



International Journal of Organizational Analysis

Multilevel institutional analysis of accounting change in public management

Nizar Mohammad Alsharari,

Article information:

To cite this document:

Nizar Mohammad Alsharari, "Multilevel institutional analysis of accounting change in public management", International Journal of Organizational Analysis, <https://doi.org/10.1108/IJOA-05-2017-1161>

Permanent link to this document:

<https://doi.org/10.1108/IJOA-05-2017-1161>

Downloaded on: 04 February 2018, At: 23:57 (PT)

References: this document contains references to 0 other documents.

To copy this document: permissions@emeraldinsight.com

Access to this document was granted through an Emerald subscription provided by emerald-srm:178665 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Multilevel institutional analysis of accounting change in public management

Abstract

Purpose - This paper aims to provide a multilevel institutional analysis of public sector accounting change. It seeks to explain the implementation of changes to state-sector budgeting systems, taking into account the complex of factors that drive and shape the cumulative processes of accounting change.

Design/methodology/approach – The study presents the results of an interpretive case study set in a Jordanian public organization, Jordan Customs. It uses triangulation of data collection methods including interviews, observations, and documents and archival records. The study adopts a multilevel analysis of institutions to better understand the implications of public accounting changes for the re-engineering and improved delivery of public services in Jordan.

Findings – The paper concludes from its analysis of public sector organizations that change in their accounting systems has occurred on three institutional levels. New budgeting methodologies were produced and reproduced based on re-consideration and re-enacting of theoretical accounting bases and procedures. Through this process, accounting change was itself reformed and new accounting routines further embedded extant accounting institutions and norms. Budgeting change, as a fundamental accounting change, is in this conception generated by external pressures and institutionalized in accounting routines over time.

Research limitations/implications – The paper is subject to the limitations of the case study approach. The propositions presented from the case studied need to be confirmed in further research into accounting system changes in other public organizations. The authenticity of the conclusions of this study would be greatly enhanced if supported by findings from other studies. The study has significant implications for the ways in which the dynamics of accounting change emerge at three levels of institutional analysis. By explaining the interaction between the 'external' sources of and 'internal' responses to change, accounting practice is shown to be both formed by and formative of broader socio-economic processes. This overall sensitivity to the nature of accounting has significant implications for how accounting change can be studied.

Originality/Value – The paper presents an interpretive case study of the practical issues of organizational change in a multilevel analysis that considers the experience of institutional pressures from the perspective of organizational actors. The study contributes to both management accounting literature and institutional theory by providing further understanding of the dynamics of accounting change in a developing nation's public sector.

Keywords: Public Management, Accounting Changes, Multilevel Institutional Analysis, NPM

1. Introduction

Changes to accounting practices in public sector financial management have been central to the application of new public management (NPM) models and variants, given their results

orientation and emphasis on financial control and public accountability. Since the 1980s developing countries have been adopting modernizing public sector reforms based on management practices and techniques which public organizations in advanced economies had taken from the private sector two decades previously in contexts of declining economic growth and changing political attitudes to the welfare state, predicated upon “questions about the role and institutional character of the state” (Larbi, 1999). In many developing countries, according to the World Bank (1997), economic crises, preceding economic reform, most frequently drove those early public sector interventions in which NPM reforms were imposed by the external pressures of state agendas and the structural adjustment programmes of international agencies such as the World Bank and the International Monetary Fund (IMF).

Jordan’s political alliances and strategic geographical location have helped the state to form relationships with the EU and the US through several agreements with international donors and consultants supporting its 2005–2014 National Agenda objectives of sustainable development via various public sector and fiscal reforms. The launch of the National Agenda followed previous attempts at macroeconomic reform under IMF auspices from 1989–2004, but represented a departure in approach in that this new state-led modernization agenda recognized that social, economic and political development needed to proceed in an integrated way. The political and economic reforms post-2005 resulted in setting in motion the institutionalization of certain financial management processes in public organizations. Management accounting processes, reflecting NPM principles of results-based achievement deadlines, performance indicators, and monitoring and evaluation mechanisms, have especial relevance for state budgeting based on the idea that, motivated by accountability to its citizens, more effective and sustained performance could be delivered by the state and its agencies

