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Multiple logics and accounting mutations in the Italian National Health Service

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ABSTRACT

Traditional public administration (PA) relied on cash- or commitment-based budgets, while NPM advocated accruals accounting. Currently, Continental Europe is witnessing the re-emergence of the PA logic, but the relevant accounting implications have been insufficiently investigated. We focus on the Italian National Health Service. Our findings suggest that accruals accounting will not be repealed. However, accounting mutations will be introduced to increase consistency with the PA logic and budgetary accounting. Accruals accounting numbers will be interpreted and used accordingly. Great attention will be paid to nation-wide consolidated statements for the control of public finances, while faithful representation of individual organisations will be overshadowed.

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1. Introduction

Accounting is “a purposive activity, i.e. it is directed towards a specific end” (Jones & Pendlebury, 2000, p. 125). In a narrow sense, accounting is a purposive activity in that it provides decision makers and accountees with the information they need or are entitled to. In a broad sense, it is a purposive activity in that it is “an active and significant instrument of social and political as well as economic mobilisation” (Hopwood, 1985, p. 375). Under both definitions, accounting is an important component of public-sector “models” or “paradigms” and reflects their underlying logics.

Logics have been defined as the taken-for-granted assumptions and rules guiding actor behaviour and “refer to the belief systems and related practices that predominate in an organisational field” (Scott, 2001, p. 139). At any one time, an organisational field can be dominated by one logic, but it can also be characterised by the coexistence of multiple logics (Lounsbury, 2008) that interact, collide, and/or stratify. In addition, logics have been described as shaping “templates”, i.e., sets of more or less coherent and concrete structures, ideas, and practices (Greenwood & Hinings, 1988; ter Bogt & van Helden, 2011). An accounting system can thus be viewed as a template that serves a given logic.

Until the early 1980s, the dominant logic for the public sector was what is commonly referred to as “traditional Public Administration” (PA) or the “Weberian” paradigm. Under traditional PA, politics and administration are clearly separated; politicians are responsible for defining general policies, whereas the administration is responsible for executing them; control is hierarchical and bureaucratic, exerted through rules, formal procedures, and norms; the public sector is generally viewed as one, uniform entity. With respect to accounting, traditional PA emphasises the role of cash- or commitment-based

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budgets to allocate resources among competing interests (Wildavsky, 1964), outline government policies and their financial implications, and “authorize” – i.e., place an ex-ante cap on – expenditures (Jones & Pendlebury, 2000). Thus, the budget plays a central role, while operations are largely interpreted as “budget execution”, and financial reporting is intended primarily to ensure compliance with authorised spending (Hood, 1991; ter Bogt, 2003) as opposed to faithfully representing financial position and performance. The use of cash- or commitment-based budgetary accounting reflects the fundamental principle that no public money should be spent in ways and amounts not specified by the legislature (Guthrie, 1998).

Starting in the 1980s, there was a significant movement away from traditional PA and towards New Public Management (NPM) ideas and tools. NPM is a general label that indicates a set of practices aimed at innovating the traditional model of PA by relying heavily on private-sector concepts and techniques (Hood, 1991, 1995). NPM put new emphasis on topics like accountability, autonomy of individual managers and public organisations, efficiency, effectiveness, economy, value for money, market orientation, and decentralisation. It specifically viewed accounting as its own “technical lifeblood” (Olson, Guthrie, & Humphrey, 1998, p. 18), showed a clear preference for accruals accounting, emphasised the importance of management accounting alongside and even above financial accounting (Paulsson, 2006), and generated an extensive debate on the conceptual and practical merits and limitations of accruals accounting in public-sector organisations.

NPM, however, is no longer considered the undisputedly dominant logic. At the same time, no clear successor has yet emerged. Public Governance is a strong candidate (Osborne, 2010). Continental Europe, however, may be witnessing the re-emergence of the traditional PA logic, although with some elements of novelty to make the traditional State apparatus more efficient and responsive to citizens (Pollitt & Bouckaert, 2011). Because logics shape templates, these evolutions will presumably have significant accounting implications. Such implications, however, have only recently started to be investigated. For many public-sector organisations, the re-emergence of the traditional PA paradigm may simply imply that attempts at introducing accruals accounting are abandoned and traditional, cash- or commitment-based budgetary accounting further reasserts its dominance (Liguori, Rota, & Steccolini, 2014). For public-sector organisations that have fully or largely completed the transition to accruals accounting, however, the consequences are harder to envision.

To further investigate these developments it is worth considering that, even within the same country, significant variations exist in the adoption and demise of both NPM (Hughes, 2012) and NPM-inspired accounting systems (Caperchione, 2012) across tiers of government and types of public-sector organisations. For policy areas that cut across such tiers and types, these variations may generate a situation in which each organisation is characterised by one prevailing logic (e.g. bureaucratic or managerial), but the policy area as a whole presents multiple competing logics. Such a situation, in turn, may produce peculiar effects on accounting solutions and change trajectories.

In this paper, we analyse one such policy area, that is, Italian health care. The Italian National Health Service (INHS) is organised into three tiers, of which the lowest (about 250 hospitals and other health-care organisations) has undergone a significant process of managerialisation (Ongaro, Ferrè, Galli, & Longo, 2013), the highest (the central government) remains largely dominated by the traditional PA logic (Hyndman et al., 2014), while the intermediate one (21 regional governments) has managerialised to varying degrees (Tediosi, Gabriele, & Longo, 2009). Consistently, hospitals and other health-care organisations have completely replaced traditional budgetary accounting with accruals accounting and would find it inconceivable to revert this choice (Anessi Pessina, 2012). The central government, conversely, has never even really tried to introduce accruals accounting (Liguori et al., 2014). In the 2000s, the profound decentralisation of the INHS and the regional governments’ buffering role allowed these inconsistencies to persist and grow. More recently, due to the financial crisis, the central government has increasingly imposed constraints and uniform behaviours upon the entire public sector, suggesting the existence of an ongoing recentralisation (Bolgherini, 2014; Bordignon, 2013; Mangiameli, 2013; Perulli, 2010; Piperata, 2012). Consequently, the above-mentioned inconsistencies have begun to produce significant conflict in general and specifically in accounting choices.

The INHS has thus become a particularly suitable setting to address the following research question: “What happens to the accounting system of public-sector organisations that have largely espoused NPM in general and accruals accounting in particular, when the higher levels of government attempt to re-impose the traditional PA logic?: By addressing this question, we wish to make a contribution to the debate on the possible evolutions of public-sector accounting and, specifically, on the accounting implications of NPM’s decline. If accounting can be viewed as a template, and templates reflect their underlying logics, then the re-emergence of the traditional PA logic will presumably reshape public-sector accounting. At the same time, particularly where NPM is more consolidated, the traditional PA logic is likely not to swipe away the managerial logic, but rather to co-exist with it. Hence, accounting systems will probably not simply revert to their traditional form, but rather develop into something at least partially new. Our analysis of the INHS seemingly suggests that accruals accounting is not going to be repealed, but will undergo significant mutations to make it more consistent with the bureaucratic logic, the cash basis of accounting, and specific policy objectives.

The paper is structured as follows. Section 2 briefly reviews the relevant literature. Section 3 provides some background information on the Italian NHS. Section 4 illustrates the research methods. Section 5 presents the results. Section 6 offers a discussion, while Section 7 draws some conclusions.

2. Literature review

Accounting practices and measures have been a key feature of NPM (Hood, 1991, 1995; Olson et al., 1998). Governments embracing NPM ideas, in particular, have generally adopted (or at least attempted to adopt) accruals accounting (Hyndman

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