Explaining Processes of Change in Management Accounting: The Case of a Portuguese Postal Company

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ABSTRACT

This thesis is the result of a longitudinal in-depth case study conducted from January 2003 until February 2006 within a public sector Portuguese postal company, POST, in order to enhance comprehension about the adoption, implementation and use in practice of two new management accounting systems in this specific organisation.

The current thesis is composed of three essays that explore several issues of the processes of management accounting change in POST. In the first essay I argue that trust-building processes are crucial for a better understanding of the decision-making processes that lead companies to adopt new management technologies such as management accounting systems. Although there are economic and organisational arguments which may suggest that the implementation of a new management accounting system is due to efficiency reasons, these arguments alone are not sufficient to decide on its adoption. Trust relationships between the parties involved are needed for new management accounting systems to be introduced in organisations. At POST, the trust-building processes between a series of Boards of Directors and two other bodies – consultancy firms and the Planning and Control Office (PCO), which is an internal organisational area – were fundamental in the adoption of two new management accounting systems. The PCO, as well as the consultants, argued for the introduction of these systems based on reasons of efficiency in order to convince each of the successive Boards of their usefulness. However, it was the different types of trust built up between the afore-mentioned bodies through repeated interactions over time that eventually led one of the Boards to adopt these systems. The different types of trust built up are identified in this essay according to Kramer’s (1999) proposed definitions.

In the second essay I investigate how and why the implementation processes of two new management accounting systems in POST were influenced by strategies of power. In particular, I explore the strategies of power adopted by a particular organisational area, the PCO, intended to maintain its power position within POST. The strategies of power adopted by the PCO are interpreted in the light of the different dimensions of power proposed in Hardy’s (1996) framework. Furthermore, I extend this framework as a result of the limitation it has in explaining the ‘power of the system’ in POST, which encompasses both ‘unconscious’ and ‘conscious’ behaviours.
In the third essay, insights from Burns and Scapens’ (2000) framework, including its extensions, have been applied in order to explain the existing gap between the rules of the newly implemented management accounting systems and their use in practice (routines). The study adds some theoretical insights to Burns and Scapens’ framework. Firstly, it demonstrates that a change that follows established routines and institutions may be as difficult to implement as a change that challenges them. Secondly, it emphasises the importance of trust and power issues in understanding how the new management accounting systems were used in practice at POST. In so doing, it contributes towards extending the focus of management accounting change difficulties to other additional entities, from users to implementers and sponsors. Finally, this study shows that external pressures are important for initiating change as well as managing the processes of change in subsequent stages.

*Keywords: Management accounting, Processes of change, Trust, Power, Case study.*
RESUMO

Esta tese resulta de um estudo longitudinal realizado numa empresa pública do sector postal, POST, entre Janeiro de 2003 e Fevereiro de 2006, com o objectivo de compreender a adopção, a implementação e a utilização na prática de dois sistemas de contabilidade de gestão nesta organização específica.

A presente tese é composta por três ensaios que exploram vários aspectos dos processos de mudança na POST. No primeiro ensaio defendo que processos de construção de confiança são fundamentais para levar as organizações a adoptar novas tecnologias de gestão, tais como sistemas de contabilidade de gestão. Embora existam argumentos de natureza económica e organizacional que possam sugerir que a implementação de um novo sistema de contabilidade de gestão tem por base factores de eficiência, estes argumentos só por si não são suficientes para decidir a sua adopção. Relações de confiança entre as partes envolvidas nos processos de adopção são necessárias para que novos sistemas de contabilidade de gestão sejam introduzidos nas organizações. Na POST, processos de construção de confiança entre vários conselhos de administração e duas outras entidades – empresas de consultadoria e o Gabinete de Planeamento e Controlo (adiante designado por PCO), o qual é uma área organizacional interna – foram fundamentais na adopção de dois novos sistemas de contabilidade de gestão. O PCO, assim como os consultores, defenderam a introdução destes sistemas com base em razões de eficiência, com o objectivo de convencer cada um dos sucessivos conselhos de administração acerca da sua utilidade. No entanto, foi a construção de diferentes tipos de confiança entre as entidades acima referidas e os conselhos de administração que, através de repetidas interacções ao longo do tempo levaram, finalmente, um dos conselhos de administração a adoptar estes sistemas. Os diferentes tipos de confiança construídos são identificados neste ensaio tendo por base as definições propostas por Kramer (1999).

No segundo ensaio desta tese investigo como e porquê os processos de implementação dos dois sistemas de contabilidade de gestão na POST foram influenciados por estratégias de poder. Em particular, analiso as estratégias de poder adoptadas por uma área organizacional específica, o PCO, durante os processos de implementação com o objectivo de manter a sua posição de poder na POST. As
estratégias de poder adoptadas pelo PCO são interpretadas tendo por base as diferentes dimensões de poder propostas no modelo teórico de Hardy (1996). Por sua vez, estendo este modelo em consequência da sua limitação em explicar o poder do sistema na POST, o qual compreende simultaneamente comportamentos ‘inconscientes’ e ‘conscientes’.

No terceiro ensaio, ideias defendidas pelo modelo teórico de Burns e Scapens (2000), incluindo as suas extensões, foram utilizadas para explicar o hiato existente entre as regras dos novos sistemas de contabilidade de gestão e o uso destes sistemas na prática (rotinas). O estudo acrescenta algumas ideias teóricas ao modelo de Burns e Scapens (2000). Em primeiro lugar, demonstra que a mudança que segue as rotinas e instituições estabelecidas na organização pode ser tão difícil de implementar como a mudança que as desafia. Em segundo lugar, enfatiza a importância de aspectos de confiança e de poder na compreensão de como os novos sistemas de contabilidade de gestão são utilizados na prática na POST. O estudo consegue, assim, contribuir para estender a outras entidades, responsáveis pela implementação dos sistemas e patrocinadores, o foco das dificuldades relacionadas com a mudança em contabilidade de gestão. Por último, mostra ainda que pressões externas são importantes para iniciar a mudança, assim como para gerir os processos de mudança em estádios subsequentes.

Palavras-chave: Contabilidade de gestão, Processos de mudança, Confiança, Poder, Estudo de caso.
RÉSUMÉ

Cette thèse est le résultat d’une étude longitudinale qui a été menée en profondeur dans une entreprise publique du secteur postal, POST, entre Janvier 2003 et Février 2006 et qui a, pour objectif, celui de comprendre l’adoption, la mise en place et l’utilisation dans la pratique de deux systèmes de comptabilité de gestion dans cette organisation spécifique.

Cette thèse est composée de trois essais qui explorent divers aspects des processus de changement chez POST. Dans le premier essai, je défends que les processus de construction de confiance sont fondamentaux pour amener les organisations à adopter des nouvelles technologies de gestion, telles que les systèmes de comptabilité de gestion. Bien qu’il existe des arguments économiques et organisationnels qui puissent suggérer que la mise en place d’un nouveau système de comptabilité de gestion ait pour base des facteurs d’efficacité, ces arguments en soi ne sont pas suffisants pour décider leur adoption. Des relations de confiance entre les parties concernées dans les processus d’adoption sont nécessaires pour que de nouveaux systèmes de comptabilité de gestion soient introduits dans les organisations. Chez POST, des processus de construction de confiance entre les différents conseils d’administration et deux autres entités - entreprises de consulting et le Bureau de Planning et Contrôle (désigné infra par PCO), ce dernier étant une aire organisationnelle interne – ont été fondamentaux dans l’adoption de deux nouveaux systèmes de comptabilité de gestion. Le PCO, comme les consultants, ont défendu l’introduction de ces systèmes sur la base des raisons d’efficacité, afin de convaincre chacun des conseils d’administration qui se sont succédés, en ce qui concerne leur utilité. Cependant, ce fut la construction de différents types de confiance entre les entités mentionnées ci-dessus et les conseils d’administration qui, par le biais d’interactions répétées au cours du temps, ont amené finalement un des conseils d’administration à adopter ces systèmes. Les différents types de confiance construits sont identifiés dans cet essai, sur la base des définitions proposées par Kramer (1999).

Dans le deuxième essai de cette thèse, je recherche comment et pourquoi les processus de mise en place des deux systèmes de comptabilité de gestion chez POST ont été influencés par des stratégies de pouvoir. J’étudie particulièrement les stratégies
de pouvoir adoptées par une aire organisationnelle spécifique, le PCO, pendant les processus de mise en place, dont l’objectif était de maintenir sa position de pouvoir chez POST. Les stratégies de pouvoir adoptées par le PCO sont interprétées sur la base des différentes dimensions de pouvoir proposées dans le modèle théorique de Hardy (1996). À mon tour, j’étends ce modèle vu sa limitation à expliquer le pouvoir du système chez POST, ce dernier comprenant simultanément des comportements ‘inconscients’ et ‘conscients’.

Dans le troisième essai, des idées défendues par le modèle théorique de Burns et Scapens (2000), en incluant leurs développements, ont été utilisées pour expliquer le hiatus existant entre les règles des nouveaux systèmes de comptabilité de gestion et l’utilisation de ces systèmes dans la pratique (routines). L’étude ajoute quelques idées théoriques au modèle de Burns et Scapens (2000). En premier lieu, l’étude démontre que le changement qui suit les routines et institutions établies dans l’organisation peut être aussi difficile à mettre en place que le changement qui les défie. En deuxième lieu, l’étude souligne l’importance des aspects de confiance et pouvoir dans la compréhension de comment les nouveaux systèmes de comptabilité de gestion sont utilisés dans la pratique chez POST. L’étude parvient ainsi à contribuer à étendre à d’autres entités, responsables de la mise en place des systèmes et sponsors, le foyer des difficultés qui sont en relation avec le changement en comptabilité de gestion. Finalement, l’étude montre encore que les pressions externes sont importantes pour mettre en œuvre le changement, comme pour gérer les processus de changement lors des phases ultérieures.

**Mots-clés:** Comptabilité de gestion, Processus de changement, Confiance, Pouvoir, Étude de cas.
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Appendix 1: Description of the interviews

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Appendix 3: Example of the main areas included in the organisational structures of POST
LIST OF ABBREVIATIONS

ANACOM  National Communications Authority
BD      Board of Directors
BSC     Balanced Scorecard
EIS     Executive Information System
IPC     International Post Corporation
IS      Income Statement
IT      Information Technology
KPI     Key Performance Indicators
MO      Management by Objectives
NIE     New Institutional Economics
NIS     New Institutional Sociology
OIE     Old Institutional Economics
PCD     Planning and Control Department (of the various organisational areas)
PCO     Planning and Control Office (at corporate level)
POST    Portuguese Postal Company (in which this research was undertaken)
UPU     Universal Postal Union
INTRODUCTION
1. INTRODUCTION

In this research I aim to contribute to a more in-depth understanding of what influences the adoption, implementation and use in practice of management accounting systems in specific settings. I carried out a longitudinal in-depth case study in a public sector Portuguese postal company, POST, where two new management accounting systems were introduced. Three essays emerged from this research. The first explores the importance of trust in the adoption of these systems. The second approaches the implementation processes of the systems from a power perspective. Finally, the third, following an institutional perspective, analyses and explains the existing gap between the rules of the newly implemented systems and their use in practice in this specific organisation.

This introduction outlines the nature and scope of the research developed in the thesis. In the first part of the introduction, previous research is reviewed in order to justify the relevance of the current thesis. Then, the aims of my research are stated. This is followed by the third section, which justifies the research method adopted. Finally, in section four, the structure of the thesis is outlined.

2. BACKGROUND TO THE RESEARCH

Accounting has traditionally been viewed as a bastion of conservatism and thus, from this perspective, change is likely to be slow and constrained rather then frequent and extreme (see Sulaiman and Mitchell, 2005, Scapens, 1994). It has also been argued by researchers that management accounting systems have not shifted sufficiently
compared to changes in the environment in which management accounting is practised (e.g. Scapens, 1990; Bromwich and Bhimani, 1994; Otley, 1994; Bruggeman and Slagmulder, 1995; Bjoornenak and Oslon, 1999). However, although slowly, management accounting systems do change over time (Hopwood, 1987, Burns and Scapens, 2000). In recent years, many firms have been experiencing significant changes in their organisational designs, competitive environments and information technologies (Burns and Vaivio, 2001), which have highlighted a need for management accounting to change too. On the other hand, changes in management accounting may range from minor modifications in existing management accounting systems to complete replacements or significant changes (Sulaiman and Mitchell, 2005).

Over the last two decades there has been increasing debate about management accounting change. As Burns and Scapens (2000: 3) point out, there has been a debate on whether management accounting has not changed, has changed, or should change. It was the 1980’s that saw the emergence of this debate about management accounting change (Hopper and Powell, 1985; Chua, 1986; Johnson and Kaplan, 1987; Hopwood, 1988; Scapens, 1990). As a result, since that time there has been an increase in the number of empirical research studies interested in examining management accounting change in practice, although it has been argued that the nature of change is often taken for granted and its definition is avoided by researchers (Quattrone and Hopper, 2001). These empirical research studies have been conducted across many different business sectors and different national settings, and have adopted a multitude of research perspectives and methods (Burns and Vaivio, 2001).

Management accounting researchers have used a wide range of different approaches when studying change in management accounting (see Shields, 1997;
Scapens and Bromwich, 2001; Baxter and Chua, 2003; Luft and Shields, 2003; Barrachina et al., 2004). In particular, interpretive and critical approaches began to be discussed as theoretical support for research in management accounting (see Hopper and Powell, 1985; Chua, 1986; Humphrey and Scapens, 1996). These approaches have been seen as theoretical alternatives to positivist approaches, as well as to normative and prescriptive approaches (see Ryan et al., 2002). In other words, interpretive and critical accounting approaches have been viewed as alternatives to so-called mainstream accounting approaches.

Mainstream approaches in accounting research have depicted accounting change as an outcome of rational behaviour in a bid to maximise profits through ‘better’ information (Hopwood, 1987; Covaleski et al., 1993). In this sense, change is described in relation to ‘ideal’ new accounting configurations rather than by exploring the complex (and often unpredictable) dynamics of change through time (Burns, 2000). The context in which accounting operates is of little importance to mainstream accounting researchers. In turn, for interpretive and critical accounting researchers the aim is much more to understand and explain management accounting practices by taking into consideration their social, cultural and organisational context (see, for example, Ryan et al., 2002).

Taking into consideration the ‘real-life’ context in which management accounting change occurs helps to explain how, through time, management accounting systems are adopted, implemented and used (or abandoned). Thus, there have also been numerous calls to adopt a processual approach when studying accounting change (e.g. Hopwood 1987; Covaleski et al., 1993; Scapens, 1994; Chua, 1995; Atkinson et al., 1997; Burns, 2000; Scapens and Bromwich, 2001; Burns et al., 2003; Scapens, 2006).
Burns (2000: 568) states that “a processual approach means exploring the temporal dimensions of change, unfolding over time, through reference to the past, the present and the future”. Pettigrew (1990: 269) accuses mainstream research of being “ahistorical, aprocessual and acontextual in character”. It is argued that processual approaches offer an enhanced understanding of change due to the consideration of the historical and organisational context (see also Dawson, 1994; Pettigrew, 1995).

As a result of the limited explanation provided by mainstream accounting research, calls have been made for more longitudinal in-depth case study research, using both interpretive and critical approaches, in order to enhance understanding of management accounting in practice (e.g. Scapens, 1990; Scapens and Roberts, 1993; Baker and Bettner, 1997; Burns et al., 2003; Scapens, 2006). Interpretive and critical accounting researchers view management accounting practices as social practices and believe that they are not natural phenomena: they are socially constructed and thus social actors play an important role in processes of management accounting change.

Accounting researchers who are examining processes of accounting and organisational change have drawn on a range of social theories to inform their research. For example, taking into consideration Foucault’s insights, Carmona et al. (1997) examined the role of cost accounting practices as a disciplinary regime during the eighteenth century in a large, state-owned, tobacco factory in Spain. Burns and Scapens (2000) drew on old institutional economics theory to develop a framework for studying the ongoing processes of management accounting change. Drawing on actor-network theory, Quattrone and Hopper (2005) studied the effects of implementing an enterprise resource planning system upon management accounting in two multinational
organisations. Together, all the different theoretical approaches provide a deeper understanding of management accounting practices and their processes of change.

Currently, management accounting change is an increasingly popular focus for research (Quattrone and Hooper, 2001; Sulaiman and Mitchell, 2005). However, the literature on management accounting change is far from being mature. It is a very new area of accounting research which has only recently been brought to the discussion table (Hopwood, 1987), compared to organisational change, which has been of central interest to management scholars for more than half a century now (Van de Ven and Poole, 1995). Thus, more research is needed to enhance understanding of how new management accounting systems are adopted, implemented and used in practice. In particular, there is ample space for exploring the importance of trust and power relationships between the people involved, individually or as a group, in the processes of management accounting change. Trust can be built in different ways. For example, we can trust in people because we see them as experts on a specific theme. We can also trust someone because s/he belongs to the same social group we are part of. Other forms of trust also exist, some of which will be explored later in this thesis (see Part I). In the same vein, there are multiple dimensions of power (see Part II). For example, one can have power in a situation because one has control over resources or because one can manipulate someone into taking a decision that will serve one’s purposes.

Trust is becoming a relevant issue in accounting literature. However, the majority of the accounting studies on trust (e.g. Tomkins, 2001; Dekker, 2003, 2004; Cooper and Slagmulder, 2004; Seal et al, 2004; Mouritsen and Thrane, 2006) have explored the role of trust in the context of inter-organisational relationships (e.g. alliances, networks, outsourcing). Exceptions include Johansson and Baldvinsdottir
(2003) and Busco et al. (2006), who have focused on the role of trust in intra-organisational contexts. There is a great need for such studies on trust at the intra-organisational level. Those that do exist have focused on particular aspects of trust/distrust, and I consider that further aspects of trust/distrust must be explored at the intra-organisational level (and also at inter-organisational level) in the context of management accounting change. In fact, there is little understanding about the importance of trust relationships between social actors in the adoption of new management accounting systems, as well as in their subsequent implementation and use in practice.

As already mentioned above, there is also ample space for studying how important power issues are in the processes of management accounting change. Management accounting is rarely a neutral activity and, thus, throughout the processes of change, the stated objectives of new management accounting systems may hide the real ones (Burns and Vaivio, 2001). It may be said that power is involved in these processes, even when this is denied. Management accounting systems influence what counts as good, bad, right or wrong. Hence, these systems can be used to legitimise particular forms of organisational activities and can work as a source of power for particular groups within the organisation (Ryan et al, 2002). Although some accounting researchers have made valuable contributions to our understanding of the power concept in organisations (e.g. Markus and Pfeffer, 1983; Covaleski and Dirsmith, 1986; Hoskin and Macve, 1986, 1988; Miller and O’Leary, 1987; Burns, 2000; Collier, 2001), there is a lot to be learned about the multiple mechanisms of power that people, individually or as a group, may use throughout the processes of management accounting change.
Additionally, trust and power issues have mainly been studied in isolation in the processes of management accounting change. Rarely have they been included within other theoretical perspectives when studying management accounting change. Exceptions include some studies which considered insights from the old institutional economics theory with power issues (e.g. Burns, 2000, Ribeiro and Scapens, 2004) or trust issues (e.g. Busco et al., 2006).

Accounting change studies from an institutional theory perspective have recently become popular as a possible way to satisfy the demands of context related studies. Focused on at an intra-organisational level, Burns and Scapens (2000) undertook an influential study in this area when using an (old) institutional framework to describe management accounting change. In their model, change occurs through the interplay between organisational routines, rules, actions and institutions. Limitations to this framework have been put forward and extensions have been suggested. Not surprisingly, trust and power issues have been considered important in gaining a better understanding of the mish-mash of inter-related influences through which management accounting practices evolve (see Scapens, 2006).

To sum up, trust and power issues are of significant importance in allowing a richer understanding of the processes of accounting change. Based on this assumption and bearing in mind calls for more in-depth case study research on accounting practices in specific organisational settings, in the next section I will state the purposes of the current research.
3. PURPOSE OF THE RESEARCH

This research aims to contribute to a more in-depth understanding of how and why management accounting systems and practices evolve within specific organisational settings through time, taking into consideration a broader social, cultural and organisational context. Thus, a longitudinal in-depth case study was conducted from the beginning of 2003 until February 2006 within a Portuguese Postal company, POST, in order to enhance understanding of what influenced the adoption, implementation and use in practice of two new management accounting systems in this specific organisation. One was called IS (Income Statement) and aimed to account for the financial results for the different areas within the organisation, which can be filtered down through the elements of the structure. The other was called KPI (Key Performance Indicators), and aimed to provide indicators to monitor both business and individual performance.

The main research questions of the current investigation are:

1. How and why was the adoption of the two new management accounting systems in POST influenced by trust relationships between the parties involved?

2. How and why were the implementation processes of the two management accounting systems in POST influenced by strategies of power?

3. Why was there a gap between the rules of the newly implemented management accounting systems and their use in practice (routines) in POST?
POST affords an interesting context in which to study processes of management accounting change. Firstly, although it belongs to the public sector, a ‘new public management’ style which focuses on a customer oriented strategy was adopted in POST as a result of the increasing competition it has faced. Important changes have been taking place in the postal sector. The most important change has been the ongoing process of deregulation as a consequence of the opening up to competition of European Community postal services, which started in 2000 and will continue until 2009. Currently POST operates as a partially regulated monopoly. As Jackson and Lapsley (2003) point out, a major feature of change in the public sector has been the displacement of the old-style public administration by a ‘new public management’ which focuses on results and measurement and in which accounting plays a central role. Secondly, POST is a very large public organisation that adopted two new ‘formal’ management accounting systems which are typical management accounting tools of private sector companies. As Hood (1991, 1995) points out, organisations from the public sector are giving preference to private-sector styles of management practice. Finally, ease of access to POST also played an important role in my choice. This is important in longitudinal in-depth case study research, as one needs intensive access to key data sources (see, for example, Pettigrew, 1995).

4. RESEARCH METHOD

In order to understand and explain the adoption, implementation and use in practice of the two new management accounting systems in POST, a qualitative research design was adopted. Qualitative methods allow researchers to have a deeper
understanding about the social phenomenon under research (Miles and Huberman, 1994; Mason, 2002; Silverman, 2001) because they provide richer information. In the sphere of management accounting, qualitative methods allow us to understand the nature of management accounting in practice (see Scapens, 1990). Case studies are crucial to the development of explanatory theories of management accounting practice and how it changes within organisations. Hence, given the aims of this research, a longitudinal in-depth case study is the research method adopted, providing detailed, rich and contextual information. Case studies are particularly appropriate when: (1) the research questions begin with why or how; (2) behavioural events do not need to be controlled; and (3) research is based on contemporary events (Yin, 1994). Thus, case studies have been recommended for studying contemporary and complex phenomena such as change in management accounting practices (Yin, 1993, 1994; Eisenhardt, 1989; Scapens, 1990; Ryan et al., 2002).