NPM has dominated much practitioner and academic thinking about public sector fiscal reform (Osborne and Gaebler 1992, Hood 1995, Hughes 1998). Hughes (1998:1) stated that “traditional public administration has been discredited theoretically and practically, and the adoption of new forms of public management means the emergence of a new paradigm in the public sector”. However, even in an advanced economy, such as the UK, it has been noted that “change toward NPM has not been smooth and linear, but uneven and contested” (Clarke and Newman, 1997: x). In Jordan, the institutionalization of new management accounting practices presented a formidable task; notwithstanding 20 years of reform endeavors, The United States Agency for International Development (USAID) (2015) reported that in 2009 the country’s economic and social progress remained stymied by “poorly planned growth... a large and unwieldy government bureaucracy [in which] institutions had confusing and overlapping mandates. Public spending was rising on services that did not necessarily fall under the mandate of the public sector”. NPM-influenced National Agenda reforms therefore led to the adoption of a results-based management (RBM) approach as a “management accounting tool” to restructure and improve the budgeting systems of public organizations (Try and Radnor 2007, Hudock 2011, Sulle 2011), as that part of accounting practice which establishes the criteria for effective financial management. In staged accounting change processes, results-based budgeting (RBB) and the General Financial Management Information System (GFMIS) have been implemented to achieve more consistent planning and accounting of public funds.

This paper presents a case study of the state agency Jordan Customs to identify how organizational actions have been influenced beyond the representative realm, in that substantive accounting changes have taken place at all levels of the institutional organization. This organization particularly lends itself to institutional analysis since, in the integrated “whole-of-

government” approach to fiscal reform, the primarily revenue-raising goal of Jordan Customs has been subsumed in an expansion of its mission to support national social objectives, as well as Jordan’s international obligations, following its ascension to the global intergovernmental agency, the World Customs Organization. The importance of high-level social contexts in motivating, sustaining and changing institutional practices (Dillard *et al.* 2004) is examined, and confirms that other factors, beyond economic ones, may play an influential role in the implementation of accounting changes in both private and public organizations (Meyer and Rowan 1977, Greenwood and Hinings 1996, Burns and Scapens 2000, Scapens 2006, Ter Bogt 2008, Chapman *et al.* 2009).

Following this introduction, section 2 presents the institutional framework for the case study analysis; section 3 sets out the research methodology; section 4 provides analysis and discussion of the Jordan Customs case study informed by an institutional framework encompassing three levels of institutional analysis: political and economic, organizational field, and organization to explain the relationship between the reform process in response to pressures (challenges and risks), and public sector and fiscal reforms focusing on accounting changes. The final section presents conclusions.

2. Institutional framework

Accounting change is a complex and continuous process; teasing out the complexities of a change process essentially requires a contextual approach (Knight 2013), and an exploration of the significance of power and politics in the organizational context. Since various theoretical perspectives may be usefully applied to understand organizational phenomena, and as no single theory (Fligstein 1993) can interpret social complexity entirely, "a pluralistic, multi-institutional approach promises much more" (Burns 2001:34). Institutional theory is concerned with the deeper and more flexible aspects of social structure, emphasizing the processes by which structures such as schemas, rules, norms, and routines emerge as authoritative procedures for social behavior (Scott 2004), and inquiring into how these aspects emerge, are diffused, adopted and adapted over time, and also into their decline and desuetude (*ibid.*). An organizational structure, as an adaptive vehicle, can emerge in response to the characteristics and obligations of participants as well as to external influences and pressures. Hence, “in what is perhaps its most significant meaning, ‘to institutionalize’ is to infuse with value beyond the technical requirements of the task at hand” (Selznick 1957:17), which saliently references the human factor in the adaptive process.

