



Contents lists available at [ScienceDirect](#)

Accounting Forum

journal homepage: www.elsevier.com/locate/accfor



Successful changes in management accounting systems: A healthcare case study

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ARTICLE INFO

Article history:

Received 28 January 2016
Received in revised form 25 May 2016
Accepted 28 May 2016
Available online xxx

Keywords:

Management accounting systems
Organisational change
Middle Range Theory
Complexity
Healthcare organisations

ABSTRACT

This paper explores how a change in the management accounting systems (MAS) of healthcare organisations was implemented in a manner acceptable to those involved. The study employed a longitudinal case study of a university hospital in southern Italy, and was informed by Broadbent and Laughlin's Middle Range Theory (MRT). The findings revealed that the change in the MAS was successful due to the involvement of professionals in the ongoing process of change. This involvement reduced their natural tendency to resist, and increased the commitment of the various groups of professionals to the new business culture.

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1. Introduction

This paper addresses questions pertaining to what constitutes a successful implementation of management accounting systems (MAS) in healthcare organisations characterised by professional dominance but under pressure to be better managed (Jacobs, Marcon, & Witt, 2004). The implementation of MAS in healthcare organisations is still debated since the reasons for success or failure are not yet clear in the literature. Extant studies provide heterogeneous findings, either reporting cases of hybridisation of clinical professionals supporting the organisational change (e.g., Abernethy & Vagnoni, 2004; Conrad & Guven-Uslu, 2011; Eldenburg, Soderstrom, Willis, & Wu, 2010; Jacobs et al., 2004; Jarvinen, 2006; Kurunmaki, 2004; Lehtonen, 2007), or phenomena of resistance leading to MAS that are irrelevant or even a threat to healthcare organisations (e.g., Abernethy & Stoelwinder, 1995; Broadbent, Jacobs, & Laughlin, 2001; Chua & Degeling, 1993; Conrad & Guven-Uslu, 2012; Jacobs et al., 2004; Jones, 1999; Kurunmaki, 2004; Preston, Cooper, & Coombs, 1992). These papers lack a systematic consideration of the complexity that results from the effect of a wide range of factors, such as regulatory pressures, changing political and economic environments, and the power relationships between actors.

On this basis, the current paper aims to show the conditions under which MAS implementation can be an enabling change for healthcare organisations to accomplish quality, efficiency, and accountability expectations. The focus is on the implementation of MAS following external and non-negotiable pressures exerted on healthcare organisations by regulatory agents. We investigate the interactions between these pressures and the organisation in order to understand how the MAS was implemented in a manner acceptable to those involved, and what factors led to a successful change.

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The theoretical framework adopted is a 'skeletal' theory of organisational change, set in the context of societal change (Broadbent, Laughlin, & Read, 1991; Laughlin, 1991), which was developed by Broadbent and Laughlin (1997, 2003, 2005, 2013), Laughlin and Broadbent (1993). It provides an understanding of the nature and functioning of accounting in society and organisations, including the previously mentioned factors of internal and external complexity. The Middle Range Theory (MRT) has already been successfully adopted within the healthcare context (Agrizzi, 2008; Broadbent, 1992; Kurunmaki, Lapsley, & Melia, 2003) to interpret the impact of accounting changes. It allows an understanding of how changes in MAS that are fostered by external pressures are deemed to become successfully implemented in healthcare organisations, and what internal factors influenced the accounting change. In addition, it permits an understanding of whether internal changes at the organisational level are capable of redirecting the institutional actions. This is an issue that deserves attention given the societal relevance of MAS, which is becoming increasingly implicated in external regulation (Modell, 2014). In this way, this paper can offer the basis for renewing academic debate, critical policy evaluation, and practical recommendations (Broadbent & Laughlin, 2013).

The research employs a theoretically informed ethnographic approach based on a longitudinal case study of the Azienda Ospedaliera Universitaria Asclepius¹ (henceforth, AOU Asclepius). The AOU Asclepius represents the largest and most complex university hospital in the south of Italy, and it has experienced a process of change in MAS, which was forced by evolving regulations towards greater quality, efficiency, and accountability.