A single case study was chosen because it would allow more attention to be given to distinctive and typical characteristics of the particular context of POST. On this point, Burns (2000) suggests that we should focus on the processes of accounting change within one specific organisational setting because it offers an opportunity to illuminate aspects of the change process. Dyer and Wilkins (1991) also stress the usefulness of a single case study. They claim that building a theory from multiple cases can harm the visibility of the interrelations with the context of a particular setting. As the aim of this research is to understand and explain changes in management accounting within a single organisation through time, a longitudinal approach was also adopted.

This research followed the steps for conducting case studies suggested by Ryan et al. (2002) and Yin (1994) which are: a) development of a research design, b)
preparing the collection of data, c) collecting evidence, d) assessing evidence, e) identifying and explaining patterns, f) developing theory, and g) writing up. These steps were not followed in a linear sequence but in an iterative manner.

I approached the head of the company’s Planning and Control Office (PCO) at the very end of 2002. The main purposes were to gain access and explain the goals and scope of the research. As part of this request a confidentiality agreement was established to guarantee the confidentiality of the interviewees’ names as well as any sensitive information that could be traced back to them. By suggestion of the head of the PCO a request was formalised to the Board of Directors. After its approval, I initiated the preparation process of data collection taking into consideration a preliminary research design. I started to collect internal and external documentary data and, later, in May 2003, I initiated the interview process. The range of people was intentionally broad and not limited to accounting personnel (see Appendix 1). Interviewees were selected on the basis of their position in key areas of the organisation and/or their involvement in the processes of management accounting change. During the period of the current case study research, a huge amount of documentary data was collected from internal and external sources (see Appendix 2). In this research, internal company documents were crucial for a deeper understanding of the processes of adoption, implementation and use of the new management accounting systems in POST (see the research method section of each essay). Additional material was collected from the reports and websites of external institutions such as ANACOM (National Communications Authority), the IPC (International Post Corporation), and the UPU (Universal Postal Union).
Given the fact that this thesis is structured as a set of essays, other aspects of the research method are discussed in the research method section of each essay.

5. STRUCTURE OF THE THESIS

The remainder of this thesis is structured as follows. Part I contains the essay “The influence of trust relationships on the adoption of new management accounting systems”. The essay in Part II is “Power in the implementation processes of new management accounting systems”. Finally, in Part III the essay is “Explaining the gap between rules and routines”. The title of the essays precludes further comments at this point. The thesis ends with a conclusion that presents an overview of the research, contributions, limitations and suggestions for further research.

Given this type of structure, based on essays, no separate literature review section is provided. Instead, the relevant literature is discussed in each of them. In the same vein, each essay repeats information related to the context of the research, i.e. the research method, case setting and management accounting systems. I opted for this method in order to keep the original structure of each essay.
PART I

The influence of trust relationships on the adoption of new management accounting systems

Abstract

In this essay, I argue that trust-building processes are crucial for a better understanding of the decision-making process that lead companies to adopt new management technologies such as management accounting systems. Although there are economic and organisational arguments that suggest the implementation of a new management accounting system due to efficiency reasons, these arguments alone are not sufficient to decide on its adoption. Trust relationships between the parties involved are vital for obtaining the support that new management accounting systems need if they are to be introduced into organisations.

In order to analyse the validity of my proposition I present the case of a Portuguese postal company (POST). At POST the trust-building processes between several Boards of Directors and two other bodies – a consultancy firm and the Planning and Control Office (PCO), which is an internal organisational area – were fundamental in the adoption of two new management accounting systems. The PCO, as well as the consultants, argued for the introduction of these systems based on reasons of efficiency in order to convince each of the successive Boards of their usefulness. However, different types of trust built up between the afore-mentioned bodies through repeated interactions over time eventually led one of the Boards to adopt these systems. The different types of trust built up are identified in this essay according to Kramer’s (1999) proposed definitions.
1. INTRODUCTION

The motives that organisations cite as being behind their decisions to adopt new management accounting systems are very diverse. Efficiency is not necessarily the prevalent factor in motivating management innovations: sometimes forced selections and fashions are also influential motives for adopting new managerial techniques and technologies (Abrahamson, 1991, 1996). This is also the case with accounting innovations (Malmi, 1999; Carmona and Gutierrez, 2003; Major and Hopper, 2007). I argue that there are very diverse reasons that underlie the decision to adopt a new management accounting system as the solution for a set of problems in the organisation.

What is of interest to me here are the processes of trust-building between people involved in the adoption of a new management accounting system. As Mouritsen & Thrane (2006: 3) argue, trust “is more likely an aspect of evaluation, a statement about how a relationship can be evaluated, and hence becomes a marker about the desirability of certain practices, including accounting practices”. I assume that trust plays an active role in evaluating performance and also influences changes in accounting procedures (Johansson and Baldvinsdottir, 2003). Trust is also viewed as complementary or supplementary to the control systems in accounting decision-making processes (Dekker, 2003), such as the introduction of a new management accounting system.

In essence, trust is a psychological issue (Kramer, 1999). Nonetheless, it can also be examined from the perspective of organisations (Molm et al., 2000), techniques (Sleeper et al., 1998), and institutions (Busco et al., 2006; Hagen and Choe, 1998; Neu, 1991). Trust is actually a widely explored issue in the literature regarding organisations (e.g. Tyler and Kramer, 1996; Mayer et al., 1995; McAlister, 1995). Trust is also
becoming a relevant issue in accounting literature (e.g. Meer-Kooistra and Vosselman, 2000; Tomkins, 2001; Johansson and Baldvinsdottir, 2003; Langfield-Smith and Smith, 2003; Dekker, 2003, 2004; Cooper and Slagmulder, 2004; Seal et al, 2004; Busco et al., 2006; Mouritsen and Thrane, 2006).

Many of the above management accounting studies explore the role of trust in the context of inter-organisational relationships (e.g. alliances, networks, outsourcing). Others are interested in the role of trust in intra-organisational contexts. For example, Busco et al. (2006) explore the role of management accounting systems as practices that are both sources and objects of trust and distrust with respect to organisational change. Johansson and Baldvinsdottir (2003) provide examples where the use of particular accounting practices have fostered or eliminated the trust between the parties involved in performance evaluation.

In this essay, I argue that trust-building processes are crucial for understanding companies’ decisions to adopt a new management accounting system. There are abundant economic and organisational arguments to explain efficiency as the main reason for the implementation of a new management accounting system. However, I contend that these arguments are not sufficient to explain the decision to take on a management accounting system. Rather, trust can be built in different ways and not only based upon reasons of efficiency.

In this essay the case of a Portuguese postal company (POST) is presented, and the trust-building processes between parties involved in taking on new management accounting systems at the company are studied. The parties involved in these processes were: several successive Boards of Directors, consultancy firms and the Planning and Control Office (PCO). Both the PCO and the consultants argued for the introduction of
new management accounting systems based on reasons of efficiency in order to convince each of the successive Boards of their usefulness. However, this study found different types of trust building. From among the several typologies of trust available in the existing organisational and accounting literature, Kramer’s (1999) proposals are used here because Kramer puts forward a reasonably complete view of the different ways in which trust can be built in organisations.

I found in this case study that the processes of building trust consisted of three different trust processes. First, the consultants built up trust relationships with a specific Board. After that, the Board agreed with the consultants to discuss the concepts of the management accounting systems with the PCO managers. Finally, the PCO took on the job of introducing the new management accounting systems. Changes to the Board of Directors made it necessary to delay implementation, necessitating the repeated (re)building of trust.

The remainder of the essay is structured as follows. The next section reviews multiple types of building up trust relationships. Section 3 presents the research method, and section 4 describes the Company context. Section 5 describes the existing and the new management accounting systems in POST. Section 6 explains the processes of building up trust in the new management accounting systems. Then, in section 7, the most visible types of trust built up between the parties involved in the adoption of the new management accounting systems are discussed according to Kramer’s (1999) proposed definitions. Final remarks are in section 8.
2. TYPES OF TRUST-BUILDING

Since Deutsch (1962) stated that trusting behaviour occurs when a person encounters a situation whose results depend on the action of another, the negative impact of a bad result being greater than the positive impact of a good one, many authors have contributed to our knowledge about trust. For example, Boon and Holmes (1991:194) define trust as “a state involving confident positive expectations about another’s motives with respect to oneself in situations entailing risk”. Robinson (1996:574) also affirms that individual trust deals with “expectations, assumptions, or beliefs about the likelihood that another’s future actions will be beneficial, favourable, or at least not detrimental to one’s interests”. Interpersonal trust (Mayer et al., 1995; Zand, 1972) is seen as the willingness to rely on another in a situation involving risk.

I am interested in knowing why and how people from the aforementioned bodies interacted to build up trust relationships regarding the benefits of adopting new management accounting systems. Decision-making on new management accounting systems is undertaken in risk-filled environments, and with possible and undetermined losses. The construction of confident, positive expectations about new accounting technologies may lie in the persons, organisations, and institutions that deal with the new management accounting systems.

I assume six different, while not necessarily alternative, types of building trust based upon Kramer’s (1999) bases of trust. Kramer (1999) distinguished among: a) dispositional trust, b) history-based trust, c) third parties as conduits of trust, d) category-based trust, e) role-based trust and f) rule-based trust.

Dispositional trust assumes that different people do not have equal predispositions to trust other people. It comes from "a sense of basic trust, which is a
pervasive attitude toward oneself and the world” (Erikson, 1968: 96). Dispositional trust is predicated on decision makers’ early trust-related experiences shaping their general beliefs about other people (Rotter, 1980), and is proposed to be stable (Mayer et al., 1995). To influence dispositional trust by applying certain trust building strategies or measures is not possible (Grabner-Kräuter and Kalusch, 2003). Thus I assume that this type of trust is an antecedent of decision-making (Holland and Locket, 1998), which affects individuals involved in the decision to introduce a new management accounting system.

History-based trust assumes that people’s perceptions of other people’s trust are dependent on previous encounters (Boon and Holmes, 1991). That is, interactional histories within previous decision-making processes provide a person with information that is influential in assessing the moods, intentions, and motives of others. Access to that stored information allows one not only to produce inferences about current trust but also to make predictions about future behaviour. The adoption of a new management accounting system may be influenced by the competences that organisations and their members have accumulated historically (Pennings and Harianto, 1992). Thus, trust is developed based on the history of previous decision-making regarding management accounting systems or other issues, because those individuals who have to decide learn from the past (MacMillan et al., 2005). Individuals’ trust is based on their experience regarding trustees’ behaviour (Zolin et al., 2004).

Third parties as conduits of trust may influence the decision-makers’ position in relation to the adoption of new management accounting systems. Third parties’ trust is based upon “second-hand” knowledge provided by others (Burt and Knez, 1995; Shah, 1998). In this case I consider that consultants are not just a third party, they are also an
active part of the decision-making process regarding new management accounting systems.

Category-based trust is related to the influence involved in convincing decision-makers from concrete organisational groups to support the adoption of management accounting systems. Individuals tend to categorize persons in terms of features such as gender, race, or age (Gawronski et al., 2003), and also use categories to favour some individuals to the detriment of others (García and Ibarra, 2006). Category-based trust also suggests that social and organisational category in the organisational hierarchy can be used to build the trust of individuals. Thus, the support of concrete groups in the hierarchy of the company may be a determining factor in convincing adopters to trust in a new management accounting system.

Role-based trust is trust which develops over time, influenced by role-players such as consultants, accountants, auditors, etc. (Bowlby, 1982). Roles can serve as proxies for personalized knowledge about other organisational members (Fisher et al., 2001). In cases in which trust is built upon roles, to modify decisional behaviours surely implies changing roles (Biddle, 1986).

Rule-based trust is built up on normative rules or legal organisational systems that influence decision-makers. These rules and systems are based on shared understandings regarding the system of rules that judge appropriate behaviour inside the organisations (Kramer, 1999). Routines are mechanisms that support rule-based decision-making (Grandori and Kogut, 2002), particularly in the case of management accounting systems decision-makers. Rule-based trust has become an issue explored by accounting researchers (e.g. Busco et al., 2006; Seal et al., 2004, Johanson and Baldinsvottir, 2003).
3. **RESEARCH METHOD**

In order to understand how and why trust relationships between different bodies influenced the adoption of two new management accounting systems in a specific company, POST, I decided to use a longitudinal in-depth case study as an adequate research method, as it would provide researchers with detailed, rich and contextual information (Miles and Huberman, 1994; Mason, 2002). Case studies are a recommended method for studying contemporary and complex phenomena (Yin, 1993, 1994; Eisenhardt, 1989). They make a contribution towards better knowledge of practices in the organisations, particularly when the research questions begin with why or how (Yin, 1994).

A total of 26 in-depth, face-to-face, semi-structured interviews with key people in POST were undertaken from May 2003 to February 2006, with managers from 8 different organisational areas: Planning and Control Office, Operations, Commercial, Marketing, Quality and Development, Human Resources, Information Technology, and Finance (see Appendix 1). 21 interviews were tape-recorded and transcribed.

The interview process was iterative in that new interviews arranged followed a review of data collected from previous interviews and documentary data collected to that point in time. Thus, the available transcripts, notes, internal company documents, reviews and summaries were used to prepare a new interview. All interviews were semi-structured. However, interviewees were encouraged to do “all the talking” in an attempt for new perspectives to emerge.

Brief notes were made during and after each interview in order to record ‘other’ information that was not captured on tape. This resulted from some observations of
facial expressions, the intonation of the voice, gestures and periods of extended silence. Additionally, notes were taken in the cases of the interviews that were not tape-recorded and parts of the interviews that were not taped recorded due to requests by the interviewees. Also, some interviewees gave extra information once the tape-recorder was switched off. For this reason, time was provided after the tape-recorder was switched off in an attempt to capture additional relevant information. This was also useful for obtaining additional internal company documents. Throughout the period of the field study I maintained informal contacts with some of the interviewees, some of which I still maintain.

During the period of the current case study a huge amount of documentary data was collected from internal and external sources (see Appendix 2). In this study, internal company documents were crucial for a deeper understanding of the processes of adoption of the new management accounting systems in POST. The main internal company documents included: an institutional presentation document; strategic plans; annual reports; and presentation documents for current projects (IS, KPI and others).

POST’s biggest sorting, transportation and delivery centre, located in Lisbon, was also visited. I was guided through different sections of the building following the chain process for three hours. In addition, I observed some post office counters as an occasional customer.

To establish construct validity and the reliability of this research, Yin’s (1994) principles for collecting data were followed: multiple forms of evidence from diverse sources were used, a database was created, and a ‘chain of evidence’ was repeatedly analysed.
Data analysis in this research was an interactive process. It was conducted in three steps (see Miles and Huberman, 1994). Firstly, data collected from interviews, written documents, notes, etc., was coded and grouped by common themes, and then categories were formed by similar themes. The aim here was to give order and meaning to the data collected. Secondly, data was organised and displayed in charts, graphs and other formats in order to identify relations in the data collected. Finally, conclusions were drawn and verified.

So, then, Yin’s (1994) four tests for establishing the quality of empirical social research – construct validity, internal validity, external validity and reliability – were also followed throughout the phases of gathering evidence, analysis and generation of conclusions.

4. **CASE SETTING**

POST is a large Portuguese public company. It operates in four markets: (1) mail, (2) parcels and express mail, (3) financial services and (4) data and documents. Mail constitutes its most important market, whilst parcels and express mail is the second. POST has faced increasing competition in these main markets as a result of important changes that have taken place in the Portuguese and European postal sector.

Firstly, the ongoing process of deregulation has reduced the reserved business area. These privileges started to disappear in 2000, when the European Community’s postal services opened up to competition. POST had the concession for the universal Portuguese postal service, thus, it has operated as a regulated monopoly company. The ongoing process of deregulation has been diminishing the reserved business area of
POST. New operators have appeared, and a subsequent increase in competition from private operators has taken place, especially in urban areas and in the more profitable postal business areas.

Secondly, new technologies have had a significant impact on the postal sector. The popularization of e-mailing and a growing use of text messaging are replacing the mail, which remains a traditional means of communication. Although the mail is POST’s core business, it has developed new products and services within the technological area such as hybrid mail, digital certification, e-government services, e-logistics, and reverse hybrid mail.

Thirdly, POST obtains many benefits from its still-regulated monopoly position in the reserved business area. In this area, the Portuguese regulator approves prices and service quality standards. For this reason, POST needs to negotiate such aspects. The negotiating process between POST’s Board of Directors and the regulator evaluates different aspects: POST’s proposals, the level of achievement in previous service quality standards and, to some extent, political considerations.

Finally, it is the Portuguese Government that chooses the Board of Directors of POST for a three-year period. The Board of Directors is usually linked to the Government’s political orientation, causing instability at the top management level, which has repercussions throughout the whole organisation.
5. MANAGEMENT ACCOUNTING SYSTEMS

5.1. Current management accounting systems

During the period of the study, POST was running an Executive Information System (EIS), which provided managers with information on costs, investments, sales and human resources. This information was available in various formats, such as time periods, cost centres, product families, projects, and organisational areas. The information was updated on a monthly basis, two weeks after the end of the month. The EIS operated online and provided the above information for about three hundred people in the company, delivering a paper report to managers, which included planned and actual figures, as well as variances.

The EIS, having maintaining a similar structure and scope since its implementation in 1995, was the main management accounting system encompassing the whole organisation, providing the main information for the monthly control meetings, in which the Board of Directors and the first level managers took part. The EIS has been seen as a trustworthy system by its users.

However, there were other management accounting systems at POST, such as the budget-control and the activity plan-control systems, which were connected to the EIS. We can say that the EIS was largely dependent on these two management accounting systems and on other management information systems, particularly those related to the operational and human resources areas.

There was also a cost accounting system, which followed a full cost methodology in computing costs by product (and family of products) and according to
the four main activities: reception, sorting, transport, and delivery. For each product, the cost accounting system provided gross and net profit margins. Bi-annually POST had to send the regulator the information provided by its cost accounting system.

5.2. The new management accounting systems

At the end of 2002 POST decided to adopt two additional management accounting systems: Income Statement (IS) and Key Performance Indicators (KPI), whose implementation began in February 2003. The PCO built up trust in these systems and again proposed both systems to the Board of Directors upon its arrival in 2002. A consultancy firm, which was counselling the company on strategic and accounting changes, also took an active part in the decision process to adopt the KPI system. However, the Board of Directors decided to delegate the implementation tasks exclusively to the PCO. At the very end of January 2003, the PCO presented the aims of the new management accounting systems to the other organisational areas. Those systems were defined as:

“IS – it is a system which provides monthly income statements by area even for the lower levels of the organisational structure and which includes an internal transfer pricing model.

KPI – it is a system which provides a set of key performance indicators on a monthly basis, thus it allows the Board of Directors to monitor the implementation of the strategic goals of the company.” (PCO, 2003a: 1)
In general terms, managers of the PCO justified the adoption of these systems by the need to accomplish two new accounting concepts: accountability, and performance evaluation. Thus, a manager of the PCO stated:

“Competition against the company begins, market competitiveness starts to cause problems and therefore, people here start to be worried about profitability, i.e., the company has to be profitable, to have value, etc., which leads the company towards the concept of margins. For this reason, we have come to progressively build up the IS ... Income Statement... We carried this out last year, although it was still not thoroughly defined. This year we are carrying it out in a systematic way, with a technological application already exclusively dedicated to it, the development of which is being made to descend to the lower levels of the organisational structure. It has an internal transfer pricing model and we are setting up income statements by area.”

The same manager added:

“We are also putting together a KPI system. I don’t like to call it a Balanced Scorecard because I don’t think it is. It’s a KPI system which, at the moment, is being considered for each first level management area of the macro-structure and maybe for some of the lower levels too. We are going to select a set of key performance indicators that will show the company, and each management level, what they need to measure within their activity. This does not have any technological application yet. The KPI system hasn’t been conceptually developed. We are still considering this. We will have to discuss this with the managers of the different areas and with the Board of Directors, etc. The human resources area is simultaneously thinking of an incentive system that will be linked, although not entirely, to these key performance indicators. This has not
been done yet, it is part of our plans. This KPI system will be linked to the incentive system, although not 100%.”

Although the two new management accounting systems (and their conceptual basis) were interconnected, each one had specific aims. The IS system aimed to provide accountability for the monthly results in the various areas of responsibility, filtering down through the elements of the structure. The IS system contained an internal transfer pricing model that introduced the concept of margins throughout the company, at the different management levels of the organisational structure. The process of setting target margins at the different management levels should give a picture of the accountability of each management area, making the process of control more meaningful than with existing management accounting systems. A manager from a shared services area told me that the IS system implied a new management approach:

“Very recently in the history of POST, perhaps in the last two or three years, there has appeared a certain preoccupation with managing the different business areas as individual units. I’m not saying that they should be independent, but they’d be result units that lead to results. As far as information systems are concerned, we can sense them immersed within the business culture. A fact that shows that business units are not oriented to results (or at least not to the results as a whole) is that the business units aren’t used to paying for information systems. They’re used to asking without a set time... to ask today for tomorrow, and they’re used to having what they ask for without any delay. But why is this? Well, it’s because they’re not used to paying. Nowadays, a certain reaction, or friction, relating to the IS can be sensed as the questions of cost transfer, internal transfer pricing arise, or in other words, to put it in
a simpler way –*invoicing* for the information system that they were not used to paying for.”

Regarding the KPI system, the PCO identified two aims. Firstly, the KPI would provide, on a monthly basis, a set of corporate indicators to be used in business performance monitoring. Secondly, the KPI would be linked to another system, the Management by Objectives (MO) system, a reward system. The consultancy company which had developed the MO system in collaboration with POST’s human resources area would also deal with the link between KPI and MO, among other projects, as stated by the PCO:

“The aim of POST’s KPI system, which is currently being designed, is to define a reduced set of key indicators for the overall POST and for each organisational area, within the framework of POST’s strategic objectives. These indicators allow us to calculate the performance of each unit and provide quantitative information for evaluating managers' individual performance, within the Management by Objectives project.”