Institutional theories, in particular, new institutional sociology (NIS) and old institutional economics (OIE), have been prominent in extending the study of accounting change to incorporate social and institutional dimensions of organizations and their environment (Hopper and Major 2007). Institutional theory recognizes that several variants influence the processes of accounting change (Scott 1987), rather than a single cause. Extending these ideas, the integration process between OIE and NIS is made possible by using a contextual framework such as proposed by Alsharari *et al.* (2015), which combines the focal points of OIE and NIS and realizes the interaction between extra- and intra-organizational factors in the process of management accounting change. Alsharari *et al.*’s (2015) framework presents a multi-perspective analysis of accounting change by combining the explanatory frameworks of Dillard *et al.* (2004), Burns and Scapens (2000), and Hardy (1996). Together, these three models contribute to a “contextual” approach to explaining accounting change in which various factors

contributory to the change process and its results are considered: specifically, external influences on organizations; organizational responses; and the translation of these influences into accounting and organizational changes as internal elements (Dawson 1997, Pettigrew *et al.* 2001, Broadbent and Laughlin 2005, Broadbent and Guthrie 2008). In the case study of management accounting change following the introduction of NPM-influenced reforms in Jordan's customs organization, the processes of change in management accounting systems are therefore examined from internal and external perspectives.

Scott (1995) describes the multilevel analysis of institutional change ranging from the broadest, global perspective to the level of a subunit of an organization. Alsharari *et al.* (2015) proposes a framework recognizing that multiple levels of the institutionalization process move in a recursively cascading manner by hierarchically linking the wider institutional influences of political and economic level factors at the organizational level through the organizational field level. Following their institutionalization, new organizational rules or practices may influence the set of normative practices and criteria at the organizational field level by reinforcing, revising or eliminating existing practices (Dillard *et al.* 2004). Accounting changes in organizational field practices and criteria usually influence political and economic system criteria. Thus, new political and economic criteria defy prevailing state power coalitions at that level where political solutions enabling better public management have emanated. Consequently, the social processes of institutionalization, de-institutionalization or re-institutionalization can be generated by choosing significant norms, values, and institutions. Hence, such new accounting practices become institutionalized through these social and political processes, which cannot be justified solely by economic rationalities (Dillard *et al.* 2004, Wickramasinghe and Alawattage 2007).

3. Research methodology

. This paper presents a case study of Jordan Customs (JC), a large public organization whose General Director reports directly to the state's Finance Minister. Established in 1921, this geographically dispersed and labor-intensive organization provides trade- and transport-related services to public and private stakeholders. The organization has an important role in Jordan's socio-economic development through supporting sustainable trade practices and logistics, and protecting the country from hazardous and contraband materials. As such, numerous developments at its organizational level have been driven by social, technological and economic pressures. Automation of customs procedures has also had a significant role. Institutional pressures of both a coercive and a regulative nature have continued to emanate from modernization programs of both the state and the agency USAID, which require Jordan Customs to be socially and politically effective, but at the same time prevent the organization from behaving in a purely economic manner. The roles and responsibilities of JC are wide and numerous by its strategic objectives and mission. In response to the reinvention of government, JC has progressed to become more mission-driven, customer-focused, result-oriented, and decentralized to match the needs of stakeholders and to maintain its institutional stability and legitimacy. The organization provides public and trade facilitation through a total of 62 major and minor customs branches and directorates (32 branches and 30 directorates). These offices have three classifications – Clearance Centers, Border Centers, and Post Office Centers – in addition to two customs laboratories in Amman and Aqaba, and employ upwards of 5,000 staff.

Since the aim of this paper is to provide a multilevel institutional analysis of public sector to explain the adoption of accounting changes influenced by NPM reforms, its qualitative

research takes the form of an interpretive case study. The interpretive paradigm is consistent with the assumptions that underlie the theoretical (contextual) framework and reflects the non-linear relationships between extra- and intra-organizational contexts (Hong 1991, Bhimani 2001). An explanatory case study (Scapens 1990) is therefore an effective methodology for understanding these complex relations in practice, and theoretical concepts are required to interpret the case study findings. Semi-structured and unstructured interviews constituted the primary method of data collection, and the other data sources used to complement these interviews included document searches, reviews of annual reports, monthly management reports and legislative documents, and direct observations of the processing activities.

