



Budgeting in institutional complexity: The case of performing arts organizations



Pascale Amans^a, Agnès Mazars-Chapelon^{b,*}, Fabienne Villesèque-Dubus^c

^a LGCO, Université Toulouse 3, IUT «A» Paul Sabatier, 115 Route de Narbonne, 31077 Toulouse Cedex 4, France

^b Montpellier Research in Management (EA 4557), Université de Montpellier, IUT Informatique, 99 av. d'Occitanie, 34296 Montpellier Cedex 5, France

^c Montpellier Research in Management (EA 4557), Université Perpignan Via Domitia, IAE, 52 av. Paul Alduy, 66860 Perpignan Cedex 9, France

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ABSTRACT

This paper aims to account for the heterogeneous uses of the budget within different organizations which experience institutional complexity. We focus on organizations where institutional complexity is salient: French not-for-profit theatres. We refer to neo-institutional theories to contribute to the management accounting literature on budgeting in institutional complexity. Various situational factors (Greenwood et al., 2011) might act as filters that influence the ways the logics shape budget uses within organizations. We focus on one factor, the funding situation, considered in terms of the number and relative weights of public funders and the uncertainty of the funding. We have selected two representative French theatres, which present differences in their funding situations, but similarities as regard other situational factors. We show how budget uses in organizations confronted with institutional complexity are shaped by multiple logics. We highlight budgeting as a hybrid practice. We bring to light a variety of practices which we relate to the funding situation. More generally, we show how heterogeneous budget uses within different organizations result from multiple logics that are filtered by situational factors.

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1. Introduction

When organizations are confronted with multiple logics, budget uses are likely to be influenced by these logics. The various uses of the budget have been largely developed in the management accounting literature. Two types of uses, some of them rather instrumental, others more symbolic, have been distinguished, in particular by Meyer and Rowan (1977), Burchell et al. (1980) and Covaleski and Dirsmith (1983, 1986, 1988a,b). This research aims to

account for the heterogeneous uses of the budget within different organizations which experience multiple logics, that is to say institutional complexity (Lounsbury, 2007; Smets and Jarzabkowski, 2013). The issue of budgeting in institutional complexity has in particular been highlighted in the works of Christiansen and Skaerbaek (1997) and Ezzamel et al. (2012). Christiansen and Skaerbaek (1997) examine the implementation of a new budgetary control system in one organization, the Royal Danish Theatre, between 1974 and 1991. They shed light on the budget games that emerge among the various kinds of actors involved throughout the process and, thereby, on the outcome. Ezzamel et al. (2012) study the implementation of new budgeting practices in the British educational field from 1993 to 2011. They work on the case of several primary and secondary schools across three Local

* Corresponding author. Tel.: +33 499585180; fax: +33 499585176.
E-mail addresses: pascaleamans@hotmail.com (P. Amans),
agnes.mazars-chapelon@univ-montp2.fr (A. Mazars-Chapelon),
fabienne.villesequ@univ-perp.fr (F. Villesèque-Dubus).

Education Authorities, thereby taking into account organizational heterogeneity: they observe practice variation between the different schools. We complement the works of Christiansen and Skaerbaek (1997) and Ezzamel et al. (2012) in the sense that we make organizational heterogeneity, which is not taken into account by Christiansen and Skaerbaek (1997), a little more central than in Ezzamel et al.'s (2012) research. More precisely, we aim to account for heterogeneous budget uses on the basis of factors which differ from one organization to another. These factors, which we refer to as “situational factors”, act as organizational filters in the sense that they influence the ways that multiple logics are encompassed in organizations (Greenwood et al., 2011), and thus in various managerial practices (Smets et al., 2012), including budget uses.

To that end, we rely on a theoretical framework based on works in management accounting on budgeting and on institutional logics. Indeed, the concept of institutional logics allows for the potential variety of an organizational field to be taken into account (Lounsbury, 2008). We define an organizational field following DiMaggio and Powell (1983, p. 143) as “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar products and services”. We consider that the multiplicity of institutional logics, be they mutually incompatible or not, grounds institutional complexity (Friedland and Alford, 1991; Lounsbury, 2007; Smets and Jarzabkowski, 2013). We rely on this conception of institutional complexity, which is broader than that of Greenwood et al. (2011) who more strongly insist on the incompatibility of co-existing logics.