(PCO, 2003c: 1)

The timing of the adoption process of the distinct management accounting systems was as follows. At the end of the 1990s, a first approach to performance evaluation was carried out following a Balanced Scorecard (BSC) perspective. Then, this evolved to a Key Performance Indicators (KPI) system (as can be seen in Figure 1). After that, an Income Statement (IS) system was also considered in 2001. Before 2003, there were some frustrated attempts to introduce both IS and KPI. Finally, the implementation of IS and KPI was decided on, and their implementation started in 2003.
6. BUILDING UP TRUST IN NEW MANAGEMENT ACCOUNTING SYSTEMS

6.1. IS system

POST managers stated that the IS system emerged from the need to have accountability within POST’s areas (or units). During the year 2001 a team of consultants from a multinational company introduced the discussion of the accountability concept into POST. The consultants were helping POST’s Board of Directors to change the company’s strategic orientation from a production to a market orientation. This change encompassed an open process of discussion between the Board,
the consultants and the managers from the different areas of the company. A PCO manager saw the process as follows:

“The Board of Directors at that time started a discussion, with the help of a consultancy company and POST’s first and second level managers, on how to orientate the company towards the client. As a consequence of the advice given by the consultancy company, the Board had it clear that the PCO should continue with the IS project and informed all the organisational areas to be involved. It should be remembered that the areas had already been partially made aware of this subject due to their collaboration with the consultancy company and their participation in the open discussions for accountability within POST’s organisational areas/units.”

Thus, consultants and the PCO managers outlined the IS in 2001, sponsored by the Board of Directors. Then, the consultants left POST at the end of 2001 and, during the first half of 2002, the PCO started to develop the transfer pricing model (previously discussed) following the consultants’ advice. A PCO manager stated:

“Once the consultants had left, the Board of Directors adopted what they considered to be necessary in terms of market orientation, and subsequently, a new organisational structure arose. What happened is that the PCO was entrusted with the setting up of the IS system, or was directed to collaborate with the setting up of the information system accompanying the performance measurement of that structure. The first prototype for the IS was thus formed. We already had an EIS and from this new organisation the IS emerged. We assumed that there would have to be accountability for the units. The units had to demonstrate their own performance, regardless of their margins being negative or
not… there are aims for performance improvement. That doesn’t mean to say that a shared service area has to be profitable. This was not the objective. The aim was to measure the performance of the services as far as they could to reduce costs, rather than to create profits because not all of them are profit centres.”

Hence, the IS system started to be designed. At the beginning of 2002, the PCO submitted a proposal to the Board of Directors for developing an IS connected to the new organisational structure in operation since February 2002. The Board trusted the PCO’s proposal and appealed for the participation of all POST’s areas. During the first half of 2002, a PCO team developed income statements for each area/unit directly dependent on POST’s Board of Directors (first level management), following the new organisational structure. The first archetype of these income statements included an internal transfer pricing model to introduce the margin concept throughout the organisational areas/units. The first report of the IS system included information for three months. Before the end of the first semester, the Board of Directors trusted and approved the report. The Board encouraged the continuation of the IS system because they considered that it provided interesting information which could be analysed further. As a PCO manager reported:

“In technological terms the IS was developed using a basic method and a first set of figures were presented [for the first 3 months]. These figures were presented to the Board of Directors [to the Board member to whom the PCO reported], who said; “Show me what you’ve got then.” And this Board member, who liked what he saw, told me to go ahead. He noted that in the end this system would produce very interesting results for further analysis.”
The same PCO manager also noted that the Board of Directors trusted the system because:

“The income statements give a different outlook. The Board has, on one side, a financial accounting system, and, on the other side, a cost accounting system that comes out twice or three times a year, which tells them that the standard mail is making profit, but the express mail is highly in debt, whilst people have the idea that it is the other way around. And suddenly they look at the company and are able to see many other aspects. Despite the methods applied to this first prototype being in their initial stages, we can start to see where the company’s inefficiencies lie. What, for a fact, is weighing heavily on the company... there are those things which we know from the start are costing the company a lot. Human resources costs are clearly one of these things. Besides this, how efficient is the system that we have? And this is where the system gains supporters, because in some way we’re going to see where we have to start playing around with structures, mechanisms and processes in order to move on and have efficient units.”

However, the Board of Directors was replaced in July 2002 and the IS system suffered a period of stagnation. That Board had been nominated for a three-year period by the Portuguese government, the sole shareholder. As the period finished, the Board was entirely removed. The PCO (as well as other organisational areas/units) needed to convince the new Board about the importance of all their projects, including the IS project. The new Board needed some time to study all the currently underway projects, which were at different stages. The old Board did not authorize the investment because they considered that the new Board should state their priorities without being
conditioned by previous decision-making on investments. As explained by a PCO manager:

“The Board member [to whom the PCO had to report] won’t do it and the chair of POST won’t do it because they think that they’re not going to start up strategic initiatives just before they leave. And they are strategic investments. I understand this. If I were in their place, maybe I wouldn’t take the initiative either, because it would mean a huge investment for something that they themselves weren’t actually going to implement. It wasn’t going to be them who would have to justify that expense. Somebody would have to see the thing through. What had happened with others could happen again, in that the investment was wasted. Thus, due to the uncertainty, it didn’t go ahead.”

The same manager added:

“But he [the Board member to whom the PCO reported] left almost immediately afterwards. Note that when we presented the first output to him, the Board of Directors’ power of decision was limited. He left in June and he should have left in March. Only due to the inefficiency of political decisions did he stay until June. Thus, everybody had to ride the wave until June.”

The positive experience with the IS system during the first half of the year 2002 motivated the PCO to argue the importance of this system (and other systems) to convince the new Board of Directors to trust them, and thus to achieve investments in a technological application. Specifically, the PCO informed the new Board about their activities, presenting the existing management accounting systems and those systems
which were being developed and proposed for the future. This was the first step to convincing the new Board about the benefits of new systems such as the IS system.

However, the new Board of Directors wanted to be familiarized with the existing management accounting systems in order to analyse the needs of new systems. Hence, the IS system suffered stagnation, as observed by a PCO manager:

“They [members of the new Board of Directors] never said that the IS was unneeded. They never said they were going to make the investment. They said that they would have to evaluate the company’s situation to know which investments they could make. Their argument was this: “we have to take many factors into consideration. There are many investments to make. There’s a lot to restructure. There’s a lot of staff to reorganise. And this is where we want to start”. Their argument was this.”

Another PCO manager justified the stagnation of the IS system by saying that delays in the decision process to develop new management accounting systems are quite common in Board changeovers:

“Persuading a new Board of Directors causes delays in the development of the PCO’s systems. The information needs of the Board are at a macro-level, and, as such, its needs are relatively well satisfied. They’re not short of information. And from here, there exists a great need to make the Board aware of the information needs of the other levels of hierarchy [more detailed information].”

In the meantime, the PCO continued to produce the income statements at the macro-level organisational areas, without a technological application, with the aim of
convincing the Board to adopt the IS system. These attempts took several months and eventually, in December 2002, the Board agreed to develop the IS system within the logic of the new organisational structure (established in November 2002), as presented by the PCO to all organisational areas:

“In December 2002, the Board of Directors approved a proposal from the PCO concerning the relationship between the units to be adopted in 2003 for the setting up of the income statements of the areas of the approved new organisational structure. And the internal transfer prices are now going to be established to be in force in 2003 for the effects of internal services between organisational areas.” (PCO, 2003b: 1)

6.2. KPI system

The first idea of implementing a system like the KPI system can be traced back to the end of the 1990s, when a team of consultants from a multinational company recommended a Balanced Scorecard (BSC) as a means of promoting performance evaluation. The BSC conceptual study was only discussed at top management level and soon aborted due to lack of trust from first level managers. As mentioned by a PCO manager, the consultants only presented a theoretical approach for evaluating individual performance:

“This study was a theoretical approach. It never went as far as the concrete aspects that we are taking into consideration now. A member of the Board of Directors was, from a theoretical viewpoint, more open-minded to these things, but in practice he never went, not even in his own mind, as far as the final results, i.e., to use the BSC to evaluate business performance. He never did. But he was open to those ideas.
And as I was too very interested in this subject at that time, I worked a little on the concepts of the BSC. I went abroad. I read all of Kaplan’s and Norton’s books. I attended a course where they lectured.”

Whereas the first BSC approach emerged from the influence of the consultants, the first level managers manifested their opposition to a performance evaluation system due to a lack of trust in it. Thus, the BSC project failed, as explained by another PCO manager:

“At that time, they wanted the BSC to function as a tool for performance evaluation. But this was stopped because the first level managers of this company were very powerful. And so, the system did not go ahead.”

The same manager added:

“Afterwards, when the same consultancy company was here in 2001, it was almost forbidden to mention the performance evaluation, because of the previous BSC rejection [distrust]. Therefore, a lot of things were affected by this. It wasn’t that they [Board of Directors] didn’t want this to be implemented. But there had been a very negative reaction from first level managers. And at that time, they had a lot of power in the decision making process.”

The idea of implementing a BSC in the future continued to be trusted by the PCO, as proved by the fact that people from the PCO attended several training courses on how to implement a BSC. The PCO managers trusted in a KPI system and justified their trust through their belief that the KPI was a step in the implementation of BSC.
Since 2001 the PCO’s annual plans have considered the introduction of a KPI system, as can be seen, for example, in the long-term plan for the years 2002-2004:

“In a first stage, we aim to implement a KPI system which would allow business strategies to be managed and analyzed, and to control how the resources are used.

In a second stage, this system will evolve towards the implementation of a Balanced Scorecard, allowing the execution of the business strategy according to four perspectives: - financial; - clients; - business processes; - management change.” (POST, 2001: 81)

In 2001 the PCO planned to develop a performance evaluation study and to implement a KPI system in 2002. The KPI system would be improved in 2003 in order to have a corporate BSC in 2004. These aims were maintained in the PCO’s long-term plan for the years 2003-2005 as well as in the deadline for the BSC (year 2004). As a result, they would aim to do the same job, but within a shorter period.

*KPI system versus Integrator project*

During the second half of 2002 a new consultancy company arrived at POST to help the new Board of Directors to change the organisational structure (at macro and micro levels). They presented their project in November 2002. The consultants, trusted by the Board, launched the Integrator project\(^1\) in December 2002, which was, in the words of one of the consultants, an important project:

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\(^1\) In its latest version the Integrator project included the following 10 sub-projects: 1) Value Based Management; 2) Management Control Model; 3) Categorisation of Customers; 4) Portfolio, Margin and Innovation Management; 5) Commercial Approaches for Corporate Customers; 6) Optimisation of Delivery Model; 7) Strategy for Shop Network; 8) Redefinition of Administrative Processes; 9) Integration of Property Management; and 10) System of Management by Objectives.
“The great project which we had here was the definition of a new macro-structure. Afterwards, we were also asked to support the development of the micro-structures. Then, the launching of the Integrator project was considered. That was an integrated project which involved various initiatives that we considered to be the most relevant for POST at that time. The Integrator project consisted of 3 large groups of projects. One was a control group, where 2 projects within the management control area were included: one of these projects was the VBM-Value Based Management, which didn’t go beyond the concept study, and the other was the implementation of new management control systems [later called the management control model]. At that time, we understood that there was still much to do in this area. Afterwards, there were another 2 project groups; one dealt mainly with revenues and another with costs, and thus, efficiency.”

Consultants expected that the Integrator project would provide POST with tools for analysis, implementation and control to facilitate the decision-making process and thus, to create added value. The Integrator project included various sub-projects. In terms of new management accounting systems the consultants proposed the implementation of a BSC, as explained by one of the consultants:

“Within management control, our proposal was to make a BSC for the Board which, after various discussions with the PCO and the Board, was rejected. Later, the KPI system, as well as the IS system, was included in the so-called management control model.

In January 2003, the consultancy company responsible for the Integrator project, working with another consultancy company, presented a plan to develop a KPI system
to the Board of Directors and the PCO. Firstly, the KPI should provide strategic key performance indicators for the Board of Directors in the short-term. Secondly, some steps should be taken in order to provide indicators for the operational areas in the long-term. Thus, the consultants advised that a Data Warehouse should guarantee the reliability of key performance indicators. The aim was to reduce the dependency between sources of information and consequently problems related to the lack of conceptual standardisation among those sources.

However, the PCO had other preferences. On the one hand, the PCO wanted to keep the ownership of the KPI system because they planned to develop it on their own under the terms presented since 2001 in the PCO plans. On the other hand, both the PCO and the IT (Information Technology) area were considering the Data Warehouse. Thus, the PCO also wanted to keep the ‘ownership’ of the Data Warehouse initiative. They presented two distinct initiatives separately. One was the KPI system, which included only the key performance indicators for top level management and the other was the Data Warehouse, which was a long-term project to improve quality of information at the lowest level. The Data Warehouse was later stopped by the Board of Directors due to the large level of costs involved. The PCO achieved the agreement for the KPI system from the Board.

The PCO reacted to the consultancy companies’ proposal by changing their own proposal. This seems to show a lack of trust in consultants by the PCO managers. After examining the consultants’ considerations, the PCO presented a new proposal at the end of January 2003. This last proposal included all the PCO initiatives in the Integrator sub-project named “management control model”. Although the ownership of the KPI system continued to belong to the PCO, as they intended, the consultants’ proposal had
an impact on the time scale allowed for the KPI system. The implementation of the KPI started in February 2003 and was due to be completed before July 2003 (along with the other sub-projects of the Integrator project). This schedule plan was shorter than previous plans. For example, the plan elaborated in August 2002 (the strategic plan for the years 2003-2005) allocated twelve months for the development of the KPI system.

*KPI system versus BSC*

The design of the KPI system follows a BSC approach that encompasses four perspectives: (1) financial, (2) market/customers, (3) resources and (4) processes/service quality. Under each perspective, the definition of the key performance indicators attempted to meet POST’s strategic objectives, as a PCO manager explained:

“Here in the PCO, we made a first KPI proposal which set down 4 perspectives. This is a little bit like the BSC concept. However, I don’t consider it to be intellectually honest to talk of BSC. We decided on the KPI because the BSC would imply huge sponsorship from the Board of Directors and I understood that the Board had very important things to resolve during this year like the Pension Funds. They do not have availability to become involved and, therefore, instead of the BSC, the KPI system was developed. Perhaps, we will be much more prepared to evolve a BSC concept in a year or 2 year’s time, when the Board decides on it. In any case, the rationale behind the KPI system is the same as I knew for the BSC. I established four perspectives; financial, market/client, resources and process/service quality.”

The same manager added:
“Afterwards, it’s like this, for each area, each perspective has a determined weighting. Let’s imagine a commercial area, the market/clients have a much greater weighting. In an operational area, the processes have a greater weighting. And within each perspective, each indicator also has a weighting. This creates a list, a global weighting which adds up to 100% for each area. I did this for the POST Company, for the 1st level management areas. When this Management by Objectives project came into operation, as the Board of Directors wanted to extend this to more levels, it reached the 2nd levels of every management area, which is quite a difficult thing to do. Therefore, this has now been extended. There are key performance indicators for all areas as far as the second levels of the organisational structure.”

*KPI system versus MO system*

It is interesting to note that the KPI system is also linked to the individual performance evaluation. From 2001 on, the PCO tried to implement a KPI system, and then a BSC, to monitor the strategic business performance (at first level management). At the beginning of the Integrator project, the consultants had the sole aim of implementing a BSC, as a consultant explained:

“There are two moments here. When the Integrator project arrived, the idea was for a scorecard of indicators which is basically monitoring for the Board. And therefore, the KPI system was extended to 2nd level management. This was for the purposes of variable remuneration. In the end, the idea was to produce a stream of indicators, so that afterwards, they would be connected to the MO system.”
However, the Board of Directors decided to trust and use the key performance indicators for individual performance evaluation. It seems that the key performance indicators gained importance, and became more trustworthy, due to the aim of implementing an individual performance evaluation system. Regarding this link a PCO manager pointed out that:

“The KPI system is linked to the implementation of Management by Objectives system. It was natural that the PCO, at some stage, continuing in the direction it was going, would get there. It just wouldn’t be at that time. It wasn’t likely at that time.”

The link between the KPI system and the MO system was established from the outset of the Integrator project, as was stated at the MO system’s launch in December 2002:

“Design a performance evaluation model” with the following objectives: To identify key performance indicators for each function, 1st and 2nd level management of the organisational structure, to define objectives and skills for each function, to develop a performance evaluation model, and link skills and performance to remuneration.” (POST, 2002:10)

Finally, in January 2003, the PCO launched the “management control model” which included the KPI system, mentioning its link to the MO system.

There were two conceptual models of Management by Objectives that were developed by two different consultancy companies, as explained by a consultant:
“We tried together with the Human Resources management to implement a Management by Objectives model which had a quantitative component and a qualitative component. The qualitative component was an evaluation of technical skills, which varied depending on the function. The quantitative component was more about performance indicators, which are basically the key performance indicators. Meanwhile, what happened was that our model was left out. In the meantime, the Human Resources manager was also replaced. Afterwards, things became a little bit confusing and we ended up not implementing the model. It died its death. Meanwhile, another consultancy company got another model and our model disappeared. In any case, the idea for the KPI won so much so that afterwards the PCO developed a large number of indicators. But later, I moved away from this, so I don’t know how it all evolved.”

In terms of first- and second-level management, the second MO model encompasses three main components: a) the key performance indicators, b) managerial and leadership skills and (3) technical skills. The KPI system encompasses only the first and second level managers while the scope of the MO system is larger, as explained by a human resources manager:

“The MO project is carried out with the help of external consultants. At this time we are evaluating 1200 high-level company positions and this year, hopefully, we are going to prepare ourselves for evaluating the rest of the personnel. The model is based on three components. One of them is individual performance. And we divide individual performance into (a) talent, management and leadership and (b) technical skills. Another is company performance and the third is the set of key performance indicators. The KPI system goes as far as 2nd level management. I believe that in the business areas they can go much lower, because there
are very concrete objectives for the personnel in business areas. Outside these areas, to establish key performance indicators for the personnel who, for example, are working out the salaries is already quite difficult. This is quite difficult. But for the lower levels of the business areas, to define key performance indicators is possible because they have concrete commercial objectives.”

7. DISCUSSION

I will now deal with the formation of trust processes with the Board of Directors. The statements of PCO managers indicate the manner in which they interacted with several consecutive Boards of directors and influenced their trust in new management accounting systems. The statements also show the trust of those Boards in a third party, the consultants, which also affected the decision-making on new management accounting systems.

Both the IS and the KPI systems were justified by the PCO as a means to improve company efficiency from the moment the concepts were first analysed at POST. PCO managers used arguments to support the need for adoption of new management accounting systems, such as performance evaluation for the organisational areas/units (and later for individual performance) and accountability for the organisational areas/units. The emergence of such concepts was coincident with strategic changes adopted by the Boards of Directors in order to overcome the organisational crisis brought about by the deregulation in the postal sector that followed the requirements of the European Union Commission.

While the PCO justified the adoption of new management accounting systems based on arguments of efficiency, the truth is that these reasons were not enough to
persuade POST’s Boards of Directors to adopt either the IS or the KPI. The trust of the Board of Directors in the new systems was instead built up over time. And although the IS and the KPI systems emerged as proposals for overcoming different POST difficulties in different organisational contexts and at different moments, they involved similar trust-building processes.

7.1. Trust-building processes

The trust-building processes which influenced the decision of the Boards of Directors to adopt new management accounting systems involved two groups of individuals: the PCO and the consultancy teams. Using Kramer’s (1999) classification, I identify the different processes of building the trust of the Boards of Directors, which led them to decide on IS and KPI. The most visible types of trust in the present case study are: history-, role- and rule-based.

Consultants are the first party to take into consideration. The trust deposited in consultants was built on role and history. Consultants were viewed by the Boards as experts not only in management accounting systems but also in their strategic implications. Consultants contributed to making visible the organisational strategies for the organisational change as well as managing strategic change. Hence, they had the support of the consecutive Boards of Directors. The Boards also assigned consultants to different organisational tasks related to the implementation of the strategic change. In particular, consultants designed the management tools which instrumented the change, and thus introduced the concepts of the two new management accounting systems: the IS and the KPI. The Boards saw the benefits of adopting new management accounting
systems when the consultants initially recommended them. The trust base here is the role-based type.

The uninterrupted presence of consultants over long periods of time allowed one to consider that they also contributed to creating trust on a historical basis. The relationships between the successive Boards and the different consultancy companies did not begin at the proposal stage of the management accounting systems.

The consultants helped the successive Boards to (re)define their strategies. They also counselled on the modifications in the organisational structure, at both the macro and micro levels. Only after performing these tasks did consultants become actively involved in advising the Boards on the new management accounting systems, particularly advising the implementation of a specific accounting system. Different Boards requested the services of different consultancy firms. Each of the consultancy firms always established prolonged relationships with each of the successive Boards, counselling them in particular aspects of the strategic change. Such long-term relationships contributed to the creation of trust in consultants on the part of the Boards, and particularly to the increased attention paid to their recommendations regarding new management accounting systems.

The successive Boards also developed role- and history-based trust relationships with the PCO managers. The role of PCO as an internal body with the knowledge and skills to carry out the implementation of new management accounting systems was recognised by the different chairs of the Board, as well as by other areas of the Company. It was the change of Boards that obliged PCO managers to rebuild the Board’s evaluation of the benefits of adopting new management accounting systems.
Role-based trust was continually being rebuilt with the Boards of Directors. PCO managers resubmitted their proposals on new management accounting systems each time a new Board was appointed. They were also involved in meetings and conversations with the members of the Boards. Over a number of years, the PCO managers manifested their intentions in developing the management accounting systems. These intentions were continuously stated in the PCO’s annual plans from 2000 on. The PCO always maintained a similar role, functions, staff and leadership during the process of adoption of new management accounting systems. These facts lent stability to the area, and consequently added stability to their role.

The members of the Boards over different mandates placed trust in PCO managers because of the stability of the PCO’s leadership at organisational level. Equally, the fact that the head of the PCO remained in her position throughout the whole process is evidence that the head of this office had the confidence of the different Boards. The history-based trust that the members of the Boards placed in the nominated first level managers was in my opinion a determining factor in the continuation/renewal of their jobs or in the initial appointment of a manager. This situation was especially important when Boards changed, and most particularly when a Board was completely renewed. When an entirely new Board was appointed, first level managers rarely retained their positions. Exceptions included the head of the PCO. When the Boards changed, history-based trust also took on an important role in the choice of first level managers, and even second level managers, although it was not the only trust-type to be involved.

Apart from role- and history-based trust, the Boards of Directors also placed rule-based trust in the PCO. The management accounting systems that were active, such
as the EIS, as well as those at the planning stage, such as the IS and the KPI, contributed
to the projection of a positive image to the Boards of the PCO and its leader. I consider
that this positive image was particularly important for those Board members who had
never interacted with the PCO, and hence who had not built up trust (or distrust)
relationships of the history-based type previously. In this case, the tasks performed by
the PCO and their perception of the systems themselves, whether up-and-running or at
the planning stage, helped create trust on the part of the Boards in the PCO.