Participants interviewed for the study held different positions at various levels of the organization. Thirty discrete interviews were undertaken over three field visits to the site in 2013, 2014 and 2015. These visits were used to gather evidence of accounting changes and their consequences and of the internal and external factors that have affected the existing and new results-based budgeting system. Since the study entailed a retrospective approach, with interviewees being asked to describe, explain and reflect upon the events they had experienced, multiple data sources were used wherever possible. In some situations, relying on recall was the only available option, but memories can be partial and may be shaped by present viewpoints. Therefore this study used triangulation, "the process of collecting multiple sources of evidence on a particular issue" Scapens (1990: 275), to validate the results, the plausibility of the analysis and the authenticity of the study's findings. Interviews were recorded and transcribed progressively so that the process of analysis could begin in tandem with data collection. Analysis commenced with the full transcript of all interviews, which were entered and coded in QSR Nvivo10 software by iterative readings of the data. Particular attention was given to the mode of expression (e.g. intonations, inflections, pauses, etc.), as an aid to recognizing and comprehending the specific issues that resulted from each interview which may have pointed to other evidence. Thus, data reduction took place when common sequences and patterns were spotted and highlighted. Afterward, similar themes and terms that nominally designated accounting process changes were grouped and classified.

4. Analysis and results

Institutional theories shed light on the discursive interactions between organizations and their institutional environments (Wickramasinghe and Alawattage 2007), and highlight the significance of the link between organizational contexts and organizational actions to provides a more detailed account of the different interests and powers of human actors (Ma and Tayles 2009). A theoretical framework that pays particular attention to this link is Alsharari *et al.*'s (2015) framework is used in this study as the basis for explaining the accounting changes that have occurred at multiple institutional levels in the case of Jordan Customs to more holistically represent the processes of change. Giving attention to the structural residuals of institutions encoding accounting systems or practices at three levels: the political and economic, the organizational field, and within the organization, this contextual framework is constructed so that further progress can be made in institutional theory and its application to organizational change issues such as those raised in the case study, and analyzed in the following sections.

4.1. Accounting changes at the political and economic level

Accounting is an essential organizational craft that, subject to significant modification over time, adopts new roles, forms, and mechanisms (Clarke and Lapsley 2004). Therefore, accounting change is fundamental to organizational change, which, in turn, reflects changing social and economic relations.

In Jordan, public services are provided by the central government through 25 ministries and related public organizations and agencies distinguished by their governance structures and adherence to various legislative acts (laws and regulations) that are encoded and enacted as, for example, the 'State Financial System', accounting principles, Organic Budget Law, and Customs Law, etc. As structuration theory similarly proposes, social norms and values are codified in the laws and regulations that reflect legitimating grounds. Such enactments are used by the state through political and economic institutions which, in a dominance perspective, exercise and allocate control over resources (Giddens 1984) by formulating and determining the rules and regulations for organizational actions, including accounting, that consist in the representational scheme.

One of the strategies in Jordan's 2005 National Agenda, established through the existing distribution of power in its society, involved results-based management (RBM) public sector and fiscal reforms. The challenges and resistance to National Agenda reforms obviated the country's limited institutional and financial capacity in government; reaction from traditional forces, lack of public support for reforms, and the negligible involvement of private sector and civil society actors in policy making characterized the difficulty of building national reform consensus (EU 2007a).

