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Institutional entrepreneurship, practice memory, and cultural memory: Choice and creativity in the pursuit of endogenous change of local authority budgeting

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ABSTRACT

This paper explores how a lower government organisation can act as an institutional entrepreneur. It builds on recent public sector budgeting research that identified the endogenisation of budget rules as an important element of institutional entrepreneurship. Inspired by a Wittgensteinian practice theory we identify rules as one element of budget practices and proceed to investigate the endogenisation of another element, termed teleoaffective structure. It refers to the objectives and ends of a practice and the moods and emotions with which they tend to be associated. We develop our argument with reference to two innovative accounting practices developed by Newcastle City Council in order to address radical cutbacks of their central government grants. We emphasise the historical dimension of the endogenisation of teleoaffective structure and show in particular the potential significance of practice memory and cultural memory for shaping teleoaffective structure.

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1. Introduction

Public sector budgeting has long been recognised as a highly institutionalised context, in which the nature of public sector organisations is intimately tied up with their budgeting practices (Hopwood, 1984; Wildavsky, 1964). To adopt a certain way of budgeting is to become a particular sort of public sector organisation (Berry et al., 1985; Dent, 1991; Moll and Hoque, 2011; Preston et al., 1992). Changes of budgeting, planning, and performance management regimes—often as part of market based government reforms—have therefore attracted much attention from researchers (e.g., Ahrens and Ferry, 2015; Ahrens and Khalifa, 2015; Brignall and Modell, 2000; Ferry and Eckersley, 2011; Humphrey et al., 1993; Humphrey and Miller, 2012; Modell, 2003; Oakes et al., 1998; Townley, 1997). At the heart of those new regimes are frequently new sets of rules, such as budgeting rules (Kurunmäki and Miller, 2011). An important contribution of this literature has been to explore the agency of public sector organisations in their encounter with such rules, for example, by shedding light on the processes of

compliance, adaptation, and resistance to which newly institutionalised rules can give rise (cf., Oliver, 1991).

A key assumption of this literature has been that new budgeting rules are an exogenous influence on the public sector organisations studied. Recent work on public sector budgeting has questioned the extent to which those rules can really be regarded as an exogenous influence on the actions of the public sector entities whose activities are supposed to be circumscribed through the budgets (Covaleski et al., 2013). A case study of welfare reform in Wisconsin emphasised the importance of agency, suggesting that key politicians and bureaucrats “endogenized” those rules by seeking “[...] to influence not only the interpretation, but also the strictly codified provisions of regulations that were intended to constrain their actions, and in the process transform the welfare delivery system and related budgetary regime” (Covaleski et al., 2013, p. 334). Those politicians and bureaucrats became “institutional entrepreneurs” (Greenwood and Suddaby, 2006) who sought to change the functioning and meanings of a highly institutionalised field, namely welfare. They did so as members of this field, thus pursuing ‘change from within’.

We seek to extend this work by asking which other elements of practice, beyond rules, institutional entrepreneurs in the public sector can use in the pursuit of change. We define the available elements of practices with reference to a Wittgensteinian theory of practice (Schatzki, 2002) as rules, teleoaffective structure,

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and practical knowhow, which jointly structure arrays of recognizable activity. In this paper we focus on teleoaffective structure. It refers to ends and objectives and the emotions and moods with which they are invested. Rules, teleoaffective structure, and practical knowhow are inherent in the activities that make up practices, and they are revealed but also reproduced through those activities. We draw also on the notions of “practice memory” (Schatzki, 2006, 2010), which shares the three structural elements of practice, and “cultural memory” (Assmann, 2007), which in our field study turns out to be an important element of teleoaffective structure.

We develop our argument with reference to an illustrative case study of Newcastle City Council’s¹ (NCC) radical budget cuts of about 30% over three years, starting with the financial year 2013/4. This took place in the context of the slashing of local government funding by the central government under their austerity programme (Loopstra et al., 2015; Lowndes and Pratchett, 2012). Our focus lies on two important changes to accounting practices with which NCC sought to address the budget cuts and which became part of the institutional field of English local government budgeting. The changes concerned (1) NCC’s creation of a “heat-map” that sought to visualise geographically the unequal and unfair nature of the funding cuts to English local authorities and (2) the publication of 3-year local authority budgets alongside the legally required annual budgets. Both accounting practices illustrate endogenous institutional change pursued by an institutional entrepreneur, NCC. NCC creatively reworked existing practices by giving them the teleoaffective imprint of NCC’s determination to fight the central government funding cuts. We use these examples to expand on the claims made by Covaleski et al. (2013) about the endogenisation of public sector budget rules.