The PCO managers provided the Boards with a set of rules, norms and principles
about the new management accounting systems. These systems contained information
that helped to judge behaviours in the organisation. The monthly meetings with the
Boards and the first level managers (including the PCO leader) were based on
information gleaned through the principles followed by the PCO, which proves rule
based trust. The continuity of those meetings was evidence for the fact that the
management accounting practices continued to be applied independently of the changes
that occurred at the Board level. These meetings were essentially supported by
information supplied by the EIS. The EIS was launched in 1995 and has since become
the backbone of management accounting information at the corporate level. Rule-based
trust is supported by the expertise of specific individuals. Moreover, commonalities
were found in terms of considering management accounting systems as systems of
expertise. Busco et al. (2006) report a similar situation where the managers trusted
accountants to introduce new accounting systems. Throughout time, these accounting
systems have been seen as ‘expert systems’ by managers. The existing systems can be
drivers of trust for the bodies that run them, such as in the case of the PCO in relation to
the EIS. The PCO was the body that controlled the management accounting information databases, which supported the monthly control meetings.

Regarding the relationships between PCO managers and consultants, the PCO managers considered that the consultants were highly experienced in the implementation of these management tools, and their role was of great importance in spreading such knowledge. However, the PCO people also considered that they were better informed than consultants regarding POST’s needs for new management accounting systems.

7.2. Different phases in the adoption processes of the new systems

The trust placed by the Boards in consultants tended to be repeated over time, as did their trust in the PCO. However, the level of trust varied from Board to Board. The various types of trust mentioned above explain why both IS and KPI went through the same stages over different time periods. Independently of the systems, three distinct phases are clearly identifiable in the adoption processes of the new systems, which give evidence of trust-building processes at each stage.

*Phase I: The Boards placed trust in the consultants.*

The Boards placed trust in the consultancy firms. The Boards trusted consultants because of their ability to develop and implement management tools. This was a result of the interaction between a particular group of consultants and a concrete Board. These processes of trust gave certain consultants a privileged position. Consequently the Boards accepted their proposals to discuss certain management accounting systems in order to improve company efficiency.
Phase II: The consultants introduced new concepts (systems) at POST

Consultants and the PCO started an initial discussion on the concepts involved in each of the systems. Given the PCO’s mission in the organisation, the Boards always involved the group in the initial phases of each of the new management accounting systems. This shows that the Boards trusted the PCO, although the level of trust varied from Board to Board. In spite of this fact I consider that the relationship between the PCO and the Boards observed during the study was more stable than that with the consultants.

Phase III: the PCO assumed the ownership of the new systems.

While the consultants initially introduced the concepts involved in IS and KPI, they never implemented the systems. After the initial approach to the systems, it was the PCO that assumed their ownership. Several attempts were detected of cases where the PCO managers attempted to show the Board(s) that they had the necessary know-how to implement new management accounting systems. The PCO played a leading role in adoption of the systems. This allowed them to strengthen their role as experts within the organisation in terms of management accounting systems. It cannot be forgotten that the management accounting systems were exclusively associated with the PCO inside the organisation. This also ensured that the new systems followed processes that have been institutionalised by the PCO.
7.3. Difficulties felt in the adoption processes of the new systems

Despite the occurrence of changes in Boards and consultancy firms, the trust-building processes on the part of these bodies with the different Boards remained similar. Nevertheless, distrust processes emerged on the part of PCO managers regarding consultants, mainly observed when there were changes at the Board level.

A number of difficulties arose in the adoption of both of the systems. In the case of the Balanced Scorecard (which was the basis for the KPI system), diverse organisational areas manifested a lack of trust (suspicion) regarding the intentions of the system’s proponents, which led to its rejection. The managers’ suspicions may have emerged from their insecurity about the implications of these kinds of systems in their performance evaluation. The PCO needed to invest additional efforts to overcome the situation. Despite the suspicion seen in the organisational areas, the PCO added depth to the Balanced Scorecard concepts because they believed that the system should be adopted. In an attempt to secure ownership of a future Balanced Scorecard, the PCO proposed to the Board that the PCO develop the KPI system that would then evolve into a Balanced Scorecard. Despite such moves, the Board of 1999-2002 opted not to advance with a KPI system. In other words, the initial trust in consultants and later in the PCO broke down into distrust. This evidence suggests that distrust processes can have a significant impact on adoption processes.

As an alternative, the same consultancy firm that had proposed the Balanced Scorecard suggested to the Board, in 2001, that they should implement an IS system. The concepts behind this system began to be discussed at the end of 2001 between the consultants, the PCO and the other organisational areas. This was designed to circumvent the type of suspicion seen in the organisational areas about the Balanced
Scorecard, and to introduce accountability into the organisational areas/units. After an initial introduction to the concepts of the IS, responsibility for its implementation was granted to the PCO during the first half of 2002. It was this system which occupied the attentions of the PCO in terms of implementing new management accounting systems, although the KPI system was still a part of its plans.

However, the adoption of the IS raised difficulties during the transition of the Board. Not only did the outgoing Board argue that it was not apposite to invest in the necessary technology, but the incoming Board also said it required time in order to establish priorities. This situation obviously led to delays in the implementation of the system. At this stage the new Board and the chairman trusted in the PCO’s managers, leading POST to adopt the IS system.

Changes to the Board of Directors may have helped the implementation of systems, as occurred with the KPI system. The previous Board feared this system because it had not been well accepted by the organisational areas. However, with the new Board in place the system began to be considered again, both by the new consultancy firm, and by the PCO, and the Board eventually adopted the KPI system and delegated the PCO to implement it. While at this juncture the consultants did not play a pioneering role, because the concepts inherent to the system had already been developed by the PCO, they helped to push forward the adoption of the system.

The adoption of the KPI system in 2003 was also boosted by its link to the Management by Objectives (MO) system, under the auspices of an integrative project developed by the consultancy firm. At this time the Board tended to implement systems overseen by a particular consultancy firm. This was, undoubtedly, a result of the trust placed in the consultants by the Board at the time. Despite the close proximity of the
head of the consultancy firm to the Board, the Board delegated the PCO to develop the KPI system, while maintaining the connection to the MO system. The history-based trust relationship between the head of the PCO and the chairman of the Board was, in my opinion, decisive in the choice of who would implement the system.

8. FINAL REMARKS

Arguments about efficiency do not seem to be sufficient to lead organisations to adopt new management accounting systems. The process by which proponents build the trust of those responsible for deciding on the adoption of management accounting systems is a fundamental factor in bringing about the introduction of new concepts and the implementation of these management accounting systems.

In the case of POST, the combined and cumulative effect of the different types of trust built in the Boards of Directors by both consultants and the PCO managers allowed me to better understand the adoption of the IS and KPI systems. I consider that the adoption of both systems was not only the result of the efficiency arguments put forward by their proponents but also the result of trust in them. Moreover, the adoption of the systems did not depend solely on one type of specific trust.

The trust placed by the various Boards in the PCO managers and the consultants was decisive throughout the adoption process for both systems. During an initial phase, the trust placed in consultants by the Boards allowed the different concepts related to each system to be placed on the discussion table. During the second phase the trust held in the PCO was important in getting the Boards to involve the PCO in the discussion processes set in motion by the consultants. Finally, this trust was also important in
getting the Boards to delegate the implementation of the systems to the PCO (without the involvement of the consultancy firm at this stage).

The trust-building processes developed between Boards of Directors and consultancy firms are important for understanding the decision to introduce new management accounting system concepts. However, as happened at POST, trust is not always enough for the consultants to get the systems implemented. In the case of POST, the PCO tried to influence the intervention of the consultants. The PCO always aimed to develop its systems internally, reducing the consultants’ interference to a minimum. The consultants worked as a body that brought novelty to the organisation and helped prepare the Board for the implementation of the new systems. But the PCO feared that consultants’ interference may mean doing things in a structurally different way and jeopardise its current role and the procedures that govern its day-to-day working practices (which were fundamental to both role- and rule- based trust). In other words, the consultants are not trust drivers in all senses. In some cases, they can bring about situations of unease on the part of some players (as in the case of the PCO).

Role based trust in consultants and the PCO was also insufficient to explain the decision of the Board to implement the systems. History-type trust-building processes were decisive in the consultants’ and PCO’s efforts to get the systems underway. That does not mean that other types of trust were not important. In fact, they were vital in this case. Naturally the expertise of the consultancy firm and the PCO were necessary in this process. In addition, the rule-type trust in the PCO affected the adoption process of the systems, namely in the PCO’s defending its ownership of them.

The systems could eventually have been implemented by a mixed team of PCO managers and consultants. But this did not happen at POST. Firstly, the PCO’s deeper
knowledge of the systems, particularly in the case of the IS system in 2003, which they experimented in the first half of 2002, was determinant. Secondly, I consider that the levels of trust relationships between the PCO and the chairman of the Board were greater than those with the consultants with respect to the area of implementing the management accounting systems. In 2003 the consultants intended to implement the system but they did not. At that moment, the consultants maintained good relations with the Board, and namely the chairman. They remained at the company for long stretches of time and helped in the implementation of other management tools. However, the high level of history-based trust between the chairman of POST and the head of the PCO explain the fact that the chairman delegated the implementation of this system (as well as the IS system) exclusively to the PCO. They had known each other for over a decade, and the invitation, in 1995, to become the (still) head of the PCO came from the same chairman. In 1995 he was also the chairman of POST. As states Tomkins (2001), close relationships are not usually created overnight, they take time to build and are expected by the parties involved to exist throughout time.
PART II

Power in the implementation processes of new management accounting systems

Abstract

This essay is based on a longitudinal in-depth case study that was conducted in a Portuguese postal company, POST, which is a very large public sector organisation. In this essay I investigate how and why the implementation processes of two new management accounting systems in POST were influenced by strategies of power. In particular, I explore the power strategies adopted by a particular organisational area, the Planning and Control Office (PCO), intended to maintain its power position within POST. The strategies of power adopted by the PCO are interpreted in the light of the different dimensions of power proposed in Hardy’s (1996) framework. Furthermore, I extend this framework as a result of the limitation it has in explaining the ‘power of the system’ dimension in POST, which encompasses both ‘unconscious’ and ‘conscious’ behaviours.
1. INTRODUCTION

By the 1990s a stream of technical accounting innovations such as Activity-Based Costing and Balanced Scorecard, among others, was apparent and descriptions of their practical implementation were widespread (Sulaiman and Mitchell, 2005). Further implementation studies focused on factors that influence the success of these accounting innovations (e.g. Argyris and Kaplan, 1994; Shields, 1995; Friedman and Lyne, 1995). For example, Shields (1995) identified some critical success factors such as top management support, the existence of an adequate incentive system and the availability of sufficient resources for implementing management accounting innovations. However, one may argue that there are different degrees of success (see Friedman and Lyne, 1999), and that the same outcome can be interpreted differently by different people within organisations (see Malmi, 1997).

Additionally, interpretative models of management accounting change (e.g. Innes and Mitchell, 1990; Cobb et al., 1995; Kasurinen, 2002) also focused their attention on the classification of critical success factors and on barriers that can hinder the implementation processes of new accounting innovations as advanced by some researchers in accounting literature (e.g. Markus and Pfeffer, 1983; Scapens and Roberts, 1993; Argyris and Kaplan, 1994; Shields, 1995). The Markus and Pfeffer (1983) study explicitly focused on one source of difficulty in the design and implementation of accounting systems – the organisational realities of power and politics, which the authors considered a neglected area.

Interpreting the processes of accounting implementation from a power perspective is still a neglected area. Although power has been widely researched in
management literature in general (e.g. Bachrach and Baratz, 1962; Lukes, 1974; Pfeffer, 1981, 1992; Pettigrew and McNulty, 1995; Hardy, 1996; Buchanan and Badham, 1999; see also Jasperson et al., 2002), it has been less often addressed in accounting studies, at least explicitly (see Ribeiro and Scapens, 2005 for a review of how the concept of power has been viewed in several strands of literature on management accounting).

Burns (2000) observes that research into dimensions of politics and power in accounting literature has not blossomed over the last few decades compared to management literature. In particular, there is a lack of studies investigating how power issues influence the implementation processes of new accounting systems in specific organisational settings (exceptions include Burns, 2000; Collier, 2001, Vieira and Hoskin, 2006; Yazdifar et al., 2006).

The implementation of new management accounting systems also has to do with power within organisations. For researchers and practitioners, power issues can help in understanding and explaining how the implementation processes of new management accounting systems evolve in particular ways in specific organisational settings, even in situations of apparent consensus. Despite this fact it seems that accounting researchers have been mainly attracted to the study of situations of resistance when approaching the implementation of accounting systems from a power perspective (e.g. Burns, 2000; Yazdifar et al., 2006). This is not the case of the current study. In this essay an ‘a priori’ negative connotation of power is avoided, and the concept is rather viewed in neutral terms. Despite work on the advantages of using power (Pfeffer, 1992), the concept of power continues to have a negative connotation, which has inhibited a broader discussion of it and has driven researchers away from deeper study of political dynamics (Hardy, 1996). Power can also work as a facilitator in the implementation of
accounting innovations (e.g. Burns, 2000). Thus, following Hardy (1996), I consider that power is a force that exists and can be used in order to achieve a desired outcome. The way this force is used comprises the politics.

I consider that for studies of accounting implementation to be more meaningful in theoretical terms, and useful in practice, they must acknowledge power as a key element in their research process. One way of doing this is to consider a multi-dimensional view of power. Interpreting power through several dimensions throughout all of the implementation processes of new management accounting systems can provide researchers and practitioners with a more complete view of these processes.

For this reason, in this essay I investigate how and why the implementation processes of two new management accounting systems in a Portuguese postal company, POST, were influenced by strategies of power. In particular, I explore the power strategies adopted by one organisational area, the Planning and Control Office (PCO), in attempting to maintain its power position within POST.

Throughout the implementation processes the PCO adopted several power strategies in its relationships with the Boards of Directors, the IT (Information Technology) area, and the other organisational areas, particularly with first- and second-level managers. I interpret such strategies in the light of the different dimensions of power proposed in Hardy’s (1996) framework. This framework conceptualises power through four dimensions (see next section) as a means of investigating the exercise of power. This is based upon the premise that multiple perspectives allow for an adequate exploration of the nature of power. I regard this as valuable because the framework allows us a better understanding of PCO strategies followed throughout the implementation processes of new management accounting systems in POST.
However, a limitation was found to this framework in terms of explaining the ‘power of the system’ dimension in POST. This limitation will be discussed in section 6, where I present an extended view of this dimension of power.

The remainder of the essay is structured as follows. The next section reviews multiple dimensions of power discussed in the literature. Section 3 presents the research method, and section 4 describes the company context and its current management accounting systems. Section 5 explains the implementation processes of the two new management accounting systems and the strategies of power mobilised throughout these processes are explained. In section 6, the different strategies are interpreted using Hardy’s (1996) four dimensions of power. Final remarks are in section 7.

2. INTERPRETING MULTIPLE DIMENSIONS OF POWER

The power concept holds multiple meanings. This may explain why management literature and that of management information systems have shown multiple conceptualisations of power. Moreover, different terms such as power, politics or authority, have been adopted in an attempt to distinguish among critical power concepts. Nevertheless, researchers generally use the single term, power, even though it has a different meaning for different researchers (Jasperson et al., 2002).

Classical definitions of power include those of Dahl (1957), Emerson (1962) and Pfeffer (1981). Dahl (1957: 202-3) sees power in terms of influence and argues that “A has power over B to the extent that he can get B to do something that B would not otherwise do”. Emerson (1962: 32) considers that “the power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A”.

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Pfeffer (1981) considers power as the capability of one actor to overcome resistance in achieving a desired object or results.

The above definitions of power are built up around the ideas of conflict and resistance. They do not highlight the less visible characteristics of power like the presence of relationships of this kind in situations of apparent consensus. Power as a source of conflict has been prominent in accounting literature (e.g. Markus and Pfeffer, 1983; Scapens and Roberts, 1993; Malmi, 1997; Ribeiro and Scapens, 2004; Major and Hopper, 2005).

The critical accounting literature also tends to highlight conflict as a consequence of power relationships. For example, there is a highlighting of the conflict between legitimating and purposive work activity (Collier, 2001). For these studies, the conflict underlying the implementation processes of accounting systems arises because they may be involved in the reproduction of power structures that lead to appropriation of the surplus value from labour by the capitalist class (e.g. Hopper et al., 1986; Hopper and Armstrong, 1991).

Nevertheless, as mentioned above, power should also be approached beyond conflictual contexts. Giddens (1976) argued that power does not itself imply conflict. He considers that power is linked to the pursuit of interests, and it is only when those interests do not coincide that power and conflict are related to each other. Thus, in Giddens’s view power does not necessarily imply conflict. In this vein, Burns and Scapens (2000) consider the power embedded in institutionalised routines, which shapes the actions and thoughts of members of the organisation, helps in creating organisational stability and also encapsulating organisational know-how. According to them, conflict may emerge only if new rules challenge the existing routines and
institutions (see Part III for a deeper analysis of this argumentation, particularly sections 2 and 7).

Thus, power relationships may be present even if there are no situations of conflict in the organisation. Moreover, in the majority of studies power has been considered to be related to organisational resources (e.g. money, information, political access to higher echelon members). Power may be exerted by some actors to alter the behaviour of others through the deployment or restriction of some key resources on which they depend. This conception of power implies that attention is given to situations where power is exercised in a more visible way. However, some opposing positions have emerged in the literature (e.g. Bachrach and Baratz, 1962; Lukes, 1974; Foucault, 1979, 1982; Clegg, 1975, 1989; Hardy, 1996).

Bachrach and Baratz (1962) question the resource-based view of power on the basis of the accessibility of everyone to decision-making processes, and whether non-participation really reflects genuine satisfaction. For the authors, the power resource-based concept seems to be looking only at concrete acts of decision-making by specific actors, forgetting that power might be manifested not only in doing things but also in ensuring that things do not get done (non-decision-making processes). The idea that there may be something unobservable called non-decision-making was not widely accepted. Some researchers (e.g. Wolfinger, 1971) argue that if this face of power cannot be seen, there is no proof of its existence. They considered that either things were real and could be clearly seen or they were not real at all (see Clegg, 1989).

Lukes (1974) extended the two faces of power propounded by Bachrach and Baratz (1962) to a three-dimensional model of power by adding a third dimension, the power over meanings. According to him, power is often used to shape perceptions,
cognitions and preferences so that individuals accept the “status quo” because they cannot imagine any potential alternative. Alternatively, power may also be used to convince people that change should take place. Thus, it is suggested that individuals use different meanings to legitimize their own decisions and demands, while de-legitimizing others’.

Another emergent view stems from the work of Foucault (e.g. 1979, 1982). He conceptualises power as a ‘technique’ that achieves its effects through its disciplinary character, thereby residing in the values, traditions, cultures and structures of an organisation. Thus, one should attempt to understand how power constitutes and normalises the subject. This can be called ‘the power of the system’. Although people may (or may not) benefit from the ‘power of the system’, they find that it is difficult to change it because it is embedded in the “status quo” and thus all organisational decisions are made within its context. In the sphere of accounting, some researchers (e.g. Hoskin and Macve, 1986, 1988; Miller and O’Leary, 1987; Carmona et al., 1997, 2002; Vieira and Hoskin, 2006; see also Armstrong, 1994) have taken into consideration Foucault’s insights, particularly to explain the nature and the historical evolution of accounting techniques.

Although all of the above studies have valuable contributions to play in our understanding of the power concept in organisations, I consider that the implementation of accounting systems is still an area with many open questions. It seems an interesting area to be researched from a multi-dimensional power perspective.

Hardy (1996) offers a comprehensive approach to power, making a synthesis of some of the ideas discussed above. Her model encompasses four dimensions of power, bringing together into her framework Lukes’s (1974) three-dimensional model
(resource, process and meaning) and Foucault’s power of the system. The power over resources (first dimension) is defined by Hardy as the power exercised by agents to influence decision outcomes and bring about desired behaviour through the deployment of key resources on which others depend (e.g. information, expertise, political access, credibility, stature and prestige, control of money, rewards and sanctions). The power over decision-making processes (second dimension) encompasses the power exerted by dominant groups to influence outcomes by preventing subordinates from participating fully in decision-making. Power over meanings (third dimension) is exercised by organisational agents in order either to influence people’s perceptions, cognitions and preferences, to make them accept the “status quo” or, alternatively, to convince people that change should take place. She argues that these three dimensions of power encompassed by the model can be used to combat the power embedded in the system (the fourth dimension of power) to bring about change. She argues that this last dimension of power is deeply embedded within the organisation and is supported by the ‘unconscious acceptance’ of existing, prevalent organisational values, traditions, cultures, and structures.

This essay argues that by taking into consideration all four dimensions collectively we can address the multi-dimensional nature of the exercise of power, which allows us a better understanding of the implementation processes of the new management accounting systems in POST.

In accounting literature, Hardy’s (1996) framework was also used by Burns (2000) and Yazdifar et al. (2006). Burns (2000) highlights the importance of power over resources, decision-making and meanings in directing the implementation of accounting change in a department of a small UK chemicals manufacturer. In addition, he argues
that Hardy’s fourth dimension of power (the power of the system) mirrors the notion of “institution” adopted in his article, which comprises behaviours which are taken for granted along with the beliefs encompassing the whole organisation (about the concept of institution see Part III, section 2).

The current study offers additional insights in relation to those offered by Burns (2000) and Yazdifar et al.’s (2006) studies. Firstly, it is more deeply focused on the implementation processes of ‘formal’ management accounting systems. Secondly, the study is not a case of resistance to the implementation of new accounting systems, which is uncommon in similar studies. Finally, it explores how a particular organisational area at POST, the PCO, exerted power in multiple directions – with the Board of Directors and with people from the other organisational areas. Of particular importance in this study is the exploration of relationships between people from the PCO and the IT area.

3. RESEARCH METHOD

In order to explain how and why the implementation processes of two new management accounting systems in POST were influenced by strategies of power, a longitudinal in-depth case study was the research method adopted, providing detailed, rich and contextual information (Miles and Huberman, 1994; Mason, 2002). Abernethy and Vagnoni (2004) also point out that the complexities associated with power and alternative roles of accounting are best examined using in-depth case studies. In fact, case studies are recommended for studying contemporary and complex phenomena in
management (Yin, 1993, 1994; Eisenhardt, 1989) and are particularly appropriate when
the research questions begin with how or why (Yin, 1994), as is the case here.