The official introduction of a pronounced results-based management (RBM) philosophy in public management and accounting was made in 2008. The RBM approach was introduced by USAID in its Fiscal Reform Projects I & II as a tool for transforming government. This has been latterly followed by the adoption of a General Financial Management Information System (GFMIS), funded by USAID, in collaboration with Jordan's Ministry of Finance. Consequently, a political and economic phenomenon such as RBM can be viewed as an outcome of three primary factors: the distribution of preferences (interests) among political actors, the distribution of resources (powers), and the constraints imposed by the rules of the game (structures). Each of these was treated as exogenous to the political and economic system. Thus, the overarching societal level of political and economic systems, within which norms and values were created and disseminated to members of that society, provided the parameters and criteria for the organizational field and, hence, organizational actions. These parameters are reflected in organizational field criteria and practices that are the outcome of conscious and reflexive actions by human agents over time, and reflected in organizational practices (Dillard *et al.* 2004).

Accordingly, the behavior of the subject organizations was an outcome of the interlocking choices by individuals and subunits, whose actions were directed by expectations and preferences manifested at the organizational field level. In the same way, the behavior of a market or economy is an outcome of the interlocking choices made by individuals and organizations that are in accord a set of expectations and preferences manifested at the societal level. Collective group behavior can be seen as the outcome of the interlocking of reproduction processes occurring at the organizational level, since micro-processes do not necessarily involve choice. In other words, the collective behavior of the government (at the organizational field level) can be viewed as the outcome of the interlocking of standard operating procedures and

accounting rules followed at the level of the individual organization (Alsharari *et al.* 2015, Alsharari and Abougamos 2017).

4.2. Accounting changes at the organizational field level

The concept of the organizational field is central to institutional theory (Greenwood *et al.* 2002). It represents an intermediate level of organization and society and is instrumental (helpful) in processes by which socially constructed expectations, and practices become disseminated and reproduced (Scott 1994, 1995). The organizational field level represents the second level of accounting change and includes socio-economic configurations such as public organizations, industry groups, professional bodies and consultancies (*ibid.*).

The RBM approach was translated and disseminated within the regulatory environment among Jordan's public organizations. In the environment of the public organizational field, similar structures and systems are adopted, although there is no technical reason to do so. When this occurs, organizational homogeneity (isomorphism) becomes evident. Isomorphism results from powerful forces (pressures or external powers) that are established at the political and economic level, leading public organizations to change their structures, goals, and systems or practices. In this regard, institutions determine rules, procedures and structures for organizations as stipulations for granting legitimacy and resources (Meyer and Rowan 1977).

Within the Jordanian public sector field, the state has required organizations to adopt and implement fundamental accounting changes aligning with RBM, including systems of budgeting with a results focus – results-based budgeting (RBB) and enterprise resource planning (ERP). The budgeting system is integral to the RBM approach, directing financial resources to implement the strategic plan. Planning sketches the path and permits the setting of priorities. The objectives and key performance indicators (KPIs) within the strategic plan are frequently used as a basis for annual budget demands; at the same time, the strategic plan drives requests for allocations. KPIs, which are derived directly from strategic objectives, connect the strategic plan and budget, as key elements of the strategic management process (Poister and Streib 2005). Thus, the RBB focus represented a distinct change of approach from traditional budgeting. RBB links strategic planning information to budget outputs, assisting the state in the control of their agencies by linking RBB to KPIs, which examine the contribution of each organization to achieving strategic national objectives. Ostensibly, the results basis of financial management qualifies accounting rules and practices that make revenue collection more efficient and equitable. The consequent accounting changes have contributed to the developments of NPM ideas in a mutually reinforcing process.

Accounting systems such as RBB and ERP show three coupled elements of isomorphism. Firstly, the reform process is extremely imitative, and may follow one of two paths: by copying proven policy and prestigious instances of reform, or using "more or less global" reform templates or models (Barzelay and Gallego 2006: 536). Secondly, the institutional dynamics of international organizations – including looking beyond resources and legitimacy – work as the source of such legitimated normative change. International bodies such as the IMF, USAID, and the World Bank can generalize individual models and put them into the general template. Andersson (2001:25) argues that "countries have been given great possibilities and incentives to converge – and to pursue similar reforms" as a result of the transnational reforming and legitimating processes (Barzelay and Gallego 2006). International donors, especially USAID, have been influential in implementing and diffusing these systems inside the governmental

environment in Jordan. Thirdly, the government has coercively and formally imposed these systems on public organizations with the aim of economic and societal improvement.