Considering heterogeneous uses of the budget in different organizations involves studying more than one organization facing multiple logics. Hence we focus on two different French not-for-profit performing arts organizations (PAOs). Indeed, institutional complexity and the issue of how budget uses are shaped by multiple logics are actually salient in these organizations. Firstly, PAOs are confronted with three main logics. As arts organizations they are dominated by a strong artistic logic related to their artistic objectives. This artistic logic is analyzed in some cases as quite different from what we refer to here as managerial logic. Several researchers have written on the potential antagonism between arts and management (Mouritsen and Skaerbaek, 1995; Christiansen and Skaerbaek, 1997; Chiappello, 1998; Glynn and Lounsbury, 2005; Eikhof and Haunschild, 2007; Turbide and Laurin, 2009; Daigle and Rouleau, 2010). Moreover, studying the case of French not-for-profit PAOs indicates the presence of a third logic, because funding these organizations largely involves public partners, as Assassi (2007) stressed with regard to the Centres Dramatiques Nationaux, the Scènes Nationales and the Théâtres Municipaux. In French not-for-profit PAOs, the question of how heterogeneous budget uses are shaped by multiple logics is salient. The imposed nature of such organizations' budgets would lead us to expect their ceremonial, or symbolic use in all French not-for-profit PAOs in response to institutional pressures (DiMaggio and Powell, 1983; Meyer and Rowan, 1977),

in this case coming from public funders. As the budget is a compulsory tool on the one hand and because of the expected antagonism between arts and management on the other, we might expect to observe budget use that is essentially aimed at legitimizing and negotiating in each PAO. Presenting numbers that are acceptable (Fauré and Rouleau, 2011) and justifiable would enable internal actors to have their funding requests met. For all the above reasons, PAOs represent an interesting example (with a specific set of three logics: artistic, managerial and political) of a broad issue (budgeting in institutional complexity) which may concern any organization facing multiple and potentially competing logics.

The remainder of this paper is structured as follows: Section 2 presents a review of the literature about budgeting, institutional complexity and PAOs, within which our study has been built; Section 3 describes the empirical research in the two PAOs we chose, considering different situational factors; and Section 4 develops the main findings which are discussed in Section 5.

2. Budgeting, institutional complexity and PAOs

In this research we focus on how heterogeneous uses of the budget in different organizations which experience institutional complexity are shaped by multiple logics. Therefore, we return to the management accounting literature on budgeting, to focus on neo-institutional approaches to the subject, firstly in the early works based on institutional pressures and isomorphism and secondly in more recent works in terms of institutional logics. The first and second subsections are devoted to the management accounting literature on the uses of the budget and on the neo-institutional theories we call upon to highlight such uses. In the third subsection we present the PAO field, which demonstrates the relevance of PAOs for study in respect of our research question.

2.1. Various budget uses: from the early work in management accounting to early neo-institutional approaches

Our research about budgeting is built on the sociological approach to management accounting mentioned by Covaleski et al. (2007): we propose to highlight the various uses of the budget, considering organizational heterogeneity. According to Covaleski et al. (2007), budgets were explored from this perspective, furthering the work of Argyris (1952, 1953), by March and Simon (1958) in early sociology-based studies through organizational theories. The sociological perspective of budgeting is very broad, and works including contingency theories are well developed in accounting literature (Chapman, 1997; Chenhall, 2003). Covaleski et al. (2007) also highlight several studies based on contingency theories (Brownell, 1985; Brownell and Hirst, 1986; Govindarajan, 1984; Hirst, 1981, 1983; Merchant, 1981; Simons, 1987, 1990) that have been developed, following the work of Hopwood (1972) and Otley (1978, 1980). Even if these theories consider organizational heterogeneity, all these studies have been carried out in order to characterize the fit between contingencies and

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