings held to discuss and resolve issues and the websites of the Ministry of Finance, Auditor General of Pakistan, PIFRA and the World Bank.

3.13.5: Data Analysis

As discussed earlier, this is qualitative research with an interpretive approach, and thematic and narrative analysis were used to address the research questions. Thematic analysis has been defined as "a method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) details. However, frequently it goes further than this and interprets various aspects of the research topic" (Flick, 2014, p.421). As far as selection of themes is concerned, they must be relevant to the research question (ibid). Bryman (2008) was of the view that themes and sub-themes are the outcome of reading and re-reading transcripts. This study has been guided by both approaches in selecting themes and sub-themes. Three major themes have emerged as chapters for analysis: SAP implementation, Organizational change, and Training. Sub-themes have been selected in keeping with the scope of the major themes and the research questions. For instance, in the SAP implementation chapter, separation of audit and accounts, duality of control and role of the World Bank are discussed as sub-themes because they were either key issues or major players which have been selected after a reading of the transcripts, as well as aide-memoires. Organizational change is another vital theme which was highlighted repeatedly by interviewees; in this chapter all sub-themes were included, staying within the spectrum of change. In the training chapter, various aspects of training were grouped together to match the research questions.

Narrative analysis is another tool which revolves around this approach of understanding "how … people make sense of what happened" (Bryman, 2008, p.556). This approach also supports the theoretical framework of this study which focuses on the cultural-cognitive aspect of isomorphism, that is how change is perceived and interpreted by the key users and stakeholders. Riessman (2004 cited in Bryman, 2008) claimed that through this approach researchers keep on asking follow-up questions to gather the flow of details and impressions. In the case of those interviewees who have been associated with the project for a long time, I asked them in the same manner to tell me how the project was conceived and how it progressed through various phases. Interview questions were also drafted to be relevant to the research questions and the role of stakeholders.

3.14: Conclusion

In the backdrop of theoretical framework, methodology and the research questions, the gleaned data which is composed of semi-structured interviews of multiple actors and stakeholders and aide-memoirs, three major themes have been evolved. It led to three chapters of analysis which are 'SAP implementation', 'Organizational change', and 'Training'. These chapters are organised into two major parts; findings and analysis.

In SAP implementation, the initial phase of the project has been discussed when diagnostic study was conducted and a project was proposed to introduce fundamental changes in the structure of the organization of the Auditor General. Duality of control and the role of the World Bank have also been included in this chapter to find out the resistance in implementing the separation of audit and accounts and ownership of the accounting organization.

'Organizational change' focuses on identifying the drivers of change which play pivotal role in institutionalization of new accounting method and SAP. It offers an answer to the question of how the changes were implemented under the umbrella of PIFRA. Moreover, resistance as a phenomenon has also been discussed to analyse the extent of institutionalization.

'Training' is third chapter of analysis which has come out as a decisive player in implementing new practices and routines. It highlights various perspectives of training which has a direct link with institutionalization. The cognitive dimension of NIS plays meaningful role in absorbing change and its degree of adoption by the users at all levels.

These three chapters together provide an insight into the process of institutionalization and its extent.

Chapter 4   SAP Implementation

4.1: Introduction

In chapter 3, the theoretical framework along with its constituents were discussed. Drawing on this theoretical framework, this chapter aims at analyzing the findings to answer the secondary questions of the study. It is based on different theoretical concepts of organizational field, institutional logic, agency, legitimacy and decoupling.

The chapter is divided into four sections, including the introduction and conclusion. The second section describes the findings of the study in the areas of separation of audit and accounts, duality of control in relation to accounting function, role of the World Bank and the core team. Separation of audit and accounts was resisted from the highest level as the Auditor General was not ready to surrender his powers as head of accounting. When this separation was effected through legislation, it remained a formal change in theory but in practice it was not implemented to a great extent. The data informs that it is a vivid expression of decoupling but when data was collected in 2012, the gap between law and practice was shortened. Hence, the process of institutionalization continues and the change which triggered through coercive isomorphism has now become a change of cognitive-cultural aspect of NIS.

Duality of control is another dimension came out through the data that highlights the issue of ownership. This aspect has emerged as one of the major source of resistance and delays in implementation. The role of the World Bank in implementation is quite surprising as it has turned to be a key player which makes the institutionalization of the new system possible in spite of ownership crisis and presence of other impeding forces to fail the project.

  The third section analyzes the findings through theoretical concepts.

4.2: Findings of the study

SAP implementation in the public sector of Pakistan was recognized as a difficult project by the World Bank in one of its aide-memoires. It is not only an automation project funded by the World Bank, but it also involves wider and deeper theoretical changes recognized as International Best Practices as well as part of New Public Management (NPM). These were to be the foundation on which the whole structure of financial management of Pakistan was to be built or restructured. Multiple actors are involved in the implementation who have their own explicit or implicit agendas. At this point the role of the World Bank and consultants began, as the former assigned the diagnostic study to the two consulting firms. The mandate

of the consulting firms was to diagnose the problems/issues and then, on the basis of this diagnosis, to propose an exhaustive prescription or solution. One of the consulting firms proposing the solution was also hired to supervise the entire implementation process through the life of the project. Thus, the first impression conveyed to the public sector managers was of some model envisaged by outsiders who wanted to impose private sector practices on the public sector. Further, this was all being done at the behest of the World Bank which might have its own hidden agenda in the garb of reforms. The actors preparing to play different roles at various phases of the project included project management, the implementing firm, the Auditor General of Pakistan, the federal Ministry of Finance, and provincial Finance Departments, provincial Accountant Generals and District Accounts offices at the lowest level. The project concept paper (PC-I) outlined an overhaul affecting all practices and routines within all these offices.

A critical examination of foreign-funded projects, shows that borrower countries are normally starved in terms of foreign exchange reserves; in the interest of an inflow of funds, the conditions associated with foreign funding are rarely implemented in their true spirit. Prima facie, it seems that the entire process of change is triggered by the borrower country making a formal request for a feasibility study, followed by a series of reforms; in fact, according to Nue and Gomez (2006), the lending agreement is dictated by the World Bank and the borrower country is a pawn at the receiving end.

In the public sector, civil servants are particularly interested in perks in the form of more funds at their disposal; a huge project allowance; and luxurious cars and advanced gadgets for their own use. Precious time and the loan resources are spent on putting into place all these accessories. National media have reported instances of projects where posts with substantial allowances and luxurious cars have been sanctioned for years, but nothing tangible has been done to realize the objectives of the projects. Although PIFRA does not fall into the worst category, certain features specific to the developing world and public sector are present.

PIFRA was negotiated at the highest level of Government and then launched with the explicit will of the Government to transform the entire financial management system of Pakistan.

However, this was not as simple as it sounded and a plethora of issues had to be resolved before the actual implementation could begin.

4.2.1: Separation of Audit and Accounts

The structure of public sector financial management at both federal and provincial levels is a legacy of colonial rule. The laws, rules and procedures have continued to be adhered to without any significant change. PIFRA aims to dismantle the arrangements made by the colonial masters more than a century ago, and to align the public sector with current international best practice. The first step towards adoption of best practice was to separate the auditing and accounting functions and make them completely independent of each other. This was the first condition imposed by the World Bank, as the Auditor General had to surrender his powers as head of accounting and to focus exclusively on the audit function. PIFRA was launched in 1996, but this issue proved to be a stumbling block as it took some four years to resolve, by the introduction of new legislation. This period of resistance and then compromise can be traced through World Bank aide-memoires, corroborated by the interviewees. The first issue for the Financial Accounting and Budgeting System (FABS), the focus of the current research, also revolved around its ownership; according to the conditions of the lending agreement, an independent office of the Controller General of Accounts (CGA) was to be created to head the accounting function of the Government, replacing the Auditor General. For the time being the Auditor General became the owner of the project, including the FABS component. One of the delaying tactics in the public sector used to defer a burning issue or to ease pressure is to constitute a committee to analyze the issue and recommend a viable solution. This was resorted to, as will be discussed later.

Aide-memoires issued after every World Bank Review mission are one of the major sources of data through which different phases of the project can be tracked. Extracts from aide-memoires as well as official letters from the country Director of the World Bank are cited here, to identify the different stages of adoption of this fundamental change. After the third aide-memoire, a letter was written by the country Director to the Auditor General in which grave concern was expressed over the issue of separation of the audit and accounts function. The astute retort of the Auditor General was that "the constitution of Pakistan does not allow to divest the Auditor General from its accounting function". Moreover, approval of the

competent authority had not been sought before making a commitment of separation of the audit and accounts function with the International Development Association(IDA) This appears to be the first explicit resistance to change by the public sector beneficiaries of the status quo. It was alarming for the World Bank to have such a response from the Government at the very outset of the project. The response was that, if this was the case, then the question arose as to how to address the underlying problems discussed during negotiation of PIFRA, when it was determined that the existing arrangements had contributed to the current lack of accurate, reliable and comprehensive financial information for Governmental financial management. The World Bank also reiterated that the separation was based on the accepted principle that accounting is an executive function which should be independent from audit; almost all the other countries in the region, and indeed in the world, had adopted or were moving in the direction of adopting this model. Against the background of these arguments, the World Bank expressed its resolve to push the Government in the said direction.

The same document also referred to the delays in approving the design of the new accounting system and the very act of establishing committees by the new Auditor General to fully review other components of PIFRA. With the new incumbent, other changes did ensue. For instance, the proposals for structural change in placing controllers in line departments and decentralizing the Accountant General Pakistan Revenue (AGPR) function[5] were dropped. An interviewee from the World Bank confirmed that with a change of leadership in either the Government or the country office of the World Bank, the project's direction and priorities would be changed. Hence, individuals at the helm of affairs matter a lot in determining the direction of change. According to another interviewee, the Auditor General of that time was a typical bureaucrat who did not want to be cursed by his peers or posterity for giving in to pressure from the World Bank and surrendering the vital powers of making payments and maintaining accounts. It seems from the first response of the Government that it was not inclined to be dictated to by the World Bank in restructuring its financial management system. However, later developments reveal that the Government could not resist for long, and steps were taken to appease the World Bank which fell short of fully fledged separation.

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[5]The AGPR function refers to all the payments to federal Government ministries, divisions, attached departments and its employees made through it. Moreover, all receipts and bank reconciliation is also made by it.

In the fourth aide-memoire, it is recorded that the Auditor General had taken certain measures to satisfy the requirements of the credit agreement. An administrative order was issued according to which any Pakistan Audit and Accounts Service (PA&AS) officer who had served in the accounts office should not be posted to an audit office responsible for the audit of that accounts office for three years. Although this notification did not completely fulfil the World Bank's requirement, this change cannot be undervalued in the specific context; previously, it was common for employees from an accounting office to be posted to the audit office responsible for the audit of that accounting office, with the result that the same person might now be auditing his/her own accounts. Although this measure can be taken as a meaningful stride towards separation of audit and accounts, it did not please the World Bank. In the subsequent aide-memoire, the review mission reminded the Government that according to the credit agreement PAD was to have completed bifurcation by 30 June 1997 and prepared a detailed proposal for functional separation of audit and accounts by 31 March 1999. Keeping in view the current pace of the Government to adopt reforms, a new target date was set by the World Bank. So, deliberate delay on the part of Government is one of the hallmarks of the project. At this time, when the World Bank pushing very hard for separation, the Government changed course by forming a high-level committee, testimony that it was buying time and was not really interested in the reform agenda of the World Bank.

In the sixth aide-memoire, it was noted that there had been a prolonged delay on the part of the Government in achieving full independence from the executive for the Auditor General's office. Now, a new deadline was set for following an agreed road map with the Bank and implementing the recommendations of the committee. It was reiterated by the mission that this would be a benchmark of the Government of Pakistan's (commitment to the project, on the basis of which the Bank would decide whether to continue assistance. This is clear evidence that the World Bank was firm in its resolve to impose the condition of separation of audit and accounts.

By the time seventh aide-memoire was issued, some developments had been registered which showed that the Government had to swallow the bitter pill of reforms in terms of separation of audit and accounts. Two separate ordinances were promulgated by virtue of which the office of Controller General of Accounts (CGA) was established, attached to the Ministry of

Finance. This policy breakthrough augured well for significant changes in the project. First of all the project, which had been declared unsatisfactory since December 1999, was given "satisfactory" status. Moreover, the scope of the project was considerably extended and a follow-on project was also under consideration. The Government was guided by the World Bank to make a formal request to the latter for extension of the project to cover 127 sites, to ensure uniformity and to have the advantage of economies of scale in procurement.

In the same aide-memoire, the mission strongly recommended that the CGA be appointed immediately for at least three years to ensure smooth transition. In spite of the World Bank's insistence, the CGA was appointed on an ad hoc basis. According to one interviewee, an acting CGA was initially appointed for some length of time, and then most officers who were on the verge of retirement were posted to head the accounting function. Hence, one can imagine the zeal and vigour of an officer who is about to retire in a few months' time. In the peculiar culture of the public sector, such an officer was not taken seriously and normally failed to deliver in the short time span. This is one of the potent reasons why the office of the CGA has not yet been established as an independent office beyond the influence of the Auditor General. The Auditor General is still exercising administrative control over all PA&AS officers and most of the postings and transfers are also made by the Auditor General. Hence, the Auditor General is still the protagonist of the entire show. Responsibility for maintaining accounts has been shifted to the CGA but authority still lies with the Auditor General, which is a classical example of where changes have been introduced by the book to show to outsiders, but in effect little has changed. It seems that there is still a gap between what is enshrined in accounts code and what is common on the ground. The office of the CGA remained handicapped by shortage of staff or the posting of "undesirable" staff in the Auditor General's office. Ill-equipped in terms of human resources, this office is not in a position to perform its envisioned role. It is one example of the issue of the ownership of FABS as a component of PIFRA by the CGA. Whenever the CGA has been asked to take over all the PIFRA sites for operations and maintenance purposes, it has declined on the pretext of non-availability of financial as well as human resources. Another episode shared by the interviewee is that the CGA, being antagonistic to the Auditor General and PIFRA management, once assigned GM MIS this task to prove that SAP did not cater for the functional specifications, but in this he was not successful.

Two members of the international panel of experts presented a report on the office of the Auditor General in February 2001, according to which it was recommended to "clarify once and for all the ownership of accounting function". In response, the commission, the Government and PAD claimed to support in principle the separation of audit and accounts. However, the contentious issue is regarding the pre-audit function. The commission suggested that it should remain with the audit but this appears to be inconsistent with the recommendation of separation of audit from accounts. This issue is also a bone of contention between the federal and provincial Governments, because the former did not want to give up its powers of pre-audit and payments, whereas the latter claimed that payment is an executive function which should rest with the provincial departments/Governments. This issue will be discussed at length below. The World Bank mission has suggested that this area needs to be reconciled in consultation with the Auditor General, the provinces and the Ministry of Law to take a final decision. It is also noted in the report that the independence of the Auditor General is not assured owing to the inclination of the Government to retain PAD as a department of the Ministry of Finance.

The World Bank mission has repeatedly highlighted in aide-memoires that the office of the CGA be strengthened by conferring more administrative powers, but there is implied resistance in the form of typical bureaucratic correspondence among different departments and even among different sections within departments. Although nothing tangible has been done, some apparent formal activity was generated, a cosmetic measure to impress upon outsiders that something is in progress in the desired direction. Another area emphasized by the mission was to review staff rules and regulations and other procedures and manuals, to make them in line with the new environment; the response was "in progress". The mission also noted that the Government/PAD was not complying with the legal covenant of retaining officers in the project for at least three years. According to one respondent, during the entire period of PIFRA I, officers were not inclined to be posted to the project as it was not considered to be a lucrative posting. Hence, there was a dearth of officers. This respondent further revealed that 13 project directors were changed during the life cycle of the project. However, in PIFRA II there was an incentive in the form of a project allowance, which was effective bait for officers to be posted to the project. In 2003, a project director was posted who remained there for more than three years, and substantial progress was made in terms of implementation. This was also acknowledged by the country Director of the World Bank in

2005: "the project has achieved steady progress in recent years. It is attributable to the excellent team effort and commitment of the PIFRA directorate under your able guidance and leadership".This is a clear example of the fact that individuals at the highest level matter.

From the foregoing paragraphs, it is evident that the World Bank mission was pressing hard for certain reforms, even going to the extent of threatening that the project could not be funded until those changes had been adopted by the Government. However, although the Bank was fighting repeatedly for other allied issues, every time it was pacified with renewed promises from the Government of commitment to move forward in the desired direction. Why the World Bank pushed for certain changes with all its strength but failed to pursue others with the same vigour will be analyzed later in this chapter.

 The next section discusses another significant factor which can be taken as a stumbling block, or a reason for the strong resistance and delays in implementing the reform agenda of the World Bank.

4.2.2: Duality of Control

The separation of ownership of audit and accounts is only one aspect, and the duality of control of accounting offices is another significant area which had far-reaching consequences for the implementation of SAP. This aspect further illustrates resistance as a phenomenon in the implementation of the project. Duality refers to the management of the District Accounting Offices (DAOs) by the federal as well as provincial Governments. Some district accounting officers belong to the provincial cadre, while others hail from the federal Government. The same is the case for the lower hierarchy in these offices. This situation is in fact against the principle of unity of control which has led to instances of non-compliance of orders from both Governments. Provincial Finance Departments control the provincial employees in accounting offices and the provincial Accountant Generals (being representatives of the federal Government) are the administrative authority for the federal employees in the same offices. Hence, personnel working in the same offices do not belong to the same cadre of services. This is a long outstanding issue which reappeared at the time of implementation.

Since PIFRA was being managed by the Auditor General and his team, it was taken as a federal Government project. According to an interviewee, the project was considered an

accounts group officers' project, hence, an there was acute rivalry among the District Management Group (DMG) who normally held sway over the federal Government and exercised most of the power in the provincial Government. According to this interviewee, it was once explicitly said by a DMG officer that "we will implement PIFRA without any reservation once it is handed over to us and we become the exclusive owner of the accounting function of the province". That is, the provincial finance department saw the implementation as an opportunity to settle the issue of ownership of accounting offices in their favour. When detailed functional specifications and bid documents to acquire the software to automate accounts were ready, the issue relating to control over the accounting function was raised again. Hence, the Ministry of Finance directed PAD to postpone the software acquisition process until the issue was resolved. In response to this, the World Bank mission asserted itself once again and registered its grave concern over the delay in the acquisition of software, as it considered that issues of control or detail relating to accounting policies and procedures had nothing to do with the selection of software. Here, once again, the World Bank prevailed over the Government, and it was decided that the acquisition of software be kept independent from other issues. However, work on consensus-seeking over control and other issues continued in parallel with the procurement process. It was also decided that PAD and the Ministry of Finance would sort out all technical, legal and constitutional issues by August 2000[6].

This issue, which had been deferred by intervention of the World Bank mission, was still pending at the time data was collected that is spring 2012; certain episodes of resistance occurred at various sites owing to the fact that the concerned accounting offices were subordinate neither to the provincial Accountant Generals nor the project management team. At the first pilot site among the DAOs in one province, the officer in charge (hailing from the provincial Government) was so offensive to the Siemens SAP implementation team that they refused to work at the site. The issue was resolved after the intervention of the World Bank and the federal Government. As this was the first DAO site in the province, it sent the wrong message to the other offices where implementation was forthcoming. This person was actually an active office bearer of the association of accounts officers in the province, who wanted to oust the federal Government employees from the accounting offices. It was one of the explicit displays of resistance faced by PIFRA at the very outset of actual implementation in one major province. The same officer openly challenged the functional design and

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[6] Refers to Aide-Memoire No 5, August 1999.

specifications of the project and talked about the impending failure of the project. This was an extreme episode which was not emulated in other DAOs, although other forms of resistance were attempted by users at different sites, as explained in the resistance section of the analysis chapter.

4.2.3: Role of the World Bank

The role of the World Bank is the subject of this section, together with other actors/players like project management, supervisory consultant, core team and the vendor of SAP with whom the World Bank was interacting. The World Bank was not a mere funds provider but was also a significant player in the entire implementation of both NAM and SAP. According to one interviewee, PIFRA initiated the intervention of the World Bank, but documentation suggests that it was the Government of Pakistan which requested the World Bank to study the financial management of Pakistan which led to the project. According to another interviewee, "had there not been the World Bank, there would not have been any implementation at all". This statement implies that the World Bank was not just overseeing the project but was working as a meaningful force to push the project in the desired direction to realize its professed objectives. The same interviewee further explained that during a crucial phase of configuration of SAP at a test site, Siemens being a vendor of SAP had a very difficult time because it seemed as if the project management as well as the supervisory consultants, Price Waterhouse Coopers, were not inclined to further the implementation for a variety of reasons. The World Bank was pushing for an Operation Acceptance Test (OAT) for the test site, but the supervisory consultants were of the view that it could not be conducted unless all business scenarios had been configured into SAP. Hence, there was deadlock and OAT was delayed with the intention that ultimately SAP would be declared as a package which did not, in fact, cater for all the business requirements of the Government of Pakistan. The same interviewee illustrated the seriousness for project management at a crucial test phase: "I was required to have a weekly meeting with the Project Director (PD) of PIFRA on the progress and issues of implementation and during those meetings the topic discussed by the PD was cricket. He used to discuss everything except the project." This very act is a vivid manifestation of the level of seriousness to project management at that time. It appears that neither of the two significant actors, project management and the supervisory consultants, were really interested in implementation.

The same interviewee highlighted the role of another actor, the core team, which played a pivotal role in the configuration of SAP at the test site. According to him, the team was cooperating with the Siemens implementation team in a very hostile environment at a time when the owners of the project, project management and Price Waterhouse Coopers were not interested in SAP implementation. Aversion towards SAP can be well gauged by these words uttered by a manager of Price Waterhouse Coopers: "don't show me SAP screens; I don't like them"[7]. The core team was also acting as a bridge between the Siemens implementation team and project management. Its positive role in making the Siemens team understand the public sector environment and its complex business requirements was laudable. However, delaying tactics by project management can also be discerned through its selection and deployment of core team members at the test site. First of all, selection from the core team was not made in keeping with their prospective critical role. Each core team member was declared a business process owner who was also responsible for achieving SAP configuration according to specific public sector business scenarios. But most of them did not know much about their assigned business processes. Most belonged to a single province, and representation from the other provinces was largely missing. Moreover, the majority belonged to the Accountant General's offices, and representation from the DAOs and finance departments was also missing. This factor contributed towards resistance to implementing SAP in these offices, as their input was not sought at the development/configuration stage of the system. One of the aide-memoires clearly delineates the envisaged role of the core team in SAP implementation, but project management in utter disregard of this tried to disband the core team completely two weeks after its deployment at the test site. This deployment was then extended for another four weeks, followed by many more extensions, so the core team which was to play a vital role in the test implementation and at pilot sites was a victim of ad hocism. Moreover, these members were relieved from their other duties to concentrate exclusively on the configuration of SAP, although this was not the case for the majority of core team members. In spite of these shortcomings, the core team was dubbed by an interviewee as a miracle of the project, and the second most potent factor after the World Bank in making the implementation possible.

Another interviewee, a core team member, echoed the same sentiments about the state of affairs at the test site. He added that an exclusive meeting between the core team and the

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[7]This was shared by an interviewee who was a Siemens implementation team member.

World Bank review mission proved to be a turning point for the project. According to him, a very strong message was conveyed to the top management of the supervisory consulting firm by the World Bank, that if it did not stop playing politics in the project, it would be blacklisted across the globe for World Bank-funded projects. This message really worked and the project manager of the supervisory consulting firm in PIFRA was removed, a good omen for the project as things started moving after his exit. It was also a message for all the others in the project that the World Bank was serious about the implementation of the project. We can infer from the above-mentioned interviews that the World Bank was actively involved at each and every phase of the project.

Here the question arises as to why the World Bank was so insistent on guiding and advising the project at a very detailed level. Part of the answer can be found in one of the reports generated by the Bank, which includes the rationale behind its involvement. The Bank had been involved in a number of similar projects, and on the basis of this experience it was offering advice on the preparation as well as the implementation of the project. Moreover, it had a close liaison with the IMF on the project, which was also a source of further guidance. The Bank further justified its role by claiming that it had the advantage of experience in institutional reforms and global experience in public sector management to assist Pakistan in realizing the intended outcomes. These are the publicly pronounced reasons behind the World Bank's involvement in the project, but they are only one side of the story. The other side will be discussed later.

When the same question of detailed involvement was posed to an interviewee who was a World Bank employee, he remarked that the World Bank did not go into minute details; rather, it was interested in the agreed outcomes set in the last review mission, and it was project management that dragged it into the details by explaining how they could not achieve their targets. The Bank then followed the advice of its consultants.

Another reason given by an interviewee was that the public sector managers had no experience of running such a complex and highly technical project and were progressing by trial and error; the World Bank consultants who were aware of this reality used it as a reason to intervene.

In the narrative part of this chapter, we have found that there were certain areas on which the World Bank had a very clear stance and was not ready to compromise. For instance, separation of audit and accounts was an issue on which Auditor General of Pakistan had serious reservations, but in spite of all his delaying tactics the reform prescribed by the World Bank prevailed. There was a stage in the project when its status was declared unsatisfactory and the World Bank conveyed to the Government that it would not be in a position to continue its long term commitment unless the Government agreed to the separation.

On the other hand, there were number of issues on which the World Bank had a point of view, which were repeatedly emphasized but were not pushed forward in a way to make those changes happen. For instance, establishment of the office of the CGA and its minimum tenure of three years with sufficient administrative powers for smooth functioning was not closely pursued by the World Bank. Project management was another area which the Bank attached considerable importance to, but the response of the Government can be well judged by the single fact that during lifetime of PIFRA I, thirteen PDs were replaced.

The World Bank had for some time wanted to outsource some accounting duties to the private sector, as the staff of the Auditor General were not well equipped to handle NAM or SAP, but this was ignored. Again, when the Chart of Accounts was to be adopted, there was a target to train thousands of employees in the federal, provincial and district Governments within a short span of time. The World Bank again advised outsourcing this training function to meet the target, as the Audit and Accounts Training Institute was not adequately equipped for this, but the Auditor General did not follow the advice.

The hiring of technical staff at market rates was another issue which was emphasized by the World Bank in several aide-memoires, and it was noted that the Government had no reservations about this; nevertheless, it took more than five years to get the posts sanctioned and then hire the technical personnel. The time taken to get the posts sanctioned to run this highly technical project is equivalent to the normal life of a project. The twelfth aide-memoire recorded that "experience with PIFRA over the last six years has indicated that despite assurance at the highest level, it has not been possible to recruit this staff". In the

same vein, there was another recommendation by the World Bank mission that to cope with the increased number of operational sites, "there should be an in-house technical competency group in appropriate pay scales within the Government civil service structure". This was never done. It will be discussed in the Change Management chapter. There were a number of conditions for pre- and post-appraisal of PIFRA II, but very few could be met[8]. Nevertheless, PIFRA was extended in terms of time as well as scope.