The study draws primarily on semi-structured interviews and internal company
documentation. A total of 26 interviews were undertaken over a 3-year period, with
managers from 8 different organisational areas: Planning and Control Office,
Operations, Commercial, Marketing, Quality and Development, Human Resources,
Information Technology, and Finance (see Appendix 1). 21 interviews were tape-
recorded and transcribed.

The interview process was iterative in that new interviews arranged followed a
review of data collected from previous interviews and documentary data collected to
that point in time. Thus, the available transcripts, notes, internal company documents,
reviews and summaries were used to prepare a new interview. All interviews were
semi-structured. However, interviewees were encouraged to do “all the talking” in an
attempt for new themes to emerge.

Brief notes were made during and after each interview in order to record ‘other’
information that was not captured on tape. This resulted from some observations of
facial expressions, the intonation of the voice, gestures and periods of extended silence.
Additionally, notes were taken in the cases of the interviews that were not tape-recorded
and parts of the interviews that were not taped recorded due to requests by the
interviewees. Also, some interviewees gave extra information once the tape-recorder
was switched off. For this reason, time was provided after the tape-recorder was
switched off in an attempt to capture additional relevant information. This was also
useful for obtaining additional internal company documents. Throughout the period of
the field study I maintained informal contacts with some of the interviewees, some of which I still maintain.

Documentary data collected includes material from internal and external sources (see Appendix 2). Internal company documents were crucial for a deeper understanding of the implementation processes of the two management accounting systems. Fundamental documents include: presentation documents for current projects (IS, KPI and others); status reports about these projects; presentation materials about the IS and KPI systems provided by the PCO to the other organisational areas and to the Board of Directors; and internal communications between the PCO and the other organisational areas with respect to the IS and KPI implementation processes. Other internal documents were also very important. Examples of these documents are: annual plans and documentation about other projects such as the Management by Objectives project.

POST’s biggest sorting, transportation and delivery centre located in Lisbon was also visited. Different sections of the building were observed, following the chain process for three hours. In addition, some post office counters were also observed.

To establish construct validity and the reliability of this research, Yin’s (1994) principles for collecting data were followed: multiple forms of evidence from diverse sources were used, a database was created, and a ‘chain of evidence’ was repeatedly analysed.

Data analysis in this research was an interactive process. It was conducted in three steps (see Miles and Huberman, 1994). Firstly, data collected from interviews, written documents, notes, etc., was coded and grouped by common themes, and then categories were formed by similar themes. The aim here was to give order and meaning to the data collected. Secondly, data was organised and displayed in charts, graphs and
other formats in order to identify relations in the data collected. Finally, conclusions were drawn and verified.

So, then, Yin’s (1994) four tests for establishing the quality of empirical social research – construct validity, internal validity, external validity and reliability – were also followed throughout the phases of gathering evidence, analysis and generation of conclusions.

4. POST AND ITS CURRENT MANAGEMENT ACCOUNTING SYSTEMS

4.1. An overview of the Company

POST is a large public sector Portuguese company. It operates in four markets: (1) mail, (2) parcels and express mail, (3) financial services and (4) data and documents. Mail is its most important market, with parcels and express mail second. POST has faced increasing competition in these main markets as a result of important changes that have taken place in the postal sector. Firstly, the ongoing process of deregulation has been reducing the reserved business area since 2000, the year in which the European Community postal services opened up to competition. POST has the concession for the universal postal service in Portugal, operating partially as a regulated monopoly company. Prices and service quality standards need the Portuguese regulator’s approval. The negotiating process between POST’s Board of Directors and the regulator takes some important factors into consideration; such as POST’s own proposals, the level of achievement regarding the service quality standards agreement and, to some extent, political considerations.
The ongoing process of deregulation has diminished the reserved business area as new operators have appeared. A subsequent increase in competition from private operators has taken place, especially in urban regions and in the more profitable postal business areas.

New technologies have also had a significant impact on the postal sector. In fact, there has been a proliferation in e-mailing and a growing use of text messaging. From a technological point of view, both of these communication forms are replacing the mail, which has always been the most traditional means of communication (and POST’s core business). However, new products and services have been developed in POST within the technological scope such as hybrid mail, digital certification, e-government services, e-logistics, and reverse hybrid mail.

The Portuguese Government also chooses the Board of Directors for a 3-year period. The Board is usually closely linked to the Government’s political family, causing instability at the top management level each time it is replaced. Additionally, frequent changes in its organisational structure also bring instability. Since 2002 POST has had at least two different organisational structures per economic year. However, all such organisational structures share a common characteristic. They are organised into three main organisational areas: business, corporate and shared areas (see Appendix 3). Moreover, the structure’s changes have occurred mainly in the business areas.

4.2. Current management accounting systems

During the period of the study, there was an Executive Information System (EIS) which provided business information regarding costs, investments, commercial and human resources. This information was available in various formats, such as time
periods, cost centres, product families, projects and organisational areas. The renewal of information was done on a monthly basis. The EIS operated online and provided the above information for about three hundred people in the company, two weeks after the end of the month, delivering a report to managers, which included planned and actual figures, as well as variances.

The EIS, having maintaining a similar structure and scope since its implementation in 1995, was the main management accounting system encompassing the whole organisation, providing the main information for the monthly control meetings, in which the Board of Directors and the first level managers took part. However, there were other management accounting systems at POST, such as the budget-control and the activity plan-control systems, which were connected to the EIS. We can say that the EIS was largely dependent on these two management accounting systems and on other management information systems, particularly those related to the operational and human resources areas.

There was also a cost accounting system, which followed a full cost methodology in computing costs according to products (and family of products) and according to the four main activities: reception, sorting, transport, and delivery. Additionally, for each product, gross and profit margins were also produced. This information was delivered every three months by an independent application, which was not directly connected with the EIS. Every six months, POST had to send to the regulator the information provided by its cost accounting system.
5. MOBILISING POWER THROUGH THE IMPLEMENTATION PROCESSES OF THE NEW MANAGEMENT ACCOUNTING SYSTEMS

In this section I aim to explain the implementation processes of the two new management accounting systems adopted by POST and the strategies of power mobilised by the PCO throughout these implementation processes.

5.1. The implementation processes

In February 2003 the implementation began of two additional management accounting systems: Income Statement (IS); and Key Performance Indicators (KPI). The Planning and Control Office (PCO) was in charge of the implementation processes of both of the two new management accounting systems. At the very end of January 2003, the PCO presented the aims of both systems within the launch meeting:

“IS – system which provides monthly income statements by area even for the lower levels of the organisational structure and which includes an internal transfer pricing model.

KPI – system which provides a set of key performance indicators on a monthly basis, thus allowing the Board of Directors to monitor the implementation of the strategic goals of the company.” (PCO, 2003a: 1)

The IS system incorporated an internal transfer price model. During February 2003 the PCO developed a list of possible internal transfer prices and at the beginning of March the PCO sent it to the various organisational areas to collect transfer price proposals. At this point a PCO manager commented:
“The Planning and Control Office spoke to all the managers [first and second level managers], because this was done at the managerial level. We went in there and explained all the concepts etc. in meetings with the managers. We then launched the support programme with all the activities we had previously identified, for them to add to or remove from, to propose prices which defined what the price rationale was and so on.”

The same manager added:

“We have also attempted to disseminate the concept in a progressive way. We have tried to avoid the idea that it’s a good thing to have a profit and a bad thing to have a loss; that a department has to make a profit. There are departments that don’t need to make a profit, or even to break even. We merely have to look at one thing. A profit margin is budgeted for and what we do is to measure this figure against the current profit figure. We do not tend, then, to really push the idea of profit, which would be terrible…. It does not really matter if the figure on the balance sheet is positive or negative. What does matter is that people take on board the idea that there is a margin, and a planned margin, and that the important thing is to measure one against the other. It’s really important, then, to sell these ideas properly because it is highly dangerous to say that making a profit is always good.”

During April 2003, the various organisational areas sent their internal transfer price proposals (rational and respective value) to be analysed by the PCO. The negotiation process of internal transfer prices initially occurred between areas and, later relied on the PCO’s advisory body. Then, the PCO had meetings for the negotiation and fixing of internal transfer prices with the organisational areas. The process was very
peaceful and agreements on the internal transfer prices negotiated between the organisational areas were easily achieved, as stated by the PCO’s leader:

“The process was led from here. Each one of the organisational areas came up with internal transfer price proposals which were very largely based on their costs; on the costs of the respective operations. But there followed a series of price-levelling negotiations which allowed us to reach deals on all prices. Hundreds of prices, and we were able to get agreements on all of them.”

The PCO’s leader also added:

“Because these concepts were very well explained, at least in my case, people realized that this was almost a cultural approach and that there was little point in arguing the toss. What brought them to the table, then, was something I thought to be extremely useful – and that was the way the price had been formulated. So when you say that your price was formulated in such and such a way, you can either disagree with the method used to formulate the price or, if you agree with the method, there is little you can do to lower it.”

A global proposal of internal transfer prices was prepared and approved by the Board of Directors in May. In the meantime the PCO developed the specifications to be made available for the IT area and by June 2003, the development of the technical application was over. In July, after the necessary training, the IS application was made available to the PCO, and the income statements were presented to the Board of Directors in September 2003.
In parallel to the IS system, the PCO also implemented the KPI system. As explained by a PCO manager, the implementation of this system involved various stages:

“The rationale behind the KPI system is the same as I knew for the Balanced Scorecard. I established four perspectives; financial, market/client, resources and process/service quality. Later, for the global POST business group, I established what the objectives within each of these perspectives were. Afterwards, I established which indicators, from the POST group’s viewpoint, would measure these objectives. I began with an expansive list and then reduced it to a level of around 3/4 per perspective. Then, I did the same for all first level organisational areas.”

In April 2003 the PCO sent a first draft of key performance indicators to some organisational areas. However, a completed draft was only sent by the PCO to all organisational areas (first level management) in August. Transversal key performance indicators were defined for all the organisational areas and specific key performance indicators were defined for each area. The PCO proposed an excess of key performance indicators so that some of them could be taken away and/or added during the discussion process held between the PCO and the managers of each area. Additionally, a proposal containing the weight of each key performance indicator was also put forward by the PCO, making it possible to define a global index of quantitative performance evaluation.

The PCO only proposed key performance indicators for first level management areas. The proposal of the key performance indicators for the second level management
of each area was left in the hands of the manager of the respective area, as observed by a business area manager:

“In the first phase, it was only for the first level. And then those of the first level were used as a basis. Using the functions of each of the areas and the objectives of the areas as a basis, some of the key performance indicators taken from the first level were even included in the second. The matrix was different and therefore already made sense. It was something more specific to the area. There are also lots of key performance indicators which are the same.”

In November 2003 the PCO made a presentation of the ongoing KPI project to the Board of Directors. At this time the definition of the sources of information for each key performance indicator was still taking place. The KPI system continued to be designed, as pointed out by a PCO manager in December 2003:

“So what are we doing now? Well, the thankless task of detailing each indicator. What is the information source? How is it to be calculated? What is in the numerator? What’s in the denominator? How can the prediction be established? The process of answering these questions has taken up the whole year, and will continue for some more time.”

Only at the end of March 2004 did the PCO start to work on the technical specifications/requirements. The application was concluded, from a technological point of view, in mid-June 2004 by the IT area. The key performance indicators were then presented to the Board of Directors, first- and second-level managers in July 2004.
There was a close link between the KPI system and the Management by Objectives system, which evaluated the individual performance of first and second level managers. It was also a reward system. The Management by Objectives system was implemented in 2003 by a consultancy company in collaboration with POST’s human resources area. The KPI system was linked to it, as one PCO manager explained:

“Management by Objectives is the project which the Board is implementing. The objective is to connect the bonus compensation and the managing of people’s careers to a Management by Objectives project which was developed by the Board with the support of a consultancy company and the human resources area. This process contains several components, which are very hard to explain. But it contains the company’s results/performance component, it has an individual skills component, and then it has the performance area component. In this performance area, one of the aims is the achievement of the key performance indicators. Therefore, this gave more importance to the KPI project.”

5.2. The PCO developed the conceptual designs of the systems

Regarding the conceptual designs of the new management accounting systems, the organisational areas of POST collaborated with the PCO but the extent of their participation was limited. All concepts were developed exclusively by the PCO, and later adjusted and validated by the different organisational areas of POST. In fact, the PCO imposed the pace and format of the development and implementation of the systems. The following comments by the head of the PCO, regarding the KPI system, seem to be evidence that this office had, and used, power to get things done its way:
“I’ve also got this KPI system here, which I said at the outset I wouldn’t finish by June, but that I would get the first conceptual draft done. I already have an initial proposal which is not yet completely ready for these business areas and units. I am now going to work on these areas and later I’ll move on to the other ones. Only after achieving a more-or-less stable concept in the key performance indicators will we try to incorporate this into a concrete piece of software.”

The other organisational areas accepted this way of developing the systems. They perceived the PCO as an entity that possesses the necessary expertise to carry out the implementation of this kind of systems. This seems to be one of the reasons that led the other organisational areas to recognise and accept PCO’s power, and explains the absence of conflict. The other areas collaborated to the extent that their participation was required by the PCO, as can be perceived in the comments of one of the first level business area managers when questioned on the importance of the key performance indicators for his area:

“I still haven’t been approached on this KPI system. What they will give me is a bunch of indicators which I’ll try to reach a deal on, performance indicators for this area which are directly related to bonuses. I suppose I will then have to work with the PCO to dismantle it for each of the sub-areas.”

Another manager from this business area stated (in a later interview) that it was the PCO that proposed the key performance indicators and a series of rules inherent to the KPI system:
“In the case of the KPI system a proposal was presented and within this proposal the objectives were already stated. The proposal stated how the key performance indicators would be calculated, what the form of calculation would be, which key performance indicators would be used and what the pre-established intervals would be. There were many objectives and we decided how we would carry them out. This was either accepted or declined by the manager.”

Each of the main organisational areas directly answerable to the Board has an internal Planning and Control Department (PCD). They were the main contact to PCO during the implementation processes of the systems and, as mentioned above, the relationships were based on dialogue. As a PCO manager said:

“The Income Statement project [as in the case of the Key Performance Indicators project] was developed solely by the PCO with the various organisational areas. They have organisational bodies, and interlocutors there. In conceptual terms everything was done here.”

One of the managers to whom the last manager refers also stated:

“I have actively participated in this process [KPI project] because I have been the interlocutor for the commercial area. I can no longer tell you when that was. But in the analysis connected with the PCO, the defining of the key performance indicators, in order to obtain indicators for each one of the objectives….the formula, the information sources for the key performance indicators ….. I have been following the whole process because I have been acting as the interlocutor.”
There is another piece of information that is important to understand the relationship between the PCDs and the PCO. While reporting formally to the managers of the organisational areas, the PCDs were in fact relating functionally to the PCO. This kind of informal relationship can be seen as another source of power for the PCO within the organisation. One of the fundamental roles of these PCDs was to help in the interpretation of data coming from the PCO (up until now this has largely been provided by the EIS), and providing their first level managers with the information they needed. Such information, used namely in the monthly control meetings, is carefully analysed and documented with justifications for potential deviations. The head of the PCD of one of the business areas said:

“The PCO sends to the manager of each area a sheet showing costs at Company level, about which there is a monthly plan-control meeting with the Board. At this meeting, managers have to justify deviations. They have to say what measures were taken, why such-and-such happened and so on. This has to be documented and, in my area, the documentation is provided by me.”

The same manager added:

“The ultimate objective is, in essence, the carrying out of plans and budgets. Clearly the control meeting serves to make this possible and to ensure that it is correct. The person who provides the documentation and analyses the data in my area is me. I get this information from the EIS and SAP, which is another application I use a lot. That’s where I get my information. Then I analyse it. I get justifications. I talk to the various [sub] areas about what action to take, and automatically transmit the information to the manager. I then have a meeting with the manager
before the planning and control meeting and ensure he goes in with documentation.”

To sum up, the existence of a PCD in each organisational area can be seen as a source of power for the PCO, and the working practices of these departments contributed to the continual feeding of the PCO’s power basis. The fact that the PCDs existed in each organisational area enabled the PCO’s importance within the organisation to be legitimised through time. In fact, the PCDs have been a powerful means of spreading meanings about management accounting systems.

5.3. The PCO influenced the technological designs

The PCO influenced the technological design of the systems it manages, and these new systems were no exception. This influence was exerted through the IT (Information Technology) nucleus at the heart of the PCO, which is another example of the PCO’s power base. This nucleus of the PCO, known as the ‘management information area’, played a fundamental role both in the technological design of the applications managed by the PCO and in keeping these applications running smoothly. For these reasons, the head of the PCO saw this IT nucleus as being essential for the office:

“I have organised my small department into 3 broad working departmental areas, one of which is for planning, the other for control and the third of which I call management information, whose three members [of this departmental area] work very closely with the former two people [from the planning and the control departmental areas]. Essentially, they understand a great deal about decision-making support
systems. This is most clearly the case with the department leader, whose expertise allows me to talk knowledgeably to the IT area, which I would not ordinarily be able to do. This prevents me from messing up on an application, which would render it useless for my needs. The head of management information, then, in conjunction with the other two heads, is able to carry out a far more fluid dialogue with the IT area. This fact was recently recognised by the Board of Directors, whose restructuring plan, involving the centralisation of all the IT nuclei in the company did not include this department, because it would have been practically impossible to do so. When I wish to manipulate an indicator, in other words, I could not do so with an off-site department. Such work must be done on the spot, so I need to have people around me who are capable of doing it then and there, and who know how to work with the relevant applications and make them the necessary changes. In other words, for me the issue of information systems in the management control process is a key one.”

Such a situation, in which an IT nucleus was kept under the control of the PCO, at a juncture when the Board was centralising all IT nuclei, is a sign of a certain amount of PCO influence with the Board. It also reveals a greater ability to influence the Board than that of the IT area. There was, then, a certain margin of influence of the PCO on the technological design of applications developed by the IT area, allowing that office to have such applications incorporating all the intended requirements. At the same time, the PCO aimed to guarantee that the long-term running of these systems remained under its control.

This intervention of the PCO in the technological design of its information systems has been common practice at POST. In those occasions when the PCO’s preferences did not match the IT area’s architectural strategy, such preferences tended
to be always considered in the projects. A manager of the technological development department of the IT area states that dialogue with the PCO as compared to that with other organisational areas was actually even more difficult because of the existence in that office of a IT nucleus. This corroborates what has been said above about the PCO’s IT nucleus being a way of exercising power. The manager states:

“This quasi-IT group needs to have the capability to manipulate the information in terms of data extraction and loading. The fact that they have this group and the know-how and capability affects communication. One of my hopes is that we can convince them not to interfere in the architecture of the solutions, in order for them to be architecturally coherent. I have my doubts because they carry a good deal of weight in the company. So if they decide that they want to tinker with the ETL (Extraction, Transforming and Loading) process, and even if we really change the technology and our philosophy, with the best intentions of redoing things in a more coherent way, we run the risk that they can disturb this. This is my fear.”

Despite some discontent on the part of the IT department regarding the PCO’s interventions, the fact is that the PCO exerted influence on the technological design of the systems it managed. Moreover, such influence has been growing in recent years, as a consequence of the change to the EIS technological platform, and the need for frequent updates on it as consequence of the frequent changes in the organisation’ structure. There was thus a close relationship between PCO’s IT nucleus and the IT area of POST. Such a relationship works through a number of different phases, as explained by the head of the PCO:
“Basically, in simple terms the circuit is as follows. We tell the IT area what we want to change and what the desired parameters are. They inform us what is available on the market [in terms of technological solutions], and how much they cost. We then analyse this information with them in a working group. The technology is thus selected and then the conceptual part of the development process is conceived by these three members of the Planning and Control Office. Two members [from the PCO planning and control departments] provide the concepts and the third member [from the PCO IT nucleus] translates the concepts to the IT area. Development then continues by a group of IT workers, briefed by the head of the PCO IT nucleus. He is responsible for running the system, for producing monthly reports, for ensuring that the system is always running with the most up-to-date data and for guaranteeing that the data is correct and clean.”

It is noteworthy that the development of technological solutions was dependent on a series of procedures defined by the PCO’s IT nucleus. This shows the PCO’s power to influence the technological designs of the applications which were to be developed under the control of the IT area. The PCO itself aimed to maintain a coherent structure between the new systems and the applications it already manages (fundamentally with the EIS), both in terms of existing concepts and practices of information-giving to the other organisational areas. Moreover, the PCO imposed the information provided by the new management accounting systems to be discussed at the monthly control meetings, as already occurs with the information provided by the EIS. This routine reinforces the PCO’s power base through time.

Markus and Pfeffer (1983) point out that those who have control over information flows in the organisation come to have increased power. This seems to be the case of the PCO in POST.
5.4. The PCO managed commitment from the Board of Directors on the new systems

When the new Board arrived in July 2002, the available management accounting systems (such as the EIS), and even those that were at the planning stage, like the IS and the KPI, seem to have created in its members an impression of dynamism of the PCO and its leader. This was especially important to build up trust relationships with those members with whom the PCO did not have interactions.

We could now divert the analysis to a discussion of the impact of trust on the planning and implementation of the new systems. However, such an approach was the purpose of the first essay of this thesis, in Part I, also based on POST. For now, the important is to highlight that the PCO’s power over meanings helped to reinforce the role of the office within the organisation. A factor that fostered such power was the trust relationship between the head of the PCO and the chairman of the Board. The two had known each other for over a decade, and it was this chairman who appointed the current head of the PCO in 1995, when he was also the POST chairman.

The trust relationships built up between the PCO and the Board, and in particular its chairman, allowed the PCO to gain the support (legitimation) of the Board to develop the new management accounting systems, as well as their support throughout the implementation processes. In other words, the Board delegated to the PCO the implementation of the new systems, imposing on it a regular feedback to the Board.

PCO’s power increased to a point that avoided the involvement of third parties, namely consultancy firms, in the implementation stages, even when there had been
significant delays on the part of the PCO in the implementation of the KPI system. This situation can clearly be seen in the words of one consultant:

“If I remember rightly, we actually made a proposal to the IBM Company which was to develop a Balanced Scorecard in order to help define key performance indicators to the very end. Afterwards the PCO, and eventually the Board, decided that it was not worth it and that they would deal with everything themselves. I also remember that at that time in relation to the key performance indicators, we, the consultants told the PCO that if they wanted, we would do the work for them. They also said no, adding that it wasn’t necessary. They were not concerned about this. We were working alongside the project leaders, or in other words, if they had any problems due to a lack of resources, we were there to help. We could contribute for better or for worse, but we could, perhaps, ease some of the problems. This was what we tried to do for all of the project leaders. The PCO, I don’t know why, may be because of the underlying costs, said: ‘We have no need for consultants’.”