Institutional pressures in highly institutionalized environments are expected to generate organizational responses, but the responses are not always the same across all organizations. Further, given the overlapping nature of the isomorphic influences in the knowledge diffusion process, these responses may differ widely according to the forms of institutional pressures that come from both within and outside an organization, as well as the acceptable responses available (Oliver 1991, Greening and Gray 1994). The expectation is that there will be a greater extent of conformity (isomorphism) as the level of institutionalization increases with the need for legitimacy (Dillard *et al.* 2004), which underwrites the diffusion of ideas and at the organizational level. Analysis at this level explains the response of Jordan Customs to external pressures to implement change, adapting processes from a transnational template and negotiating the isomorphic activities of adoption inside the organization.

4.3. Accounting changes at the organizational level

Ter Bogt (2008) recognizes that economic issues, such as budgetary pressure and fiscal stress, play a key role in the introduction of various accounting changes. However, accounting changes have also been introduced on the basis of their “success” elsewhere and association with modernity in the expectations of certain stakeholders, or because they have been mandated. Sociological institutionalism suggests that such factors as isomorphism, and external legitimation, which may depend on the diffusion of new cultural forms, also participate in the change process (*ibid.*). In this perspective, Jordan Customs was required to change its mechanistic approach with inputs-orientation to a post-mechanistic emphasis on outputs (results) to deal with reform of the Jordanian government field. The organization was required to become more technology-responsive and to establish new rules and routines emphasizing the significance of information and communication applications and accounting innovations as a consequence of greater competition in global trade facilitation. In doing so, accounting change became the outcome of acts of conformity and adaptation to external pressures. The institutionalization of the accounting changes in response to the introduction of RBM was found to depend on the responses of organizational actors to external changes. The focus of Alsharari *et al.*'s (2015) framework is management accounting practices and systems in which the budgeting change constitutes organizational norms, rules and routines. Studying the processes of accounting change requires a conceptualization of the ways in which new accounting practices evolve over time, and this framework posits the process of institutionalization as a continuous process of change in four steps over time. The first step entails the encoding of existing institutions as organizational actors take cues from the changed environment to attribute meaning to new rules and routines; the second step of the change process manifests as behavior exercised by actors through enacting the routines of day-to-day activities; in the third step reproduction occurs as a result of repeated reference to or use of the routines and rules (such as procedures re-engineering); and the fourth and final stage is the institutionalization of rules and routines which have been reproduced by actors' behaviors or organizational activities (Burns and Scapens 2000)

At the organizational level, following the diffusion of RBM within the political field, the Jordanian government imposed RBB and ERP systems on JC as a pioneering organization, in 2008 and 2011 respectively. In both cases, the General Director of the organization used his

authority over resources and issued a formal decision to encode and enact these new accounting systems through the creation of new budget and strategic planning departments, and the training of current and new employees in translation and follow-up procedures of implementation. Hence, accounting change precipitated a change in organizational structure to, on the one hand, facilitate the new budgeting systems, and on the other, to adapt to the external environment. The purpose of this structural change was to enable the preparation of a results-based budget linked to a three-year strategic plan, monitoring of capital projects and programs in accordance with the State Financial System, and coordination of the organization's strategic objectives with the state budget and with national objectives.

Within JC, budgeting procedures were modified in a set of rules laid down in a budgeting manual of rules established when a results-based approach was coercively imposed on the organization in 2008. According to the head of the budgeting department, resistance to this substantive change in the budgeting system was mainly represented by mental allegiance to traditional ways of working, that are embodied in existing routines and institutions (Burns and Scapens 2000). Alternatively, "norms may have been created by forces in the past, and may have binding power whether or not present actors support them... thus, in a compromised realism, actors are partly creatures of the rules, not only creators of them" (Meyer 2008: 791). In the enacting process of the budgeting change, many new accounting routines have been established in methodologies encoded in the budget manual and expenditure mechanisms, which have, it was agreed by budget execution officers, continued as a "new culture", with new norms created by the organizational actors:

"Accordingly, we have reviewed and re-enacted our working practices and procedures and, if necessary, we amend any practice that leads to change for the better. At the same time, we get a formal approval from top management about any new practice or procedure to become an acceptable way of doing things among organizational members" (Budget Execution Officer, JC).