Another, different instance is that the World Bank changed its previous stance over the in-house development of an IT solution to cater for the business requirements of the organization of the Auditor General, switched to some off-the-shelf package. An interviewee[9] recalled that during the initial phase of the project, the plan was to have in-house development of some software. On an experimental basis, two modules, the General Provident Fund (GPF) and pensions, were developed using Oracle and Java. A presentation was made to all users, who were satisfied with the modules. According to the interviewee, the Auditor General approved this as well and progress was made on other modules; then the team was informed that PIFRA was going to have some off-the-shelf package. The General Manager (GM) MIS was in favour of in-house development, and Turkey was referred to as an example. But others, including the World Bank, believed that there was a 70 percent chance of failure owing to dependence on the team that would be developing the system. The interviewee concluded that this dependence still existed in the case of the SAP competency centre, which introduced major changes to SAP to cater for user requirements.

Here the question arises as to why the World Bank was a victim of these double standards in terms of implementation of certain reforms, in spite of the fact that it has enormous experience of such implementations. It is questioned whether the World Bank is able to exert any pressure for implementing certain reforms. In the case of PIFRA, a report by the World Bank claimed close liaison with the IMF. That is, the IMF was also involved, and Pakistan being the recipient of an IMF loan, in addition to the naming of structural adjustments, should have exerted double the amount of pressure. How this double pressure was exercised can be understood through the words of an interviewee who told the author that at test site where

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[8] The pre-appraisal of PIFRA II, February 2004 contains all the conditions.
[9] He belongs to the technical team hired by the project on a contract basis to develop the system.

OAT was being delayed, a deadline was given by the World Bank so that implementation could move on to the pilot phase. He added that all funding and loans by the World Bank and the IMF were linked to the successful OAT of the PIFRA test site. This is a classic example of putting enormous pressure on the Government but who was actually pressurizing the World Bank?

A simple answer is that there was a delay of many years in the project, and the World Bank was not left with any other option but to resort to such measures so that the project could move ahead. But the answer may not be so straightforward, and it appears that other forces were pushing the World Bank.

4.3: Analysis

New Institutional Sociology was selected as the framework for educating us regarding the mega-change introduced and implemented by PIFRA. Separation of audit and accounts was the first and foremost condition for PIFRA which was agreed between the World Bank and the Government of Pakistan. If we dissect this phenomenon through NIS we can find the presence of various aspects of this theory, like institutionalization, isomorphisms in general and cognitive in particular, institutional logic, embedded agency, legitimacy and decoupling. These aspects in fact offer answers to certain vital questions, such as why it was necessary to separate audit and accounts for the Government of Pakistan, and what was the logic behind it; why it took so long in its implementation when it was agreed in principle at the very beginning; what were the forms of resistance and why; and was this change really implemented or were there omissions? In relation to the role of the World Bank there are certain questions as to why the Bank was selective in putting pressure on the Government in adopting some reforms, while not pressing strongly for other sets of changes. Why did the World Bank want to impose such changes and were there any pressures on it to introduce such changes in borrower countries?

4.3.1: Organizational Field

Before looking into these questions, we need to identify the organizational field in which the organization of Auditor General of Pakistan exists, as the field is normally taken as the level of analysis in institutional research (Powell, 2007). The organizational field is defined as communities of organizations that constitute a recognized area of institutional life and whose interactions are regularized and "fateful" (Scott, 1994). In this case study, at the higher and broader level, the three major actors are the state, the World Bank, and consulting firms.

However, seen at the organizational level, a number of organizations can be identified which were directly or indirectly involved in implementation. Project management, the Auditor General, the core team, Price Waterhouse Coopers as supervisory consultant, Siemens as vendor of SAP, the World Bank and the SAP competency centre were the core organizations which were actively involved in implementation. However, the Controller General of Accounts, Ministry of Finance and Finance departments at provincial and district levels, Accountant Generals at federal and provincial levels, DAOs, self-accounting entities and budgeting organizations at federal and provincial levels were also the subject of implementation.

4.3.2: Institutional Logic

According to Friedland and Alford (1991), fields are maintained through shared institutional logics which direct the field constituents by defining membership, role identities and the relationship of exchange. However, the constituents of the field may be "armed with opposing perspectives rather than with common rhetorics" (Hoffman, 1999, p.352). In addition, fields may be developed around certain disputes and issues. So, the fields are constructed around the issues that are important to a group of organizations (ibid). In the current research, financial management is the field and the organizations which are constituents of this field are the state, the World Bank and consulting firms. These organizations have a common issue, but opposing institutional logics can also be identified. Financial management can also be taken as a shared institutional logic; however, there are opposing institutional logics with different perspectives. For instance, the public sector has a typical institutional logic of strict adherence to rules and regulations[10], bureaucratic channels and a strong sense of complacency[11]. The World Bank is guided by logic like effective and efficient organization with tangible and measurable objectives, accountability, and being well equipped with modern tools. Consultants are motivated by competitiveness, profitability and survival of the fittest. On the PIFRA platform, these institutions interact and influence each other to realize the pronounced objectives of the project. We will analyze this intense interaction as a process of change and finding out the extent to which the change was actually adopted by the public sector and there was resistance to embracing new practices and routines at different levels. The organizational change will be analyzed and discussed at length in the next chapter.

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[10] Adherence to rules and regulations even at the cost of being effective and efficient.

[11] A sense of complacency that all is well as people (clients) at large are not aware of their due rights.

The condition of separation of audit and accounts and the vision of the project also inform us that it is an institutional logic harboured by the World Bank in the name of best practice, implemented through organizational restructuring. There is another logic called "accountability" which is spread everywhere by the World Bank, wherever it chooses to reform. However, there is more to the logic of the World Bank as multiple actors are involved, all of whom have their own institutional logics which govern their practices. The Auditor General has his own logic, to keep the audit and accounts as a single entity, referred to as an external check by an overseeing authority over the executive. Further, the unity of audit and accounts has been sanctified through the sacred constitution of the country. Hence, all responses by the Auditor General in reply to pressure from the World Bank to separate them was motivated by this logic of unity, and the concentration of power with the Auditor General[12].

4.3.3: Agency

The embeddedness of agency is another dimension according to which decisions are an outcome of the interplay between individual agency and institutional structure (Friedland and Alford, 1991; Jackall, 1988; Thornton and Ocasio, 1999). According to Berger and Luckmann (1967), "institutions are socially constructed and therefore constituted by the actions of individuals and organizations" (cited in Thornton and Ocasio, 2008, p.104). When we analyze PIFRA from this perspective, various of agents/actors are found who first interpreted the project with their peculiar mindset and then played a vital role in determining the direction as well as the pace of implementation of the project. The Auditor General at the time of the conception and negotiations of the project did not belong to the Pakistan Audit and Accounts Service[13]. Hence, the conditions agreed with the World Bank did not really concern him because of his absence of ownership. It has been acknowledged by the World Bank in an aide-memoire, confirmed by an interviewee from the World Bank, that it really matters who is the Auditor General and who is the country Director of the World Bank, as they determine and review the direction, emphasis and priorities of their respective organizations. It has also been mentioned that when the new Auditor General took charge, he

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[12]The Auditor General belongs to the Audit and Accounts service and is not necessarily a professional accountant or auditor but a civil servant with experience of working in different organizations in the public sector.

[13] For the first time in the history of the department, a non-PA&AS officer was appointed as Auditor General who had no stake in the department and was just enjoying the privileges of a constitutional post.

took steps to review the entire process of separation of audit and accounts. He also constituted a committee to review the case, another standard practice in the public sector to buy more time and to shelve burning issues. Hence, this one actor set the direction of the entire organization. The same interviewee also attributed the dropping of certain items from the project, which were part of the approved concept paper, to this factor of agency as the incumbency of the country Director of the World Bank was changed. A number of instances substantiate the role of agency. The project concept paper envisaged that the role of AGPR would be decentralized and the same function would be performed by the individual ministries and divisions, but this was dropped at the very beginning of the project implementation. The other instance, which will be referred to in subsequent chapters, concerns organizational change and training.

On the one hand, the World Bank was itself claiming that it had the requisite expertise in guiding public sector financial management projects, but on the other there are instances when it changed its stance over certain issues in the project. One positive interpretation of this phenomenon can be that World Bank was also learning, and changing its earlier position may be a result of the particular country-specific context, with which it was unfamiliar prior to this implementation. The findings reported in this chapter acquaint us with this fact, as well as that the World Bank has proved to be rigid in the matter of higher-level policies like the separation of audit and accounts, but flexible over operational issues like automation strategies and other implementation issues. The answer lies in part in the role of agency: who is at the helm of affairs in the World Bank and in the Auditor General's office. This is corroborated by the fact that when one project director was also made an additional auditor of general administration, the project registered significant achievements. It was also acknowledged by the country Director of the World Bank that the project made good progress during his tenure.

The core team can also be taken as an effective actor/agent in the process of implementation, as referred to in the findings section. According to DiMaggio (1988), institutionalization is a political process and its success rests on the relative power of the actors who steer it. One interviewee reported that the core team acquired such a status during the test phase of the project that the World Bank mission started relying on it to such an extent that the interpretation of different scenarios given by it were given much credence. The World Bank in fact found a group of people in the form of the core team in the department wanted to see this project as a success. The business processes and new workflow in accounting offices

were designed by Price Waterhouse Coopers, but all changes and improvements were incorporated by the core team through which the World Bank was examining and analyzing the entire implementation.

4.3.4: Legitimacy

According to Scott, legitimacy is a "condition reflecting cultural alignment, normative support or consonance with relevant rules or laws" (1995, p.45). It involves the support of various types of cultural and political authority empowered to attach legitimacy. In the light of this definition, the World Bank can be taken as an authority which confers legitimacy on certain organizations, institutions and practices. Once conforming to the demands of the World Bank, it is taken as an adherence to international best practice. This conformity led to opening vistas of economic resources for a country like Pakistan, which has always been resource-starved. A report produced by PIFRA reads "the constitutional arrangements for carrying out audit and preparing the accounts by PAD were not conducive to ensuring independence of audit". The vision of PIFRA reproduced here elucidates this:

- to adopt and implement a modern accounting system designed according to principles and standards and based on modern information technology;
- to implement a governance structure and legal framework for an independent and effective audit function;
- to improve the professional capacity of the elements of the civil service responsible for fiscal management;
- to make increasing use of the private sector to supplement public sector resources; and
- to adopt improved standards for private sector financial disclosures.

This vision of PIFRA, which was actually adopted under the guidance of the World Bank, tells us that PIFRA is an initiative to accrue legitimacy from the World Bank, a major source of economic resources for the Government of Pakistan. This vision also acquaints us with the measures through which our financial practices will attain legitimacy. The World Bank also made its point of separating audit and accounts by stating that the separation was based on the accepted principle that accounting is an executive function and should be independent of audit. It further strengthened its argument by commenting that most countries of the

developed world and within the region had adopted or were moving to adopt this reform; this was another means of conferring legitimacy. By adopting this reform, the financial management system of Pakistan would be given the credibility required to survive in the comity of nations and to seek financial assistance. Its reference to both the developed and the developing world is an expression of mimetic isomorphism. According to Oliver (1991), organizations present themselves in the garb of successful or legitimated organizations by adopting their rules and practices. DiMaggio and Powell (1983) added the factor of "environmental uncertainties" when there are ambiguous causes and/or unclear solutions. The Government of Pakistan at the highest level was convinced that the financial management of the country was in disarray, but the solution given by the one of the big five accounting firms was not accepted, owing to the typical public sector mindset. The perception was that private sector parameters were being applied to the proposed solution without taking into consideration the public sector context. Moreover, SAP itself was not specifically intended to address the peculiar needs of the public sector. According to one respondent, when SAP was selected, there was no public sector version available from the vendor, Siemens, so there was great uncertainty as to whether this corporate sector version of SAP could be configured to cater for public sector needs. At the test site, when the system was at the configuration stage, the Siemens team used to refer to the Australian public sector SAP implementation; however, this was not actually comparable with Pakistan, where accounting functions were being performed by non-accountants and a very small number of employees were computer literate. However, bureaucracy took this project as an opportunity to ameliorate the poor shape of the organization of the Auditor General of Pakistan by an inflow of millions of dollars, although hardly anyone was interested in the reform side of the project. The answer to the question of why we have this project was thus given by the World Bank: if Pakistan chooses to be a good country, it has to follow in the footsteps of other proclaimed good countries.

The World Bank is not the sole source of legitimacy, because the Government of Pakistan is a member of INTOSAI which has its own requirements that must be fulfilled by member countries. It is a widely recognized platform which convenes its meetings on a regular basis to examine certain laws, rules and procedures popular in member countries, and to discuss the ways and means to modernize financial management in the public sector. The measures envisaged by PIFRA are also aligned with INTOSAI's agenda, which makes the reforms introduced by PIFRA the more compelling. Institutional pressure by the Government to adopt a multi-pronged reform programme actually originated from the IMF, INTOSAI, IASB and

the World Bank, a vivid manifestation of normative isomorphism. According to Oliver (1991), professional organizations promote their norms without any system of sanctions. However, these organizations comply with the pressures to get approval and legitimacy from powerful external actors. In the current case study, this is a clear manifestation of mimetic as well as normative isomorphism and a source of external legitimacy.

As far as internal legitimacy is concerned, it is shared by a number of respondents at inter-organizational level, with monthly and annual accounts produced by the Accountant General; however, these and some ad hoc reports did not have credence in the eyes of other organizations such as the Ministry of Finance, provincial Finance departments and the State Bank of Pakistan. It was not possible to reconcile the accounting figures (expenditure and receipt) produced by the Accountant General and the State Bank of Pakistan, and the difference amounted to billions, increasing every year. The accounting reports were only made available to the decision makers long after the actual decisions had been taken. Hence, a statutory requirement to produce accounts was being fulfilled at federal and provincial levels, but without fulfilling its assigned purpose. The importance attached to the monthly accounts can be judged by the fact that, according to one interviewee, in some districts monthly accounts were prepared by peons and security personnel in the DAOs. This state of affairs depicts the absence of accuracy, reliability and timeliness of accounts; the entire exercise of accounts preparation had a big question mark over it. This revamping was therefore aimed also at accruing legitimacy from the internal users and stakeholders of the accounting reports.

4.3.5: Decoupling

Decoupling is a further perspective of institutional theory that can help us in understanding another dimension of the project, separation of audit and accounts. The foregoing narrative discussed at length that separation of audit and accounts was the foremost condition imposed by the World Bank. It had been agreed, but its mechanism was not yet settled. When the World Bank took up the issue, a series of excuses were tabled, as already been discussed. When the Government of Pakistan realized that the World Bank was not inclined to compromise on this condition, it took certain measures to satisfy the Bank's demands. It formally announced that audit and accounts had been separated by promulgating separate Account and Audit codes. The Office of the CGA was also created, but this was no more than

a half-hearted attempt to show the World Bank that the reform had been implemented. One interviewee confided that the Office of the CGA had been created, but it was not sufficiently empowered to run the accounting function of the country. The cadre of officers controlled by the Auditor General of Pakistan was still intact, and the CGA office still appears to be a subordinate office of the Auditor General. This gap between the books and actual practices informs us of the popularity of decoupling within the Department. To the outside world, the CGA is working independently, but in reality it is dependent on the Auditor General in a number of respects. According to Boxenbaum and Jonson (2008), decoupling implies that organizations exist only superficially, a result of institutional pressure and the adoption of new structures without necessarily implementing the practice. Tussles between the Auditor General and CGA have also been reported over who has more power and authority, but so far the latter has not been successful. This phenomenon was also mentioned by Scott (2001), who considered that decoupling might lead to full implementation in due course of time The reasons for having a weaker CGA, already mentioned, are to ensure a powerful Auditor General encroaching on the CGA's powers. Here, individual Auditor Generals have played a pivotal role in retaining more power, as confirmed by Westphal and Zajac: "powerful actors mediate institutional effects" (2001, p.207). Most of the Auditor Generals have not been qualified accountants but typical bureaucrats who believe in the concentration of power and the status quo. However, this is not the whole truth about them as, according to two interviewees, two consecutive Auditor Generals were supportive of SAP and automation, but were not inclined to lose power. According to another interviewee who used to head a provincial accounting office, the "Office of the CGA is gradually attaining powers and he is no more a rubber stamp as it used to be a decade back". For instance, employees at lower grades can be transferred by the CGA, while the powers of signing and counter-signing the performance evaluation reports of subordinate officers is also an effective vehicle for the CGA to assert his authority over accounting offices. This phenomenon corroborates Scott's (2001) belief, that decoupling may lead to full implementation in the course of time.

4.4: Conclusion

Drawing on the theoretical framework developed in chapter 3, the secondary questions of the study have been addressed. The phenomenon of decoupling was present when the reforms envisaged by PIFRA were implemented. However, it has also been noted that decoupling was not a constant phenomenon, but a harbinger of change. The Office of the CGA is no more toothless than it used to be during its early phase.

Institutional logic has also helped in understanding resistance to implementation. Competing logics of actors in the organizational field slowed the pace of implementation, and reform was not adopted in toto. Agency as a concept assisted in explaining the factors that led the project in a particular direction, and that changes in top management registered changed priorities.

Legitimacy is another vital concept of NIS which answers the question why PIFRA was launched in the first place, and then how its reforms were adopted in spite of resistance at almost all levels of Government.

However, this chapter has not offered answers to all the questions posed in the study, and there are other dimensions to the project which will be discussed in subsequent chapters. The next chapter examines organizational change in the organization, to help us in further understanding the entire process of change.

Chapter 5   **Organizational Change**

5.1: Introduction

The focus of this research is SAP implementation in the public sector of Pakistan. However, the SAP project is not merely a shift from manual to automated systems, but a multi-dimensional change which involves moving from cash-based to accrual-based accounting. The roles of the various actors were discussed in the previous chapter: the World Bank, Auditor General of Pakistan, project management, core team, and consulting firms. In this chapter other areas will be discussed in the light of data gleaned through project documents, reports and interviews: change management as a component of PIFRA; business process reengineering as part of standard SAP implementation; the New Accounting Model (NAM) and the role of Price Waterhouse Coopers as an architect of NAM as well as supervisory consultant; technical staffing; and resistance to change.

The concepts of NIS and institutional logic have been employed to analyze the changes introduced by PIFRA. The main thrust of this chapter is to interpret the changes through the cultural-cognitive aspect of NIS. Why there was resistance to institutionalization and how it was overcome is also addressed.

5.2: Change Management

The project concept paper outlined change management as follows: "It is essential in the project to have employees supportive to change, therefore it is intended to employ external support of behavioural scientists in this area to improve our communication with the staff, to understand their fears and their expectation in an objective manner, so that the Auditor General of Pakistan (AGP) and his staff make a well-knit team. Consultancies would be needed in this regard to achieve the following: preparing a detailed manpower plan and then reviewing it; preparing job descriptions; developing quantitative performance standards; developing a quantifiable, transparent, output-oriented performance evaluation system and an MIS for HRM functions; preparing a statistical database model for manpower planning to enable the AGP and the field offices to recruit, train, place and promote employees in a proper manner; preparing a 'change model' for the organization, keeping in sight the totality of the project, the changes contemplated and the utilization of available resources".

5.2.1: Findings from Aide-Memoires

The current research will investigate only the parts of the aide-memoires that have a direct bearing on SAP implementation. The aide-memoires support analysis of the progress of implementation and which milestones were actually achieved or claimed to be achieved. The first aide-memoire proposed that probationers, officers of the Pakistan Audit and Accounts Service, will receive two years' specialized training; justification would be sent to the Establishment Division in the context of change being introduced in the department. A new promotion policy and entry into the lower cadre of the service would also be introduced with a cut-off date so that well equipped personnel would be able to handle the prospective mammoth change. It also recommended hiring consultants, as outlined in the preceding paragraph. The fifth aide-memoire, recorded that the Pakistan Audit Department had taken measures to improve minimum qualifications in recruiting junior as well as senior auditors, and the elimination of promotion without passing a departmental examination. The seventh registered further progress, with amended rules for recruitment at the level of the Basic Scale (BS) 16. Bachelors in Commerce as well as some level of certification from the Institute of Chartered Accountants of Pakistan (ICAP), the Institute of Cost and Management Accountants of Pakistan (ICMAP) or the Pakistan Institute of Public Finance Accountants (PIPFA) would be recognized. PIPFA had also approved a new syllabus for public sector accountants. The change management consultancy would be finalized by mid-May 2001. By the time the ninth aide-memoire was issued, HRM consultancy had been mobilized and a seminar to discuss change management issues was in preparation. The mission recommended that information-sharing seminars should be organized at all provincial levels, in which participation of District Accounts officers should be ensured. The seminars were intended to disseminate information about all fundamental changes triggered through PIFRA, including computerization, with a view to dispelling fear of the unknown among the accounting staff at all levels. In the tenth aide-memoire, the World Bank's communication specialist recommended some immediate actions to be taken by the PIFRA Directorate. This document acknowledged the fact that communication and information dissemination are one of most important factors for smooth implementation of PIFRA. Timely, credible and effective communication among primary stakeholders and consultants should be ensured for better implementation of various project components. It would also help in building ownership of the project. He added that effective communication should be at two levels: first, among Government departments like the Office of the Auditor General, CGA, provincial AG offices

and finance divisions; and secondly, among the consultants engaged in implementing various components of the project, such as PIFRA systems, NAM training/capacity building and HR/change management. As far as organizational communication was concerned, there were information gaps among primary stakeholders. Hence, there should be regular communication and an information-sharing mechanism in place between relevant federal and provincial departments and among DAOs. On the other hand, a respondent admitted that even in 2002, six years after its inception, PIFRA and its agenda were neither communicated to the field offices, including the Accountant General's offices, nor were they aware of the magnitude of change and their envisaged role. Many senior officers were sceptical about the fate of the project and considered that it would have no bearing on their department.

It was suggested that the area of ownership and leadership should be addressed at all levels as a matter of priority. This included federal and provincial offices (accounting, auditing and finance divisions/departments) and users of the PIFRA system and NAM (including DAOs and DDOs). The absence of clearly defined leadership in communication and change management interventions seemed to be the cause of a lack of communication among stakeholders and consultants. The slow progress of change management consultants also contributed to slowing down the process of implementation of other components of the project. By the time the test site had been declared successful and pilot sites like Abbottabad, Peshawar and AGPR Islamabad were in the process of SAP implementation, communication and change management at all levels had still to be addressed. Hence, the document suggested that a clearly defined set of activities for the components should be designed and implemented in a synchronized manner. The immediate task recommended for the component managers was to generate a poster on PIFRA, to be widely distributed in all relevant offices across the country. Moreover, a promotional video should be produced highlighting the importance and achievements of PIFRA. In this regard, one respondent confided that wherever the implementation team went, it had to explain what PIFRA stood for and how it would revolutionize the work routines/patterns and working environment of offices. Ideally, the change management team should have visited the upcoming sites to explain the entire change process and its repercussions, and dispel the fears of employees relating to implementation. This step was almost absent at pilot sites which took up most of the time for implementation. At the pilot phase FABS (the Financial Accounting and

Budgeting System) component appeared to be doing the work of all other supporting components. The IT team should have remembered that most of the staff in accounting offices were non-accountants and were not comfortable with English as a medium of communication.

In May 2003 the 11thaide-memoiretold a disappointing story,"progress is insufficient to provide confidence in the likely outcome". It further elucidated that the component had not been demonstrably effective in assisting with change management in the project, and that the change management strategy paper had not yet been accepted by the office of the Auditor General. The mission also cautioned about the overlap of MIS functions included in SAP. The plan of activities submitted to the mission was also found to be unrealistic, and revision was recommended.

In the subsequent aide-memoire, a bright, promising picture was drawn by recording that the PIFRA Directorate had launched the change management initiative in all provinces before the introduction of FABS. Meetings with provincial chief secretaries were convened to explain the national impact and importance of PIFRA. This was intended to support chief secretaries to ensure smooth implementation. Nominated individuals were assigned to contact DAOs to ensure they would support change, and seminars for the personnel of roll-out siteswere held. The mission was of the view that the PIFRA Directorate was effectively pursuing change management, and there was no need to hire additional consultancy services,enabling the allocated resources to be diverted to strengthen communication material.

In a pre-appraisal of PIFRA II, certain tasks were to be completed before the launch of the communication and change management programme for PIFRA II. They included mobilization of human resource as per the requirements and capacity building of the Communication and Change Management Unit (CCMU) for PIFRA II; and building a network of PIFRA contact persons at different levels to establish a dynamic coordination system. Risks like weak decision-making processes, ad hoc arrangements for the component and inefficient monitoring and supervision of consultants' work were also identified.

In the 13thaide-memoire, the World Bank review mission noted that "progress was very slow and it is only in the last few weeks that a substantial number of deliverables have been

supplied, mostly after the period of the contract had expired". However, the efforts made by the project directorate were appreciated, at a time when deliverables by the consultants were themselves severely delayed. The change management strategy wasonly delivered and accepted after more than three years of consultancy,so its value must be questionable. The subsequent World Bank review mission stated that there had been no specific action by the consultants on managing change since the previous mission. On the other hand, the work ofthe PIFRA Directorate was appreciated;it included change workshops, multiple poster materials, four newsletters, and a variety of project-related mementoes.

The PIFRA timeframe was extended as the project could not achieve the set targets within time, in spite of earlier extensions. The project was re-named as a follow-on project, PIFRA II, with extensive scope. The concept paper on PIFRA II reasserts the significance of this component; however, it was no longer identified as a separate component and became the responsibility of project management, bearing in mind its vital role in system implementation. In discussing the lessons learnt from PIFRA I, the paper recorded that change management was a much more important aspect of implementation than has been recognized. Moreover, change management efforts must be led by the top executives in order to effectively communicate the vision and importance of the project. Executive sponsorship for change management would also send a strong message to the pockets of resistance. It was recognized that senior management were now more active in leading the cause of the project, and this would become increasingly important during PIFRA II.