6. ANALYSING THE MOBILISED DIMENSIONS OF POWER

Power structures are dynamic. Maintaining (or increasing) a power position at the heart of an organisation is therefore a dynamic process and, for this reason, such positions need to be continually fed. Organisational actors, individually or as a group, use different mechanisms to feed their power positions within organisations. In this section I will analyse the different dimensions of power, proposed by Hardy’s (1996) framework, exercised by the PCO in POST during the implementation processes of two new management accounting systems.
6.1. Power over resources

The PCO owned and exercised its power at the level of resources. An initial example of this power dimension could be seen in the initial preparation of the expertise necessary to implement the new management accounting systems. The PCO had always endeavoured to broaden its knowledge of such a type of systems. Its leader chose to be trained on such systems and encouraged her team members to take similar training. The PCO members had also intensified their knowledge of the underlying concepts through previous attempts to design new management accounting systems, most especially with the experience gained in the development of a prototype of an Income Statement system in 2002 that had been backed by the former Board of Directors.

The PCO also had and mobilised resources to enable dialogue to occur with the other organisational areas. As mentioned above, there were Planning and Control Departments (PCDs) in all the various organisational areas and they were important resources in terms of facilitating such a dialogue. They were, therefore, a privileged means for the PCO to diffuse the concepts inherent to the new management accounting systems it was implementing.

In turn, the PCO also had an IT nucleus which allowed it to have educated dialogue with the corporate IT area regarding the implementation of the new systems and/or the reformulation of the existing ones. This IT nucleus also guaranteed that the PCO continued to have the responsibility for the ETL (Extraction, Transforming and Loading) processes of the new management accounting systems. As has already been shown in this essay, the PCO’s IT nucleus was extremely important to the technological design processes of the new systems because it ensured that the running of these
systems remained exclusively under the control of the PCO, and thus that the PCO retained power at the heart of POST.

The PCO saw its proposals for technological investments related to the new management accounting systems approved. During the implementation stage of these systems, the PCO also received the support of the Board in terms of human and financial resources. It was granted freedom to strengthen its human resources, namely through the hiring of consultants. With regards to this aspect, the PCO had no limits placed on its financial resources. If the projects ever became delayed due to a lack of human resources, this was not brought about by financial limitations but by the fact that the PCO wished the systems to be exclusively developed by its own internal team, in a bid for the systems to be exclusively associated with the PCO. This is easily perceived if one takes into account that the consultants who were working on the system of Management by Objectives, made a few attempts to help in the implementation of the KPI system, arguing that the delay in this system could jeopardise the Management by Objectives one. The PCO, however, decided to continue implementing the KPI system without the help of consultants.

6.2. Power over decision-making processes

The leader of the PCO held a privileged hierarchical position within POST. Despite changes to the Board of Directors, such a position was strengthened over the years and this seemed to be in part due to the fact that she was the supervisor of the main management accounting system of POST, the EIS, which provided the information analysed at the monthly control meetings. These meetings demonstrated that the head of the PCO was listened to within the Board and thus within POST.
The PCO’s leader was thus someone that the Board listened to. Beyond the technical importance of the PCO’s head, the trust relationships she built up with the Board members, especially with the chairman, helped to understand her increasing importance in the organisation. The outcome was an increasing ability of the PCO to influence Board decisions affecting the carrying out of new and existing management accounting systems. Let us recall two specific cases discussed above in the current essay, which illustrate such a situation. First, the PCO managed to avoid the interference of consultants in the implementation processes of the new management accounting systems. In fact, there were various attempts by consultants, who were developing the Management by Objectives system, to participate too in the implementation of the KPI system. The good relations between the PCO’s leader and the Board members allowed the implementation of the new systems to be exclusively granted to the PCO. Not even the PCDs, or even any of the members of other departments of the various organisational areas, were asked to participate in the early stages of the systems’ conceptual development.

A second example of the privileged position of power held by the PCO in relation to the Board is the fact that this office managed to keep its IT nucleus at a time when the Board were concentrating the nuclei of the other organisational areas. The PCO was the exception. Through this nucleus, the PCO influenced the IT area in its technological choices during the implementation processes of the new management accounting systems. Moreover, retaining of this IT nucleus also allowed the PCO to ensure that the technological development of the new systems respected the formats it wanted and to guarantee that the extraction, transforming and loading processes of these systems remained within its responsibilities.
6.3. Power over meanings

Apart from the power over meanings that the PCO exerted with the IT area in relation to technological choices during the implementation processes of the new management accounting systems, as explained in the previous sub-section, it also exerted power over meanings in two additional directions: with the Board and with the various organisational areas. The PCO convinced the Board that the implementation of these new systems was important to the organisation and justified its position based on efficiency. From the arrival of the Board in July 2002, the PCO highlighted the fact that there was an experiment using the IS system, which had not been authorised for investment by the previous Board because it was on the verge of leaving, and it felt that the new Board should make the decision. In truth, the PCO had already been exercising power over meanings in its relations with the previous Board, emphasising the importance of the adoption of this type of management accounting systems in order to evaluate the performance of the organisational areas and make them more responsible for their results. These systems had already been discussed in the company and the PCO took on the challenge of keeping them alive. In fact, the systems also allowed the PCO to project an image of dynamism to the incoming Board, namely with those Board members who were not previously familiar with the PCO and/or its leader. This message was also frequently projected to the various organisational areas, before and during the implementation processes of the new management accounting systems, both through formal and informal means. It should be said that people interviewed from the various organisational areas associated the new management accounting systems exclusively with the PCO. In addition, the PCO introduced itself to the Board as the
only body within the company with the necessary past knowledge and experience of this type of systems.

Additionally, the consultancy firms also helped the PCO to exercise power over meanings to the Board in corroborating over the importance of the implementation of the new systems, and in particular the KPI one. The consultants were particularly interested in developing this system and because they knew that the PCO wished to develop it, they considered it would be easier to influence the Board to take this decision if they had that office on their side. Thus, playing such a strategy, the consultants established a link between the KPI and the Management by Objectives (MO) systems.

A third level of PCO intervention where power over meanings was exercised occurred with the other organisational areas. During the implementation processes of the new management accounting systems, the PCO promoted meetings to explain to those areas the concepts inherent to the systems, in particular to their first level managers and their heads of the PCDs, who were second level managers. The PCO requested that the Board formally “legitimised” the implementation of the new management accounting systems by imposing to the many areas their full participation/collaboration in the implementation of those systems. This was indeed a “legitimisation” of the PCO’s work.

Another way in which the PCO acted at the level of power over meanings during the implementation processes of the new management accounting systems can be illustrated through the case of the implementation of the MO system. Its development increased the visibility of the KPI system and thus constituted a form of power over meanings being exercised with the organisational areas, because the MO system
imposed on them the use of a quantitative component of their evaluation that was made available by the PCO. Such a quantitative component had initially been introduced in the evaluation process by the human resources area of POST, in cooperation with a consultancy firm. It was thus a type of information legitimised by another entity rather than the PCO, increasing therefore the importance of this office as implementer and manager of the new management accounting systems that were supplying such crucial information.

6.4. Power of the system

It is argued in the literature that the ‘power of the system’ dimension is more systemic than the other three dimensions of power discussed above, and encompasses most members in its web. Referring to the power of the system, Hardy (1996: S8) states that:

“…we must not ignore the power embedded deep within the organizational system that everyone takes for granted. This power is often beyond the reach of tampering by organizational members. It lies in the unconscious acceptance of the values, traditions, cultures and structures of a given institution and it captures all organizational members in its web.”

Burns (2000) and Yazdifar et al. (2006) are researchers that support her argumentation. Burns (2000) argues that Hardy’s fourth dimension of power mirrors the notion of ‘institution’ adopted in his article. In this sense, the power of the system lies in taken-for-granted behaviours. Yazdifar et al. (2006) also add weight to the Burns argument.
During the implementation processes of the new management accounting systems in POST there were a large number of ‘unconscious’ (taken-for-granted) behaviours. In terms of accounting routines, among others, the annual planning and budgeting processes, and the monthly control meetings are examples of accounting practices that were carried out in a routine fashion. These types of practices had also been validated by successive Boards of Directors for several years. Other non-accounting practices were also carried out in a routine fashion.

Nevertheless, the power of the system in POST also lay in ‘conscious’ behaviour. There were behaviours at the system level in POST that were questioned periodically, particularly each time the Board changed, and these ‘conscious’ behaviours had an impact on the implementation processes of the new management accounting systems. When there were changes to the Board of Directors in POST, which were frequent as mentioned above, there was huge uncertainty within the organisation for a period of time, which began a few months before the arrival of a new Board and continued for some months after its arrival. During the processes of establishing new power structures, ‘conscious’ behaviours were highly manifested by organisational actors.

Let us now look at two examples which illustrate situations of ‘conscious’ behaviour. Firstly, one such example of conscious behaviour can be seen in some of those managers who held strong positions of power within POST, fundamentally first level managers, and who gave an image of a certain distancing (non-connotation) from the members of the Board who were still in power in the phase before a new Board was appointed. This distancing behaviour shows that managers were already beginning their preparations for a new Board even before knowing who would be appointed. When a
new Board arrived, the existing power structures within the organisation were more closely questioned and new power structures emerged. Whether the Board decided to maintain POST managers in their privileged positions or not was partially influenced by their previous work. Usually, there were many changes at the first and second levels of management. Various players, especially the current first level managers or those who wished to ascend to such a position, attempted to guarantee their presence in the most privileged positions of the organisation’s power structures. This presence ensured them privileged access to the decision-making process, greater ease in the availability of resources and also more opportunities to disseminate their ideas at the heart of the organisation.

Secondly, another manifestation of ‘conscious’ behaviour pointed out by interviewees was the idea that when the Board changed, many of the projects underway at the time would be put on hold or altered, and that other previously postponed projects might be looked at again. The organisational actors were also conscious of the fact that many of the current organisational practices followed by the outgoing Board might be completely or partially altered. There was, therefore, a high degree of expectation on the part of the organisational actors regarding the formation of new power structures and the new strategic organisational orientation to be followed by the new Board. Those actors were conscious that there would be significant impacts on whatever organisational practices were currently underway at POST. The organisational actors were also aware that current organisational practices would partially depend on the new established power structures, namely those affecting first level management. The

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2 The formation process of the power structures is not within the remits of this research. This would imply extending the analysis to a more macro level. What I aim to show here is that power structures alter when there is a change of Board and that the organisational actors are conscious of the fact that these changes will imply significant alterations to current organisational practice.
continuity of some of the first level managers in their previous positions, as happened with the head of the PCO, or their replacement, as happened with other first level managers, influenced the life of POST in subsequent stages, namely with respect to the implementation of new management technologies such as new management accounting systems. For example, the continuity of the head of the PCO in such a privileged power position might be seen as a legitimisation of the PCO’s previous work by the new Board of Directors, helping the PCO managers to (re)introduce new management accounting systems within POST.

Situations like the above examples lead me to argue that not all behaviours lie in taken-for-granted assumptions. In POST there was clear evidence of ‘conscious’ behaviour that is fostered by the context in which the company operates, and mainly by the frequent replacement of the Board every three years. Such a high turnover at the top level created instabilities, affecting the life of POST, including the implementation of the new management accounting systems. People knew very well how these frequent instabilities impacted upon some of their daily activities and thus some of their behaviours were carefully thought out.

To sum up, I argue that the power of the system encompasses both ‘unconscious’ (taken-for-granted) and ‘conscious’ behaviours. Although there are a large number of taken-for-granted behaviours within organisations, there are also many ‘conscious’ behaviours that may be more or less visible. In POST, the change of Boards offered us a great opportunity easily to observe ‘conscious’ behaviours at the various hierarchical levels of the organisation and how they impacted on the implementation of new management technologies such as new management accounting systems. This also
allows me to state that people at POST were aware of these kinds of changes and, thus
guided their actions over time, taking such changes into consideration.

7. FINAL REMARKS

In this essay I adopted Hardy’s (1996) multi-dimensional approach to power in
order to explore how a specific organisational area – the PCO – exerted power in its
relationships with the Board of Directors, the IT area, and the other organisational areas
throughout the implementation of two new management accounting systems within
POST, a Portuguese postal company. This organisational area, the PCO, aimed to
maintain, or even enhance, its power position within POST over time. Thus, the PCO
carefully managed different strategic mechanisms to achieve its goal. The PCO
developed the conceptual designs, mainly through interactions with the other
organisational areas, and influenced the technological designs, through interactions with
the IT area. Also, along with the design processes, the PCO managed the commitment
of the Board. In so doing, the PCO took into consideration the power vested at the
system level and mobilised power over resources, power over decision-making
processes and power over meanings in order to influence the implementation processes
of the two new management accounting systems in POST.

This study fosters our understanding of the dynamics of power through the
implementation of new management accounting systems. On this aspect, it shows the
value of applying the dimensions of power proposed by Hardy’s (1996) framework,
truly useful in understanding the strategies adopted by the PCO through the
implementation processes of new management accounting systems. Without a power analysis, the consistency of such strategies would be difficult to be highlighted.

The study supports Hardy’s (1996: S9) argument that managing together power over resources, decision-making processes and meanings can lead managers to achieve the desired outcomes, or at least some of them, by modifying “those parts of the existing system that inhibit the new behaviour necessary to support their initiatives”, i.e. at the power of the system dimension. In POST, the PCO had an adequate consideration and understanding of the power vested in the system, which helped its managers to make use of the other three dimensions of power through the implementation processes of the two new management accounting systems in order to maintain, or even enhance, its power position within POST over time.

Nevertheless, this study identifies a limitation of the Hardy’s (1996) framework to explain the power of the system within this organisation. One implication of the current research is that the power of the system is beyond ‘unconscious’ behaviours. Hardy (1996: S8) argues that the power of the system “lies in the unconscious acceptance of the values, traditions, cultures and structures of a given institution and it captures all organizational members in its web”. This means that the power of the system is based on taken-for-granted behaviours. However, in this case study, I observed that not all behaviours at the system level were taken-for-granted. I also identified ‘conscious’ behaviours that had an impact on the implementation of the two new management accounting systems in POST, behaviours that were fostered by the company’s context. The organisational actors regularly questioned the existing power structures at POST and were aware of the impact that changes in these power structures had in their daily activities. In so doing, I extend the ‘power of the system’ dimension of
Hardy’s (1996) framework, to acknowledge too the existence of ‘conscious’ behaviours in this dimension of power, and their impact on the implementation of new management technologies such as new management accounting systems.
PART III

Explaining the gap between rules and routines

Abstract

This is a longitudinal in-depth case study that was conducted within a Portuguese postal company, POST, a very large public organisation, where two new management accounting systems were implemented. In this study, insights from Burns and Scapens’ (2000) framework, including its extensions, have been applied in order to explain the existing gap between rules of the newly implemented management accounting systems and their use in practice (routines).

This case study adds some theoretical insights to Burns and Scapens’ framework. Firstly, it demonstrates that a change that follows established routines and institutions may be as difficult to implement as a change that challenges them. Secondly, trust and power issues are of great importance for extending our understanding of how management accounting systems are (or are not) used in practice. In POST, trust and power issues together influenced the way the new management accounting systems worked in practice. In this light, this study contributes towards extending the focus of management accounting change difficulties to other additional entities, from users to implementers/’owners’ and sponsors. Finally, this study shows that external pressures are important for initiating change as well as managing the processes of change in subsequent stages.
1. INTRODUCTION

This is a longitudinal case study that was conducted from the beginning of the year 2003 until February 2006 within a Portuguese postal company, POST, a very large public organisation, where new management accounting systems were implemented. This study specifically encompasses two new management accounting systems. One was called IS (Income Statement) and aimed to account for the financial results for the different areas within the organisation, which can filter down to its basic elements. The other was called KPI (Key Performance Indicators), and aimed to provide indicators to monitor both business and individual performance.

While there has been an increase in the number of research studies examining management accounting change in practice, researchers have used a wide range of different approaches when studying change in management accounting (see Hopper and Powell, 1985; Chua, 1986; Johnson e Kaplan, 1987; Hopwood, 1988; Shields, 1997; Scapens and Bromwich, 2001; Baxter and Chua, 2003; Luft and Shields, 2003; Barrachina et al., 2004). Most studies have focused on the technical aspects of accounting innovations such as activity-based costing and Balanced Scorecard, among others, which have been presented as an alternative to conventional management accounting systems (see, for example, Anderson, 1995; Innes and Mitchel, 1996; Chenhall and Langfield-Smith, 1997; Friedman and Lyne, 1995, 1999; Noreen, 1991). However, it has been argued that this type of research is unable to provide enough understanding of the phenomenon of management accounting change and, consequently, there have been numerous requests to adopt a processual approach for these types of studies (see Hopwood 1987; Chua, 1995; Burns et al., 2003), which
would consider the “real-life” context in which change occurs. In fact, it is argued that processual approaches offer an enhanced understanding of change due to their consideration of the historical and organisational context (see Dawson, 1994; Pettigrew, 1995).

From this point of view, management accounting research studies have been developed, taking into account the organisational and social context (e.g. Covaleski and Dirsmith, 1983; Amat et al., 1994; Modell, 2001, 2006; Innes and Mitchell, 1990; Cobb et al., 1995; Vaivio, 1999; Burns and Scapens, 2000; Kasurinen, 2002; Major and Hopper, 2005; Vieira and Hoskin, 2006). Moreover, some researchers have approached management accounting change processes through focusing their attention on external factors (i.e., government and other regulatory bodies, management consultants) and the impact they have on the organisation (see DiMaggio and Powell, 1991; Carruthers, 1995; Major, 2002). However, just a small group of researchers have preferred to focus their attention on the internal factors, i.e., to approach the management accounting processes that occur within an organisation (see Burns et al., 2003, Ribeiro and Scapens, 2006). Researchers in this category focus on the forces that promote or hinder changes within an organisation, as is the case here. My research follows this perspective because of several reasons: firstly, processes of change in management accounting systems and practices have not been greatly explored; secondly, some researchers (e.g. Scapens and Bromwich, 2001; Burns et al., 2003) have argued the need for more longitudinal case studies in order to understand how new management accounting systems and practices have emerged (or failed to emerge) over time; finally, the need to reduce the gap between textbooks and organisational practices (e.g. Scapens, 1990) is still important today.
In POST, the newly implemented management accounting systems did not achieve an acceptable level of stability in order to guarantee the regular production of monthly information (as planned). Thus, the purpose of this essay is to explain the existing gap between the rules of these systems and their use in practice in POST. Given this aim, Burns and Scapens’ (2000) framework, including its extensions, is adopted because it offers useful insights to explain this kind of gap. The framework is concerned with the understanding and explaining of the ongoing processes of change within an organisation (as is the case of this study), and provides a useful distinction between rules (management accounting systems) and routines (management accounting practices).

The remainder of the essay is organised as follows. The next section presents the theoretical framework. Section three discusses research method issues. Section four presents the company context. In section five the main management accounting systems are described. Then, in sections six and seven, the existing gap between rules and routines is introduced and explained. Finally, the final remarks of this essay are presented in the eighth section.

2. THEORETICAL FRAMEWORK

In recent years researchers have been applying different types of institutional theory in order to gain insights into organisational change and management accounting change. In particular, three types of institutional theory have often been adopted within management accounting: New Institutional Economics (NIE), New Institutional
Sociology (NIS) and Old Institutional Economics (OIE). It is important to point out here the main aspects of each of these three types of institutional theory.

2.1. Institutional approach

NIE is concerned with the structures used to govern economic transactions (Scapens, 2006), and encompasses a wide range of ‘sub-theories’ sharing the assumption of ‘given’ and ‘abstract’ individuals with unchanging tastes and preferences, and that are thus exogenous to explanation (Burns, 2000a). Rutherford (1996) states that most work in NIE stems from neoclassical economic theory. Although NIE rejects the notion of rationality espoused by neoclassical economists, it accepts Herbert Simon’s notion of restricted rationality. This means that it considers decision making to be restricted given that the decision-maker cannot manage all of the factors that could interfere with the decision being made (see Dugger, 1990). NIE is in its basic principles an extension of neoclassical theory (see DiMaggio and Powell, 1991; Scapens, 1994).

In contrast, OIE and NIS reject the idea that individuals can rationally optimize on utility, but, unlike NIE, they incorporate the importance of culture and society into their analysis. The differences between OIE and NIS are not so deep but are still relevant. While the latter is concerned with the institutions in the organisational environment that shape structures and systems, the former is concerned with the institutions that shape the actions and thoughts of individual human agents (Scapens, 2006).

NIS has been applied by researchers in order to explain why some organisations that exist in highly institutional environments appear to be similar. According to NIS

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3 For a deep review of the different institutional theories see Burns (2000a)
theory, organisations tend to follow the formal structures and procedures that are valued in their social and cultural environment in order to achieve legitimacy and to secure the resources that are essential for their survival (Ribeiro and Scapens, 2006). This search for legitimacy and resources leads organisations to adopt the most visible formal structures and procedures that are diffused within their social and cultural environment. In doing so, organisations become isomorphic (see DiMaggio and Powell, 1983). Although NIS researchers do not deny competitive isomorphism (e.g. Hannan and Freeman, 1977), they have focused on the three types of institutional isomorphism – coercive, mimetic and normative - in order to highlight the social and political dimensions in which organisations take their place (see DiMaggio and Powell, 1983).

In terms of an accounting context, NIS has been used by researchers to study how accounting systems conform to external pressures and how accounting information is sometimes used ceremonially. This type of research has been carried out mainly in the public sector (see, for example, Covaleski and Dirsmith, 1983, 1988; Modell, 2001, 2003; Collier, 2001). From the outset, the ceremonial use of accounting information has been largely explored by NIS researchers under the *loose coupling* concept, which occurs when actual daily work practices do not follow the formal structures and procedures introduced to meet institutional requirements (Meyer and Rowan, 1977).

Like NIE, NIS focuses on the external pressures (economical and institutional) that have the potential to shape organisational structures and systems. If one wants to understand what shapes management accounting practices in a specific organisation, it is not sufficient to stay at the level of NIS. It is essential to go inside the organisation and to study how management accounting practices are shaped within the organisation (Scapens, 2006). Thus, one of the main criticisms levelled at NIS theory is its neglect of
intra-organisational factors (see, for example, Ribeiro and Scapens, 2006; Dacin et al., 2002; Collier, 2001; Greenwood and Hinings, 1996). In this case, the insights of OIE theory are particularly helpful.