The remainder of this paper is organised as follows. The second section summarises the conflicting paths of management accounting change in healthcare. The third section describes the theoretical framework of the research. The fourth section explains the research design. The fifth section elucidates the characteristics of the context. The sixth section illustrates the findings of the analysis. Finally, the seventh section discusses the findings in the light of the theoretical model and offers some concluding remarks.

2. The conflicting paths of management accounting change in healthcare

The debate on accounting change has gained new momentum over the last few years, because several questions are still unsettled despite the large amount of studies. The literature so far has focused on general models of change (e.g., Innes & Mitchell, 1990; Laughlin, 1991) and the drivers and correlates of change (e.g., Baines & Langfield-Smith, 2003; Libby & Waterhouse, 1996). Other works discuss the conditions enabling change (e.g., Miller & O'Leary, 1987) and the influence of institutionalised elements on changing processes (e.g., Abernethy & Chua, 1996; Burns & Scapens, 2000; Ezzamel, Robson, Stapleton, & McLeanb, 2007; Jacobs, 1995; Lukka, 2007). Other studies explore the politics of change, the role of influential agents, and the effects of power relationships (e.g., Abernethy & Vagnoni, 2004; Dent, 1991; Townley, Cooper, & Oaks, 2003).

A common feature of these studies is that they regard accounting change as a context-specific phenomenon and view accounting as a social practice rather than merely as a technical tool. In line with this, Burns and Scapens (2000) argue that management accounting practices are conceptualised as rules and routines, and a certain degree of inertia can make changes in such rules and routines complicated and unpredictable (Becker, 2004; Burns & Scapens, 2000). The literature claims that the comprehension of the dynamics of change in MAS requires a preliminary understanding of two different aspects: the difficulties relating to the intrinsic nature of organisations (Burns & Scapens, 2000) and the interaction between the wider social, environmental, and political pressures for change and organisational behaviour (Ma & Tayles, 2009).

The above-cited dynamics are especially relevant for the public sector where New Public Management (NPM) reforms over the past 20 years have been characterised by increasing emphasis on devolved performance management (Modell, Jacobs, & Wiesel, 2007). The majority of reforms have dealt with the introduction of MAS, and especially performance measurement systems, in the search for cost effectiveness and efficiency (Hood, 1995; Modell, 2001). These reforms have often been characterised by output-focused modes of performance management, which have been subject to increasing criticism and seem to be under reconsideration in many countries (Modell, 2005; Osborne, 2006). Recent policy changes have prompted a broader view of the effectiveness of public service delivery and the need to visualise the value delivered to the citizenry (Norman & Gregory, 2003; Osborne, 2006). Despite this, concern about the typical operating processes underpinning public service delivery, especially change processes, is still overlooked. This gap not only affects the policy agenda but it is also reflected in the research domain.

Extant studies have addressed either the description of accounting reforms (e.g., Anessi Pessina & Steccolini, 2005; Hammerschmid & Meyer, 2005; Hood, 1995; Pollitt, 2001) or the impact (in terms of output) of any processes of change at the organisational level (Christensen & Lægheid, 2007; Christiaens, 1999; Connolly & Hyndman, 2006; Liguori & Steccolini, 2012; Liguori, 2012a, 2012b; Pettersen, 2001). However, as Liguori and Steccolini (2014) comment, in the absence of proper comprehension and adaptation to the specific operational characteristics of any settings, accounting reforms are likely to fail due to multiple contextual elements, which constrain or enable change.

These issues become even more interesting in the healthcare sector, where multiple contextual elements (both internal and external) constrain or enable change (Haslam & Lehman, 2006). In fact, in healthcare settings, MAS have long been called potential enablers of a positive reconciliation between cost containment, quality, and accountability (Ellwood, 2009).

¹ This is a fantasy name used to preserve privacy. In ancient Greece, Asclepius was venerated as the God of Medicine.

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