In the first aide-memoire on PIFRA II, it was reported that the successful focus of the reform process in PIFRA I had been on internal stakeholders. This workwould continue through a three-person change management unit in all PIFRA regional directorates. The mission expressed its concern over the competence of staff to absorb the reforms, because new PA&AS recruits were still not required to have relevant accounting degrees. Hence, AATI or some other training source had to provide basic as well as advanced accounting training for these officers. It was emphasized that at this point of implementation there should be greater activity in presenting PIFRA developments to external stakeholders like Public Accounts Committees (PACs), ministers of finance and departmental managers. This would involve workshops and presentations requiring a great deal of organizational effort. It was also

recommended that PIFRA should make use of external sources to assist with these conferences,which could be time consuming without appropriate expertise.

In the next aide-memoire, it was recorded that the risk issues identified by the PIFRA management were communication and change management challenges. Their mitigation would only be possible through well planned communication intervention. Further requisite measures to be taken were capacity-building of change management units; comprehensive communication strategies and action plans; hiring of short-term consultants; and training in strategic communication development for a group of core staff; and opinion research. The fourthaide-memoire of PIFRA II referred to the drafting of roles and responsibilities of DAOs during different phases of site productivity. The workflow details of a new bill-processing procedure were also part of the document, and should be shared with stakeholders during seminars. It was also noted that training in strategic communication had been organized, as recommended by the previous review mission.

5.2.2: Findings from Interviews

In this section, I will present the responses from different interviewees so that a broader picture can be drawn for the case study. The data gleaned through interviews not only corroborates what was found in the aide-memoires; it revealed further aspects of change management and its underlying issues.

According to a respondent who was active in the implementation process, "the key hurdles in implementation in provincial and district governments were change management and provincialisation of accounts".

Leadership was a related issue highlighted by the same respondent: the right leadership could steer and gear this mega-change in right the direction. He cited the tenure of a project director from 2003-2006 as a phase when project implementation was at its best pace; the system was implemented in one entire province during this period. He considered that the most difficult part of implementation was 'people' in terms of capacity and low motivation. He also differentiated between budgeting and accounting offices in terms of implementation in accounting offices; resistance was mainly overcome due to the success of pilot and roll-out sites, but some resistance remained in spite of all the success stories.

The issues of change management were illustrated through different episodes in the project. For example, standard reports offered by SAP were not accepted at all, and an extensive list of reports was handed to the implementation team as a test case to assess the capability of the system. The budgeting offices demanded separate servers for each provincial and federal Government budgeting ministry and department respectively. Their demand was accepted and separate servers were installed, which was considered a major achievement by the budgeting offices personnel. A number of attempts were made to convince their IT personnel that through role creation and authorization checks, the confidentiality of the budgeting data could be ensured; however, they did not give in and insisted on separate servers, which is a classic example of being stereotyped with the least acceptance of change.

Use of the system by higher and middle management was at its lowest level, which again speaks about acceptance of change and questions the role of the project's change management component. Moreover, federal ministries and provincial departments had been linked to the main server for budget data entry, but had not yet started using the system; the finance ministry and departments were still doing the work which was actually to be done by respective departments.

Another aspect of change emphasized by the World Bank review missions was the updating of rules to keep in step with the changes implemented in the budgeting and accounting offices; however, with two sets of rules in use, there was a dispute over which to follow. Hence, the status quo continued and voluminous registers were still being maintained in spite of all the processes being performed by SAP. Instead of being helped by automation the work of the staff doubled, which is an irony of the situation and speaks about the rigidity of the mind-set.

Most of the respondents considered that the personnel at district accounts offices were confused, reacting by saying "what a misfortune has overtaken us". Owing to inactivity on the part of change management, implementation was considerably delayed; one example cited by a respondent is of a district budgeting office which took almost three years to start its budgeting on SAP. A number of respondents in DAOs commented that they were not in the loop at all when PIFRA was launched, although they were making some headway. "Instead of being given a formal introduction to automation and its repercussions, we were forced to adopt the system in a very short span of time. The lever was that our monthly accounts would not be accepted by the respective Accountant Generals if they were not produced through

SAP. Most of the personnel at different sites were not convinced that the new system would deliver; however, it improved with the passage of time." Another respondent in the Accountant General's (AG) office who had been a team leader for the implementation, expressed his concern by saying "is it change management that we were simply given a list of sites in the province to be implemented, which was of no use as we were not on board regarding activities to be performed to make any site productive?". Seminars and conferences on the project were organized at a stage when the system in almost the entire provincial accounting and budgeting offices had already been implemented. The same opinion was expressed by several respondents. in different words. I reproduce here a few comments: "For quite a long time it was in slumber";"awareness about PIFRA was very low"; "PIFRA as a project was not shared at lower levels in offices"; "the executive side of the Government was not involved, hence, seventy percent of people did not want to go near SAP". One head of accounts in the province used to ridicule PIFRA in meetings in the presence of all the district accounts officers, so one can well imagine the kind of message being conveyed to the rest of the DAOs. At a critical juncture when PIFRA was being launched, the Accountant General was writing to a provincial finance department that the legacy system was about to be withdrawn, and urgent measures should be taken to replace it; otherwise, the province's payments as well as accounts would be in the doldrums. Hence politics intervened, showing a lack of understanding as well as interest on the part of senior management at the AG's level. This kind of attitude by an individual who should have championed the cause of PIFRA was a slap in the face of change management for the project.

Another respondent who was an active member of the FABS team disclosed that his group worked faster than change management and all material for seminars was prepared by FABS, although the seminar was held under the umbrella of change management. The numbers game was also present in showing performance to the World Bank review mission; for instance, a seminar was held for district finance officers at a time when most of them had already started preparing their budgets on SAP.

5.3: New Accounting Model

The New Accounting Model (NAM) originally proposed in the PC-I of PIFRA talked about overhauling the entire structure; this was discussed in detail in the fourth aide-Memoire. It

was considered that it would be good technical progress towards achieving the main aims of the project, which was to offer an integrated comprehensive accounting system on the basis of fiscal reporting and financial management. The present system of budget classification and accounting has been declared unsatisfactory by a number of technical assistance missions of the IMF and World Bank. According to these, budget classification mixed various classification concepts in a way that did not allow easy fiscal analysis; it did not integrate the different elements of budget activity in a systematic way. Moreover, the new accounting framework would maintain all technical distinctions between different elements of Government accounting and budget activity, and would allow multiple analytical views covering all dimensions of Government finances. The logic behind its adoption was that it would be a major step forward, bringing the system in line with emerging international standards for Government accounting and fiscal reporting. It would also be consistent with important aspects of the IMF's code of good practices on fiscal transparency and would be easier for the Government to implement GFS (Government Finance Statistics) standards.

The inclusion of asset and liability transactions in the classification system would also be an indicator that adoption of accrual accounting was the ultimate destination. Moreover, the proposal focused on systematic recording and reporting of commitments to augment the cash-based accounting system. It would considerably improve the information available, to prevent any problems of over-commitment or payment arrears and would also facilitate cash-flow forecasting and cash and debt management.

As far as the immediate scope of implementation of the PIFRA system was concerned, it would involve the core accounting bodies (those bodies making payments and accounting through PAD). However, self-accounting bodies and funds under the public accounts were also to be encouraged to adopt the same accounting principles. The mission also considered that full advantage of the system would be realized unless all agencies and funds of the Government adhered to these principles. Hence, it should be a long-term aim to implement the system across the board. The road map for implementing this system was also drawn up by the World Bank. First, there should be an agreement between the Ministry of Finance (MOF) and PAD on the adoption of a new Chart of Accounts, as MOF had concerns over the provision of the analyses currently produced by the budget wing, and the possible effect on the existing computer system for budget compilation. The guiding principles for this agreement should be that there would be a single accounting system developed under PIFRA at all levels of Government; and that the conversion to the new system would be in phases so

that there was no disruption in efficient operation of the budget compilation process. The existing arrangements would not be discontinued until a replacement system had demonstrated that it could offer the requisite support in terms of functionality and provision of detailed analysis; the system should be ready to compile the budget for the fiscal year 2000-2001on the basis of the Chart of Accounts (COA); and a comprehensive training plan would be devised to train PAD/MOF and spending agency staff on COA and other dimensions of the accounting model such as double entry book keeping. This activity was declared as critical in achieving the set targets. The accounts of the following aide-memoires (the fifth onwards) tell us that the deadline set for adoption of the new COA was not actually met. The guiding principles for the new COA to meets IMF requirements were considered by the Supervisory Committee (SC), and were referred to the President of Pakistan for approval. However, further progress was held up owing to the issues of control and provincialization already discussed in the 'duality of control' section of the previous chapter. As far as the *Accounting Policies and Procedures Manual* and the *Financial Reporting Manual* are concerned, amendments were incorporated into them after comments from user departments and then the draft amended manuals were circulated to all stakeholders in the federal and provincial Governments. Seminars were also planned to explain the proposed system and resolve the outstanding issues.

Another significant development in this area was to have greater involvement of the AGs at the provincial level, by declaring them "the agents of change in their areas of jurisdiction" and requiring them to forge partnership with their provinces' senior financial managers. However, respondents working in AG offices disclosed that instead of championing the cause of PIFRA, one of the AGs was totally against the entire implementation of PIFRA, as referred to in the change management section. The sixth aide-memoire recorded that the proposed seminars were held and a consensus was built among MOF and provinces on the New Accounting Model (NAM). Nevertheless, interviewees from provincial finance departments had reservations about this. It was also disclosed that the officers nominated to attend these seminars were mostly irrelevant persons who were not even aware of the issues involved in the discussion. So it can be said that although there was representation from the departments, this was mere attendance without any active or meaningful participation.

The piloting[14] of NAM was approved by the President, as recorded in the seventh aide-memoire, was taken as a significant achievement. The mission believed the pilot to indicate a genuine desire by MOF to adopt NAM in toto. The new COA would also offer meaningful macro-fiscal analysis, consistent with the revised GFS system. A separate paper on the utility of NAM and fiscal reform was produced, highlighting the importance of developing a comprehensive training plan for NAM and GFS concepts. It also claimed that roll-out of NAM and computerization would have a far-reaching impact on underlying accounting, reporting and reconciliation issues in Pakistan. However, this would not be enough on its own unless a fundamental change in attitude towards accounting and fiscal reporting on the part of Government executives took place.

5.4: Technical Staffing

Since the inception of the project, the World Bank had been emphasizing that, given the size of SAP implementation across the country, there should be a technical cadre to maintain and operate the system. The Bank had also been assured many times by the Ministry of Finance that such positions would be created with a special pay structure. However, there was a gap between rhetoric and actions, sending out a message that Government was not enthusiastic about implementing the system, and buying time in the name of approvals and objections. According to one respondent, the project was being considered as belonging to the Audit and Accounts group who were the beneficiaries in terms of foreign tours, scholarships and generous funds at their disposal. This bias slowed down the implementation. In formal meetings, warmth and eagerness were shown by the bureaucracy working in the Ministry of Finance, but hurdles were strewn in the name of rules, regulations and approvals.

The skills of the accounting and finance staff who were going to work on SAP also needed to be upgraded so that they could use the system for their day-to-day work. The relevant aide-memoire reported that the staff at DAOs were of low quality, so it was vital to select those

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[14] It was designed to provide this assurance by operating the two classification systems concurrently to demonstrate the reliability and comprehensiveness of the new COA. NAM was to be piloted at 11 sites, following the selection of an IT vendor. During execution of the FY02 Budget and preparation of the FY03 Budget the existing COAwould be used as the primary accounting method. The new COA and associated accounting practice would be used in parallel at the 11 pilot sites. Assuming the pilot was successful, full roll-out would take place in July2002 for the budget operation of all provincial finance departments, all AG offices, and all DAOs in NWFP. They would use NAM for the preparation and execution of the FY04 Budget.

with the requisite basic qualifications and aptitude in the use of computers for further training. Moreover, after this upgrade they would become more marketable, so their salaries should be supplemented to retain them in Government service. It was corroborated by a number of respondents that most of the staff in DAOs were of low quality, and that they considered the new system as a misfortune and a conspiracy against them. Many DAO personnel were not aware of the basic accounting concepts, let alone computers. One episode recalled was that when someone being trained on data entry called the trainer and asked "what should I do as the computer mouse has reached the edge of the table and I need to move it further". It is also a fact that on the initiative of the World Bank, some batches of senior auditors and AAOs were hired on the basis of their accounting qualifications, although in fact many had only reached matric[15] or intermediate[16] levels, with no accounting or computer background.

As far as the incentive to retain the upgraded staff is concerned, it is still not in place in spite of the fact that the system has been implemented at most sites. At federal and provincial headquarters, a few personnel who were SAP-certified were given a resource-person allowance, but this was not maintained. Therefore, a considerable number of employees who gained SAP certification through PIFRA are no longer working in their previous posts, or have disappeared completely.

Another measure suggested by the World Bank mission as a stop gap arrangement was that professional accountants be hired from the market for smooth sailing until the Government's own capacity was built, but this never materialized.

5.5: Role of PwC

Price Waterhouse Coopers (PwC) was one of the consulting firms which conducted the diagnostic study undertaken as a preamble to PIFRA. Once PIFRA had been launched with a reform agenda, PwC was contracted to architect NAM, and produce bidding documents for automation, functional specifications and categorization of sites. It was also responsible for supervising the implementation to ensure that all functional specifications were being met by SAP. It was a surprise to learn during an interview with a Siemens consultant that PwC, overseeing the entire implementation, had no SAP consultant at their disposal for a

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[15]Secondary school certificate
[16]Higher secondary school certificate

considerable length of time. This interviewee further revealed that whenever they tried to explain anything on a SAP screen, it was discouraged by PwC consultants saying "We don't want to see any SAP screens". The implementation strategy was to be prepared by PwC but nothing was done on the ground. Consequently, Siemens had to prepare a business blueprint and a SAP methodology which was adopted for the implementation. When NAM was reviewed by the core team and PwC, it also emerged that NAM was not tailored to handle the ground realities of the public sector of Pakistan. Hence, it was not fully workable.

Volumetric analysis for budgeting and accounting sites was conducted by PwC to categorize them so that their needs could be assessed in terms of hardware, etc., but it was found quite contrary to the ground realities. It had not been validated at all, and this had repercussions for the project because hardware was not available according to the actual requirements of sites to make them productive.

Another area pointed out by a respondent was that the contracts awarded to PwC and Siemens were not on the same terms. The former was to be paid on a man-hours basis but the latter on deliverables. Hence, Siemens was more interested in delivering the goods in time so, while PwC was more interested in extending the time. There seemed to be a conflict of interest between them which led to deadlock. It was the impression of core team members and Siemens that delaying tactics were being used by the PwC to buy more time.

According to one interviewee, when OAT at a test site was to be conducted, PwC hired two Australian SAP consultants to supervise the exercise; one of these was under immense pressure from PwC management to fail the tests. Another respondent said that efforts were made to sabotage OAT, the least harmful attempt being just to disappear and defer proceedings. Interestingly, this was all being done with the connivance of some members of project management.

Some of these episodes were reported to the World Bank mission. PwC's higher management was given the very clear message that if things did not improve on their part, and if they continued to pursue their own agenda in the project, PwC might be black-listed across the globe by the World Bank. This warning by the World Bank worked to some extent, as the project manager of PwC for PIFRA was removed. There was further improvement when some members of the project management team were also removed. In the tenth aide-memoire, it was noted that coordination between PwC, the core team and Siemens had

improved, although it needed to be closely monitored. This very sentence in the aide-memoire gives credence to the statement of a respondent over the role of PwC, that PwC was in collusion with the PIFRA management of the time; they wanted either to defer the OAT at the test site under the pretext of non-availability of all live scenarios to test; or to fail it so that some other vendor of their choice could be invited to carry out the automation. Moreover, PwC were insisting on developing the system fully with all possible scenarios before the OAT at the test site. However, a respondent who was actively involved in the SAP implementation differed with this view and described it as a long-term process to benefit fully from the system; it could not be the starting point of implementation. While talking about issues of implementation, another respondent commented, "PwC itself was an issue instead of being instrumental to implementation".

Although there were improvements they were insufficient to prevent the premature termination of PwC's contract of with PIFRA.

5.6: Business Process Reengineering (BPR)

Business process reengineering is another crucial area with regard to SAP implementation and PIFRA. It is a vital part of ERP implementation as it has its own logic of best practice as defined by the ERP vendor. However, it carries the threat of changing the organization and its processes more than intended (Granlund and Maalami, 2002). According to Al-Mashari (2002), a major benefit of ERP stems from its enabling role in reengineering the company's existing way of doing business. It assumes that all the processes in a company must be consistent with the ERP model. On the other, BPR and customization tasks are also major reasons for dissatisfaction with ERP (Scheer and Habermann, 2000).

Against this background, let me reiterate the context of the public sector of Pakistan, which is characterized by rigidity, manual paper work, low motivation, archaic rules and regulations and non-accountants responsible for accounts preparation. After browsing a number of project documents and interviews from ordinary and power users of the system, I inferred that standard SAP was not implemented in the public sector of Pakistan. First of all, SAP's best practices are based on experience of the private sector and they cannot be implemented without customization. As discussed earlier, the SAP implementation was coupled with major

changes in the accounting system; it was not only a matter of automation through a complex ERP ,but also involved implementation of modified cash-based accounting and a new GFS-compliant COA. The change proposed by the project was multi-dimensional in the sense that it was theoretical as well as practical. There are several instances where standard SAP was not signed off as acceptable and Siemens had to configure the system according to the wishes of the users, irrespective of the best practices inherent in SAP.

The worst example was of federal and provincial budget offices which refused to accept the system in its standard form. According to the respondent, the federal budget office took 106 additional business requirements and 150 reports to the vendor as design changes. He was of the opinion that the system had been customized beyond recognition and it would be a significant challenge to upgrade the existing version of SAP with so much distortion. This was endorsed by another respondent from the same organization:"we gave our requirements to the minutest details and it took about one year to have them configured. All budget functionality was prepared by PwC which was not acceptable to us".

Another respondent, from a provincial budgeting office, said that SAP was configured and customized according to the requirements/scenarios of the federal and another provincial budgeting office. It was presumed by the implementation team that SAP would be replicated in this respondent's province, but this was not possible as it had number of unique scenarios. He gave the example of the preparation and release of a budget at the controlling level, whereas SAP does not allow this, assuming that the budget will be released at the execution/spending level. The other two Governments changed their budget release process to comply with the SAP requirements, but this province was unwilling to do so and compromises had to be made to accommodate the users. In this case, the budget was prepared in the budgeting server at controlling level,then manually conveyed to the principal accounting offices who released it at spending level. This spending-level budget was then conveyed to accounting/payment offices where it was entered into the accounting server of SAP. Since the two servers were not compatible, it was not possible to transfer the data electronically from one to the other. Hence, the budgeting server remained idle for the rest of the year after preparation of the budget, as all updated information was only available on the accounting server. This led to duplication of data entry, which SAP's integration feature would normally have made unnecessary.

Similarly, another respondent revealed that according to the new workflow, the principal accounting offices were required to have access to the system and enter their budget demands into SAP. But again the provincial budgeting office did not agree to this and insisted on having exclusive access to the budget data in the system. Having a separate server for budgeting is a classic example of inflexibility and ignorance, and will be discussed elsewhere in this thesis.

The system's capability was assessed by the users on the basis of its generation of legacy reports, and they were not inclined to look at the standard reports or even those reports which were given in the *Financial Reporting Manual* (FRM) approved by the President of Pakistan. It is ironic that the system was tested on the basis of functional specifications prepared by PwC, but that users at individual sites were not ready to accept those reports. The users were told that SAP had a very powerful reporting tool through which multiple ad hoc reports could be generated, but the users (Finance ministry and finance departments) of such reports were not convinced. This issue can be taken as one of the major delaying factors in implementation.

A new workflow was also proposed for SAP in accounting offices, but there was considerable resistance as it threatened the existing structure and the incumbents of different positions remained apprehensive about the size of their constituencies of power. Therefore, during the pilot phase of the project, most of the sites were declared productive without implementing the new workflow. According to this workflow, the payment was to be processed in SAP at three levels by three different officials with their own user authorizations. However, the majority of officials were reluctant to use computers and all authorizations were shared with an employee who logged into the system and did the work at all levels. Hence, the checks and balances inherent in the system were compromised. The site was declared productive if a certain percentage of payrolls were run and accounts prepared through SAP. It was also confirmed by one interviewee that a number of sites were declared productive without implementation of the workflow, just before the imminent review mission of the World Bank, to show that the target had been met. The Finance Minister formally inaugurated the first pilot site,but in fact this site only became productive a year after its formal inauguration.

According to the new workflow, all issues of payments were to be handled at one desk but this has still not been implemented and work is being done in to the same way as before the

implementation of SAP. Another instance of maintaining old routines is an entire office with networking at all levels of payment and access to the system to process the payment claims; however, this work is still confined to a computer lab.

One of the key resource people at a provincial headquarters aptly commented during the interview that "we changed the system instead of changing ourselves". This comment in fact reveals the entire mind-set of the users in the budgeting and accounting offices in relation to BPR. He further explained that instead of using the system's functionality, management tended to bypass them, manually processing many types of payment.

5.7: Resistance

As already noted, PIFRA involved a complete culture change for whole offices. Ross (1999) considered that management might be willing to change the technology platform but not other organizational processes. Moreover, the mere installation of gadgets cannot change minds, and half-hearted attempts are rarely successful. Hence, human factors play a significant role in implementation, and PIFRA is no exception. At the very outset of the implementation, the entire atmosphere was filled with misconceptions, doubts and fears. This phenomenon could be taken as a powerful sign of resistance in the budgeting and accounting offices due for SAP implementation. According to Fahy (2002), change arouses many types of fear. On top of the fear of not being able to cope in the new situation, demotivated people cannot be relied upon to execute new projects, and there may be a sense of resentment at the cost of past learning which will become obsolete. Negative reactions can stem such feelings. Fear of loss of influence is another potent factor, as the new system may question the validity of all earlier contributions made by those people. Fear of the unknown can also overwhelm them.

Various examples of resistance at higher and lower levels of management are rife. In PIFRA itself, which was to be the driver of change, several respondent confessed that all was not well in the project management. Most of the project directors had been posted as a stopgap arrangement, waiting for some permanent posting. One interviewee admitted that "I was wondering why people in the Government were not helping". The answer to this question was found in the response of other interviewees, which are cited here. One stated frankly that the Director General MIS, who was the owner of the legacy system and also part of PIFRA management, used to say with certainty at tests as well as the first pilot site that "SAP cannot be implemented and he could automate the entire department through bespoke system with

far lesser resources". So one can imagine the spirit of the team who was working under his leadership across the country. Many of those interacting with or working on the project also noticed collusion between PIFRA management and PwC. The sites were divided into two groups, electronic and manual. The electronic sites had automation to the extent of payroll. All such sites were included in the pilot sites as it was presumed that they would be easier in terms of data migration and training the personnel. However, it proved to be otherwise as the legacy team was the first line of resistance, failing to provide the data in the first place; once available, the data did not meet the requirements, and its validation produced further problems. In this context, the AG Punjab can be cited; implementation was delayed by about a year in this province, due to issues such as lack of cooperation between the legacy system team and the Siemens implementation team. At manual sites, the process of data collection was even more cumbersome as it involved most of the staff at the sites and the Drawing and Disbursing Officers (DDO),counted in hundreds in every district. In formal meetings, all support was promised by the DAOs, but in fact a range of tactics were employed to delay the implementation. In addition several of the interviewees who were part of the implementation team revealed that appropriate staff were not spared to work with the Siemens implementation team, but unqualified persons were sent instead. There are instances at sites where an individual who was not an employee of the accounts office and a security guard were trained by the implementation team in order to make the site productive[17]. Most of the staff had the impression that their discretionary and development powers would be withdrawn once SAP had been implemented. In the last site of Punjab, data was collected twice and the entire process took about one and a half years.

The following excerpt is from another respondent from project management who talked about resistance at length. "The first obvious reason is that resistance to change is natural as users are familiar with the legacy system; the new system seems overwhelming, and should be dealt with technically. Vested interests in the legacy system are another reason, as experienced in the case of a provincial budgeting office whose system administrator was running his own consultancy with a parallel system for budgeting. Financial benefit was another factor as the administrators of legacy systems could accrue benefits from the vendors of legacy products. Users of the legacy system wanted to squeeze maximum benefits from the new system. There were certain essential, legitimate requirements from the users in Punjab which were not being fulfilled."

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[17]The site was declared productive when its payroll was run and monthly accounts were prepared on SAP.

An interviewee from the project technical team admitted that another form of resistance was that the requirements for different functionalities and reports were deliberately not fully communicated, so that the system would be declared a failure. A respondent from Siemens revealed that lots of changes to screen layouts were made at the demand of Ministry of Finance users as a challenge to us, to make the system fail. He mentioned one example: to go to the next screen in SAP one has to press TAB, but the user wanted to perform the same function by pressing ENTER. Resistance was also shown through objecting to the use of terms like company, business area and cost centre in SAP, with users commenting that the "Government of Pakistan is being treated as a company by the World Bank".

Another interviewee who was involved in the implementation at 20 sites revealed that resistance was to the result of a number of factors. For example, most of the owners of legacy systems were older and not confident that the new system would ever be implemented, so they were acting as ambassadors of disbelief; the bigger the district (site), the greater the resistance; seniority was also an issue - why should a person who did nothing but add his signature do all the work on computers like a clerk?. He added that most of the sites were declared productive as a result of pressure from headquarters, so they were left with no option but to use the system. There were other instances where sites were declared productive off-site for many reasons, including resistance from users. It also happened that if personnel at a site were not cooperating with the Siemens implementation team, the AG's staff were sent to work with them and handover the site to the DAO. This interviewee considered that PIFRA has adopted a bottom-up approach, which did not work as most of the resistance was from the top.

A respondent from project management also talked about another form of resistance, a list of demands by DAOs like "we want the same size of computer lab, generator, and report printers as have been provided to some other site, otherwise our site will not be productive". He commented that most of these demands were neither realistic nor justifiable.

The narrative given above is not exhaustive, as and other factors have been discussed under the heading of other issues.

5.8: Analysis

This chapter discussed organizational change and its various manifestations. Although superficially only the automation of budgeting and accounting offices at federal, provincial and district levels across the country, in fact the changes were more fundamental, affecting the entire culture including routines and practices as well as outcomes with enhanced accountability. New institutional sociology has been used to examine and understand the human as well as the machine sides of this project. The concepts associated with this theory would suggest answers to certain crucial questions relating to PIFRA, like how this mega-change was managed through the 'change management' component; was NAM, a theoretical side of change, implemented? what was the role of PwC as an architect of NAM and how did it contribute towards implementation of both NAM and SAP? why was it necessary to hire technical staff and what was the reaction of the audit and accounts bureaucracy to this? was BPR part of the SAP implementation? and what kind of resistance was there from departments in the face of this mega-change which would erect a new structure of roles and job descriptions in all in departments? We have already identified the organizational field for the current study, and the role of different constituents of this field will now be analyzed in terms of organizational change.