An essential concomitant of the move to RBM is the removal, or at least the relaxation of bureaucratic and procedural controls over line managements so that the focus of accountability shift to outputs (performance) from inputs (Polidano 1999). Thus, JC's centralized organization was restructured in 2011 to become more flexible, flat and decentralized. Moreover, the emphasis of management style shifted from individual tasks to team-working and from hierarchical power to expert power (Dawson 1994). These changes led to employees' empowerment through their exercise of control through internal discipline in the promotion of accountability among organizational members, as well as by replacing managerial control with the peer pressure of teamwork (Ezzamel *et al.* 1999). As a result, the processes of accounting change was facilitated by teamwork, organizational restructuring, decentralization of accounting functions, and the use of both non-financial and financial measures to evaluate the performance of employees and the organization as a whole. Meanwhile, decentralization of the accounting tasks increased management accounting's role in management decisions and organizational change (Innes and Mitchell 1990). As a result, the changed organizational structure assisted the delegation of power and responsibility for decision making which, in turn, according to JC's Strategic Planning Officer,

"led to an increased focus on specialists and experts, and teamwork", which proved essential to the assimilation of automated management systems such as the computerized customs management system and associated business intelligence and risk management systems.

The implementation of advanced technology applications across the activities of the organization led to an integrated accounting system that, significantly, embedded in the Jordan

Customs Financial System (JCFS) would, according to the Deputy CFO, enabled the publishing and dissemination of accounting knowledge among all accounting staff, “instead of the accounting knowledge of existing stand-alone FoxPro systems being managed and controlled by one employee”. Although the process of enactment may involve conscious choice, it eventually becomes a more reflexive application of assimilated knowledge. Of course, the enactment of rules and routines may be subject to resistance, especially if the rules and routines challenge long-held meanings and values, and actors have sufficient resources of power to intervene in this process. However, in the absence of external forces such as advances in technology, there is unlikely to be a reopening of previously agreed arrangements and, hence, routines may become somewhat resistant to change. Nevertheless, change can still take place in a process predominantly determined by internal factors – human resources management, technological facilitation (Jarnagin and Slocum 2007), organizational culture and control systems (Bergmann 2009) – or by external sources. In examining external factors, compliance with the principles of legislation of the State Financial System need to be considered. Interviewees in the Finance Directorate agreed that

"The State Financial System still includes some outdated traditional practices that did not permit the use of ICT or automated systems in financial matters."

However, in a mutually influential system, there should be a supportive and evolutionary effect of making accounting, budgeting and reporting systems more transparent, consistent and comparable (Tikk and Almann 2011) such that the public interest is better served. Consequently, the key sets of external factors that have been considered are economic and political factors (Von Hagen 2006, Bergmann 2009), legal acts (Guthrie et al. 1999), resource dependence (Salancik and Pfeffer 1978, Hodge and Piccolo 2005), and sociological (other public organizations in the field) (Chan and Xiao 2009).

Burns and Scapens (2000) assume that the extent to which specific rules or routines are modified and reproduced may depend on other rules and routines, including budgeting and control procedures. According to JC's Revenues Officer, the significant development of the JCFS enabled the collection of all requisite data for budget preparation and execution, including expenditure financed from sources outside the state's central RBB system, to the extent that

"JC may be given the right to fund its activities and projects through revenues it gains itself. In other cases, it may receive grants from foreign sources, or fund its operations through domestic or foreign loans."

Automation itself, however, engenders enforcement of accountability. A member of the JCFS project team indicated that

"ERP (a system for managing financial information at State level) and the JCFS are inextricably linked by an automated chart of accounts comprising all RBB accounts, so that the RBB system now prepares and executes electronically at all stages."