Our more general objective is to suggest that lower government organisations, in our case local authorities, can pursue institutional change through teleoaffective structures, that is, by appealing to widely shared objectives and ends of local government and skillfully connecting those ends with particular cultural identities and traditions. By institutional change we mean changes of the power relations in institutional fields that govern the interrelationships between various practices and material arrangements (Bourdieu, 1990). A key finding is that even if the lower government organisations cannot endogenise the budget rules set by central government they can endogenise what is usually regarded as the cultural context. This can open a route to altering the budgeting rules in the longer term by pursuing power shifts in the institutional field of local government budgeting. Central to our theoretical frame are, therefore, notions of field (Bourdieu, 1990) and institutional change (Covaleski et al., 2013; Friedland and Alford, 1991; Greenwood and Suddaby, 2006; Seo and Creed, 2002).

The following section explains our theoretical framework. We then give an overview of the research context and our methods before presenting our field study findings. The final two sections offer a discussion and some conclusions.

2. Theorising institutional entrepreneurship in a local authority budgeting context

2.1. Institutional entrepreneurship

Neo-institutional theory (DiMaggio and Powell, 1991; Meyer and Rowan, 1977) has begun to be used as a theoretical resource for the study of change in public sector budgeting (Chiwamit et al., 2014; Covaleski et al., 2013; Ezzamel et al., 2012; Modell,

2012). This was made possible by a number of critiques of neo-institutional theory’s failure to account for agency and change, including variations in agents’ use of power, the heterogeneity of practices and processes of change in institutional fields, the significance of multi-directional power relations, and the ways in which lower government may resist or redirect regulation by higher government (e.g., DiMaggio, 1988; Edelman et al., 2011; Greenwood and Suddaby, 2006; Lawrence et al., 2011; Oliver, 1991). Such critiques have given rise to calls to explore in greater detail the various functionings of agency, including non-conformity, non-compliance, and shifts towards heterogeneity and differentiation, through which institutions may change (Brignall and Modell, 2000; Greenwood and Hinings, 1996; Oliver, 1991).

Institutions are supra-organisational patterns of activity by which individuals and organisations produce and reproduce their material subsistence and organise time and space (Friedland and Alford, 1991). They shape meanings, norms, and notions of legitimacy and even define institution-specific notions of power. By determining what counts as problems and solutions institutions constitute agendas of economic and political control and reward in organisations (Friedland and Alford, 1991). Institutional fields structure the identities and interactions of the agents (individuals or organisations) who operate in those fields (Greenwood and Suddaby, 2006). In this paper we focus on organisations as agents.

Bourdieu (1990) conceived of fields as networks of social relations in which struggles for positions and resources take place. Positions in a field are ordered hierarchically, as are different fields in relation to one another. In the field of English local government budgeting the central government is positioned at the apex operating through such agents as Her Majesty’s Treasury and the Department for Communities and Local Government (DCLG), the central government ministry responsible for local government. They can exercise a great deal of economic and administrative power but they are not immune to the constant flux to which, Bourdieu says, the positions in a field are always subject. Other potentially influential agents are, for example, the parliamentary Communities and Local Government Committee, associations such as the Local Government Association (LGA), and the Chartered Institute of Public Finance and Accountancy (CIPFA), pressure groups such as the English Core Cities group,² the National Audit Office (NAO) which has made pronouncements on the sustainability of local government under austerity, and the local authorities themselves. Moreover, these agents may seek to ally themselves with various agents in potentially dominant fields, such as national economic policy (Oakes et al., 1998).

The link between fields and institutions is that institutions structure the struggles that characterise fields. They define the terms in which agents think about their interests and on which power may be sought and exercised (Friedland and Alford, 1991; Scott, 1987). Institutional change, therefore, can delineate processes of power shifts. In the field of local government budgeting such shifts can, for example, amount to redistributions of the rights of central and local government, the amount of resources which they control, or the extent to which their actions are regarded as legitimate (Posner, 2004).

The seeds of institutional change may be found in contradictions between different institutional spheres, such as capitalism and the family (Friedland and Alford, 1991), but contradictions can also exist within one institution. Seo and Creed (2002) suggested

¹ In English local authorities the word council has two meanings. It can refer to the local authority as a whole and also to the assembly of locally elected politicians who represent the individual wards of the authority.

² English Core Cities, founded in 1995, is an important formal organisation of the institutional field of local government in England. It is an advocacy group for the large regional cities outside London (Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, and Sheffield) that has been lobbying for greater fiscal devolution (Ugwumadu, 2015).

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