The role of change management and its implications for the implementation of the project can be well judged through the cultural-cognitive dimension of New Institutional Sociology. According to Scott (2008), to explain any action, the analyst should not only take into account the objective conditions but also the subjective interpretation of the actors. Scott (2008, p.57) elaborated on this by saying that "internal interpretive processes are shaped by external cultural frameworks".

It was recognized by the architects of PIFRA that if this mega-change was to be effected, the personnel should be well prepared to accept the change. This implied certain requirements, such as demanding that officers of the Pakistan Audit and Accounts Services should have an accounting or commerce degree at the time of entry into the service, and that junior levels of staff, at hiring or promotion, should have some certification in accounting. People with professional degrees would understand and accept the proposed changes triggered by PIFRA. It was envisaged that a new team of young professionals with better credentials would run the new system. As far as existing officers and staff were concerned, they should be informed of

the objectives and prospective benefits of the new system so that transition would be smooth, enabling them to understand their roles in the new environment, and dispelling any fears related to change. This component was supposed to be active well ahead of actual implementation, so that users would be in the right frame of mind. It was a gigantic task to mentally prepare them, but a number of respondents agreed that users at most of the sites were not aware of the entire process of change, considering the implementation as a personal misfortune which threatened their discretionary powers to exploit clients or, worse, redundancy. This misperception by the employees at both higher and lower levels in the budgeting and accounting offices can be labelled as one of the major causes of resistance and delay in implementation.

Scott (2008) also discussed cultural conception, which varies from person to person: people in the same situation can perceive the situation differently in terms of what it is and what it should be. Moreover, cultural beliefs are especially contested at times of disorganization and change. There is one group of actors who associate themselves with prevailing cultural beliefs and are likely to feel competent and connected; the group failing to do so is labelled clueless and crazy.

An analysis of our data at different phases of the project confirms that there were, indeed, two distinct groups of people. During the initial phase, when NAM was designed and bidding for automation was in progress, the first group, comprising the majority of higher management, were uncertain about the fate of the project and propagated this uncertainty across the organization. Hence, half-hearted attempts were made during the test and pilot phases of the project. One top man who was head of the legacy system told the DAO at the first pilot site that "I don't think SAP will be implemented and I can automate the entire department with lesser resources". His team at partly automated sites behaved in the same way, resisting the implementation by providing incomplete data and being unwilling to share their business processes with the Siemens implementation team. The Siemens team also complained about the attitude of non-cooperation at most sites. This negative group had the conviction that the new system would not be implemented and they would continue to enjoy their exploitative position in the organization, and they obstructed the implementation to the extent that it was severely delayed. They successfully spread throughout the organization their perception that they did not need any new system and it was all an intrigue by the World Bank. They also tried to establish their claim by saying that all reporting manuals under NAM were tailored to meet the requirements of donors, including the IMF.

Most District Accounts Officers perceived this change as an onslaught on their discretionary powers, as many of the DAOs' functions would be automated, and the room for exploitation would shrink. At manual sites, for example, thousands of salary claims were sent to the DAO every month for payment, manually approved by the appropriate officer who regularly demanded "speed money" to expedite the salary claims; post-implementation, however, payroll would be automated and the salaries of Government servants would be transferred to their respective bank accounts every month without requiring any salary claims. According to one respondent, in one province two or three s of the 36 DAOs were supportive; this happened when implementation was at the replication stage, a phase when it was quite clear that implementation was inevitable. Another perception among provincial officers which contributed in breeding resistance was that through PIFRA the federal Government or the Auditor General was taking over control of the DAOs. These apprehensions and misperceptions could only be dispelled through the active change management component, which was dormant during the initial years of implementation.

The second group approached the new system as an opportunity, and proved to be the agents of change. The core team and resources personnel played a vital role in changing the perception of users, as their opinion weighed more than that of the Siemens consultants. However, this phase, which helped in expediting the implementation of the project, began only in the last days of PIFRA I. By this time the legacy team had lost hope, owing to the consistency of purpose shown by the new PIFRA management.

The core team was present when configuration of the system started at the test site. It can be contrasted with the legacy team in terms of their perception, which was called a "miracle of the project" by the respondent who used to head the Siemens implementation team. A number of attempts were made to disband the core team because of its crucial role, but these were unsuccessful owing to the effective role of the World Bank. At pilot sites, more core teams (groups of power users) were also constituted to replace most of the legacy team at lower levels; they perceived the project as an opportunity to excel and to earn more respect and power through learning to use the new system. These personnel also helped the Siemens team in implementation at a number of sites. Hence, a new team was prepared who were younger, better educated and more motivated.

A report was prepared in 2005 when PIFRA II was being started, which illustrates one lesson learnt from PIFRA I. The rigorous and persistent involvement of power users in every aspect of implementation –training, operational acceptance testing, requirements analysis, data migration –was critical in ensuring their loyalty; without it, implementation would never be successful. At every site there were persons who acted as opinion leaders, irrespective of their hierarchical position in the office, and unless these opinion leaders accepted the system implementation would never be successful. It was also suggested in the same report that these power users could be won over through various techniques, including extensive involvement in the design and implementation process, training, and alignment of their vested interests with that of project. This observation from the report was corroborated by a number of interviewees, who confirmed that such other suggestions from the report adopted in PIFRA II also worked well. Here I cite one episode related by an interviewee. Two key people in the Ministry of Finance who had been one of the major obstacles to acceptance of the system were given a resource-person allowance to win their support. When they started looking at the system froma positive perspective, things started moving in the right direction in terms of acceptance. The same people became strong advocates of the system.

In considering cultural-cognitive theories through the example of a game, Scott (2008, p.65) maintained that "games involve more than rules and enforcement mechanisms: they consist of socially constructed players endowed with differing capacities for action and parts to play". The role of opinion leaders and power users can be understood in the light of this view. Owing to their special place and role in the ministry, the two individuals mentioned in the previous paragraph were picked as agents of change, reversing their resistance and negative attitude. They outranked even senior officers and the Finance Secretary had been waiting for their opinion before accepting the system.

The question of why there was resistance has been partly answered by the cultural-cognitive aspect of NIS, but it can also be analyzed through institutional logic. Thorton and Ocasio (1999, p.804) defined institutional logics as "socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality". At pilot sites, groups of individuals came forward who were convinced that survival and the future of the organization lay in adopting the new system, which was there to help its users. They also believed that, no matter who was funding the project and whatever

the donors' agendas were, but the ultimate impact on the organization if it adopted the new routines and practices would be positive. Moreover, whoever did not move ahead with the new system would become as redundant as the legacy system. SAP should be accepted as a reality, to address all issues of reporting and its aggregation. So adaptability and modernization can be taken as new institutional logics of these individuals who eventually defeated all the forces of rigidity.

Institutional entrepreneurs were defined by Scott (2008, p.98) as those "people or organizations who participate in the creation of new types of organizations or industries, tasks that require marshalling new technologies, designing new organization forms and routines … and gaining cognitive, normative and regulative legitimacy". The application of this definition can be viewed through the role of the core team and power users in PIFRA. The two AGs and a project director's role can also be viewed through this definition: their support and drive contributed to implementing the new system. The lower ranks of officers followed the line given by the top management, and it is evident that the project achieved its major milestones during the tenure of these top men in the organization.

The process of institutionalization is one of the significant areas in this study which can also be analyzed through organizational change. It is also a fact that decoupling was present in different forms. For instance, it was declared that sites were productive when in fact they were partly productive; implementation of workflow and use of the system by all tiers in the authorization process is another vivid example of decoupling. However, although institutionalization was in progress. It may not be complete in terms of the component process of institutionalization which starts with legislation and ends with sedimentation (Scott, 2008). SAP as an innovation was taken as a solution and the phase of habitualization and objectification is still in progress in Pakistan's public sector. The best practices suggested by SAP were not accepted by the users as such, as they insisted on maintaining their old routines; however, their practices were destined to change once automation was present at all levels in the organization.

5.9: Conclusion

Drawing on the theoretical framework developed earlier, this chapter has addressed the main research question and secondary questions. To understand the process of change, the cultural-cognitive aspect of NIS was used to explain why project implementation was slow in the beginning, and how it accelerated, and how people were won over to champion the cause of implementation. This was mainly achieved through working on their perceptions of the nature of change and requirements in the changing world.

Resistance to the SAP implementation was also analyzed. Although technical minutiae were one concern, the perception of the major users of the system was more significant. Some of the objections from owners of the legacy system were genuine, but it was largely their approach, ideas and convictions about the new system that stopped them from cooperating and leading the change. Institutional logic offers an explanation of this reaction from users who had a stake in the legacy system.

The role of agency and institutional entrepreneurs was also considered in understanding the process of implementation. The World Bank was a meaningful force but it was only able to push to a certain point and was unable to lead the project: there must be ownership by the management within the organization to perpetuate the reforms. The change of leadership was successful and PIFRA, which had not been taken seriously by most of the organization, started to make progress.

Institutionalization was also analyzed through the findings presented in this chapter, but it will be discussed in greater detail in the following chapter on training.

Chapter 6 Training:

6.1: Introduction

In the previous chapter, the areas of greatest change involved in PIFRA were highlighted. This chapter is a continuation of the earlier discussion, examining the roles of different actors in relation to training. Training is an independent component of PIFRA in view of its crucial role in institutionalization of change. The project concept paper (PC-I) of PIFRA II confirms that "to make the process of change irreversible and to achieve the stated goal of the project, there should be a dynamic proactive and responsive training function". The multiple aspects of training, such as its synchronization with other components, planning, content, timing, duration and outcome, were part of the data collected from interviews, project documents, reports and the aide-memoires issued by the World Bank. Resistance will also be analyzed from the perspective of training.

The cultural-cognitive approach of NIS has been employed to analyze all aspects of training. In addition, decoupling, legitimacy and institutional entrepreneurship have been used to understand the changes implemented in the organization of the Auditor General of Pakistan.

6.2: Background

The context of the organization of the Auditor General's office was referred to in the previous chapter. Its major source was the diagnostic study conducted by PwC, which drew a dismal picture of the accounting and auditing offices, their practices, the conduct of personnel and the quality of their work. However, it did not say much about training, although its importance cannot be underestimated if massive change is going to be undertaken in an organization. The study did question the effectiveness of training by its absence. Retention of trained personnel is another challenge to the organization. The first brochure printed by the Change Management component of PIFRA contained the vision, objectives, scope, outcomes and challenges of the project. Most of the challenges, like "ensure successful implementation", "manage and sustain change", "develop skills and competence levels", "develop an understanding of the new system" and "acquire new professional skills and competence", are directly or indirectly linked with training. This is a strong reason for declaring training as an independent component, playing a decisive role in the implementation.

6.3: Findings

Training is one of the catalysts to effect change and PIFRA is no exception. When the author joined the Pakistan Audit and Accounts Service in 1998, it was believed that there many scholarships for higher degrees would become available. Being a trainee, I also learnt that there was an active proposal that all officers would be sent to the Institute of Business Administration (IBA) Karachi (a premier institute for business studies) for extensive training, and that trained officers would be awarded a professional degree. This degree would provide a sound basis for their professional skills as accountants as well as auditors. However, PIFRA was an alien entity and nobody discussed this. At the time when some theoretical work was in progress by PwC, officers were being sent abroad for to study for MBAs. Without knowing anything about PIFRA, its long-term agenda or the relevance of a degree, officers seemed eager to earn a foreign degree. This is the first informal impression about training in PIFRA which the author received at the very outset of his career in the department.

Going back to the very beginning, the first document even before the formal start of the project, the diagnostic study, refers to the retention of trained resources. A training need assessment (TNA) followed by a training plan and programme were also suggested in the study. The project concept paper, which is normally taken as the Bible of the project, emphasized the significance of training and identified it as a crucial component of the project. It stated that the revised procedures tailored under PIFRA would require training of the staff of the Auditor General of Pakistan, management staff of the provincial governments in the secretariats, and personnel working in treasuries and district accounts offices. The training was to be conducted at Audit and Accounts Training Institutes and field office training centres. As far as the quality of the training was concerned, it aimed at the preparation of new training packages and the revision of existing ones to be aligned with TNA, followed by periodical evaluation of the impact of training. Moreover, continuous professional development of the trainers, locally and abroad, was also enshrined in the PIFRA concept paper. The areas of quantitative methods, modern research methods and macro-economic analysis were also identified as topics for the training of officers. Certain other measures like twinning arrangements with the training wings of some high-level audit institutions would

enable the Pakistan Audit Department to update itself with the latest developments in public sector accounting, auditing and training methodologies.

This is what the architects of the project visualized; what was actually achieved during the lifetime of the project can be analyzed through the aide-memoires containing the periodical reviews conducted by the World Bank review mission, and the interviews with the project implementation team and other stakeholders. The first aide-memoire records that the utility of sending a large number of persons for MBAs was questioned by the Government audit wing of the department, and justification was sought as to how it would be instrumental in achieving the objective of the project. A respondent who was one of the beneficiaries of foreign training explained that this part of the project became active at a very early stage, as everybody was interested in gaining a foreign degree to embellish his/her profile. Those officers who were sent abroad did not have even a briefing about PIFRA and its mandate. Moreover, they were not aware of their future role in the PIFRA implementation. The respondent continued that after getting their degrees hardly any of the graduates were employed on the project as it was not a lucrative posting for them. An MBA for those who had to implement accrual accounting, software packages and accounting and auditing standards did not seem fit into the overall project objectives. During the third review mission, the World Bank learnt that the training consultants could not start work until proposals from accounting, auditing and HRM consultancies had been received. It seemed logical that training could not be launched effectively unless the contents of the new accounting system had been finalized; the new chart of accounts should be GFS (General Finance Statistics) compliant. However, IT training in general and training on the specific software package could not go ahead as the software and not yet been selected.

In the fourth aide-memoire, as part of a revised schedule of implementation, it was acknowledged that end-user training in the new accounting methodologies, chart of accounts and computer system was crucial for the success of the project. It was also communicated to the World Bank that 50 Pakistan Audit Department officers would be sent abroad for masters degrees in business administration, accounting and computer science, but due to foreign exchange restrictions approval had not been given. In response to this, the Bank stressed that the foreign education was a critical element of the PIFRA training programme and a pre-

requisite for implementation of the new system. By the time of the seventh aide-memoire, it was noted that the TNA for staff on BS (Basic Scale) 5-15 has been completed, and an initiative had been launched for the training of 5,000 federal and provincial Governments officers to improve financial management and internal controls at drawing and disbursing officer (DDO) level. Another critical area which was emphasized in this document was that heads of department should take extra care in selecting personnel for training strictly on merit, and according to the departmental needs for such skills, so that value for money would be optimized. They should also ensure that the trained personnel were retained in the relevant department, so as to gain full advantage in terms of the transfer of knowledge to the organization.

In the following aide-memoire, it was noted that the World Bank had been provided with a list of those officers who had been trained under PIFRA, but who had not returned to their jobs after completing training. The importance of ensuring the return of trained officers had also been included in the list of agreed action to be taken by the project management. It has already been mentioned that one respondent revealed that officers proceeding abroad had no idea about PIFRA and the scope of its changes, and that few were posted back to an area where their new degree could be utilized. The worst scenario noted in the aide-memoirewas that some never reported back to duty.

Another aspect of training, recorded in the minutes of a meeting with the World Bank in July 2006, is that the target of sending people for local training could not be achieved as most of the officers were interested only in foreign training and a foreign degree.

The training component was also discussed in the Project Appraisal Document (PAD) of 2005 which recognized that the principal aims of PIFRA II would be realized only if the staff and end users concerned were sufficiently trained in the requisite skills, knowledge and attitude. An exhaustive list of measures taken in this respect has been given, but the interviewees were unable to validate most of them. The respondents considered that most of the measures were in place just as a formality but without the true spirit that is required for a sustained change. For instance, officers had to attend a certain number of training days every year for promotion, but the relevance of the training to their existing role was rarely considered.

By the time the ninth mission of the World Bank reviewed the project, a test site had been developed and a core team comprising functional as well as technical persons from different offices had been selected. This core team was assigned to go through the New Accounting Model and functional specifications designed by PwC, and contribute towards the configuration of SAP by Siemens. At this stage, the core team was also to be trained as they had to lead the implementation at the pilot and replication sites. The power politics involved at this stage will be discussed later. In this phase of the project, it was identified that training was to be undertaken at various levels. Technical staff were to be trained to operate and maintain the system; a large number of end users were to be trained in the day-to-day functions, and management-level training was required to access the database and a variety of reports. At all these levels, a multiplicity of training courses was required, to meet the respective roles of personnel. This role-specific training was also highlighted in PAD, as SAP was perceived to be a complex system. By this time, training consultants had been hired; it was also reported that all officers who had gone abroad for higher education funded by PIFRA had returned. However, the World Bank still wanted the graduates to be posted to the relevant area where transfer of knowledge to the organization could be achieved. It is pertinent to note here that out of these trained officers, very few were actually posted to PIFRA or PIFRA-related activities. An examination of the style and language used by the World Bank in its aide-memoires suggests that the Bank was not dictating to the department. At this critical issue, where the World Bank should have asserted itself, its report is narrated in an indecisive style. It was reinforced by PAD that any proposal for foreign training would stress the relevance of the degree to the project outcomes, and that after training and certification the graduate should serve in the project for at least four years. It further informed the Government that if the trainee was not retained in the project, the expenditure on that training should be refunded to IDA. However, the clause on refunding has never been invoked. So why did the World Bank take certain crucial areas for granted? In terms of investment, millions of dollars were being spent on foreign training, but what was the short and long term return? It seems that the World Bank was simply suggesting the retention of trained officers in the project or in the mainstream department; however, at that stage of the project there were no additional benefits or incentives and everybody wanted to have a prized posting after attaining a foreign degree. This sends the message that the World Bank was not mindful of the ground realities and was more interested in pushing the Auditor General to spend the project funding. In a number of the aide-memoires, concern was communicated to project management that the pace of spending the funding was slow and needed to be

accelerated. Throughout the life of the project, different events show the role of the World Bank in different lights. During the initial phase, it was highlighted in the concept paper and several aide-memoires that audit and account were to be separated and that the Auditor General of Pakistan should have nothing to do with accounts, as it was a violation of international best practice to maintain the current system. The World Bank pushed hard in this context, and the separate role of Controller General of Accounts was created, with enactment of account and audit codes. In this case the World Bank really asserted itself and went to the extent of threatening the Government that it would close down the project. (This aspect was discussed at length in the chapter on SAP implementation).

6.3.1: Retention

Retaining trained staff was mentioned by many respondents as a major challenge, because a number of offices used to report to project management on a regular basis that the trained staff had been transferred for administrative reasons. This reflects the level of seriousness and ownership on the part of higher management in various organizations vis-a-vis implementation. One respondent labelled this affair as an *"administrative weakness"*. He added that "after every two to three months the new resources are sent by the departments because the trained ones have been transferred to some other area. Now instead of imparting training again and again, we asked them to tell us what is your assignment which is done by our resources".

Another crucial aspect of training is its timing, as this activity should be synchronized with IT implementation. It was desired by the World Bank that NAM training of DDOs and staff at DAOs should go hand-in-hand with SAP implementation. This concern was rightly raised by the World Bank when actual implementation began, but that no progress was made was corroborated by a number of respondents. This aspect of training was discussed by many respondents; one considered that at the initial stage training was not an organized activity; there used to be pressure in advance of the World Bank review missions for the number of trained personnel to be increased, irrespective of whether a particular site was ready to be implemented or not. There were around 20 requirements (see Appendix) to be fulfilled for any site to be declared productive, and training was one of them. Training sessions were held at centralized training institutes well before actual implementation at the site, and at times there was a gap of nine months to a year between the two events. Consequently, the entire exercise proved to be futile as the number of personnel who were given certificates of

successful completion did not correspond to the number who had actually been trained. This distortion was intended to assure the review mission that training milestones were being met. According to respondents among the vendor team, when they reached sites and asked for the trained personnel to be attached to them to make the site productive, the reply was negative. "We had to start from scratch, which was contrary to the claim of PIFRA management that a good number of people were trained in financial and HR [modules] at DAOs". The crux of the problem as related by many respondents was encapsulated by one interviewee as follows.

There were multiple factors relating to training, from the wrong staff being trained, through trainees being more interested in the travel and daily allowance and sightseeing in provincial capitals, to being transferred to other departments, or simply forgetting everything they had learnt because of the time lag. Had the selection of trainees be made in accordance with their future roles, this would have facilitated the actual implementation as these trained personnel could have led change instead of effectively undermining it. The training content was not role specific and a generalized view was given. Trainees were exposed to a number of business processes but ultimately they were simply confused as they could not relate them to their specific jobs. In addition, many trainers had no experience of working in field offices, and their focus was on processes defined in SAP but unrelated to live scenarios/situations in offices. Most of the trainers belonged to the lower cadre of services, which also gave a message to the trainees that management was not personally involved in the exercise and that everything was being done at the behest of the World Bank.

Another respondent declared that instead of keeping in view the criticality of training, most of the district accounts officers nominated trainees either on the basis of favouritism or just as a formality fulfilled by sending away unwanted members of staff. Certain trainers were unable to link theory and practice, and "a training manual was ready but delay was due to new functional specifications". The quality of training, its content, its delivery, centralized training itself and the nomination of trainees have all been questioned. The majority of the staff were quite old, with the least motivation. Language was also a barrier as all SAP screens were formatted in English, which many trainees could not understand.

Another issue confronted by the vendor was that most of the trainees were non accountants, who were illiterate in terms of information technology and also had to be trained in how to do accounting on SAP. It was also quite perturbing for the trainees to

digest the terminology used in SAP for different entities. For instance, DDO was identified as a cost centre and fund centre, Government as a company, division as a business area and so on. In this context, the challenge in training such persons was enormous, and not matched by the trainers' efforts. On the other hand, one power user complained that Siemens only shared front-end knowledge with the users, whereas they also needed to know how the system worked at the back end. He believed that Siemens itself was doing hit and miss trials in many areas, which sent out a message of uncertainty. According to another respondent, training material tailored by PwC was packed with mistakes, and as far as Siemens was concerned, they started teaching the core team SAP but were not listened to. A respondent who was responsible for training at the vendor side categorically commented, "Training strategy was prepared but it was not implemented".

6.3.2: Core Team

The core team itself, which was to steer the implementation at pilot and roll-out sites, became the victim of politics. A respondent revealed that as a move to delay implementation, PwC then in collusion with project management, decided to test the expertise of the core team in SAP. This was meant to prove that the team had not attained that level of comfort in using SAP that would enable it to lead the implementation. Hence, it should be disbanded forthwith. However, this plan to sabotage the implementation was not successful. It is a classic episode of a client being tested by the consultant with the purpose of failing him.

PC-I PIFRA envisaged that a state-of-the-art training material development unit would be established to maintain a consistent standard of quality in training. However, according to a number of respondents, this never materialized. Some respondents were of the view that management in the field offices were unaware of the magnitude of the impending change, and in some cases were not even certain that the new system would be implemented at all. It was at a much later stage that they realized that change was inevitable and they should be the part of the bandwagon**.** TheSiemens implementation team was normally allocated at site with the target of making the site productive within two months. Cooperation was at its lowest ebb at these sites, and few resources or knowledgeable people were attached. In formal meetings with DAOs and the Siemens implementation team, the former used to promise to spare personnel for training and other site productivity-related activities, but most of the time this was all lip service. At most of the sites, the PIFRA management team was ineffective

because DAO belonged to the provincial Government whereas the former belonged to the federal Government (power politics is discussed in the Organizational Change chapter). When a site was declared productive and the Siemens team told the site owners that they were leaving and that all work was to be done on the system by themselves, this was the moment when they realized that they had lost an opportunity to learn the vital business processes to perform their normal functions. This method put many sites into jeopardy because their personnel had not attained a sufficient level of competence after the short training conducted by Siemens. Consequently, some sites that were declared productive could not process their payments through SAP and continued to prepare monthly accounts manually for some time. It seems that there was no mechanism in place to ensure that the users were confident to run the system before declaring any site productive. PwC drafted a Go-live and Cut-over Strategy in 2003, which clearly delineates that training activities would be completed before the go-live stage so that the users could input data correctly into the system. However, we have already noted that this strategy was not put into practice in terms of training. Stakeholders like project management and the World Bank seemed eager to have more sites productive than to consider quality issues.

At some exceptional sites, the officer in charge demanded that his team be trained before he would take responsibility. At later stages, towards the end of implementation of accounting offices in Punjab, people at a few sites showed remarkable enthusiasm for training. They were so eager to learn that they used to wait for the Siemens team to train them. A respondent also revealed that there was also a seniority issue, as managers used to ask "why we, being senior in the office, should learn this system as we are only supposed to accord approval by signing the papers". As discussed in the previous chapter, resistance was manifested through all phases of the implementation and training, was no exception. While talking about issues of implementation, one respondent confided that the most difficult part of implementation was the "people" side, particularly in the context of weak capacity and low motivation. Training is a tool to build the capacity of personnel but it was full of the inconsistencies which have been highlighted in this chapter.

It has also been mentioned that the World Bank had been emphasizing the importance of offering some incentive to those who were trained in SAP, and that an aide-memoire had

commented that the planning commission was working on such a proposal, although it had not materialized even after a decade. Hence, trained personnel were not being retained and the resources spent on their training were wasted. Here ownership is an associated issue which distinguishes the public from the private sector, as the latter ensures a return on investment.

Another aspect of on-the-job training noted in the minutes of a meeting of the World Bank review mission was the non-availability of hardware at some sites, which ultimately led to delays in training and subsequently in implementation.

The preceding discussion mainly concerns the training of personnel working in accounting and budgeting offices, and the training of DDOs is only just touched on. If we examine the status of training undertaken for DDOs, it shows that thousands of them were trained. However, the respondents tell a different story. Their training is crucial as the first point of document generation is the DDO. DDOs were to be trained in the new accounting model, mapping the chart of classification to the chart of accounts (five dimensions GFS compliant) and input forms for interacting with budgeting and accounting offices for payments and reconciliation of accounts. In the first place, the DDOs invited for training who were mostly the signing machines in their offices and knew nothing about the preparation of paper work. Hence, the effort was misdirected, and very big sessions of 50-60 people at a time were conducted which was like teaching a crowd. Again, most trainers did not hail from the field offices and so could not satisfy the queries of trainees. This is also one of the factors which delayed implementation by months and in some cases years. This was discussed in the section on resistance and delays in the implementation of SAP.