As referenced by Burns (2000a), the earliest works in OIE can be traced back to the late nineteenth/early twentieth centuries. They predominantly explored institutions at the ‘macro’/economic/Society-level, which were typically defined as “settled habits of thought common to the generality of men” (Burns, 2000a: 18). More recently, OIE has experienced a revival in research, especially through the work of Hodgson (1988, 1993).

In the management accounting context, the OIE approach is the most recent of the three institutional theories discussed in this essay. It was first applied in the 1990s (e.g. Scapens, 1994; Burns, 1997, 2000; Burns and Scapens, 2000). Since the publication of Burns and Scapens’ (2000) framework, which was offered as a starting point for researchers interested in studying management accounting change, more researchers have drawn on insights from OIE in order to explain the processes of management accounting change (e.g. Soin et al., 2002; Ribeiro and Scapens, 2004; Abu Kasim, 2004; Siti-Nabiha and Scapens, 2005; Busco et al., 2006, Lukka, 2007).

An important feature of OIE is its consideration of economic systems from an evolutionary point of view (Hodgson, 1998). In this vein, an important contribution was made by Nelson and Winter (1982), who highlighted the importance of habits and routines in the evolution of business practices (at the firm level).

OIE researchers focus on evolution, change and practical issues. This approach allows one to look at the institutions which influence the internal life of the organisations, thoroughly exploring the internal pressures and limitations that affect the
organisational change of a specific organisation. Unlike NIE and NIS, which look at those external pressures and limitations from a macro level, OIE takes a micro perspective. Thus, the insights of OIE are helpful when we want to explain how management accounting practices within an organisation evolve over time and why they evolve in that way, i.e. what factors (pressures or limitations) shape the use of management accounting systems.

Based on OIE insights, Burns and Scapens (2000) developed an (old) institutional framework to study the intra-organisational processes of management accounting change. The framework has been particularly effective in studies where power, politics and vested interests are central for explaining the ongoing processes of accounting change. In the next section I will explore the main concepts of this framework.

2.2. **Burns and Scapens’ framework**

Burns and Scapens’ (2000) framework deals with the study of the intra-organisational processes of management accounting change, drawing particularly on insights from Nelson and Winter (1982), Hodgson (1988), and Barley and Tolbert (1997). It explains how institutions (at the firm level) can emerge and shape actions in an ongoing process through time.

The framework is based on three main concepts: rules, routines and institutions. As Burns and Scapens (2000, p. 7) suggest “rules” are the formalised statement of procedures, whereas routines are the procedures actually in use”. In the management accounting context, rules should encompass the existing formal management accounting systems and routines should be viewed as the management accounting practices in use.
Burns and Scapens (2000, p. 8) also consider that institutions “comprise the shared taken-for-granted assumptions, which inform and shape the actions of individual actors” [original emphasis]. These three concepts are interrelated. Some rules become routines and some routines become rules. Also, some routines could become institutions. It should be stressed that the degree of abstraction of these theoretical concepts extends from the rules to the routines and from the routines to the institutions.

In accordance with this framework, there is a link between the institutions (institutional realm) and the daily actions carried out by the members of the organisation (action realm). Both realms are the result of a cumulative process of change throughout time, as represented by the solid lines at the top and bottom of Figure 2. The connection between the two realms is made through rules and routines. The institutions influence the action at a specific moment in time (synchronic effect), which explains that the arrows $a$ and $b$ are represented vertically. The actions of the agents involved in the processes of change produce and reproduce institutions over time (diachronic effect) by way of the creation of routines and rules. This effect of actions on the institutions is represented through the oblique arrows $c$ and $d$. It should be pointed out that the processes of change at the institutional level need longer periods of time than the processes of change at the level of action. Therefore, the slope of arrow $d$ is not as steep as that of arrow $c$. 
The framework shows management accounting as a set of rules and routines that can be (though do not necessarily need to be) ‘routinised’ and institutionalised in organisations. This does not mean that management accounting systems and practices do not change. In fact, rules and routines change over time, intentionally or unintentionally. Furthermore, within an organisation there are not only accounting rules and routines, but also other organisational rules and routines which influence and are influenced by accounting rules and routines. Central to this is the notion that together the accounting and non-accounting rules and routines enable organisational members to make sense of their actions and interactions with other organisational members. Moreover, the rules and routines have the potential to transmit organisational characteristics over time and space. Finally, when the rules and routines are widely
shared among organisational members they reduce the potential for conflict within the organisation.

According to Burns and Scapens (2000), change which is consistent with the established routines and institutions can be easier to implement than change which modifies the way things are done. Thus, the implementation of a new management accounting system may be accepted or resisted depending on the perceptions of the members affected by the new system within the organisation. In order to avoid conflict, the management of change requires in-depth knowledge about the organisational context where the processes of change are carried out, particularly in terms of the prevailing routines and institutions that characterise the organisational context.

2.3. Extensions and limitations of Burns and Scapens’ framework

Burns and Scapens’ framework has been used to study the processes of change within individual organisations, and has mainly been used to study resistance to change or conformity to change. The framework adopts a ‘micro’ level of analysis, focusing on intra-organisational institutions, and gives little attention to the external influences which have been largely explored by NIS researchers. This does not mean that Burns and Scapens’ framework does not recognise external influences. It explicitly recognises that there are both internal and external influences on the processes of management accounting change, but has not devoted too much attention to the latter.

It is not surprising then that the study of external influences on organisations has been neglected in the studies that have used Burns and Scapens’ framework. One of the exceptions is the work of Abu Kasim (2004), who explored the interplay between internal and external institutions in shaping the processes of management accounting
change (see also Siti-Nabiha and Scapens, 2005). The study described a situation of internal tensions in a Malaysian public utility company as a result of the existing conflict between internal and external institutions. This conflict resulted in a lack of trust between accountants and operational managers. Recognising the importance of the institutions located at the ‘macro’ level environment, Ribeiro and Scapens (2006) explored the complementarities between internal and external institutional influences, i.e. OIE and NIS theories. They argue that a consideration of both theories would provide more comprehensive insights into the processes of management accounting change - including both processes leading to the introduction of new management accounting innovations and the subsequent processes involved in the enactment of and/or resistance to those innovations.

Trust is another issue that has started to be considered important when studying management accounting change. In fact, the concept of trust (and distrust) is relatively under-researched in the management accounting literature (exceptions include Tomkins, 2001; Johansson and Baldvinsdottir, 2003, Busco et al., 2006), and needs to be further explored in studying management accounting change. The study of Busco et al. (2006), which looks explicitly into the issue of trust, explored how the process of building up trust with accountants facilitated the introduction of new accounting systems in an Italian company after its acquisition by the US multinational General Electrics. In contrast to the lack of trust in accountants observed by Abu Kasim (2004) which led to resistance to the introduction of new accounting systems, Busco et al. (2006) report a situation where the managers trusted accountants to introduce new accounting systems. Through time, these accounting systems were seen as ‘expert systems’ by operational managers. This subsequently reinforced the managers’ trust in accountants.
The exploration of issues of power is giving us deeper insights into the processes of management accounting change. These issues have been explored by some OIE accounting researchers, namely Burns (2000), Ribeiro and Scapens (2004, 2006). Drawing on Hardy’s (1996) ‘four dimensions’ of power, Burns (2000) highlights power over (1) resources, (2) decision making, and (3) meanings (three of the four dimensions of power), as being key facilitators for the implementation of accounting change. The fourth dimension is the ‘power of the system’, which has been interpreted in the OIE approach as the power of institutions.

Ribeiro and Scapens (2004) also explored issues of power. In so doing, they identified an important limitation of Burns and Scapens’ framework. By obtaining evidence from a study carried out in a Portuguese company, they questioned the notion that taken-for-granted assumptions (institutions) are located at a (sub-) cognitive level, i.e. below the surface of everyday discourse and dissociated from their historical origins. In fact, in this Portuguese company, rules were held in place, not by taken-for-granted assumptions, but by strong relationships of power (see Clegg, 1989), particularly managed by a powerful agent. Thus, this case illustrates that rules and routines can also be kept in place by explicit uses of power.

Finally, issues of agency and processes of institutionalisation are areas that have been neglected in recent OIE studies of management accounting change (Scapens, 2006). It has not been clear in most OIE studies how institutional change comes about. These studies have been able to highlight how the processes of accounting change evolve. However, they have been less capable in explaining when, why and how the introduction into an organisation of new systems, such as accounting systems, occurs in the first place. In some institutional studies, this situation can be overcome by
considering external pressures, particularly those studies that follow insights from NIS theory, or by circuits of power, as is the case of Ribeiro and Scapens (2004). However, what explanations can be given in situations where actors are embedded in the intra-organisational institutions? Drawing on Benson (1977), Seo and Creed (2002) claim that various types of contradictions are created within and among social systems, and that these contradictions can transform the embedded social actors into agents of change. In addition, these contradictions may further enable and foster the subsequent change processes. In the accounting context, one example of this type of work is the study of Burns and Baldvinsdottir (2005). Drawing on the ideas of contradiction and praxis proposed by Seo and Creed (2002), they highlighted inconsistencies (institutional contradictions) within a division of a multinational pharmaceuticals organisation. They pointed out inconsistencies that created openings for accountants’ role change(s), as well as further inconsistencies throughout the change process.

3. RESEARCH METHOD

In order to explain why a gap existed between the rules of the newly implemented management accounting systems and their use in practice (routines) in POST, a longitudinal in-depth case study was adopted as the research method, providing detailed, rich and contextual information (Miles and Huberman, 1994; Mason, 2002). It is the appropriate method to understand and explain in-depth why POST’s two new management accounting systems were not used in practice in the ways that had been planned (and desired). Case studies are recommended for studying contemporary and complex phenomena in management (Yin, 1993, 1994; Eisenhardt,
and are particularly appropriate when the research questions begin with why or how (Yin, 1994), as is the case here.

The study draws primarily on semi-structured interviews and internal company documentation. A total of 26 interviews were undertaken over a 3-year period, with managers from 8 different organisational areas: Planning and Control Office, Operations, Commercial, Marketing, Quality and Development, Human Resources, Information Technology, and Finance (see Appendix 1). Of these, 21 interviews were tape-recorded and transcribed.

The interview process was iterative in that new interviews arranged followed a review of data collected from previous interviews and documentary data collected to that point in time. Thus, the available transcripts, notes, internal company documents, reviews and summaries were used to prepare a new interview. Although the interviews were semi-structured, the interviewees were encouraged to do “all the talking” in an attempt for new perspectives to emerge.

Brief notes were made during and after each interview in order to record ‘other’ information that was not captured on tape. This resulted from some observations of facial expressions, the intonation of the voice, gestures and periods of extended silence. Additionally, notes were taken in the cases of the interviews that were not tape-recorded and those in which parts of the interviews were not tape recorded due to requests by the interviewees. Also, some interviewees gave extra information once the tape-recorder was switched off. For this reason, time was provided after the tape-recorder was switched off in an attempt to capture additional relevant information. This was also useful for obtaining additional internal company documents. Throughout the period of
the field study I maintained informal contacts with some of the interviewees, some of which I still maintain.

Documentary data collected includes material from the company’s internal and external sources (see Appendix 2). Internal company documents were crucial for a deeper understanding of how the two new management accounting systems were planned and how they were in practice. Fundamental documents include: presentation documents for the IS and KPI systems; presentation materials about the IS and KPI systems provided by the PCO to all other organisational areas and to the Board of Directors; outputs provided by the IS and KPI systems; and internal reports related to the interpretation of the outputs of the IS and KPI systems and the PCO’s difficulties in producing those outputs. Other internal documents were also important. Examples of these documents are those materials related to the system of Management by Objectives.

POST’s biggest sorting, transportation and delivery centre located in Lisbon was also visited. Different sections of the building were observed, following the chain process for three hours. In addition, some post office counters were also observed.

To establish construct validity and the reliability of this research, Yin’s (1994) principles for collecting data were followed: multiple forms of evidence from diverse sources were used, a database was created, and a ‘chain of evidence’ was repeatedly analysed.

Data analysis in this research was an interactive process. It was conducted in three steps (see Miles and Huberman, 1994). Firstly, data collected from interviews, written documents, notes, etc., was coded and grouped by common themes, and then categories were formed by similar themes. The aim here was to give order and meaning
to the data collected. Secondly, data was organised and displayed in charts, graphs and other formats in order to identify relationships in the data collected. Finally, conclusions were drawn and verified.

So, then, Yin’s (1994) four tests for establishing the quality of empirical social research – construct validity, internal validity, external validity and reliability – were also followed throughout the phases of gathering evidence, analysis and generation of conclusions.

4. CASE SETTING

POST is a very large public company which operates in four markets: (1) mail, (2) parcels and express mail, (3) financial services and (4) data and documents. Mail is its most important market, and parcels and express mail its second. POST has faced increasing competition as a result of important changes that have been taking place in the postal sector. The most important of them has been the ongoing process of deregulation as a consequence of the European Community postal services opening up to competition, which started in 2000 and will continue until 2009. Another important change in the postal sector is linked to new technologies because new forms of communication such as e-mail and the Internet are replacing traditional mail. Thus, new products and services have been developed in POST within the technological scope such as hybrid mail, digital certification, e-government services, e-logistics, and reverse hybrid mail.

Currently POST operates as a partially regulated monopoly company in the reserved business area. Pricing and service quality standards need the previous approval
of the Portuguese regulator. The negotiating process between POST’s Board of Directors and the regulator takes into consideration factors such as POST’s own proposals, the level of achievement regarding the service quality standards agreement and, to some extent, political considerations.

As POST is a public sector company, it is the Portuguese Government who chooses the Board of Directors for a 3-year period. The Boards are usually linked to the Government’s political orientation. Hence, the running of POST is characterised by a degree of top management instability, which has had an impact on the adoption, implementation and use of the new management accounting systems, and on the company’s organisational structure, which has changed frequently. From 2002 until the end of the study in 2006 POST had at least two different organisational structures per economic year. However, all such organisational structures shared a common denominator. They were organised into three main areas: business, corporate and shared areas (see Appendix 3). Moreover, changes occurred mainly under the scope of the business areas.

5. MANAGEMENT ACCOUNTING SYSTEMS

During the period of the study, POST was running an Executive Information System (EIS), which provided formal business information relating to costs, investments, sales and human resources. This information was available in various formats, such as time periods, cost centres, product families, projects and organisational areas. The information was updated on a monthly basis, two weeks after the end of the month. The EIS operated online and provided the above information for about three
hundred people in the company, delivering a paper report to managers, which included planned and actual figures, as well as variances.

The EIS, having maintained a similar structure and scope since its implementation in 1995, was the main management accounting system encompassing the whole organisation. As a result, it was the main provider of information for the monthly control meetings, in which the Board of Directors and the first level managers took part. However, there were other management accounting systems in POST, such as the budget-control and the activity plan-control systems, which were connected to the EIS. In fact, this system was largely dependent on those two other systems and on other management information systems, particularly those related to the operational and human resources areas.

There was also a cost accounting system, which followed a full cost methodology in computing costs according to products (and family of products) and according to the four main activities, which were reception, sorting, transport, and delivery. In addition, for each product, gross and profit margins were also produced. This information was delivered every three months by an independent application, which was not directly connected with the EIS. Every six months, POST had to send the regulator the information provided by its cost accounting system.

More recently, in 2003, two new management accounting systems were implemented by an internal team supervised by the Planning and Control Office (PCO), which managed both systems. As mentioned in the Introduction, one was called IS (Income Statement) and aimed to provide monthly income statements by area, even for the lower levels of the organisational structure. The IS system contained an internal transfer price model aiming to introduce accountability throughout the company.
The other new management accounting system was a KPI (Key Performance Indicators) system. In the KPI system the following four perspectives were established: (1) financial, (2) market/client, (3) resources; and (4) process/service quality. Goals were established within each of these perspectives and key performance indicators were defined in order to measure these goals.

The KPI system had two main objectives. The first was to provide key performance indicators on a monthly basis for business performance monitoring. The second was to provide indicators that are related to the individual performance evaluation of first and second level managers. Thus, the KPI system was linked to another system called MO (Management by Objectives), although not at one hundred percent. This system contained an individual skills component and a performance area component. In this latter component, the aim was the achievement of the key performance indicators.

The KPI system had the logical architecture shown in Figure 3. The system was dependent on the operational systems and the other two management accounting systems presented above, the EIS and IS systems, and aimed to provide information for the MO system.
6. THE GAP BETWEEN RULES AND ROUTINES

The PCO implemented two new management accounting systems in POST. However, these systems did not achieve an acceptable level of stability in order to guarantee the regular production of monthly information (as planned). According to Burns and Scapens’ (2000) framework I may say that there is a gap between rules (management accounting systems) and routines (management accounting practices).

During the study, managers were not using the information provided by these new accounting systems to manage their daily activities. The managers were not resisting the introduction of the new management accounting systems. However, they were not making use of the information provided by these new systems. They offered
three main justifications for their behaviour: (1) frequency, (2) availability, and (3) formatting of the information produced.

In terms of the frequency of information, the new management accounting systems were producing information once a year instead of producing it on a monthly basis (the original target). An annual frequency was not valued by the POST managers and, as a result, they did not acknowledge these new systems as appropriate tools to help them to manage their daily activities. This is highlighted by a business area manager when talking about the KPI system:

“…as a rule, they [the key performance indicators] should not be presented on a yearly basis. They should be presented in some shape or form… I am not saying on a daily basis, but, at least, presented on a monthly basis. So as to be able to know, for example, today, how my work relates to the various key performance indicators that are considered by the application, within the four perspectives [of the KPI system]”

Managers (particularly from the business areas) acknowledged the importance of the information encompassed by these new management accounting systems but they too needed to have access to it frequently, preferably on a monthly basis. Otherwise, according to them, they could not make the right decisions to change the course of action.

Delay in the availability of the information is another important issue. For example, the outputs of the year 2003 were reported in July and August 2004 by the KPI and the IS systems, respectively. The managers considered that the information produced by the new management accounting systems was out-dated and did not allow
for the performance monitoring of the organisational areas in order to make timely decisions. As a business manager mentioned:

“The information is out-dated and only gives a vague impression. If it had a shorter time scale, we would be able to follow how the area is performing and make managerial changes accordingly. Having only one publication for the key performance indicators, or an idea of the indicators some months after the end of the analysis period, doesn’t allow for any amendment to be made.”

In addition, as a consequence of the aforementioned frequent organisational structure changes, the outputs of the new management accounting systems were disclosed in an organisational structure format that, at the time the information was made available, no longer existed. In most cases there was no coherence between the assessed organisational areas and the new ones. Thus, managers’ accountability changed due to the change in the organisational structure and, consequently, their information needs also changed. As a manager from the PCO pointed out:

“In 2003 the IS outputs were produced once a year and in 2004 they will also be produced on an annual basis. It is interesting to highlight that in 2004 when the IS outputs will be delivered, people will be managing their activities within the new organisational structure, which was presented in November 2004. Thus, the IS outputs will not accurately reflect the past situation [before November 2004] because people will be acting within the new organisational structure. The future situation will also not be accurately reflected because the new organisational structure is not comparable to the old organisational structure [which is the format followed to present the outputs in 2004] and, thus, it will not help the
managers linked to these outputs [it is important to highlight that this comment is also valid for the outputs of the KPI system].

To sum up, the new management accounting systems were not accommodated within the POST in the desired manner from the very start of their implementation in February 2003. The study found that the practices inherent to these systems were continually far from what it was hoped they could achieve. In short, there was always a gap between the rules and routines underlying the two new management accounting systems. An important question is: why did the systems operate in such a way? An answer to this question is provided in the following section.

7. EXPLAINING THE GAP BETWEEN RULES AND ROUTINES

7.1. Explanations for the gap from Burns and Scapens’ framework perspective

Burns and Scapens’ (2000) theoretical approach to management accounting change suggests that the explanation for the gap between rules and routines may be found in the existing routines and institutions within organisations. According to them (p. 16), ‘change which conflicts with existing routines and institutions is likely to be much more difficult to implement’. This means that the creation process of new routines in a formal process of management accounting change is much more difficult when new rules challenge the existing routines and institutions.

However, change that is consistent with existing routines and institutions can be difficult too, as is the case here. Although the new management accounting systems had
introduced new approaches to management accounting information, they did not challenge the existing routines and institutions. Firstly, the new systems were seen as an extension of the existing main management accounting system (EIS) and, thus, the new rules were defined according to the existing routines and institutions. Secondly, like the EIS, the new systems were very dependent on the organisational structure. It is assumed that the management accounting systems at POST had to follow the organisational structure. It is a very hierarchical organisation and this was reflected in the design of the management accounting systems. In other words, all these systems (EIS, IS and KPI) shared the same basic logic of construction which followed the organisational structure. This also means that, like the EIS, the new management accounting systems aimed for the accountability of the POST areas to be analysed in the monthly control meeting in which the first level managers and the Board of Directors took part.

The common conclusions of studies which have followed Burns and Scapens’ framework in order to interpret accounting change tend to be included in one of the following two groups: (1) the rules underlying the new accounting systems are consistent with the prevailing routines and institutions and they are accommodated in the organisation, or (2) they challenge the prevailing routines and institutions and they tend to be rejected. In fact, the Ferac and Omega examples illustrated by Burns and Scapens (2000) and Scapens and Roberts (1993) provided evidence for these two groups of possibilities.

However, other possibilities exist. For example, the study carried out by Ribeiro and Scapens (2004) shows that there is an alternative explanation. Although the innovation introduced into the organisation challenged the prevailing routines and institutions, it was not rejected and was kept in place by power. The evidence collected
in this study did not conform to either of the aforementioned possibilities. POST’s new management accounting systems were consistent with prevailing routines and institutions, but these systems were not accommodated as desired. In fact, this research about management accounting change uncovers important aspects not observed in other studies that followed Burns and Scapens’ framework.

In fact, the majority of those studies focused their attention on the users’ attitudes towards the processes of change. They studied how the new management accounting systems had been accepted or resisted depending on the perceptions of the members affected by the new system within the organisation. The current case study enlarges the focus of the analysis looking into the role of other entities rather than users – such as implementers and ‘owners’ of these systems (PCO) and sponsors (Board of Directors). For this reason, in the next section I will explore the difficulties felt by the PCO, the implementer and the entity responsible for the running of the management accounting systems in POST, in guaranteeing the production of monthly information.