6.3.3: Master Trainers

Another aspect of training was the selection of trainers by KPMG, the training consultant; 25 trainers were sent to Canada to become master instructors. These were meant to be involved in all the PIFRA training activities, ranging from the development of training material to its delivery across the country. A few of the participants interviewed were not satisfied with the quality of the training in Canada and with few exceptions nobody was retained for the intended training activities. One respondent said that most of the participants from the Audit and Accounts Service were not aware of the scope and objectives of the project, and nobody was inclined to work in PIFRA even after this foreign training trip funded by PIFRA. It is

another classic example of mismanagement and waste of resources. It was particularly noted in an aide-memoire that the AGPs office should ensure that the trainees' knowledge and expertise were used in PIFRA. However, this is another glaring example where the World Bank did not assert itself, and the trainers simply had a holiday in Canada. In a subsequent aide-memoire, it was noted that the costly training had not contributed towards enhancing the department's capabilities, as the DG AATI tried to get them to design simple training courses but without success. The mission urged PIFRA to take steps to utilize the foreign training. According to one interviewee, a former trainee, "all focus during training in Canada was on delivery and some bits of accounting were also taught but course design and material development was just touched. However, on our return, we as a group were assigned to develop courses as if we had become expert in this area".

In a pre-appraisal of PIFRA II, one of the risks identified by the World Bank review mission was that DDO and DAO staff were not trained according to the magnitude of the project, which would seriously affect the implementation. Adequate arrangements for extensive training to be in place was also one of the conditions to start negotiations for an extension of the project. A private firm was also to be hired for training services before initiation of project negotiations. However, PIFRA II was negotiated and PIFRA I had been in place for the last eight years without any such private firm for training services. This is yet another glaring episode where the World Bank could not assert itself. In the same document, while referring to the Comprehensive Training Plan (CTP) authored by Bearing Point (a training consultancy), it was suggested that "there should be policies for each department, institution and type of program or service and that each specific policy will include such common elements, as eligibility, approval procedures, roles and responsibilities, allowances and support to trainees, evaluation, quality control, procedures for identifying needs and priorities and annual planning and budget, etc.". Hence, the same document required consideration of appropriate training policies reflecting the latest priorities, programmes and enforceable posting plans for the recipients of training. But, with few exceptions, the ground reality did not match what was enshrined in the training policy document. This gap between theory and practice is one of the hallmarks of the public sector in Pakistan. It has already been mentioned as one of the concerns expressed by the World Bank review mission that officers after foreign training were not sent to PIFRA-related posts.

As far as hiring consultants from the private sector to augment training facilities was concerned, the Auditor General changed his position and AATI was assigned to manage the entire training of expenditure DDOs. The mission simply expressed its concern in guarded words by commenting that it was not certain that AATI would be able to deliver within the stipulated time. Another feature of AATI related by one respondent is that most of the officers posted in AATI are sent there as a punishment, because there is no particular incentive to work there. Hence, the quality of training by these demotivated officers can be well imagined.

In PIFRA II, training was once again recognized as a critical factor for successful implementation of most of the sites; further, the number of sites increased several times. Training at all levels of staff should not only be effective but must be seen to be effective. Feedback was gathered by the change management wing of PIFRA, making different observations. They included "lack of rigorous training in new systems", "shortage of skilled manpower according to workload", and "lack of ownership at all levels". It was also noted in the aide-memoire that training declared irrelevant or inappropriate by the trainees should be weeded out or redesigned.

Senior as well as middle management were also given extended training in accordance with their expected roles, but most respondents claimed that, with very few exceptions, management did not use the system to produce even ad hoc reports or execute short queries. Hence, the juniors were asked to compile the reports and submit them as hard copy. So a particular IT-assisted culture had yet to be evolved, where nobody was nervous about accessing the system and everybody was seen as an "IT guy" able to deliver the goods faster than by the manual system. This involved a change in attitude which could be triggered through training, but more effort needed to be made at the front of change management to be successful. A respondent who was a resource person was of the opinion that better training and practice in using SAP would be helpful in mitigating resistance, but mismanagement was widespread. Users' knowledge of PCs was so limited that on many occasions when the system was reported as not working for technical reasons, it was found that the data cable was not plugged in. This respondent added that personnel should have been trained in how to reduce their amount of work with IT, when in fact their workload had been increased. Hence,

resistance ensued. SAP implementation was named by a respondent as a *"big jump"* but it could be narrowed through training. He echoed the same concern about the different aspects of training already discussed in this chapter. Another area highlighted by two respondents was certification in SAP by the project management. One was of the view that the SAP Academy and certification, which were expensive, were not effective for those who had not been involved in system configuration, and scenario-specific training would have been more productive and helpful. The other commented that irrelevant personnel were nominated for SAP certification, but that after certification there was no incentive for them to work in the field. However, he acknowledged that on one occasion someone from the DAO was nominated on the recommendation of the SAP competency centre to look after at least three or four adjoining districts. A number of employees disappeared after certification for lucrative jobs in the private sector.

6.4: Analysis

Training is recognized by this author as a vital component in implementing the fundamental change across the country. Since NIS is to be used as a lens through which to view and analyze this process of change, its multiple aspects will be employed to investigate further into the process of institutionalization. Institutionalization has been referred to as a process of implementation and internalization of new practices (Kostova and Roth, 2002 cited in Claire et al., 2007). Institutional logic, agency and decoupling are those aspects of NIS which need to be examined to analyze the process of change triggered through PIFRA. The role of training can also be seen from the multiple perspectives of NIS. As mentioned earlier, in PC-I of PIFRA II training was recognized as a tool to "to make the process of change irreversible and to achieve the stated goals of the project; a dynamic, proactive and responsive training function should be present". It was expected that well-trained personnel as the agent of change would be instrumental in the smooth implementation of the project. However, it has been seen from the previous two chapters that implementation was not smooth at all, and the project was delayed and extended many times.

With regard to the organizational field, the actors discussed earlier also played their respective roles in implementation. "According to NIS, actors and organizations develop shared system of meaning within an organizational field" (Dambrin et al., 2007). Scott (2001) is of the opinion that organizations are shaped according to the rules thrust upon them, the expectations of the milieu and the cognitive pattern of the actors. The multiple actors – PwC,

Siemens, training consultants, the World Bank, core team, master trainers, Audit and Accounts Training Institute, and trainees at all sites – were involved in their respective roles in the entire process of training. During the interviews, different roles were discussed, informing the researcher about various aspects of training in terms of institutionalization. It was noted in the findings part of this chapter that the first focus of project management and the World Bank was to send the accounts group officers abroad for higher degrees, well before actual implementation was embarked on, so that they could become the vanguard of change in their departments. These officers were meant to serve on the project as the foreign degrees would make them more flexible, receptive to change and they would lead the project with their enhanced learning and a skills-oriented approach. Hence, they would be the first owners of the project, as lack of ownership was a hallmark of most public sector projects. Being convinced about the proposed change, they would support it with more conviction and better credentials. In terms of NIS, this step may be interpreted as a move to change the perception of the leaders of the project (a cognitive side of the actors) who would be contributing to constructing a new social reality. This phenomenon was corroborated by Scott et al. (2002), who believed that pressures for change are interpreted, assigned meaning, and responded to by actors in organizations. They also referred to the study by Greenwood et al. (2002) in which it was related that changes in norms go through critical phases of theorization and legitimization by existing or new actors. Theorization considers the inadequacy of the existing norms and practices and justifies the new norms and practices in terms of moral or pragmatic considerations. When this process is diffused throughout the organization or the organizational field, the new norms and practices are conferred with more legitimacy. Hence, these norms and practices are institutionalized.

Remembering the aims of the managers of the project, the degree to which analysis could be achieved through various documents as well as respondents was extended. It would help in assessing how much new norms and practices were institutionalized through training. Respondents as well as aide-memoires confirm that, since the very inception of the project, it was proposed that the trainee officers of the Pakistan Audit and Accounts Service would have extensive specialized training from renowned institutes like IBA Karachi so that they could perform their assigned roles in a more professional manner under PIFRA. However, this could not fully confirmed until all the data was collected, although one module containing an

overview of NAM and SAP had been added to the syllabus for trainee officers. According to a respondent who was involved in this process 'its positive impact has been felt'.

6.4.1: Institutionalization and foreign training

The second proposal was to send officers abroad for MBA or other professional degrees, and several went. However, respondents and aide-memoires confirm that in many cases officers did not report back, and of the ones who did few were posted to PIFRA to work as an agent of change and diffuse its vision. This is only one aspect where millions of dollars were spent on the foreign qualifications of the officers but the Auditor General as well as project management failed to assert themselves in terms of their postings in the project. According to one respondent, posting to the project at that time was widely considered as a punishment. When the World Bank was informed that, due to foreign exchange restrictions, approval had not been given to send the officers abroad for masters degrees in business administration, accounting and computer science, the Bank reiterated that foreign education was a critical element of the PIFRA training programme and a prerequisite for implementation of the new system.

In addition to foreign degrees, the training consultant, KPMG, selected 25 officers to be trained as BMIs (Becoming Master Instructors) at the Northern Alberta Institute of Technology, Canada, for around three months. On their return, the trainees were to lead the training activities across the country. A few participants who were interviewed revealed that most of them were not aware of the broad outlines of PIFRA and they were not interested in a posting to PIFRA; indeed, very few of them were posted to PIFRA. The World Bank again expressed its concern through an aide-memoire that the AGP's office should ensure that the knowledge and expertise of trainees be available for PIFRA-related training. Here one can see that the trainee leaders who were to act on their own and then diffuse new norms and practices proved to be unwilling workers. Hence, there was resistance from users at different levels, as discussed in the Organizational Change chapter.

This aspect of the project informs us that the World Bank was not dictating policy; rather they were suggesting from the point of view of an expert how to institutionalize the new routines and practices. However, this was an issue of ownership by the organization, and the

measures could not be taken which would have ensured institutionalization of the new system. It also gives an impression that training was not given its due importance in the entire process of implementation, as an effective instrument of change. Normally, posting in training institutes in the public sector is taken as a punishment and nobody wants to be posted there, so the motivation and morale of such officers can be well imagined. It was envisioned that well prepared and trained officers would lead the project through training institutes, and this partly materialized through inviting such officers from the field offices to conduct training sessions. These trainers or master trainers can be recognized as actors who, in the words of Scott (2008, p.126) "advance new ideas, solutions and practices". Scott also referred to other organizations where the same system was successfully being used. This stage is identified as theorization in the process of institutionalization. It leads on to the next phase, objectification, which will be discussed later.

6.4.2: Core Team and Institutionalization

The core team was another significant actor, which was constituted to work at the test site with PwC and Siemens to validate NAM, functional specifications and configure SAP accordingly. Their role as a very powerful actor in the entire process of implementation, in the teeth of all opposing forces, coordinating with Siemens to configure the system and making it possible to move on to the pilot phase of the project has already been discussed. The core team was trained in various modules of SAP during configuration process at the test site. Its few members were sent to the first pilot site to train the users there, because the latter were not comfortable with the Siemens trainers. The feedback from training was positive when the core team became involved, because the users had an affinity with them as their own colleagues; the Siemens trainers were taken as outsiders who did not know their business processes. It has already been mentioned that a number of attempts were made by project management in collusion with PwC to disband the core team, but it survived throughout this crucial phase. This experiment was then replicated at many sites. So the core team proved to be the new actors along with Siemens consultants to facilitate the implementation. Scott (2008, p.126) described the process of institutionalization, which highlights certain stages of institutionalization triggered in the name of "best practice". It further elucidates that "actors in organizations innovate, advance new ideas, solutions and practices" (ibid). When a solution is broadly accepted, it turns into an object of formal theorization, the stage at which it is identified how and why the innovation is effective and for which organization it is appropriate (Strang and Meyer, 1993 cited in Scott, 2008). This level leads to the stage of

objectification when a consensus is built among the decision makers regarding the value of the structure, followed by increasing adoption by organizations as a result of that consensus. According to Tolbert and Zucker (1996, p.182-183), this stage is regarded as having cognitive as well as normative legitimacy.

If the role of the core team in SAP implementation is viewed through different phases of the project, all the steps mentioned in the preceding paragraph can be identified. According to one respondent, "core team was a miracle of the project" without which implementation could not be advanced. This team was the vanguard of implementation and owned the new system wholeheartedly. At pilot sites in budgeting and accounting offices in all provinces, extension of the core team was made, becoming the resource persons of PIFRA. These resource persons were mobilized for all such sites where Siemens faced resistance and non-cooperation. According to one respondent, there were instances when these resource persons had to rescue the Siemens team in order to make the site productive, or to further train personnel according to the workflow of the offices. Hence, a larger team of resource persons was there to help and train staff so that the new routine and forms could be embedded into the fabric of the organization. Successful implementation at the pilot phase of the project was considered a success by the resource persons, so that the users at roll-out and replication sites could forget their reluctance to adopt the new system without any fear of failure.

Cultural-cognitive theorists emphasize the powerful role of ideas in the institutional process (Scott, 2008). Campbell (2004, p.93) is of the view that "such ideas are largely accepted and unquestioned as principles of faith". In the light of data gleaned through interviews, it was also highlighted that the core team at the test and pilot sites were fully involved in the configuration process of SAP. Hence, it became the conviction that SAP was the best available solution and it could address all issues/problems of the legacy system. The same conviction was transmitted to users at sites across the country. However, according to many respondents, most of the users who were the first to accept the system were younger, better educated and were not associated with the legacy system. Hence, they readily accepted the system without questioning its capabilities. However, this is not the whole truth about institutionalization as decoupling was also present. Foreign training and foreign degrees can be taken as measures to gain legitimacy for the project, as those trained officers were

supposed to run the financial management of the Government of Pakistan with better credentials. However, as already explained, most of the trained officers were not at the disposal of project management. This gap in terms of training can be seen as decoupling; Meyer and Rowan (1977) and Dambrin et al. (2007) considered that, out of concern for legitimacy, organizations tend to create an institution for ceremonial purposes. Apparently, progress reports showed that many officers were foreign qualified and well-trained to manage state-of-the-art technology like SAP, although most of the implementation was completed without them.

6.4.3: NAM and SAP Training and institutionalization

The World Bank expressed its desire through a number of aide memoires that the timing of training of DDOs and DAO personnel should be synchronized with SAP implementation. In every aide-memoire, all the components of the project, including training, were given certain targets. Centralized training of DAO staff was conducted at Audit and Accounts training institutes, but frequently this was 9-12 months ahead of the site being fully ready for productivity activities. Respondents from Siemens revealed that the "trained" personnel at sites recorded by PIFRA management were hardly trained at all; it was a mere number game to show the World Bank that the target had been achieved. In effect, the Siemens implementation team had to train personnel at the sites as if they have never been trained before. This is also evidence of decoupling, because there was actually a gap between what was being claimed and what actually existed, with the aim of seeking external legitimacy from the World Bank.

It was also mentioned earlier in this chapter that the nomination of trainees was not made in keeping with their future roles. District Accounts Officers responsible as team leaders of their respective offices did not consider training their personnel as a critical activity which would have had a far-reaching impact on the implementation of the new system. This perception of leadership at field offices turned the entire exercise of centralized training into a futile activity. Moreover, due to the time lag between this training and actual implementation, trainees had no opportunity to practice what they had learnt. Hence, the PIFRA's 'trained officials' had not actually been trained sufficiently to run the site confidently and comfortably. This phenomenon can be taken as one of the barriers to institutionalization,

which bred uncertainty among the users in accepting the system. Moreover, the centralized training also spread confusion and misconceptions among users about the new system.

As far as DDO training was concerned, this was also full of inconsistencies which were a barrier to institutionalization. DDOs were to be trained about the new chart of accounts and data input forms. The actual paper work had been done the junior staff, and DDOs who were not called for training as they latter had only been signing machines. This flaw in training led to delays in implementation because of numerous mistakes in data input forms. Hence, the new system was perceived as complex by the end users. It can be inferred that misdirected training was partly responsible for this general perception by all levels of user.

6.5: Conclusion

New Institutional Sociology has been employed to analyze the role of training the in institutionalization of NAM and SAP. Both the main and secondary research questions were addressed in this chapter. The findings illustrate the different perspectives on training and its impact on the implementation. It has already been mentioned that the project was seriously delayed, and training as a whole can be taken as one of the major reasons. Training could have been used as a vehicle to change the perception of users about the new system, but it was managed in such a manner that users' perception about the system was further confused. Decoupling was also present as superfluous steps were taken by the training managers to show their progress to the World Bank mission, when in fact it was mere number game. It was falsely declared that certain sites had become productive and that users were running the payroll and accounts. Here training was indirectly involved in this decoupling, as everything was done during the initial months by Siemens or the SAP CC team.

Resistance could also have been lessened to a great extent through well planned and good quality training, but training was seen by the users simply as a formality. This perception changed only after a long time, sometimes under coercion when they were told that they would have to run the site on their own after a certain date. At this point, DAOs and their teams started taking training seriously.

The role of actors who advance new ideas, solutions and practices was played by core team members who also became master trainers. The absence of those foreign-qualified officers who were meant to lead the project represents an absence of institutional entrepreneurs. However, in the later stages a winning team which included many foreign-qualified officers did take over the project, passing a number of implementation milestones. The above discussion leads us towards the conclusion that the process of institutionalization could be accelerated through effective training.

Chapter 7   Discussion

7.1: Introduction

In this chapter, I extend the findings and analysis of different aspects of the study, bearing in mind the literature as well as the theoretical framework. In Chapter 6, SAP implementation in relation to a variety of factors was analysed through the lens of New Institutional Sociology (NIS). This analysis will be further expanded Vis a Vis other studies undertaken in this area. Chapters 7 and 8 focus on organizational change and training respectively as major components of the project. The analysis made in previous chapters will also be viewed from the perspective of the main and subsidiary research questions.

The major research question posed in the current study is "to what extent has the institutionalization/implementation of a new accounting model and SAP in the public sector of Pakistan been completed?" The issues which have already been examined through NIS will be further assessed, as to how far the latter has helped in understanding the former. As mentioned earlier, this was not only an implementation of SAP, but it also encompassed fundamental theoretical and structural changes in the organization, which were to be introduced in the name of good governance. The World Bank is one of the key players which pushed the Government of Pakistan to such an extent that, in spite of all delaying tactics to resist the change, separation of audit and accounts was achieved as one of the pre-conditions of funding of the project. Officially, it took about four years to complete this; however, the data reveals that this separation was simply to show to the World Bank, while for all practical purposes, the Auditor General remained powerful as administrative head both accounting and auditing functions.

NIS has been applied to analyse these changes across the organization. Resistance by the higher management has been studied through institutional logic as well as decoupling. The World Bank and the Government of Pakistan were harbouring different institutional logics, hence, there was protracted rivalry to the extent that the World Bank was literally threatening to stop the funding of the project, if the precondition of separation of audit and accounts was not fulfilled. It seemed that owing to delaying tactics by the Government, the World Bank would compromise on this condition, but it proved otherwise. This tremendous pressure could also be taken as coercive isomorphism. Institutionalization as a process can also be

traced at different phases of the project. At the outset, total rejection turned into adoption at a later stage, but decoupling was present. When I collected the data, decoupling was still there but the office of the Controller General of Accounts as head of accounts had attained some maturity and had started asserting itself as a real custodian of accounts as well as accounting functionaries. Legitimacy, another significant dimension of the theory, had also been taken up when the World Bank and IMF both referred to similar changes in other countries, in order to bring the issue of legitimacy before the eyes of donors and the comity of nations. We should also be conscious that this is not the first project where the World Bank really pushed the borrower country to implement its reform agenda in the garb of NPM and Good Governance.

7.2: The role of the World Bank

Neu and Gomez (2006) referred to the World Bank's vision of multi-faceted social responsibility. Poverty elimination is one aspect, and efficient use of financial resources another. In this study, it has been highlighted that although revamping of the system was required, the World Bank was actually dictating the terms of how the financial accounting system should organize transaction information. The issue was that the financial management system was configured from the perspective of the Bank rather than that of the borrower country. PIFRA is identical in this regard, in that the accounting manuals, new chart of accounts and financial reporting manual were imposed on the accounting organizations because the World Bank and the IMF wanted to have certain reports and formats. Hence, users were not inclined to sign off different modules of SAP as they had not been configured according to their needs. The Ministry of Finance and the provincial finance departments were reluctant to accept the system for the same reasons. Hence, the entire set of input screens of SAP had to be configured anew. Here, in spite of all push by the World Bank and promises by the senior management of budgeting offices, implementation stalled and deadlines were revised a number of times until the demands of users in budgeting offices had been met. Many respondents echoed the same opinion, that SAP was not meeting the requirements for the reports. Hence, the majority of reports were being prepared in Excel. The institutional logic of the public sector financial managers did not let them compromise on anything less than the legacy reports. Their rigidity could be assessed by their demands for the same format, to the extent of the font size.

Many studies which questioned the role of the World Bank (Kapur and Web, 2000; Neu, 2002; Neu et al., 2007). Killick (1988) pointed out that conditionality as a mechanism had failed to trigger policy reforms. Moreover, conditionality cannot be a substitute for domestic ownership and commitment to reform. If PIFRA is viewed as seen by the literature on the role of the World Bank, it seems that their findings are partly corroborated, although this is not the whole truth. Although the World Bank was more interested in formalizing the separation of audit and accounts, this formality did not remain long as it started changing the actual fabric as well as practices in the accounting domain of the Government. A vivid example is from the office of the CGA, which had been a nonentity for some time; however, when I collected the data in 2012, 12 years after promulgation of the separated accounting ordinance, a change had been registered and the office of the CGA had become a reality, unlikely as this would have seemed a decade back. The aforementioned studies also highlighted the significance of the initiative being taken by the borrower country instead of donor agencies. However, in the case of PIFRA, there is ample evidence that as the Government lacked initiative and motivation, a donor-driven project was delivered. However, its extent varied and the process of change and implementation took longer. Hence, institutionalization triggered by the World Bank cannot be underrated.

Unlike in the studies mentioned above, conditionality of separation of audit and accounts worked, but this may be owing to the presence and funding of the World Bank as a vital player in the project over a long period of time. This aspect of the implementation was quite unexpected, as well as interesting, as the senior management including the Auditor General considered that this change would be reversible in the fullness of time. However, the separation became a reality in terms of its practical implications when the office of the CGA started to assert itself.

Separation of audit and accounts is only one aspect of the implementation. According to many interviewees, the World Bank played a pivotal role in implementation; one of them categorically stated that "*had there been no World Bank, there would not have been any implementation at all* … it seemed as if all other stakeholders were committed to fail the project". This comment highlights the positive role played by the Bank in PIFRA. However, this is still not the whole truth, as there was another factor, the "core team" which aligned

itself with the World Bank in realizing the objectives of PIFRA. The core team was constituted when actual implementation of SAP started. It was convinced after initial interaction with the World Bank mission and the Siemens implementation team that this project was in the best interest of the country as well as departments. Here, the role of the core team can be seen as domestic ownership, which plays a leading role in the implementation of World Bank-aided projects. In the literature, conditionality has been discussed at length and it is the considered view of researchers that it cannot be a substitute for domestic ownership and commitment to reform (Killick, 1998). Nevertheless, in the case of PIFRA, mere domestic ownership by the core team would have been a failure if it had not been backed by the World Bank. Hence, it can be inferred that domestic ownership cannot produce results if it is not backed by the might of some external agency like the World Bank.

The role of the World Bank has also been criticized for its being unmindful of the local context (Rahaman, Lawrence and Roper, 2004) and the application of the principle of one-size-fits-all. The same phenomenon is also evidenced in case of PIFRA when most of the business specifications for the system were composed from the point of view of global best practice and donor requirements. It was revealed by the number of respondents that most of the best practices were not adopted by the users, who remained loyal to their legacy practices. Hence, deviations were in abundance when the system was actually configured. However, there were instances where super-users were convinced by the PIFRA management to adopt the proposed practices. One example is the budget expenditure reports which were not produced against budget in the legacy system. Now, post-implementation, expenditure reports are being generated against budget to make them more meaningful as well as useful to the decision makers. In the case of PIFRA, it can be inferred that the World Bank was not rigid in imposing its dictates, as there are plenty of instances when users' demands were catered for in order to win system acceptability. According to an interviewee who used to work for the World Bank, most countries share the same features at a macro-level, but vary at the micro-level. The core team was also convinced that everything prescribed by the World Bank as well as by the consultants should not necessarily be rejected because it had been advised by the external agencies; their pros and cons should be judged on merit. The current research can be taken as an addition to the literature where another dimension of the World Bank has been explored. In this study we can cite many instances when the World Bank changed its earlier position to accommodate the local context. The Bank was convinced by

the project management that, due to political polarization, the decentralized architecture of the system would not be suitable. Hence, PIFRA has now centralized architecture. Moreover, the World Bank advised outsourcing the transfer of legacy data of the GPF and pensions modules to SAP, but again the project management convinced it that it could be handled more effectively through their in-house resources if some incentive were given.

The literature on the World Bank has also focused on the type of programme where it primarily launched core projects in the health and education sectors, in which financial management reforms were linked to them as a secondary agenda (Neu, 2002; Neu et al., 2007; Butlin et al., 1995; Headrick, 1981).In the case of PIFRA, public financial management was the core reform area;, however, when SAP was implemented at the majority of sites, other World Bank-funded projects in education were asked to use SAP-generated data as a benchmark for their further funding. Hence, unlike other projects, PIFRA was an independent project with immense scope and enormous quantities of data.

7.3: World Bank's role through NIS

7.3.1: Institutionalization and Decoupling:

One of the secondary research question is to probe the role of the World Bank in the entire SAP implementation. NIS has helped in understanding the different dimensions of the role of the World Bank as an active actor. According to Clegg (1989), the success of an institutionalization project and the form of the resulting institution depends on the relative power of the actors who support, oppose or otherwise strive to influence it. The World Bank as a force was always there to push the implementation as in a number of instances referred to earlier where it intervened to steer the project in the right direction. However, such instances were also highlighted when the World Bank failed to force the Government to introduce change or implement the change in real terms. Decoupling as a concept has facilitated understanding of the gap between structural changes in public financial management and routines and practices. However, this decoupling was not a permanent

Feature as institutionalization cannot be complete in the presence of decoupling (Meyer and Rowan, 1977). As mentioned earlier, with the passage of time decoupling was eroded to some extent and institutionalization took its place, as in the case of separation of audit and accounts. However, decoupling as a phenomenon is still present in the case of other routines and practices where, in spite of the integrated system, legacy practices are still adhered to. For instance, implementation of the integrated system throughout the country, there should be no requirement for manually sealed documents from the employee to initiate his/her salary in the accounts offices, but the same old method is still in practice. When this was questioned, the answer was that the rules were still the same; it was these that needed to be changed in order to reap the full benefits of the integrated system. The process of institutionalization was impeded by the lack of ownership at the initial phase of the project; however, in spite all the conspiracies, continuity in the project played a pivotal role in institutionalizing the new system and its associated practices. As mentioned earlier, the World Bank played a leading role in the continuity of SAP as a system within the departments. However, one major pilot site reverted to the legacy system, although only for a few days, when there was tremendous pressure to pay the salaries of around one hundred thousand Government employees which could not be deferred. Moreover, when sites were declared productive, SAP was not being used for every kind of payment, although this was acceptable to the World Bank as a first step towards implementation. This step-by-step approach was hailed by the World Bank, but the supervisory consultant, PwC, was not happy with this compromise, considering that unless all modules were active, the sites should not be declared productive. PwC was looking for an ideal target that was not workable in the hostile environment. M/s Siemens was of the view that all modules and business processes were ready to be used, but that data availability was a stumbling block which could not be overcome in a short period of time. Here again the World Bank prevailed upon them as it wanted to see the project moving ahead, and it was not possible to achieve the target of making all modules productive in the initial phase of implementation. The World Bank had the support of the core team and the project management at that phase of the project, but it was also conscious of widespread resistance to the implementation throughout the organization at the user level. This approach was criticized at the time by the users of SAP, but in fact it really worked. Hence, it can be inferred from the current study that continuity can be taken as one of the major factors of institutionalization. This declaration of sites being productive is a further manifestation of decoupling, when the progress report showed a site as productive which in fact was only partly productive, with barely two modules working. Even those two modules were not

necessarily implemented by using SAP on a real-time basis. Moreover, OAT at all sites was a ceremonial activity because its true spirit[18] was absent. This phenomenon confirms that the adoption of SAP was at first a figment and an example of decoupling (Meyer and Rowan, 1977; Kostova and Ruth, 2002).

It was not the World Bank alone which performed this miracle of implementation when most of the senior management were against it. The core team as well as the new project management also assisted the World Bank through this period in favour of change, which helped the vendor to configure SAP and sent a positive message across the offices that management was seriously pursuing the project.

Another key factor in implementation is the perception of different actors/agents about the change that was the agenda of the project. NIS helped in understanding the change phenomenon from multiple perspectives. How this mega-change was being perceived by different actors can be better understood through the cognitive dimension of NIS. In the midst of resistance from the departments as well as from project management, the core team was an exception which gave the project the opportunity for departments to modernize it. Here an interesting finding is that the core team was informally led by an officer who gained his master's degree in IT through funding from the World Bank. This aspect is significant, as it had been part of the vision of the project that foreign-qualified officers would be working on the project as agents of change. This approach really was successful in this case, as the same officer led the project for the subsequent five years during which the project achieved its major milestones and SAP as a system reached a level from which it could not be reversed. In a word, a significant number of office routines and practices were institutionalized. But this was not achieved overnight. Rules and procedures for maintaining records in registers and files could not be changed simultaneously with automation. Hence, two parallel processes, a manual and an automated system continued to be run together. From the employees' perspective, automation was more cumbersome for those working in accounting offices as their workload was increased by this duality of practices. They were promised by the SAP implementers that their work would be easier in the post-implementation phase, but it proved

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[18] OAT was meant to test the users of at respective sites as well as to create ownership. But OAT was conducted by the resource persons instead of users of sites in order to pass it, because the latter were not trained or sufficiently confident to conduct OAT.

otherwise for quite some time. From the client's perspective, initially payments claims took even longer than under the legacy system. After a considerable period, the time allowed for processing a payment claim was reduced, although the benefits of automation were not felt by the clients for even longer into the post-implementation era. As mentioned earlier, the core team was further extended with resource personnel[19] at major sites, so that they could vanguard the implementation at provincial as well as district levels. They proved to be an asset for the project as they assisted the Siemens implementation team wherever they faced problems or resistance from the users at sites. These resource personnel were also able to lead the operation acceptance tests (OATs) for sites, to address all users' problems.

Institutional logic is another aspect of NIS which has helped in digging deep into the complexities of the project in relation to key actors. In the chapter on SAP implementation, the institutional logics of the World Bank, bureaucracy and consultants were identified. Bureaucracy is led by institutional logics, involving strict adherence to rules and regulations, bureaucratic channels and a strong sense of complacency. The World Bank is guided by the logics such as effective and efficient organization, with tangible and measurable objectives, accountability and being well equipped with modern tools and standards. Consultants are motivated by competitiveness, profitability and survival of the fittest. The extent of implementation of SAP was also highlighted through interviews as well as aide-memoires that offered an insight into the quality of implementation. The solution (the diagnostic study) suggested by the consultant at the behest of the World Bank was an outcome of the institutional logics of the World Bank and consultants. That study also claimed that public sector financial management had been duly examined and the input of public sector financial managers sought. However, it was revealed by a number of interviewees that the solution was not prescribed within the specific context of the public sector, nor was input sought from all relevant persons. This factor also contributed to the resistance among users to adopting a solution prescribed by a consultancy. Hence, it may be taken as one of the signs of lack of ownership of the system by the users. It has also been explained that the entire solution was not implemented in the way it was prescribed, as it contained a number of deviations. The World Bank, in spite of being coercive in introducing the separation of audit and accounts, did not always prevail over the Auditor General and the respective Governments. A number

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[19] All Accountant General offices and finance departments have some resource personnel, who were also given a financial incentive.

of instances were mentioned when the Auditor General did not follow the project concept paper or other suggestions made at intervals by the World Bank review missions.

One way of interpreting this phenomenon is that it was not only the World Bank and consultants whose institutional logic was implemented, but that the Government also made its point by insisting on certain deviations from the original design of the project. Hence, the institutional logics of all the key actors can be seen over the course of implementation. Investigation is required into how long after the implementation did bureaucratic institutional logics fade or disappear altogether, but this is not within the scope of this study. This phenomenon can also be taken as an answer to the question which was raised earlier, why the World Bank was so vocal in certain demands. The simple answer is that all requirements were wrapped in conditions which obfuscated benchmarks, outcomes, expected results and progress indicators (World Bank, 2005).

7.3.2: Isomorphisms

The presence of coercive, normative and mimetic isomorphisms as tools of institutionalization can be seen when we analyze the position and role of the World Bank in the SAP implementation. Owing to the economic capital of the World Bank, coercive isomorphism was clearly present. According to one interviewee, the Government of Pakistan was given a clear message that if PIFRA did not go ahead by a certain date, all funding by the World Bank as well as the IMF would be stopped. This threat left a clear message for the project management, that the OAT for the test site was to be done within a stipulated time. In the same vein, PwC was given a clear message by the World Bank that if it did not support the SAP implementation, it would be black-listed across the globe for all World Bank-funded projects. It was confirmed by an interviewee that this threat really worked, and a shift in the attitude of the PwC consultants was felt.

Mimetic isomorphism can be seen through those aide-memoires where the case for separation of audit and accounts was made, by referring to developing as well as developed countries where it had been sanctified. Reference was also made to the fact that Pakistan, as a member of ASOSAI and INTOSAI, should come into line with the other member states.

Technical assistance from the World Bank is an expression of normative isomorphism, as PIFRA was initially launched as a technical assistance project which later turned into a fully-fledged project. Players like the World Bank, IMF and consulting firms in the field were pushing for accountability and transparency that was not possible without the modern tools which were being offered to PIFRA. The financial credibility of the Government of Pakistan thus relied on the successful implementation of SAP. The presence of these three isomorphisms are described by Scott (2008): robust institutionalization is the outcome of a variety of mechanisms that interact with and reinforce each other.

7.4: PIFRA as a World Bank project

In preceding paragraphs, the role of the World Bank has been highlighted through NIS. The most conspicuous feature of the project is that it is a World Bank project. The data as well as interviews corroborate this, indicating that PIFRA could not become a reality if the World Bank were excluded, and the Bank became a constant source of power as well as support. We have several times stated the opinion of the project manager of Siemens, that" Had there been no World Bank, there would not have been any implementation at all". It was his considered view that of all the actors and stakeholders, the World Bank was the only hope for implementation. Other interviewees also highlighted the World Bank's positive and constructive role, from conception of the project to its culmination. So, it can be safely inferred that PIFRA experienced the brighter face of the World Bank.

At different phases of the project, it is apparent that the World Bank assumed a variety of stances, at times it rigid and demanding but on other occasions it appears to be very flexible and acquiescent. For instance, the Bank appeared to be rigid in pursuance of the separation of audit and accounts, which became a sine qua non for continuation of the project. Progress on the project was also declared unsatisfactory, largely because of resistance from the Auditor General of Pakistan. Here one can question why the Bank was pushing for reform. The answer is that this policy reform was a condition of the project funding, so it cannot be equated with other reforms suggested by the Bank. Here another question arises: was this demand by the World Bank reasonable and according to international best practice? The answer is yes, because separation of audit and accounts is logical. It is absurd and against the principles of accountability, as well as checks and balances, that an accountant should audit

his own accounts. The case for separation was strengthened by citing examples from both the developed and developing world in an aide-memoire. The Bank simply wanted to ensure that the accounts and financial reports could be labelled as reliable and authentic by international standards. If this world has turned into a global village and one is also looking for resources from international lending agencies, such demands are both obvious and reasonable, because the lender wants to know how its resources have been used and what the true economic position of the borrowing country is. However, in bureaucratic circles in general and among the lower ranks of officers in particular, everybody was suspicious that the reform agenda of the Bank must have some ulterior motives.

On the other hand, there were many instances during the life of the project when certain steps suggested by the Bank to be taken by the project management/Auditor General/Government of Pakistan, were not heeded. For instance, the appointment of a controller general of accounts (CGA) for a minimum period of three years with sufficient administrative powers was insisted in f consecutive aide-memoires, but the promises given every time by the Government to do the needful were not kept.

Hiring technical staff at market rates was also emphasized by the Bank, but the Government took almost five years to sanction the posts. The Bank also wanted to outsource some accounting duties to the private sector, as the staff of the Auditor General were not well equipped to handle NAM or SAP; nevertheless, the Auditor General did not let the private sector make inroads into the department. Moreover, the training of personnel at three levels of Government was a gigantic task which was to be done within a stipulated timeframe. Again, the Bank wanted to outsource training in NAM and the chart of accounts to meet the challenge, but again Auditor General would not agree. In addition, there was a long list of actions to be taken by the Government in order to guarantee the extension of the project as PIFRAII; Nevertheless, PIFRAII was approved by the Bank in spite of the Government's missed deadlines.

The instances mentioned above substantiate the fact that the World Bank was extending its advice to accrue the desirable results on the basis of its wide ranging experience in the public sector. Interviewees who were part of the project management at different phases of the project agreed that the mission was not dictating orders, which further establishes that the

World Bank listens and is flexible. On policy issues it did not compromise, but in operational areas it simply recommended and did not insist on the Government acting according to its advice. On the subject of the Bank's flexibility, it is significant to record that a minimum threshold in making payroll and contingent payments operational at sites was acceptable for the Bank to declare a site productive. It shows that the Bank was not unmindful of local limitations. Hence, it was acceptable to have only two business processes operational on SAP as a first phase of implementation. Another instance was the formal inauguration of the first pilot site of Abbottabad which was only a facade as the site actually became productive only 8-9 months after the formal inauguration. This was meant to send a message to all concerned that PIFRA was successfully launched and would succeed in spite of all resistance.

Another aspect of the Bank which was shared by several interviewees that very high targets were sometimes set by the mission to be achieved by project management. It seemed as if the Bank was not aware of the ground realities at sites. This led to missed targets, so the reasons had to be explained to the mission. This situation involved the mission in detailed discussions, and project management itself sought guidance and advice from the mission. An interviewee who had been working for the Bank admitted that "the client dragged us into the details, otherwise the Bank was only interested in the realization of the objectives of the project".

Another interesting role played by the Bank in the case of Pakistan was as mediator in the rivalry among different groups of services who were vying for their areas of influence. One interviewee said that District Management Group (DMG) officers insisted that PIFRA wasan audit and accounts group project, and that a due share had not been given to them. This officer added that PIFRA implementation would not have been an issue at all if accounting had been made a provincial subject and all the resources/funds of PIFRA transferred to the province. Duality of control one of the stumbling blocks in the way of implementation, was also discussed in the SAP implementation chapter. The World Bank played a conciliatory role and emphasized freezing the issue of duality of control for the time being so that implementation could proceed. Also, in the diagnostic study, it was proposed to departmentalize the accounting function, but this was never taken up as the Auditor General was not interested in it and the World Bank did not want to annoy him further. It is also significant that the Bank appreciated the role of the federal and provincial finance ministry/

departments, as recorded in a number of aide-memoires, in spite of fact that their cooperation did not match their verbal commitments. The World Bank also fulfilled an unreasonable demand by the Finance ministry /departments about having separate servers for budget preparation to secure the confidentiality of the budget figures.

The World Bank is taken as an expert in development projects in the public sector, but in the case of PIFRA it seems to be operating on a trial and error basis in one of the core areas. PIFRA, later PIFRA-I, was delayed by many years and then its unfinished scope transferred to PIFRA-II. During PIFRA-I it was a major challenge to retain officers in the project owing to uncertainty about PIFRA's future and the lack of any incentive for the officers working on the project. The data confirms that implementation was improved during PIFRA-II when a reasonable financial incentive in the form of a project allowance was permitted by the World Bank. Here the question is, why was a project allowance not approved during PIFRA-I, as it made a huge difference in terms of achieving goals and objectives? The impact of the project allowance was acknowledged by the Bank as it was included in the lessons learnt from PIFRA-I.

PIFRA has achieved its major objectives in spite of the tremendous amount of resistance at various levels of Government. Owing to this resistance, reforms were delayed or may not have been introduced in full as conceived in the project concept paper, but ultimately PIFRA has been rated as a success by all stakeholders. Although it is not within the scope of this study to analyze PIFRA's success or failure in terms of conventional yardsticks, itssuccess cannot be denied. A researcher commented that SAP/ERP projects cannot be fully assessed immediately after implementation. Nevertheless, the change triggered by PIFRA is obvious. An interviewee confided that under the integrated system, "I have all required reports aggregated at different levels within minutes which was not possible to manage even after weeks and then reliability and accuracy were a major issue as well in the legacy system". Every user has his own perspective of the project as success or failure. It is more important to consider their individual perceptions and expectations of the system. For instance, one user says that the integration of all sites and running of payroll as well as the GPF roll are indicators of success, while another says that reconciliation of payments is an area successfully addressed by SAP. This implementation has also offered an opportunity to delve

into the role of the Bank as an organization, donor, advisor, supporter and an agent of mega-change.

7.5: Organizational change

If we read the objectives of PIFRA, they tell us that a team of such officers/officials would be required to steer the entire change process. Given the scope of change to be introduced by PIFRA, change management was declared as a full component of the project that would pave the way for smooth implementation. In the chapter "Organizational Change", the measures taken by the change management component were identified. Establishment of this component can be taken as the first step of institutionalization, by preparing staff to equip themselves for a multi-dimensional change at all levels in budgeting and accounting offices. It was reiterated in the previous section that at the highest level in Government, there was tremendous resistance to separation of the auditing and accounting functions. The separation was seen as a direct assault on the powers of the Auditor General, who was head of the accounting as well as the auditing function of the Government. So the initial phase of the project consisted of delaying tactics by the Auditor General to avoid separation at all cost. Resistance was evident in the aide-memoires of that phase of the project, in which the Bank was insisting on this fundamental reform and the Auditor General was resorting to different excuses to defer it. An administrative order was also passed to appease the Bank; this was an arrangement short of separation, but the Bank was not ready to accept anything less than full separation. The project started in 1996 and after resistance of almost four years, separation was achieved to the extent of creating the office of the CGA. The Bank had been insisting for at least three years on the appointment of a CGA with administrative powers, but resistance from the beneficiaries of the status quo prevented it. Initially the CGA was an Officer on Special Duty (OSD), normally an officer on the verge of retirement who was posted there so that he/she could have enough leisure time to prepare his/her pension papers. During data collection I was told by a very senior officer that the CGA acquired powers a little at a time. For instance, performance evaluation reports, which play a pivotal role in promotions to the next grade, were now considered by the CGA in the case of all provincial AGs. Posting or transfer of lower ranking officials has come into the domain of the CGA. Hence, the CGA's office as an organization is acquiring maturity with the passage of time, but the ultimate total separation is still not in sight. Here, the continuity of the office of CGA can be taken as a

factor in the process of institutionalization. The gap between theory and practice in case of the CGA and separation has already been discussed as decoupling. While decoupling is present, institutionalization cannot be complete. The CGA asked on many occasions to own the Financial Accounting and Budgeting system (FABS) as a component of the project, but this was refused owing to its low level of human resources and administrative powers. However, in spite of all the delaying tactics by the Auditor General, the CGA exists as a reality. This phenomenon also offers an answer to the secondary question of this study, how effective was change management in terms of introducing a new structure as well as a new system. The top management in the Auditor General's office was all against the fundamental reform proposed by PIFRA. It sent a clear message to all that management was not interested in the reform agenda of the World Bank. Hence, support for change was either absent or was half-hearted in field offices. The role of agency has already been highlighted in institutionalization; it plays a pivotal role in the creation and continuity of new roles, routines and practices. As a result, the stances of individual AGs are important. According to one interviewee, the direction and pace of the project really depends on who is the Auditor General, and how supportive or antagonistic he is. He considered that the project had achieved major milestones during the tenure of the last two AGs because they were interested in SAP implementation.

Aware of the low level of expertise in the organization of the Auditor General, the World Bank started to emphasize hiring professional people. It also emphasized improving the skills of existing personnel by introducing different criteria from other mainstream departments so that they could manage the changes proposed by PIFRA in the fields of accounting as well as IT. It was against this background that the futile plan was made to send officers abroad to study, so that they could become agents of change on their return. Ironic that the few officers who did return to PIFRA were not even aware of the reform agenda and scope of the project. It can be inferred from this that a team which was visualized as a vanguard of change and would sell that change to all field offices did not materialize. This attempt by the Bank to create ownership for the project within the organization did not have the desired able results. However, it was not a total failure as some of the foreign-qualified officers did accept the project at a later stage and showed progress as it was extended as PIFRA-II. This point, project management and the World Bank mission were in agreement on furthering the reform agenda. Hence, the pace of implementation increased and the project moved from pilot to

roll-out and replication phases. But as far as institutionalization is concerned, there was still resistance at some sites, manifested indifferent ways. It is interesting to note that by this time, resistance came not from the higher level in project management but from the field offices, where it was very strong. Since change management as a component did not work ahead of actual implementation, users at district accounts offices perceived the project as a threat to their discretionary powers to exploit clients. They thought that the objectives of the project clashed with their own objectives, and the system would encroach on their area of influence. The core team and resource personnel played their respective roles at these sites, trying to allay the unfounded apprehensions and win them over. In the beginning, two or three persons at individual sites started cooperating with the Siemens implementation team, but it took much longer to involve most of the employees at these sites, on average 2-3 years to adopt the system. Institutionalization of new practices is still not complete even after 3-4 years; for example, according to the workflow, a payment claim should be pre-audited and authorized at three different levels, while in practice all these levels are controlled by a single individual. The majority of District Accounts officers are still shy of the system and work manually in parallel to SAP. Continuity is the answer to when all such practices will be institutionalized.

7.5.1: New Accounting Model (NAM)

The research questions consider NAM and its implementation. In the analysis chapter, NAM was discussed along with its components. The Chart of Accounts is an alphanumeric five-dimensional code which is GFS compliant which is to represent the data in a more lucid manner. Commitment accounting is another feature of NAM which is claimed to have been implemented to the extent of its availability in SAP, but the Government has been resisting its implementation because it curbs the powers of Government spending. An interesting aspect of the implementation is that accounting reforms were being implemented by non-accountants. For all practical purposes, this is still cash accounting, performed through SAP. It is also a fact that SAP does not work on a cash basis and it's all entries are made on the principle of double entry accounting. Reports used by the Government are not required to be based on double entry accounting. Once again decoupling is present, because there is gap between what is being claimed by the Government and what is actually being used by the decision makers. Tangible change does exist in that different adhoc reports are available decision makers by virtue of the integrated ERP system. Users have not felt any change in

relation to accounting, although SAP has revolutionized work practices in the offices. Reconciliation of accounts with cost centres and fund centres has also been facilitated as district accounts offices and district budgeting offices are using the same integrated system. Since most of the staff of accounting offices are not accountants, theoretical changes in terms of recording accounting entries do not make any difference to them. This is why, when NAM was being introduced, the major criticism was that these changes would make no difference to them apart from making their lives harder in fulfilling the demands of donors like the IMF and World Bank. Again, user perception was not in favour of the changes introduced by the project. This is the cognitive side of NIS as users were interpreting change with their own mind-set. This mind-set needs to be changed, but until non-accountants are replaced by accountants, that change cannot be appreciated. This process has started through a new recruitment policy for the accounting staff, but as far as management-level induction is concerned, proposals made by the Bank have not been implemented. Higher management still hails from the civil service which has different criteria for entry.

Institutionalization is on its way, with intense interaction with accounting consultants from the private sector, and in the course of time, improvements will reach the desired level. Chartered accountants have been hired at market rates for each province and the Federal Government to prepare cash-based IPSAS reports. Here again, accrual-based IPSAS has not been insisted on by the World Bank as accrual-based accounting has not been implemented in the wake of SAP. In a number of aide-memoires the World Bank review mission recorded its concern over non-implementation of other features of NAM; target dates for implementation were continually reset. The policy changes required on the part of the executive have not been introduced. Hence, for all practical purposes, cash-based IPSAS reports have been accepted as an outcome of accounting transactions. This is a clear departure from the initial vision of the authors of the project, but it is accepted as a transitional arrangement. These phases of implementation can be taken as a guide for practitioners to implement accounting reforms in the public sector. An interviewee who was working for Siemens said that there was no public sector version of SAP when implementation began, but having learnt a lot through this work in Pakistan, SAP now offers a public sector version on the market.

After the introduction of changes like the chart of accounts with GFS-compliant functions, is there any improvement in financial reporting in the public sector? In the first place, COA was not taken as a solution to reporting problems in the public sector. It was questioned by all the budgeting and accounting offices: why had it been imposed on them when they had never demanded any overhaul of the existing/legacy chart of classification? It was therefore approached with suspicion and mistrust. The change was taken as an external phenomenon to cater to the requirements of donors like the IMF and World Bank. In addition, it was being implemented through a consulting firm which was working to further the donors' designs. In spite of this, COA was implemented in phases. As a first step, the budget was prepared in COC and then mapped to the COA. With the passage of time, COA has been acknowledged as an improvement upon COC because of its distinct features such as being alphanumeric, flexible and dynamic, allowing further extensions to cater for the changing requirements of the public sector. Its utility has been enhanced through the use of SAP, which offers a variety of reports at different tiers of the COA. In spite of all the resistance at user level, the COA was implemented through an administrative order as the World Bank was pushing it very hard as one of the milestones to be achieved for the extension of the project, and it was unwillingly adopted at all levels of the Government. However, with the passage of time, logic prevailed and users became convinced of its superiority over legacy COC. In the COC, function as an element was confused with entity/department, but in COC A it was made clear that a department may perform more than one function and every department should not be taken as a separate function. Hence, reporting was made more meaningful and reflective of Government expenditure. One of the reasons resistance to this change that non-accountant users could not appreciate the spirit and implications of reporting.

By the time data was collected, COA was there as a settled fact. It was described as a positive change introduced by the authors of the project. In terms of institutionalization, it can be safely said that COA has attained such a level in the organization that it is now taken for granted. It is now "largely accepted and unquestioned as principles of faith" (Scott, 2008).Again, continuity played a key role in the process of institutionalization. This stage of institutionalization is identified as objectification. However, the last stage is sedimentation, which is defined as "the innovation is perpetuated across several generations and spreads to virtually all of the relevant population of potential adopters" (Tolbert and Zucker, 1996, p.184). to evaluate COA against this criteria is not possible at this stage as its adoption is too

recent. If we have to point out the factors which played a significant role in the institutionalization of COA, we can identify intense interaction with consulting firms like PwC, Siemens, the consultants of the SAPCC (SAP Competency Centre) and resource personnel; and hiring chartered accountants as well as lower levels of staff with an accounting background. All those who were convinced at the theoretical as well as the practical level that COA provides more perspectives through which to examine and analyze Government revenue and expenditure are working as agents of change.

If we analyze the accounting reforms under the umbrella of PIFRA, keeping in sight similar initiatives taken in the developed and developing world, we find certain facts which corroborate the earlier studies. However, certain features in the case of the public sector of Pakistan were unique. Studies have highlighted that the benefits of commercial business accounting are not applicable to the public sector, owing to their different objectives (Aiken and Capitanio, 1995; Lewis, 1995; McCrae and Aiken, 1995; Ma and Mathews, 1992, 1994).In the case of Pakistan, NAM introduced modified cash-based accounting, an intermediate stage towards accrual accounting. This was partly cash and partly accrual system was recommended by the practitioners, as switching from cash to accrual should be in phases. Unfortunately, accrual portion of the reform has not been implemented in its full spirit. Commitment accounting and assets and liabilities were to be implemented, but not at first place in the public sector scenario. Commitment accounting was later changed by PwC when discrepancies were pointed out by the core team. It was impossible to implement the assets and liabilities popular in the private sector because of the peculiar context of the public sector. Hence, only commitment accounting in the accrual-based system could be implemented, but the Ministry of Finance was not interested in this. There are studies, like those of Ter Bogt and Van Helden (2000) and Nor-Aziah and Scapens (2007), which observe that rules regarding the accounting reporting system may change, but these changes do not necessarily mean that their attitude will also be improved. Hence, these changes should be seen in the particular social context. The changes adopted in accounting under PIFRA can be well understood in the light of these studies where the entire package of NAM has not been adopted owing to the mindset of financial managers of the Government.

Hoek (2005) maintained that cash budgets are still important for macro-economic analyses. NAM does not cover any changes in budgeting, but there was another initiative supported by DfID to implement a medium-term budgetary framework (MTBF). MTBF offers a different approach from traditional annual budgeting which concerns outcome and output-based budgets for a longer period of time than the annual budget. It resembles accrual accounting to the extent of being outcome and output focused.