7.2. Inability of the PCO team to provide monthly information

The two new management accounting systems were very dependent on the organisational structure. Thus, changes to the organisational structure, decided on by the Board of Directors, led to changes in the rules of these systems. In other words, these management accounting systems had to be adapted each time there was a change to the organisational structure, of which there were many in few years, as mentioned above. As a consequence, the time needed to stabilise these new management accounting systems was challenged by the frequent organisational structure changes, given that the updating of the systems’ structure was done at a slower speed than the processes of
organisational structure changes within POST. According to a manager from the PCO this had been a continuous problem because it had not yet allowed the production of information by the systems on a routine monthly basis (as planned). About this situation s/he explained that:

“During the year 2004 the KPI system hasn’t produced information on a monthly basis for the same reasons that I’ve just explained concerning the IS system. And at this present moment the key performance indicators are being calculated. At the time the applications of the KPI and IS systems will produce the outputs for 2004 [in 2005], we will have, once again, the problem of presenting the outputs in an organisational structure format that isn’t functioning anymore. Again during the year 2005 we will quickly have to try and speed things up because it is a very problematic situation. The conceptual problem isn’t the cause of this [situation]. The root of the problem lies in the development of the information systems not keeping up with the rate at which the business is reorganising itself. Therefore, when the information is finally available it is already out-dated in relation to the new organisational structure. And, from my point of view, this has affected the systems. Thus, we are trying to put together a fully equipped team ready for the development and reformulation of the applications [of the management accounting systems], but so far it hasn’t been possible.”

Each adaptation of the new management accounting systems to a new formal organisational structure was a complex process because, in practice, each change led to a redefinition of the information aggregation rules of the systems, which in turn originated a new project. Such a new project required PCO human resources with the appropriate skills needed to adapt the new management accounting systems to organisational structure changes. Changes to the organisational structure led to the
redefinition of the management accounting systems from the conceptual and technological points of view. From the conceptual point of view the PCO had to reinitiate the definition process of internal transfer prices in the IS system and the definition process of the key performance indicators in the KPI system had to be restarted. From the technological point of view the PCO had to review the requirements specification for each system in order to achieve their regular operation. These difficulties in reformulating the processes of the new management accounting systems are well documented by a manager from the PCO in the following interview extract:

“All the organisational structure reformulations… in terms of budgeting, departments… that are behind the applications of the new management accounting systems, which are tables of these applications, have to be changed. The rationales have to be changed… the rationales need to adapt to the new organisational structure. And this is very time consuming. It takes time to define the new requirements for the new applications because the people within the PCO that develop these processes are, at the same time, having to carry out their day-to-day activities. And, hence, we cannot exclusively allocate our [human] resources to the reformulation of these applications.”

The lack of human resources within the PCO team is a problem that should be analysed under two perspectives. Firstly, the frequency of changes to the organisational structure implied redefinitions in the rules of the management accounting systems and, thus, a completely new project emerged each time these changes occurred. The pressure these changes put on the available resources was enormous, leading to a real lack of resources. As expected, the outcome was an impact on both the conceptual redefinition and technological requirement specifications needed by the IT (Information
Technology) area. For example, the technological requirement specifications processes took much longer to be completed due to the lack of people available from the PCO, as one manager from the IT area explained:

“In terms of the IS and KPI systems, and according to the relationship between us and the PCO, we have had one or more factors that have caused delays, and this has been acknowledged by the PCO. So, they have pointed out that a small team, which has to focus on other activities beyond the development of the applications, doesn’t have enough time available. And, more often than not, at the beginning of the projects, they assume that they have enough people available to work with the IT team. In other words, at the beginning of each project we inform them that we need about x% of the people from their area to be available and they agree. However, when they are actually needed they don’t have this availability and, as a result, the projects have to be delayed.”

Secondly, even if those organisational changes had not existed, the human resources available within the PCO did not seem sufficient to guarantee the routine functioning of the new management accounting systems on a monthly basis. These resources were required to deal with many activities such as the EIS, the planning and control process, etc., at the same time. Furthermore, the regular functioning of these new management accounting systems was very time consuming. It is important to bear in mind that a considerable quantity of information had to be loaded manually. For example, more than forty per cent of the key performance indicators of the KPI system were introduced manually.

The PCO acknowledged this lack of human resources both in terms of number and in terms of skills. It considered that there was a clear need for a team dedicated to
the development and/or reformulation of the management accounting systems, and another team to guarantee the regular functioning of existing management accounting systems on a routine monthly basis. However, despite having no financial restrictions from the Board of Directors for hiring people, at the time the study finished the PCO had still not expanded the size of their team. The head of the PCO justified this decision as follows:

“Concerning the resources, we have one difficulty. It’s like this… in terms of IT resources there are no difficulties because they are bought. However, in terms of functional human resources, I mean functional by definition in that the job belongs to us, it’s much more complex because this job has to be done by people that know the organisation very well. The changes that a restructuring within the organisational structure imply, mean that we cannot have an external staff member doing this job. It has to be someone from the PCO who knows these processes very well and these are staff members that have [at the same time] other activities and other responsibilities.”

It was clear that the lack of human resources within the PCO contributed to the difficulty of accommodating the new management accounting systems within POST. Nevertheless, it is important to point out that it was the PCO itself which was responsible for controlling this situation. Meanwhile, despite having the margin to increase its team, the PCO did not do so because there were still trust issues to be overcome when introducing new members. The study observed that the PCO team worked very closely together. They had known each other for such a long time. Trust relationships had been built, particularly on a personal level. There were also lots of internal procedures, particularly in terms of extraction, transforming and loading
processes of information, that were only known within the PCO team. This knowledge was concentrated within the PCO team and worked as a source of power for the PCO at the organisational level. This seems to be the reason that justifies the argument provided by the head of the PCO that the adaptations of the management accounting systems to a new organisational structure had “to be done by people that know the organisation very well”. She meant that this job had to be done by people from the PCO because they were the ones that had the knowledge, and thus the power, to do it. The head of the PCO justified their difficulties in providing monthly information through the new management accounting systems, particularly at the Board level, as being due to a lack of human resources. The result, therefore, was that these difficulties were not closely questioned by the Board of Directors, nor were they by the other organisational areas. An explanation of these positions is the main issue of the next section.

7.3. Lack of pressure on the PCO from other entities

Lack of pressure was observed in both the Board of Directors and the managers of the organisational areas. The question is: why was there a lack of pressure? In relation to the Board the lack of pressure seemed to be mainly justified by reasons of trust. The Board of Directors trusted the PCO and thus had not pressured its head to provide the information on a routine monthly basis. The Board accepted the justifications provided by the PCO to explain the difficulties in providing the information more efficiently. On the other hand, the Board was not very familiar with the new management accounting systems. Some members of the Board had not yet had any contact with these systems, being more involved in other projects which they considered to have a wide impact on the organisation, such as the outsourcing of
information technology or the renewal of the organisational image. From the outset, the Board members had considered that the POST management accounting systems were advanced tools and this led them to trust in the PCO members. Of course there were also personal trust relationships between the PCO members and the Board members, particularly between the head of the PCO and the chair of the Board. They had known each for over a decade. The invitation, in 1995, for her to become the (still in 2007) head of the PCO came from the same chairman. These trust relationships were also important in terms of the adoption of the systems, as well as in terms of exclusively delegating their implementation to the PCO, as explained in Part I of this thesis.

The Board did, however, pressure the PCO to provide the key performance indicators on a routine annual basis. This pressure was also exerted by the consultancy company that was responsible, in conjunction with the POST human resources area, for the MO (Management by Objectives) system. The key performance indicators were used as a raw material of this system, and were needed to ‘legitimise’ the performance assessment for the first and second level managers and their corresponding monetary incentives. One might say that the MO system was one reason that continued to justify the retaining of the new management accounting systems, despite the inability of the PCO to produce monthly information.

The managers of the various organisational areas did not pressure the PCO either. Their lack of enthusiasm was evident when managers were asked to make an assessment of the current state of the new management accounting systems and were unable to do so precisely. Indeed, the new systems did not help managers to manage their daily activities, but on the other hand the managers did not pressure the PCO in

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4 The margin indicator provided by the IS system is one the key performance indicator of each organisational area.
order to obtain this information more efficiently. The lack of support from the managers of the various organisational areas can be partially explained by the fact that these systems had not emerged from needs felt by the organisational areas. The systems were exclusively developed by the PCO, a powerful area within POST that had the expertise to develop these types of systems, and the commitment from the Board to do so. Thus, for most POST managers, the systems were tolerated but not strongly desired.

It is important to note that the managers from the various organisational areas were not against the new management accounting systems. First, these systems were not expected to have a negative impact on their activities. They had their own systems to manage their daily activities and their systems were not questioned by the new management accounting systems. In actual fact, the new systems were not completely new for the majority of them, given that they had been discussed for such a long time in POST, as explained in Part I of this thesis. At this stage, POST managers saw the systems as something about whose usefulness they could learn more in the future but not as something that helped them in managing their day-to-day activities at that moment.

Second, for managers, the new management accounting systems had not had a perceived negative impact on the assessment of their individual performance. The managers (and namely 2nd level ones) could not understand the impact of the key performance indicators on the financial bonus annually paid to them. They did not have access to their management and leadership evaluations and consequently were unable to establish a link between the key performance indicator component and their financial incentive bonuses. However, the managers did not show any discontentment with their bonuses in relation to previous years. What they were unhappy about was the fact that
they were not made aware of their global evaluations nor of their evaluations regarding the different components of the MO system. In the previous model of performance evaluation, meetings were held to display performance evaluation results. In this model, managers only found out to what extent they had met the key performance indicators, as well as their own financial incentive bonus. Thus, they were unable to establish a link between the extent to which they had met the key performance indicators in their area and the financial bonus received. Neither did they know the extent to which the key performance indicators had been met by the other areas, nor the bonuses attributed to their peers, at least not formally. They were therefore unable to form an opinion as to the fairness of their performance assessment related to their peers.

Additionally, the explanation for the gap cannot be disassociated from the lack of external pressures either. It is true that the emergence of these systems was not related to requirements from external entities such as the Portuguese State or the Portuguese postal service regulator. POST has to regularly send information to external entities but this information was not produced by the new management accounting systems. However, at different points in time, consultants were important in introducing and supporting the adoption of the new management accounting systems. These external pressures no longer existed, though, with the same level of intensity in POST after the implementation of the systems. Exceptions include the consultants that were behind the MO system. In this current case, (stronger) external and internal pressures were needed in order to avoid the slowing down of the processes of management accounting change, that is, in order to avoid, or at least reduce, the gap.
8. FINAL REMARKS

This longitudinal in-depth case study explores the gap between the rules underlying the two newly implemented management accounting systems and their use in practice (routines), within a specific setting – a Portuguese postal company. In this study, insights from Burns and Scapens’ (2000) framework, including its extensions, have been applied in order to explain such a gap.

This case study adds some theoretical insights to Burns and Scapens’ (2000) framework. Firstly, it demonstrates that a change that follows established routines and institutions may also be difficult to implement. Difficulties in a process of change can emerge because established routines and institutions are challenged or because they are followed. In POST, the aforementioned gap was not caused by the challenge of prevailing routines and institutions. It resulted from both the inability of the PCO (‘owner’ of the systems) to provide the information on a monthly basis, and the lack of pressure on the PCO from other entities.

Secondly, trust and power issues are of great importance for extending our understanding of how management accounting systems are (or are not) used in practice, and they are particularly important if they are studied simultaneously. In POST, trust and power issues together influenced the way the new management accounting systems worked in practice. On the one hand, they showed how the process of building up trust between the PCO and the Board of Directors reinforced the power of the PCO. As a result, the PCO had the power to maintain the systems despite only producing information on an annual routine basis rather than on a monthly basis. On the other hand, in order to maintain its power, the PCO did not increase its team due to issues of trust with their present team and lack of trust regarding new members. Thus, this study
enlarges the focus of the analysis, looking into the role of other (internal) entities rather than users – implementers/owners and sponsors in this case. In POST, the PCO (implementer and ‘owner’ of the IS and KPI systems) and the Board of Directors (sponsor) had a significant share of the responsibility in the existing gap.

Finally, the study emphasises the need to give more attention to the external institutional environment (extending the level of analysis). Pressures from external entities, such as consultants, government and governmental agencies, have to be seen as important for initiating management accounting change and also directing this change. In POST, the external influences caused by consultants were important in introducing the main concepts associated with the new management accounting systems, as explained in Part I. However, as the implementation of these systems by the PCO continued within POST, the pressure of consultants decreased and thus also contributed to the slowing down of the processes of change and, albeit indirectly, to the existence of the gap.
CONCLUSION
1. INTRODUCTION

The concluding part of this thesis presents the main conclusions and implications of this research. It starts with an overview of the thesis, followed by an assessment of its main contributions. Finally, the limitations of the study and suggestions for further research are also discussed.

2. OVERVIEW OF THE THESIS

This thesis is the result of a longitudinal in-depth case study conducted from the beginning of 2003 until February 2006 within a public sector Portuguese postal company, POST, in order to enhance comprehension regarding the adoption, implementation and use in practice of two new management accounting systems in this specific organisation.

The thesis is composed of three essays that explore different aspects of the processes of management accounting change in POST. The first essay, in Part I, argues that trust-building processes are important for companies adopting new management technologies such as management accounting systems. It explores the importance of several types of trust proposed by Kramer (1999) in the adoption of two new management accounting systems in POST.

The second essay, presented in Part II, contends that the implementation processes of new management accounting systems in organisations are influenced by strategies of power. Drawing on Hardy’s (1996) framework, I interpret the strategies of power adopted by the Planning and Control Office (PCO), an internal organisational
area of POST, throughout the implementation processes of the new management accounting systems in order to maintain its power position within the company.

The third essay, in Part III, argues that the gap between rules and routines in organisations can be explained by other reasons beyond users’ resistance. In the case of POST, the aforementioned gap is not related to users’ resistance. Rather, trust and power relationships between organisational actors along with a lack of external pressures explained the existing gap.

3. CONTRIBUTIONS

This research makes several contributions to the literature on management accounting change. Firstly, a major contribution of this research concerns its assessment of trust and power issues in explaining processes of management accounting change. These two forces are faces of the same coin, and thus may influence each other. In POST, the consideration of how to build trust with the Board members was important for managers in order to maintain or increase their power within the organisation. Trust relationships may also avoid the interference of other internal or external organisational actors in processes of accounting change. For example, in POST, the PCO feared that consultants’ interference might mean doing things in a structurally different way and jeopardise its current role as well as the procedures that govern its day-to-day working practices. Thus, the PCO managed to build up higher trust relationships with the Board of Directors in order to avoid consultants’ interference in the implementation of the new management accounting systems. As a result, trust relationships helped the PCO in
managing the processes of management accounting change through time, from the adoption of new accounting systems to their subsequent use.

Secondly, this research introduces an extended view of the trust concept in explaining processes of accounting change. It sheds light on the importance of assessing different types of trust relationships (e.g. dispositional, history and third parties, category, role and rule) built up between the bodies involved in these processes. Earlier accounting studies carried out at intra-organisational level (e.g. Johansson and Baldvinsdottir, 2003; Busco et al., 2006) focused their attention on one type of trust, rule-based trust, according to Kramers’ (1999) typology. This research provides evidence of other types of trust. In POST, both consultants and PCO managers developed role- and history-based trust relations with the Boards of Directors. Additionally, the PCO managers also developed rule-based trust relationships with the Boards. The combined and cumulative effect of these types of trust built up by both the consultants and the PCO managers with the Boards allows us to have a better understanding of the adoption of the IS and KPI systems.

Thirdly, it also increases one’s understanding of the dynamics of power in the processes of management accounting change. This research extends Hardy’s (1996) framework of power as a result of the limitations of the framework in explaining the ‘power of the system’ dimension in POST. One implication of the current research is that this kind of power is beyond ‘unconscious’ (taken-for-granted) behaviours. Hardy (1996: S8) argues that the power of the system “lies in the unconscious acceptance of the values, traditions, cultures and structures of a given institution and it captures all organizational members in its web”. Burns (2000) and Yazdifar et al. (2006) are researchers that support her argument. However, in POST, I observed that the power of
the system also lay in conscious behaviours. In other words, not all behaviours were of the “taken-for-granted” type.

Fourthly, another contribution of this research is related with a different explanation for the gap between rules and routines in organisations. It demonstrates that this gap can be explained for other reasons beyond users’ resistance. In so doing, it adds some theoretical insights to Burns and Scapens’ (2000) framework. In actual fact, trust and power issues are of great importance for extending one’s understanding of how management accounting systems are (or are not) used in practice. In POST, trust and power issues together influenced the way the new management accounting systems worked in practice. On the one hand, this research shows how the process of building up trust between the PCO and the Board of Directors reinforced the power of the PCO. As a result, the PCO had the power to maintain the systems despite only producing information on an annual routine basis rather than on a monthly basis.

Fifthly, this research also contributes to the enrichment of the literature in management accounting change within a non-English-speaking context. In particular, there is a huge lack of interpretive/critical accounting studies about the adoption, implementation and use of accounting innovations among Portuguese organisations. Exceptions include the studies carried out by Vieira (2002), Major (2002), and Ribeiro (2003), which were, to my knowledge, the earliest studies following interpretive/critical approaches when studying management accounting change within specific Portuguese organisational settings. Thus, this research also contributes by extending our understanding of processes of management accounting change in the Portuguese organisational context.
Sixthly, the current research is also of significant use to practitioners in the throes of, or considering, change implementation. It provides them with a more complete view of the processes of management accounting change (not merely simplistic, rational, and technical). In so doing, some implications for practitioners result from this research. First of all, the research suggests that when implementing new management accounting systems, practitioners should be aware of the specific organisational context where the changes occur. For example, POST is a Portuguese public sector postal company and thus changes in the Board of Directors are frequent. As a result, managers from POST and other Portuguese public sector companies should be aware of the impact of Board changes on the change initiatives they are coordinating. Secondly, managers implementing a new management accounting system need to maintain an overview of the long term process of change in order to anticipate and overcome potential problems throughout the whole process of change. They must review the main critical factors expected from the outset to a change programme in its different stages. In POST, one of those factors was the lack of human resources at the PCO. The need for human resources both in terms of number and in terms of skills was not effectively ensured by the PCO. As a result, the PCO was not able to get the IS and the KPI systems providing information on a monthly basis.

Finally, a review of how previous change programmes in organisations were received, implemented, used or discarded is valuable for managers in directing future change programmes in their companies. Through understanding the dynamics of processes of change within their own organisations, managers will be better positioned to influence the path of future change initiatives.
4. LIMITATIONS OF THE RESEARCH

This research has two limitations. One of them is related to its being an intensive and holistic single case study carried out in a very large public sector Portuguese postal company. Comparison with other (public or private sector) organisations operating in the postal industry or in other industries was not undertaken due to time constraints related to the length of time established for a PhD thesis. As a result, the findings of this research provide little basis for generalisation. Future research should attempt to replicate this study in other organisational settings, namely in other public sector organisational settings.

The second limitation of this research concerns the preservation of data confidentiality. Access to subjects and their views can often only be gained if confidentiality is assured. The researcher assured study participants that quotations from the interviews would be attributed in a way that would protect their source, particularly in those cases of possibly sensitive data. Additionally, documentary data collected from interviewees that was considered ‘extremely confidential’ (due to its sensitive nature) within the organisation could not be used (at least, explicitly) in the report of this thesis. Although questions of confidentiality always constrain the researcher from presenting a more detailed picture of what is found, I consider that in this case the quotations presented in this thesis offer a high degree of detailed information to explain the processes of adoption, implementation and use in practice of the two new management accounting systems in POST.
5. SUGGESTIONS FOR FURTHER RESEARCH

A first possible avenue for further research concerns the continuation of the study of management accounting change in POST. It would be interesting for researchers and practitioners to extend the analysis of how the new management accounting systems continue to be used in the coming years. This would allow us to explain how the existing gap between the rules of the new systems and their use in practice (routines) evolves after the end of the study. In addition, an extended view of the use of these systems in practice would show us how their use would affect trust and power relationships within the organisation and how the use of these systems would be affected by such relationships.

Another suggestion for further research concerns more longitudinal in-depth case studies in other public sector postal companies that have adopted, implemented and used new management accounting systems. Inter-country comparisons of public postal companies could provide valuable insights regarding how the adoption, implementation and use in practice of new management accounting systems occur in similar companies from the same industry in different cultural contexts.

An additional suggestion for further research encompasses carrying out other longitudinal in-depth case studies in other public sector Portuguese organisations from different industries that are operating in a similar cultural context. In particular, this could improve our theoretical understanding of the impact of frequent changes in the Boards of Directors of such organisations on the processes of adoption, implementation and use in practice of new management accounting systems.
Appendix 1 – Description of the interviews

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<tr>
<th>Number</th>
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<th>Position</th>
<th>Length (minute)</th>
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<td>3rd level manager</td>
<td>135</td>
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\(^5\) At the time of the implementation of the new management accounting systems, the interviewee was one of the consultants.
Appendix 2 – Main documents collected from inside and outside POST

Postal sector data
- Postal sector legislation
- International agreements
- Studies and reports about postal activity in Portugal (ANACOM)

General Company information and organisational structures
- Company formal presentation (includes historical context since 1970), June 2003
- Organisational structures – Functions and nominations
- Report and accounts from 1995 to 2005
- Activity report 2003-2004 – Chairman of the Board presentation in January 2005
- Information Systems evolution report between 1996 and 2002
- Analysis and evolution proposals for the Management Information Systems

Strategic plans
- Information Systems strategic plans from 2000 to 2005
- Strategy: 2007 Horizon - Chairman of the Board presentation in January 2005
- Strategic initiatives - Chairman of the Board presentation in January 2005
- Strategic initiatives - Chairman of the Board presentation in January 2006
- Planning process document for 2004-2006

Integrator project
- Integrator Project – Kick-off meeting
- Integrator Project – Status report and final assessment
- Plan for the development of a new management control model – Plan
- Agenda minutes of “Management Control Model” project
- Status reports of “Management Control Model” project
Income Statement system
- Establishment of internal transfer pricing for the organisational areas’ income statements
- Income Statement system – Presentation to the Board of Directors
- Organisational areas’ income statements – year 2003
- Internal transfer pricing requests to the organisational areas
- Agenda minutes and status reports
- Requirement specifications and system architecture definition documentation

Key Performance Indicators system
- KPI system – First draft version document
- KPI system – Second draft version document
- KPI 2003 – Complete list for the approval of the Board of Directors
- KPI system – Presentation to the Board of Directors
- KPI 2004 – Complete list for the approval of the Board of Directors
- Key performance indicators requests to the organisational areas
- Agenda minutes and status reports
- Requirement specifications and system architecture definition documentation

Management by Objectives project
- Talent strategic management model
- Management and leadership competencies analysis documentation
- Performance assessment model
Appendix 3 – Example of the main areas included in the organisational structures of POST
REFERENCES


PCO (2003c), “KPI system – introduction to the 2nd draft version”, Internal communication to all organisational areas, August, pp. 1-2.