According to an OECD (1993, p.13) report "the introduction of accrual accounting implies a requirement for substantial investment in management information systems in order to support ex-ante budgetary requirements and to support improved management practices …". PIFRA can be seen as a true reflection of this thought. The major part of reform under PIFRA comprises IT implementation to support all changes. It is also interesting that most of the accrual accounting could not be implemented although an integrated financial management system has been. The reform has been implemented to the extent of a GFS-compliant CAO and automation itself. It seems that efforts to adopt a modified cash basis of accounting to move towards full accrual accounting have been abandoned, and that generation of cash-based IPSAS reports have become the target. Hence, this aspect of the project acquaints us with another compromise in terms of how to do accounting, although PIFRA's objectives are being realized through state-of-the-art technology, SAP. PIFRA's achievement is now being interpreted through its ranking in a PEFA (Public Expenditure and Financial Accountability) assessment. This development and changes in the ultimate outcome of accounting can be interpreted through the process of institutionalization. As far as adoption of COA is concerned, it has already been seen that it is now taken for granted. However, the use of SAP has not yet attained this level of maturity. Most respondents believed that SAP was not being used to its full potential, and even put the figure as low as 10-15 percent. The reason was again user perception and their stereotyped identity. This aspect of institutionalization covering the cognitive side takes longer, as the first phase of implementation was confined to a bare minimum which was been achieved through the interplay of all the isomorphisms.

7.5.2: Role of PwC

PwC is one of the key players who played a pivotal role in conceiving PIFRA through the diagnostic study and then built its structure, as well being an architect of NAM. It was also

assigned the role of supervisory consultant to ensure that all features of NAM were fully implemented through SAP, according to both the letter and the spirit. NAM was an attempt to introduce private sector ideals into the public sector, but this was not a well thought out model. Interviewees reflected that the PwC consultants of were not fully aware of the public sector environment and its complexities. It seemed that everything was proposed on the assumption that professional accountants would be there to embrace change.

Christensen (2005) and Fincham and Clark (2002) conducted studies into the role of consultants in such implementations. In PIFRA we have found that PwC played a fundamental and leading role for a considerable time. However, the later part of its tenure was controversial as it was found to be more interested in stalling the project than being instrumental in pushing it forward. PwC supervised SAP implementation for some time without any SAP consultants, and its delaying tactics were disturbing. The contract awarded to PwC differed from that of Siemens as the former was to be paid on man-hours basis with no link to deliverables, whereas the latter's payment was linked to deliverables. Hence, it was in the interest of PwC to linger on the project while Siemens was expediting it. In this tug of war, PIFRA became a platform for intrigues and conspiracies. The approach followed by PwC regarding SAP implementation also proved faulty as it wanted to implement all the business scenarios fully before declaring any site productive, which was not possible in the public sector environment. On the other hand, the World Bank and core team saw it as an ongoing process, not the starting point of implementation. According to one respondent, PwC with the collusion of the then project management wanted SAP or Siemens to fail so that either they or another vendor could implement the system. This discussion tells us about the role of PwC consultants, who wanted to make money without registering any progress in the project, as in other public sector foreign-funded projects, but they could not achieve their ends owing to the intervention and close supervision of the World Bank. Here I would reiterate that "Had there been no World Bank, there would not have been any implementation at all". The positive side of the World Bank's role is strongly contrasted with the negative role of PwC. It is appropriate to discuss the role of PwC in the context of resistance to the implementation, as it joined forces with those who wanted the project to fail at the test phase. However, the resistance was subtle and was led by the project management of that time. Apparently, PwC was there to guide and help Siemens in configuration of SAP according to NAM, but project management gave Siemens a hard time under the guidance of PwC. It is

ironic that PwC, an architect of the entire change package, turned into an ally of the forces opposing change. This approach by PwC ultimately led to its exit from the project, even before expiry of the contract.

From the foregoing discussion it can be seen that there are two periods of involvement of PwC in the project. The first period consists of the diagnostic study and drafting of NAM, and the second comprises its role as supervisory consultant. This phenomenon can be seen through the process of institutionalization presented by Dambrian et al.(2007): the process starts with ideals, followed by discourse and techniques and culminating in internalization. In this study, PwC had a positive role in constructing the first three phases, while the last phase was still in the process of decoupling, in the form of lack of commitment, with accounting functions available in the system not being practised in the organization. PwC was the actor in the organization who advanced new ideas and solutions.

The second phase of PwC's role was actually a continuation of the process of institutionalization, supervising the implementation of NAM in SAP. However, according to the data, PwC did not perform its envisaged role because of its own hidden agenda to fail the vendor. This caused delay in implementation of NAM as well as SAP. Moreover, the second phase can be seen as resistance to implementation. However, it has already been seen that PwC was forced by the World Bank to act according to its stated role. This message to PwC from the World Bank is a clear expression of coercive isomorphism.

7.6: Training

Training is one of the core areas which play a cardinal role in institutionalization of a new system, new practices and routines. The multiple dimensions of training highlighted in the analysis chapter need to be further discussed because of their significance. Their importance can be assessed by the fact that, according to a number of interviewees, most of resistance at sites was a result of the poor quality of training. Training is a tool to introduce and then reinforce new practices, but in the case of NAM and SAP training, various issues have been pointed out that hampered implementation. Here the role of the Siemens consultants is also questionable, a result of their own lack of competence and understanding of the public sector

environment. At the test and first pilot sites, user and trainee satisfaction with Siemens was at its lowest ebb. Most of the Siemens consultants were apprentices who were there to learn SAP, so it was an uphill task for them to link the system with the public sector workflow. This sent the wrong message to the organization, that the Siemens team was not capable of handling the change. They were training people according to the workflow inherent in SAP but this was not directly applicable to the public sector budgeting and accounting offices. Users wanted to see the system catering for their organization's specific needs, but non-accountants who were not even IT literate were being taught general best practice. Non-accountants who were not even IT literate were being trained to implement the best practices. The best practices could not be implemented through training unless there was legal cover, as the public sector employees were prone to follow official notifications. I visited a number of sites where there was consensus among interviewees that training itself was an issue in implementation and the smooth transition from partly automated or manual sites to SAP. Users were not confident that the system could deliver, even after having witnessed a several productive sites.

Training and change management cannot be separated from each other, as training is meant to introduce change. Hence, a trainer should be able to address the worries of users regarding the new system, as well as persuading them to adopt the system by highlighting its positive impact on their working life and service delivery. The impact of training can be enhanced if it is delivered to those who are ready to accept the change, and good quality training can then reinforce the impact of change management.

Training in ERP was not an easy task, especially when the trainees themselves were not sufficiently literate to understand the messages on SAP screens. During the initial years of SAP implementation, the personnel were being trained in entire modules, without consideration of their individual roles. The result was total confusion, and the entire exercise proved to be a waste. After a few years of implementation, this strategy was changed to role-specific training, which helped the users to link what they learnt with their job roles. Most of the respondents commented that role-specific training at sites was very productive, whereas centralized training was just a formality. These findings have been corroborated by other researchers: Amoako-Gyampah and Salam (2004) conducted a study into the role of training

as a success factor, and the perception of users about the benefits of ERP. Yasin et al. (2009) identified training as one of the most significant success factors in small medium enterprises in Malaysia. It concluded that the best approach for ERP is on-the-job training and computer-based learning; inappropriate training is one of the leading factors of failure of ERP.

Lack of planning and coordination among different components of the project was also evident in training. Role-specific, need-based and well-timed training was the solution to implementing SAP smoothly, but all these elements were missing during the early phase of the implementation. Hence, training which could pave the way for institutionalization did not fulfil its intended role. Resistance remained for a long time until users became comfortable with the system. During the initial period, accounting entries were being made at month end to prepare monthly accounts through SAP, but day-to-day payments were made outside the system. The process of institutionalization was very slow, because of the badly managed training. Now, a few years after implementation, interviews with users in District Accounts Offices revealed that they considered the system is of benefit, as it made their life easier. Recalling the early days of implementation, they admitted that their perception about the system had been at fault; it could have been set right by the trainers, but they were not capable of dispelling the wrong impressions. This phenomenon highlights the cultural-cognitive aspect of NIS, with negative perception of the system among users. In spite of the fact that several sites had become productive, users at the next site were apprehensive because of their exposure to the system during centralized training sessions. Refresher training was also required to reinforce learning, in view of the complexity of the system. For these reasons, training could not be utilized as an effective tool to institutionalize SAP. At the time of the data collection, the situation was still not very good as very few personnel were working on SAP and there was a need for training and refresher courses.

Selection and retention of trainees was another related area which contributed to slowing the process of institutionalization. Relevant and willing persons were not nominated in the first place because training was not given due importance by the District Accounts officers. For continuity it was imperative that the trained staff remained there for some time, but most were transferred. Hence, disruption was the outcome. In the case of budgeting offices in the districts, they were frequently unable to prepare their budget on SAP owing to the transfer of

the trained personnel to some other department. SAP CC had to help the concerned district to prepare their budget on SAP. By now, things have improved through continuity in using SAP to prepare budgets and make payments. The crisis of non-availability of well trained staff occurred at many sites, but either the Siemens team or SAP CC assisted so that they did not revert to the legacy system. Given SAP CC's role since the inception of PIFRA II, it can be seen as a valuable addition at the disposal of project management to attend to all SOS calls from the sites, including further training of staff to manage the system. SAPCC played an active role in the institutionalization of SAP and it would not have been possible for project management to meet the demands of users at sites without it. Here it should also be noted that SAPCC is manned by consultants from the private sector who are responsible for maintaining the system at all sites without disruption. Most of them used to work for Siemens on the same project, so are more experienced than any other consultants in the market to run the system.

Another aspect of training which failed to prepare the agents of change was the funding of higher level courses from overseas universities, and the training of trainers (TOT) conducted by training consultant Bearing Point and BMI (Becoming Master Instructor) in Canada. With few exceptions, the trainers could not be used by the project management for the intended purpose of developing training material and conducting training on a long-term basis. The idea was not bad but it could not be implemented because of the public sector environment, an impediment to smooth institutionalization over a short time span. If we look at the level of institutionalization in budgeting and accounting offices now, it portrays a very positive picture in which a number of office practices and routines have been changed. Most of the jobs in these offices have been automated and personnel are more or less happy with the new system. Now they talk about the legacy system as a nightmare. Nevertheless, several personnel commented that "SAP is not being used according to its potential" owing to the typical bureaucratic style and mindset. There are still many jobs which have to be done twice, as rules require maintaining the big manual registers.

Training of higher-level of officers would have greater impact in terms of institutionalization as many are still nervous about using the system and demand everything on paper. Changes are gradually being felt in the mindset through SAP training given to probationary officers.

Another surprising facet of this implementation is that in spite of resistance at all levels which was manifested through different actions and inaction, it is now generally considered to be a successful implementation.

Another interesting as well as very important aspect of implementation is that, with hindsight, users have totally forgotten that they initially rejected the system or were instrumental in delaying the implementation through different tactics. In fact, they now present themselves as champions of the change. One of them commented that in fact "we have been waiting for the system to welcome it". These comments suggest that the organization has reached the level of taking COA and SAP for granted, which is an indication of objectification. It is a stage where the new system is largely accepted even by those who used to oppose it with all force. PIFRA has introduced a new method of accounting which has also enhanced credence in its financial reports. Although NAM has not been fully adopted in practice, the acceptance of COA and automation has significantly improved accounting in the public sector of Pakistan.

7.7: Conclusion

The underlying research question addressed by this study is that to what extent the institutionalization/implementation of a new accounting model and SAP have been completed in the public sector of Pakistan. The diagnostic study resulted in a project, PIFRA. Implementation took a long time, and it has been noted in this research that it is just the beginning of change and that institutionalization is still in progress. Decoupling, legitimacy and isomorpisms are crucial concepts in NIS.

The most powerful force behind this change was the World Bank. Its multiple roles have been analysed during different phases of the project. In spite of all the criticism of its role, this study has found the presence of the World Bank a good omen for the implementation of reform. This study has also contributed to understanding its role, seen through the lens of institutional logic and NIS. Once again, the statement that "had there been no World Bank, there would not have been any implementation at all" can be taken as a summary of its role in the project. Another interesting feature regarding the World Bank is that it has been a presence in the project since 1996,which is also a source of institutionalization.

Organizational change was also analysed to investigate the process of change and the role of different actors. Resistance and its underlying causes were investigated to learn how they impeded institutionalization. The human side of the implementation, frequently ignored, was analysed. This study is an addition to the literature on change management within its specific context.

Training is another vital area which is one of the determinants of institutionalization. However, there is a dearth of literature on this aspect of institutionalization, and especially on training and its direct link with ERP implementation. This study contributes to this area by linking training and its multiple perspectives with institutionalization. PIFRA was delayed and over budget; nevertheless, it is perceived as a successful project by the majority of users.

All these areas have been examined in addressing the research question, but there are still areas which need further examination to discover the extent of institutionalization. NAM has still not been fully implemented, and SAP is still underutilized. A further study needs to be conducted after the end of the project to monitor the pace of institutionalization in the absence of the World Bank.

Chapter.8   Conclusion

8.1: Introduction

In this final chapter, I revisit the research questions and present the findings of the study. This is followed by a statement of the contributions of the thesis in terms of knowledge, theory, practice and policy. I will then look back and reflect on the research project and choices I made in order to gain insights and guidance for further research on research projects like PIFRA. I will end the chapter with some final words.

8.2: Research Question and findings of the study

The ERP system was selected as a solution to automate the financial management system of the Government of Pakistan. The main question posed in this study is what were the issues faced in implementing SAP, the chosen ERP, in the public sector of Pakistan? Subsidiary questions which need to be addressed to satisfy the main question are: what factors made implementation so uncertain; what was the role of the World Bank and other actors in the entire implementation process; why did the change management component remain ineffective: what has been the impact of implementation on the financial management system of Pakistan; is this change sustainable; and are NAM and IPSAS-based reports really an improvement on the legacy system?

To answer these questions, New Institutional Sociology (NIS) has been used as a lens through which to examine the findings of the study. Being grounded in social constructionism, a qualitative approach was applied to explore a social reality which was non-existent before the launch of the project. According to Berger and Luckmann (1967, p.54), "institutionalization occurs whenever there is reciprocal typification of habilulaized actions by types of actors". The role of multiple actors at different levels has been investigated to analyse the process of institutionalization in the public sector. The role of the World Bank as an active player, and the phenomenon of resistance, have been examined through NIS with its added tools of institutional logic and the cognitive perspective of users at different levels. NIS has offered a framework though which it has become easier to understand the entire story of implementation of SAP under PIFRA. It has also assisted in comprehending the different phases of institutionalization of new practices and routines.

In the SAP Implementation chapter, the findings and analysis covering theoretical changes such as the separation of audit and accounts, duality of control and role of the World Bank were highlighted. This chapter gave an account of the initial phase of the project when structural changes were introduced in the financial management of the public sector. These changes are understood through the vehicle of NIS and its various components.

In the Organizational Change chapter, change management as a component, the New Accounting Model, the role of PwC, business process reengineering and resistance were analysed. Investigation of these areas further highlighted the issues surrounding implementation, as well as its impact on overall financial management. Accounting change and its impact on users were analysed.

In the Training chapter, training from various perspectives was analysed as a tool of institutionalization. Its direct link with successful implementation was established. Of the two sides of implementation, 'man' and 'machine' the machine side involved the core functions of accounting and budgeting, and the man side how to use them.

8.3: Contribution to Knowledge

In the current study, I have been surprised by certain findings which can be taken as a contribution of this study towards knowledge. Resistance was found to have been turned into championship of change. The cognitive side of people was exposed as they began to perceive the system as a blessing, although these same individuals had previously declared "what a misfortune has overtaken us in the form of this automation". Now this change introduced by NAM and SAP has been adopted to such an extent that they have started taking it for granted, which is a sign of institutionalization.

PIFRA itself can also be labelled as a journey from resistance to adoption and from a state of ridicule to acceptance. When interviewees were asked where there was resistance in their organization, they answered with a firm negative. Over the years they had simply forgotten that there was once resistance to the new system. An element of self-interest could also be

seen among the users who knew that in the current scenario they would survive only by aligning themselves with the system, which had become the order of the day.

Another surprise from the current study was the extent of training involved in the implementation. I found little regarding training in the accounting literature. The generation of accounting reports through SAP has revolutionized the way it was done in the past, changing the ideas of people about accounting. It is no longer the exclusive domain of the accountant to compile accounting reports, as the ministries and departments also have authorization to generate them. These accounting reports were normally generated, with a time lag, and then shelved; they were not used as input in decision making regarding future planning and budgeting. This is no longer the case, and what was previously only a month-end or year-end exercise has turned into real-time reporting at any time from multiple perspectives. Instead of maintaining the traditional format of the reports, ad hoc reports can now be generated according to the users' wish. This phenomenon carries cognitive value as the perception of accounting has been changed. With training and practice even non-accountants started working as accountants with SAP at their disposal.

The element of self-interest on the part of accounting and budgeting staff is another crucial area highlighted through this implementation. Resistance came from the perception that the system would lessen the capacity for personal gain, especially as the transparency which was one of the buzzwords of the project which was interpreted as a threat to their authority. As the users became comfortable with the system, they realized that they had become even more powerful in the post-implementation period. During data collection, I came to know that there were still instances of fraud, although it had become easier to identify the culprits through the audit trail of all activities in the system. This also reinforces the cultural cognitive aspect of NIS, that mind-set of users who kept up the same practices of corruption was unchanged even after implementation.

Another contribution to knowledge is that issues of implementation the broader level are similar, but that they are different at the detailed level which is a minor part of

implementation. For instance, the public sector mind-set is the same everywhere, but at the detailed level their capacity may be different to absorb or disseminate the change.

This study also contributes to knowledge with reference to the World Bank, explaining how the Bank manages such projects. It tells us that the World Bank does not dictate at all times, and is flexible in accommodating the local context. Prima facie it looks as if the World Bank has double standards in imposing its demands, but this study shows that not all demands have the same importance, and are treated accordingly. For instance, separation of audit and accounts was a fundamental condition of the project, so the World Bank did not compromise on its implementation. However, many of the suggestions made by the review missions relating to other actions were ignored by the Auditor General of Pakistan and the Bank did not press them. Sites were declared productive once two business processes were available in SAP, and this was accepted by the World Bank because they knew that not all business processes could be implemented at once, and step-by-step approach was followed. The World Bank triggered changes, such as the incomplete separation of audit and accounts, which were knowingly made as stepping stones to change, although not fully in the spirit of change. This approach has proved valid over the years and separation has started to acquire its real spirit. There is also the fact that this reform would not have been possible without the intervention of the World Bank, which also played the role of advisor being as an expert in public sector reform projects. It also acted as a mediator whenever there were issues among project management, PwC and Siemens. Public sector incompetence also meant that the World Bank had to be involved in the detailed discussions about implementation. Once again, I quote the comments of one interviewee about the role of the World Bank, that "Had there been no World Bank in PIFRA, there would not have been any implementation at all".

8.4: Contribution to Theory

As far as contribution to theory is concerned, the advantages of NIS has been reinforced. The cognitive-cultural side of the theory has been employed to understand this mega-change not as a theoretical problem or as mere automation, but involving a cultural change in the budgeting offices in general and the accounting offices in particular. Several years after implementationbegan, the users have started to perceive the system as a facilitator. When the project was and SAP implementation was taken as a solution to all problems in accounting

offices. The strength of the resistance seen at the roll-out and replication phases of SAP has lessened, and adoption of the new system has become easier because SAP is now perceived as the only option available. This tells us that user perception is important, and the moment it was seen as a solution it became user friendly.

Training is another crucial area which plays a cardinal role in paving way for smooth implementation by working on the cognitive-cultural side of users. The training approach encountered serious problems at the very outset, hindering implementation. With the passage of time, some issues such as role-specific training and trainers among the practitioners were addressed, which had a remarkable impact on implementation. The trainers were supposed to dispel all fears and mistrust about the new system so that users would first accept the system as a viable option and then approach it enthusiastically to realize its full potential.

In the interviews, the researcher began to call on hindsight to identify cognitive-cultural aspects of the implementation, seeking users' impressions about the project, SAP, NAM and other crucial areas like training, the role of consultants, and project management. This produced data which could be analysed through the lens of NIS in general and cognitive-cultural aspects in particular.

NIS is now a mature model, which has moved from isomorphism's and decoupling to discuss institutional logic. In the current research it was found that Government as well as the World Bank had their own logics. In the case of Government, we found that it tried its hardest to resist the World Bank's institutional logic of accountability and transparency through separation of audit and accounts, although ultimately it had to surrender to the logic of the situation. Nevertheless, separation was adopted only in form but its spirit was missing, and for some time the CGA, as head of accounts, had no administrative powers. Lounsbury's (2007) idea of competing logics was clearly seen in PIFRA as a kind of give and take. Effectiveness and efficiency, the institutional logic of the private sector, was imposed on the Government through automation but the human side of the project, responsible for effective and efficient use of the system, remained important. Thus, in the post-implementation scenario, we find a number of competing logics in the field.

8.5: Contribution to Policy

There are lessons for the Government as well as for the World Bank from this study.

8.5.1: Lessons for the Government

Ownership is crucial to the smooth implementation of any initiative. It can be acquired through the participation of all stakeholders throughout the project, from conception to the final design. When implementation was begun, most users did not agree with the design and specifications, as their input had never been sought. Hence, the system was seen as of no use to them if it did not meet their business requirements. Design and specifications were tailored by the consultants who claimed that the users had been consulted at all stages. Here, my suggestion is that the meaningful participation of stakeholders should be ensured to avoid any crisis of ownership.

Executive commitment is another vital area because, while the project appeared to be doomed when the Auditor General was not interested in reform, the pace of implementation was accelerated when he backed the project. Hence, clear responsibility for success or failure should be given to a designated senior officer, promising executive commitment. Moreover, this commitment should be seen to be there. Pace as well direction are determined by proactive leadership.

The was a resistance to implement change could have been overcome earlier if the executive will had been there to support the project management during implementation. Another interesting phenomenon is that implementation was at its best in when the Project Director was also the Additional Auditor General[20]. Given his administrative authority, the Project Director was taken very seriously by all departments. This might not be best practice, but in the peculiar context of Pakistan, the fact that the Project Director had sufficient powers and autonomy to keep the typical bureaucratic culture at a distance was a great success.

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[20] The Additional Auditor General was in charge of the administration of the entire Department of the Auditor General of Pakistan.

Training is another catalyst of change, which must be synchronized with actual implementation. Appropriate trainers, which is from the departments instead of consultants, should have been found, although consultants did train the trainers. Here, the trainees' perception affects how they approach the trainer and the training material. Consultants were normally considered by the staff as outsiders who did not understand the public sector issues, so little weight was attached to their words. In PIFRA consultants were badly treated by the sites, some users at pilot sites calling them children.

Implementation at field offices through core teams should be a key strategy. Our team was constituted at a PIFRA test site, but office politics caused it to be disbanded after a time. However, the same core team members played a pivotal role in configuration and implementation throughout the organization.

Retaining key staff and attracting bright and academically sound officers in PIFRA was another major task. During PIFRA I, there was a dearth of competent and motivated officers in the project management team, owing to absence of any incentive. This issue was addressed in PIFRA II, and t made all the difference. So, incentives must be provided for a well-equipped team to implement the reforms.

These lessons are equally helpful for the World Bank, to see whether these conditions are in place for implementation. In developing countries like Pakistan, bureaucracies are extremely complex, but much of the World Bank's advice is heeded. Moreover, these measures should be incorporated into the agreements and contracts between Government and donors like the World Bank and IMF.

8.5.2: Lessons for the World Bank

Given the size and scope of the project, it seems a miracle that SAP has been implemented. However, much of its functionality remains unused. Here I question the very approach to implementation, starting with the highest level. When PIFRA was in the process of being visualized and the accounting changes were being tailored, field offices and the staff even in

provincial headquarters were not aware of this mega-change. Instead of a top-down approach, it should have been bottom up. Implementation should have started the the micro-level by choosing one District to implement all functions, and then this District could have been presented to others as a success story. In the arrangement where implementation started in all provinces, this was simply not manageable. This was the reason that, when sites were declared productive, they were only productive in terms of one or two business processes out of 12. This sent the wrong message across the country, that implementation was a hotch potch of the legacy system and SAP. During the initial years, the workload in offices was increased as confidence in the new system was very low and the manual legacy system was continued.

Instead of a single project, breaking it down into 20 smaller projects would have made it more manageable over a shorter period of time. A demonstration of success through rapid implementation would have helped in overcoming resistance to change.

The World Bank should not have approved the cosmetic arrangements that meant the first pilot site only became operational a year after its official inaugurated in July 2002. This encouraged the bureaucracy to resort to such measures, which were in fact detrimental to the cause of the project. It seems that the World Bank deliberately closed its eyes to the facts.

There is also an impression that the World Bank review missions set very high targets for the project management, which were simply not achievable. This led to the misconception that the World Bank, which claims to be an expert in development projects, did not care about the ground realities.

There are number of instances during implementation when the World Bank could have pushed the Government for reforms but did not do so. This questions the seriousness of the Bank's reform agenda.

Although the World Bank has been recognized as a key player in making the implementation possible in spite of resistance from all levels of Government, in some areas problems were caused for project management by the Bank's rigidity in following guidelines to select the contractors without any regard for advice from the PIFRA management.

Given the standing of the World Bank, it should have ensured the rigorous and persistent involvement of power users in every aspect of implementation. Power users are the opinion leaders who pave the way for smooth implementation as they can assume the role of agents of change. They could have been won over through various techniques including extensive involvement in the design and implementation process; and alignment of their vested interests with the project, such as foreign training and better terms of employment.

8.6: Contribution to practice

In this section I summarize all those points which have been inferred from the instant case study in relation to practitioners such as supervisory consultants, implementing consultants and accountants.

PIFRA's supervisory consultants, PwC, did not have requisite experience in SAP implementation because at that time Siemens had exclusive rights to implement SAP in Pakistan. Most of the consultants of PwC were chartered accountants with no SAP implementation experience to their credit, as PIFRA was an IT-intensive project. They were hired to play a role for which they were not competent at the requisite level. This issue was raised later when configuration of SAP was almost over for the test site. Hence, two SAP consultants were hired from Australia to supervise the OAT at the test site. It is professionally unethical to be paid for a job which is not actually performed according to the given standards. I asked a respondent from the World Bank how this contract of supervision had been awarded to a firm without the required credentials. The answer was that the World Bank did not intervene in such details, as it was the sole job of Government to protect its interest. This answer exposes the lack of competence and integrity of the Auditor General and his

team[21] who were owners of the project. It tells us that there should be a control system in place where responsibility can be fixed and the decision makers held responsible.

PIFRA implementation is also a message for all Government accountants that they rapidly need to adapt themselves to the new state-of-the-art technology if they want to survive. It was also pointed out by a number of respondents that younger personnel with accounting and IT backgrounds quickly switched to the new system as compared to the older ones. Hence, the lead of such projects should be entrusted to younger people equipped with the relevant academic background.

It was also acknowledged by one of the vendor's project managers that most of their consultants were new and were learning SAP through the PIFRA implementation, send the message to the client that they are not in safe hands. The vendor trained 100-120 consultants during SAP implementation, which confirms the impression that PIFRA was taken on by the vendor as an experimental laboratory. Here again the absence of a control system was felt, as PIFRA management and supervisory consultants were not in a position to question this compromise on the part of Siemens or sufficiently competent to raise the alarm. The vendors must learn from this implementation that they should have set their house in order first, to ensure smooth implementation meeting given deadlines. There was an impression that the Siemens team was being trained at the expense of the project.

Planning and communication among stakeholders have also been pointed out by number of respondents as crucial areas which were not given due attention by PIFRA management. Trial and error was the standard method of implementation as activities were not synchronized, causing delay and increasing costs. These factors have been highlighted by many researchers(Mabert et al., 2000, 2001, 2003) and the PIFRA project reinforces their importance.

PIFRA can be considered as a most complex project, involving a variety of actors and business scenarios. German and Australian SAP consultants commented on the size of the project, labelling it 'a massive project with thousands of users'. Unity of command was absent as multiple Governments were involved who battled over ownership issues. Nevertheless, PIFRA is still a success story although it cannot be measured according to the

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[21] The team is composed of auditors, accountants and the project management.

traditional yardstick of time and cost (ibid). There is consensus among respondents that PIFRA has largely achieved its major objectives.

8.7. Reflections on what was undertaken and insights for future research

After emphasising the main contributions of this PhD, as stated above, it is appropriate to review and consider some of the choices made and what could have been undertaken differently. Such reflections and insights are of importance not least because of how complex the PIFRA project in Pakistan was to research. One lesson to be learned from this, and hopefully by others also, is that projects like PIFRA cannot be undertaken by means of a single approach. PIFRA is a complex project in terms of the number of people involved, the resources and technology, the changes, power relations, the various cultures and the number and types of organisations involved at all levels to name but a few aspects. Any research approach is therefore bound to fall short of a 'full' understanding. As a result, reflections on some of the key choices made regarding the literature review, the appropriateness of NIS as a theory vis a vis other theories and its limitations,, are of vital importance not least as a guide for further insights and avenues pertaining to further research. Such research will hopefully add to and broaden the scope and understanding of the PIFRA projects in general and also the PIFRA project commenced in this instance.

The literature review focused on Pakistan as a state which has emerged, along with modern India, from the conclusion of British Imperial rule on the Indian sub-continent and the subsequent partition of the imperial territories into two new sovereign states. Initially, the new state was made up of two geographically separate entities, East and West Pakistan. East Pakistan, however, seceded in the 1970s under partition to become a separate new state named Bangladesh. On account of this, it was decided to focus the literature review on the emergence of modern western-style government in Pakistan, which was based initially on British Raj practices and also on the various ways in which Pakistan, as a developing modern state, inherited most of its institutional structures and laws from British colonial rule. This included Pakistan's approach to accounting as one of the key functions involved in governing the state and the population.

For this reason, the review paid relatively little attention to the emergence of accounting within other states which at first sight may appear comparable, e.g. other modern Islamic or developing states, due to the fact that none of these states was drawing on the distinctive

British form of government and public-sector accounting. A possible country for comparative purposes, given this approach, could have been the modern Indian state, however India is neither a Muslim state, nor a state of comparable size or economic significance. It was therefore considered more appropriate to focus the review on the knowledge fields relating to western governmental and accounting systems and their influence on, and adoption and adaptation by, the developing modern state of Pakistan. Particular reference was made with regard to traditions and practices developed in the UK, both before partition and also since.

Consequently it was decided to approach this study from the theoretical perspective of New Institutional Sociology, as this has been widely used for analysis and evaluation of the emergence and evolution of accounting and, in particular, the interplay between accounting and forms of management which have been developed in private-sector settings in the modern western state. NIS has been a major approach for the development of insights into the emergence of forms of 'New Public Management', (subsequently abbreviated to NPM), in the developed world, in addition to evaluation of the strengths and weaknesses of such NPM forms and analysis of unintended and intended outcomes resulting from NPM initiatives. NPM thinking has had a growing influence on Developing World states, and the adoption of NPM practices, including reformed types of accounting, has become increasingly widespread, not least as such changes have often been stipulated by international donor agencies such as the IMF and the World Bank as a condition for the distribution of loans.

The adoption of accrual accounting and the automation of financial management systems have increasingly become integral requirements which states need to accept as part of a governmental and management reform process which has to accompany the award of loans. Such initiatives require the hiring or training of expert staff to implement these accounting and financial management systems, and their coordination in appropriately re-made organizational and institutional settings. NIS has therefore proven an appropriate theoretical lens through which to discuss the state of financial management and the reliability and effectiveness of such management systems with regard to the legacy system derived from British imperial practices previously in place in Pakistan. When the legacy system lost its validity and utility but stayed in place, given the power of status quo systems to maintain themselves within state bureaucracy, new institutional building became integral to establishing an alternative framework for government and a commitment to accounting

reform. This became essential when the Pakistan government, starved of economic resources, agreed to a World Bank reform package.

This package required the separation of audit and accounting functions, and a change to a modified cash basis for accounting as an interim arrangement on the path towards the adoption of accrual accounting. It signalled a new independence for audit along with an extensive automation of the entire public sector financial management system. Consequently, as part of a general restructuring of government institutions, a significant organizational change in the department of the Auditor General of Pakistan arose. This context of change attracted the researcher to consider institutional theory as a strong lens to analyse the change itself and also the forces which might interact in the course of implementation of the modified cash basis accounting system and adoption of SAP as an integrated platform for budgeting and accounting at all levels of government. The approach helped to identify the roles of key actors and forces including the World Bank, different ministries in the Pakistan Government (e.g. the Ministry of Finance, the Pakistan Planning Commission, the Auditor General's department and the newly created Office of the Controller General of Accounts), plus major consulting firms including PriceWaterhouseCoopers, Siemens and KPMG involved in the Project management process.

NIS, thus, functioned as a lens offering multiple perspectives. The data collected for the case study could be utilised by means of analytical concepts such as 'organizational field', 'institutional logic', 'legitimacy', 'decoupling' and cultural and cognitive 'isomorphism'. The study consequently became focused, as an integral aspect of the NIS approach, on the roles of actors within the institutional framework, with a particular emphasis on the perceptions and interpretation of actors involved in the implementation of both the SAP system and the processes of accounting change. The above-mentioned concepts have helped greatly with regard to comprehension of the processes through which modern practices have become institutionally embedded and adopted. The presence of competing logics has been evidenced in the range of actions of different actors involved in the project, and has helped in terms of understanding the pace of change as well as different forms of implicit and explicit resistance. The use of NIS has,thus, demonstrated the continuing value of this form of institutional theory for analysing phenomena from the micro-level of interpersonal interactions to the global level of systems implementation.

When, under such circumstances, a developing country wishes to be the recipient of financial assistance from lending organizations such as the IMF and World Bank and decides to opt for the overhaul of its archaic financial management, one major purpose is that of seeking legitimacy. This was important in this context as the existing financial reports generated by the Government were not considered to be reliable by donors. As a result, the adoption of accrual accounting and SAP as tools of modernization was essential to enable a good level of legitimacy to be attained. The generation of more reliable and timely financial information and, thus, the upgrading of the entire economic system of the country potentially presented greater credibility with regard to the state in the eyes of the donor agencies.

NIS was regarded as an appropriate theory to adopt in the present study, especially as a growing number of researchers had already used it to analyse public sector accounting changes. At the same time, it is incorrect to argue that NIS is the only appropriate theory for analysing and understanding the changes taking place under PIFRA. The change can be viewed through various lenses with or without the move to a form of institutional theory.

One option which has also been widely used as an approach for analysing change at state levels is that of governmentality. This offered an appropriate alternative for studying World Bank funding of this financial management project, especially on account of the need to roll it out at national, provincial and district levels. Foucault described Governmentality as an 'ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics that allows the exercise of this very specific albeit complex form of power' (Foucault, 1979:20 cited in Miller and Rose, 2008). His approach also addresses the importance of studying this ensemble at all levels from the bottom up in order to understand the 'complex form of power' in its specificity.

Rose and Miller (2008), in their particular approach to studying government and the state, refer to government as a problematizing activity, whereby programmes of government are explicated only around and through difficulties and failures. They further elaborate that "Government is a domain of strategies, techniques, and procedures through which different forces seek to render programmes operable.....these heterogeneous mechanisms we term technologies of Government". These technologies are instrumental in deploying both political rationalities and programmes of Government (Miller and Rose, 1989), and, in accordance with their analysis, tend to operate. through an interplay of inscriptions and calculations, as key technologies of Government

The calculative technology of accounting can therefore be understood as that of being used by Government not just to shape or coordinate the activities of citizens but also to act at the heart of the private sphere to produce new ways of rendering economic activity into thought across both private and public spheres. One set of consequences may be to generate new visibilities for the components of profit and loss and to instil new methods of calculation which may commence to link business and private individual decisions to public objectives in new ways through the medium of (accounting) knowledge (Miller and Rose, 2008). As far as inscription is concerned, it is, they suggest, (drawing on work in Actor-Network Theory) a form of 'action at a distance'. The installation of calculative technologies such as accounting promotes the practice of making people write things down and count them, which is both a form of discipline and a means of governing the subject (and populations of subjects)., Authorities can act upon and enrol those who are 'at a distance', whether in time or in space (or both), through such mechanisms in order to achieve social, political and economic objectives without encroaching upon their apparent 'freedom' (ibid).

Similar sets of approaches to understanding accounting's significance in terms of coordination of activity are those which have matched Foucault as a potential theorist of management (e.g. McKinlay & Starkey, 1998). Hoskin (1998) highlighted the roles of accounting in constructing modern forms of management which contribute to the emergence of what Chandler (1977) described as the rise of the 'modern business enterprise' and the replacement of any supposed 'free market' economy with one or another form of 'oligopoly capitalism'. In this context, the emergence of modern 'governmental' systems are tied specifically to the development of forms of accounting which track human performance systematically, thus leading to the construction of the 'governable person' (Miller & O'Leary, 1988), thus signalling the importance of focusing on the 'archaeology' of modern accounting systems (Hopwood, 1988), and on the development of forms of accountability (Roberts, 1990) which track past human performance as a basis for setting numerical targets for future 'success'.

Such work has thrown a focus on the specific roles of accounting in constructing private-sector management practice. This follows on from material discussed in Chandler's analysis of the birth of the modern business enterprise, leading to the emergence of so-called 'world class' manufacturing and service organizations which survive or die by the application and constant improvement of accounting-based technologies of management. It also presents an historical perspective as to how such accounting-based management has migrated to the

public sector, particularly since the 1980s when governments like those of Margaret Thatcher in the UK and Ronald Reagan in the US began to promote the adoption of private-sector 'disciplines' of management in public-sector settings in their developed states.

Further to this general type of Foucault-inspired analysis, Mennicken and Miller (2012) suggested that the governmental uses of accounting do not focus on the implementation of technical calculative devices alone, but also on circulating ideas, rationalities and programmes of government which promote a commitment to seeking calculative or accounting-based solutions to problems. This form of 'problematisation' has moved away from the dominant focus of social scientific accounting analyses of the 1950s and the 1970s, which was mainly micro-focused on intra-firm or intra-organisational uses of accounting. Hopwood, influenced by radical critiques like those of Foucault, outlined a research program in *Accounting, Organizations and Society* which was increasingly centred on highlighting the way in which technical and organizational forms of accounting practice have wider social and political dimensions. Hopwood also urged that more attention be paid to the constitutive role of accounting in auguring or constructing organisational or social change, and more generally to engage in a reflective and reflexive way with accounting's practice and impacts. Not only NISA, but forms of Foucauldian analysis, including governmentality studies were able to flourish within this wider conceptual frame of understanding, to the extent that, for instance, accounting could be understood and analysed as a technology shaping the "conduct of conduct".

There are number of studies which have used the Governmentality framework to analyse how accounting changes have operated at both macro and micro levels. Neu and Graham (2006) investigated the role of accounting and funding relations within the process of nation building in Canada. Neu, Gomez, Graham and Heincke (2006) studied the reporting practices of the World Bank with a focus on how accounting technologies have become embedded in lending agreements, which have shaped the governing of education in Latin American countries from state to local levels.

A governmentality framework could be effectively employed to study PIFRA at both a macro and micro level in order to answer such questions as why the World Bank was interested in implementing accounting change in part through the medium of automation in the particular social, political and economic context of Pakistan, and how that interest then extended from the state to the local sites of implementation. Such an approach might generate new insights

into how accounting may function as a 'technology' at the hands of the World Bank, and become an effective vehicle for introducing and implementing a thorough change across the entire structure of a state's public sector financial management system.

One other potentially valuable approach for developing insights from this case study could be by means of political economy. This field has been defined as "a methodology of economics applied to the analysis of political behaviour and institutions" (Weingast and Wittman, 2006), and, subject to this definition, work in political economy analysis has permeated increasingly into the thinking and practice of many bilateral and multilateral agencies such as the DFID, USAID and GIZ since the 1990s (Acosta and Pettit, 2013). The political economy approach has also been used as a method of addressing the question of how institutions change over time (ibid), and bearing in mind that the current study has investigated a mega-change in the institutional set-up of financial management and audit in Pakistan, how such an approach may well shed new light on the evidence assembled here, particularly as further changes in the institutional framework and the practice of financial management take shape.

This would likewise be a different type of study and analysis than what has taken place in this research project. The main research question and the subsidiary questions focused on the implementation of SAP and accounting changes in the budgeting and accounting offices of Pakistan which suggests that this was, in political economy terms, a meso-level study. Given that political economy as a theoretical framework is more focused at macro-level, it would arguably not have been as appropriate as the NIS framework which was adopted. However, valuable future study could be conducted using the lens of political economy to analyse the ways in which the World Bank was a key player in the change process from a different perspective from that studied here.

As a meso-level, this research has involved maintaining a focus on all of the budgetary and accounting offices in the country. Such offices were located partly within the organization under the control of the Auditor General of Pakistan and partly within the Finance Ministry and the provincial Finance Departments, as these were the offices which handled the major public financial management issues. By means of use of NIS, the process of change in these offices was analysed and the role of different actors at different levels was probed. The cognitive dimension of NIS analysis was drawn upon in particular to seek to understand the perceptions and understandings of users and actors, both in the change management project and in the Government. This approach made it possible to determine

how change was interpreted by different actors at any given time and how the interpretations of actors themselves changed over time.

What emerged was a narrative, a story of implementation of change, commencing with widespread resistance to the proposed change and ending to a great extent in a widespread ownership of the new financial management system and processes. As mentioned earlier, the tools of NIS made it possible to analyse the different phases of the project which, in turn, revealed the extent and limits of institutionalization at different times. NIS also made it possible to appreciate other forces which were playing significant roles in institutionalization.

When discussing the different levels of analysis, it should be borne in mind that these macro, meso and micro levels do not exist in isolation from each other, but are constantly interacting and interwoven. It is difficult, if not impossible, to capture these rich interactions in a study which has focused mainly at just one level (in this case the meso-level), not least because of the challenges posed in terms of data collection and access to key players and sources of information.

In this instance, the researcher was fortunate to have had a professional career within the state accounting service and to have established a strong network of contacts, including former colleagues. This enabled him to gain access to a rich variety of respondents both within and beyond the world of government. As a former insider, he was able to establish a certain level of trust with many respondents relatively easily, and many were willing to share their experiences in a full and frank way. However this level of access also meant that at the focus was on a meso-level rather than on a macro level in terms of studying the wider political, economic and social environment. This type of study remains a possible way forward for future research which could consequently move beyond the scope of the research question formulated here.

There is a dearth of studies in the accounting literature which have captured all three levels of analysis as indicated above. The pursuit of such a possibility as a means of integrating understanding across a range of issues in a set of case studies which encompass all levels, is an area for future potential development in accounting research,

As with all research endeavours, the current study has suffered limitations, along the lines just indicated. Nevertheless it is, hopefully, a case study which has contributed in terms of providing an insight into the implementation of a set of 'state of the art' accounting technologies within a public sector institutional setting in,Pakistan, a developing country

which initially appeared not prepared to accept either the new technologies or the institutional changes necessary for their successful implementation.

One particular contribution could arguably extend understanding of how an ERP system such as SAP can be successfully implemented and, also, the potential pitfalls to be encountered. A number of studies have been conducted on SAP implementation in the corporate sector within Pakistan, however this is the first study to have been carried out in the public sector. According to the Siemens Team Leader on the project, SAP Germany has developed its public sector version of SAP in some significant ways as a result of lessons learned from this mega implementation of SAP. This case study also perhaps reinforces the view that 'one size fits all' technical solutions do not necessarily apply everywhere, as the specific challenges which have been faced and overcome in this instance, do not fall easily into the categories constructed to guide ERP implementation (such as the use of 'critical success factors') as described in much previous research in this field.

Finally, as far as the social, political and economic consequences of PIFRA are concerned, this project was declared a 'success' on all sides in spite of the many problems and issues which were confronted along the way. When PIFRA was launched as an agenda for change in Pakistan, it was perceived by a number of interested parties, including potential users, to be a conspiracy against the state of Pakistan. It was also dubbed or characterised as an opportunity for Western nations, through the international agencies like the World Bank and IMF, to meddle in the affairs of Pakistan. Users questioned the usefulness of the project on the grounds that many functional specifications and reporting requirements were World-Bank-driven instead of being subject to the wishes of the owners of the system. Another reservation widely voiced by users was that this loan, as a long term liability on the Government, did not benefit Pakistan and the good government of the state at all, as most of the money would return to Western economies, for instance through payment of foreigner-run training programmes and the procurement of hardware and software from the Western vendors (as well as the repayment of capital and interest to the funding agencies). Moreover, it as argued, that it would create a permanent dependence on Western tools and gadgets, such as SAP upgrades and renewals of user licenses.

Nevertheless, over a period of time, the benefits of SAP for the effective and cost efficient running of the public sector financial management system have become recognised by a significant number of users, especially now that the system has functioned for more than

a decade. The work culture of the offices involved has seemingly been revolutionized as the workflow within and across the network of accounting offices has become SAP system based. Paperwork has been reduced in many valuable respects, as for instance, the automation of salaries, GPF and Pension payments has reduced the burden of work in and across the network of accounting offices. End users such as pensioners have also acknowledged the benefits of the change. Many senior managers in the Central Finance Ministry and local departments have described availability of real time data as a particular boon for decision makers. The incidence of fraud has also been reduced due to the fact that the SAP has a strong tracking system which has helped to identify and apprehend culprits.

Such change is necessarily an ongoing process. At the same time, PIFRA must receive due credit for triggering significant change in the work culture and effectiveness of the public sector organizations charged with delivering financial management and audit functions – organizations which were previously known for their attachment to the '*status quo*'. Such change has now become a reality and has, it now appears, attained a level of acceptance which cannot now be rolled back.

Had other theories on their own or a combination of them been used, the researcher would have had to gather other data more relevant to the respective theories for the analysis. Likewise, had this study been tilted towards macro analysis, he would have needed to access historical data to evaluate the context in terms of the social, economic and political milieu of the study. As this study focused on an initiative taken by the World Bank to revamp the public financial management, it was more concerned with how this change was perceived by different users and, also, to what extent it was implemented. When the context of the change was discussed in the study, the emphasis was on accounting practices in vogue prior to implementation of the project which have been referred to as valid justifications for the initiation of the project.

Additionally, with regard to this study, Pakistan was amongst development pioneers in addition to those Islamic countries which have launched such a mega project of change that has encompassed all tiers of government commencing from the Federal to the District level. There may be some instances where similar change was introduced but these were on a very limited scale. With regard to this the researcher sought to extract information and learn from previous implementations in Western nations, where such change has been implemented to a great extent.

8.8: The final words

This thesis is set to understand the extent of institutionalization of new accounting model and SAP in the public sector of Pakistan. It has been analysed to a significant level that the institutionalization is advancing but it cannot be entirely assessed due to certain factors like presence of the World Bank as a force in the project. World Bank has emerged as a major force in the project which ensured continuity of the reforms implementation. There are certain practices and routines which have attained the level of being 'taken for granted' but it is not so in case of all changes introduced by the project.

PIFRA has been dubbed a 'success' by majority of users and stakeholders but it cannot be measured through conventional yardsticks applied by the researchers for ERP projects. Users have different reasons to label the project a success. For instance, some take payroll automation of about 2 million employees a success and others interpret success in terms of availability of reports and real time data and integration of all sites and modules. One group of users believe it is a lesser degree of success because SAP is not being used according to its potential which could fetch greater results and impact. Some were of the view that the impact of success cannot be felt unless the mindset and perception of users is not changed. In a word, in spite of all shortcomings and misgivings PIFRA is more or less a success if context of a developing country like Pakistan is kept in view.

The researcher has come across certain surprises (findings) during the course of this study which were not expected at the outset of the endeavour. The role of training in institutionalization is an area which is not widely explored by researchers. In PIFRA, training has emerged as a catalyst for institutionalization. It has proved to be driver to accelerate the process of institutionalization. On the other when it was not managed properly, it proved to be a major obstacle in implementation. Its role in changing the perception of users for the new system was amazing and master trainers who were resource persons as well played a decisive role in changing the perception of users about the new system. So it can be safely said that" better the training, greater the institutionalization".

Another unexpected finding is about the role of the World Bank in implementation of PIFRA. In spite of all resistance, World Bank showed an exceptional resolve to introduce reforms in the public financial management of Pakistan. Association of the World Bank with this reform agenda is very unusual because it starts from early 90s till to date. This study also has contributed in improving the image of the World Bank as a donor because the significance of

reforms implemented by the World Bank cannot be undermined by any prudent person. Keeping hidden agenda of donors aside, theoretical changes in accounting and automation are such moves that cannot be taken as inconsonant with this modern age's needs. In a word, a change of such a magnitude was not possible without intervention of the World Bank.

Appendix 1

Abbreviations

AAs	Appropriation Accounts
AAAOs	Assistant Accounts Officers
AATI	Audit and Accounts Training Institute
AFR	Accrual Financial Reporting
AG	Accountant General
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenue
APS	Australian Public Sector
ASAP	It is a methodology to implement SAP
ASOSAI	Asian Organization of Supreme Audit institutions
BMI	Becoming Master Instructor
BPR	Business Process Reengineering
CCMU	Communication and Change Management Unit
CEOs	Chief Executive officers
CFOs	Chief Financial Officers
CGA	Controller General of Accounts
COA	Chart of Accounts
CoC	Chart of Classification
CSFs	Critical Success Factors
CTP	Comprehensive Training Plan
DAOs	District Accounts Officers
DDO	Drawing and Disbursing Officer
DEB	Double entry bookkeeping
DFID	Department for International Development

DMG	District Management Group
EAD	Economic Affair Division
ERP	Enterprise Resource Planning
FABS	Financial Accounting and Budgeting System
FRM	Financial Reporting Manual
FY	Financial Year
GDP	Gross Domestic Product
GFS	General Financial Statistics
GM	General Manager
GoP	Government of Pakistan
GPF	General Provident Fund
GRC	Governance Related Conditionalities
HIS	Health Information System
HMIS	Health Management information system
HRM	Human Resource Management
IASB	International Accounting Standard Board
IBA	Institute of Business Administration
IBRD	International Bank for Reconstruction and Development
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IDA	International Development Association
IFC	International Finance Cooperation
IFMIS	Integrated Financial Management Information Systems
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MoF	Ministry of Finance

MTBF	Medium Term Budgetary Framework
NAM	New Accounting Model
NAO	National Audit office
NBP	National Bank of Pakistan
NI	Northern Island
NICS	Northern Island Civil Service
NIS	New Institutional Sociology
NPM	New Public Management
NSW	New South Wales
OAT	Operation Acceptance Test
OECD	Organization for Economic Cooperation and Development
PA&AS	Pakistan Audit and Accounts Service
PACs	Public Accounts Committees
PAD	Project Appraisal Document
PAD	Pakistan Audit Department
PC-I	Project Concept Paper
PD	Project Director
PEFA	Public Expenditure and Financial Accountability
PIFRA	Project to Improve of Financial Reporting and Auditing
PIPFA	Pakistan Institute of Public Finance Accountants
PwC	PricewaterhouseCoopers
RA	Resource Accounting
RA	Resource Audit
RAB	Resource Accounting and Budgeting
ROI	Return on Investment
SAP	Systems, Applications, Products in data processing
SAPCC	SAP Competency centre
SBP	State Bank of Pakistan
SC	Supervisory Committee
SOA	Sarbanes Oxley Act

TNA	Training Need Analysis
TNA	Training Need Assessment
ToT	Training of Trainers

Appendix 2

<u>World Bank Aide-memoires for PIFRA I</u>

Aide Memoire No. 1	March 17-18, 1997
Aide Memoire No. 2	May 6-13, 1997
Aide Memoire No. 3	September 29-October 2, 1997
Aide Memoire No. 4	November 17-21, 1998
Aide Memoire No. 5	August 27, 1999
Aide Memoire No. 6	February 14-18, 2000
Aide Memoire No. 7	February 5-13, 2001 and April30-May 4, 2001
Aide Memoire No. 8	September 10-13, 2001
Aide Memoire No. 9	January 21- February 9, 2002
Aide Memoire No. 10	September 7-19, 2002
Aide Memoire No. 11	May 26-30, 2003
Aide Memoire No. 12	October 13-18, 2003
Aide Memoire No. 13	May 12-22, 2004
Aide Memoire No. 14	November 18-23, 2004
Aide Memoire No. 15	April 11-20, 2005

<u>World Bank Aide-memoires for PIFRA II</u>

Aide Memoire No. 1	January 23 – February 2, 2006

Aide Memoire No. 2   July 20-29, 2006

Aide Memoire No. 3   December 5-18, 2006

Aide Memoire No. 4   July 23- August 6, 2007

Aide Memoire No, 5   January, 2008

List of Activities

Site Name	Site Preparation									Procurement Expert									
	Site Preparation	Generator	Auto Switch of Generator	Generator connection to Meter	Training of DG Generator	Operational Testing of DG Set	3 phase meter	Power points of workstations	Transformer	Original work stations with LAN	Additional WS	LAN for Additional HW	Check Printer	Heavy Duty printer	UPS	FI Forms	HR Forms	Pre-printed Cheque stationery	Pre-printed Payslips
DAO 1																			
DAO 2																			
DAO 3																			
DAO 4																			

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