In routinization, previously formulated rules were modified and reproduced as the organizational actors found mutually acceptable methods of implementation, and defined in the budgeting manual. Through enactment and reproduction of the rules, the routines themselves begin to be institutionalized and, disassociated from their particular historical situations become the unquestioned (and unquestionable) way of doing things (Burns and Scapens 2000), including accepting previously constrained authority:

"JC, like other public organizations, is authorized to execute budget resources and to disburse funds within the boundaries of the approved budget law, State Financial System, and liability documents. It is assigned to formulate the timely submission of annual budget requests and justifications prepared by the requirements of the Budget Circular and Organic Budget Law of 2008" (Budgeting Analyst).

Policies of expenditure control, enacted in ERP and RBB systems, and the associated priorities of improving the state's finances have led to some clearly defined functions and roles, which have served to generate compatible forms of selective centralization and decentralization. Centralized expenditure budgeting and decentralized management accounting systems, for example, can coexist without straining the capacities of public managers to manage their fiscal resources and results effectively (Schick 1988). However, NPM techniques do not presuppose an ideal way of achieving results. Rather, managers are given the responsibility without prescription to decide how results are to be obtained and fiscal resources allocated, and are individually responsible for the results.

"JC managers are expected to develop new working methods for long-term planning and strategic management. This means articulating the organization's mission, goals and objectives. This technique provides better utilization of resources by linking them to outcomes" (Strategic Planning Manager).

Hence, by clarifying the organization's purpose and aims into the future, and its progress towards its declared objectives, its leadership gains confidence in nominating, developing or discarding projects (Hughes 1998). However, this emphasis on results is an ideational element that institutional theories need to take into account in studies of accounting change – were the new practice adopted for reasons of conformity to external principles or because organizational performance is actually (measurably) improved?

It may be more important to examine the motivation for adopting RBM's administrative KPIs to measure the performance of individuals, and efficiency KPIs to measure the performance of strategic plans. Jordan Custom's strategic plan developed KPIs to measure its progress towards declared objectives which themselves arise from the management approach. The performance evaluation system aims to measure the performances of individual staff as well as organizational objectives, which are later compared to annual actual achievements, which extended the system of staff rewards or sanctions as a means of realizing objectives. Informal methods of appraisal were considered ineffective and were thought to lead to inferior organizational outcomes. In this general aim, however, Holmes and Shand (1995: 563) argue that "much greater attention [needs] to be given to changing the incentives in the institutional framework... so that performance is encouraged, rewarded and required".

5. Conclusions

The paper discusses the impact of new public management reforms in a developing economy. NPM prescribes a results orientation supported by strategic planning and evaluation of performance against declared objectives. Integral to this reform, budgeting is influenced by and influences changes in accounting practice, as observed in the case study of Jordan Customs. Accounting change was itself reformed and new accounting routines were inculcated in the organization, which further embedded existing institutions and norms (Siti-Nabiha and Scapens 2005). In an organizational change context, accounting and budgeting reform are reflected in internal decision making processes that manifest in management accounting practices as routines which may serve to maintain organizational coherence, given the capacity of accounting to

accommodate anomalies. Thus, management accounting is important in “binding structures [which] produce and reproduce the internal unity of the organization” (Llewellyn 1994: 14).

The case study findings suggest there is some basis for arguing that Jordan’s National Agenda reform program may represent a renewal of the processes of NPM models of outcome-focused management. The institutional analysis, which has described the processes of change from a multi-level perspective found that the prevailing rationalities of NPM as recognized innovations helped to establish their legitimacy and, influenced by widespread adoption in the organizational field, became taken for granted ways of thinking and acting within the organizational culture. Organizational field-level practices changed from an input-process orientation to a results orientation, as adopted and diffused at the political-economic level, describing congruence at three levels of institutionalization analysis. At the organizational level, the institutions and values tend to reflect those of the organizational field criteria. Hence, resources were allocated to develop representations, actual or illusory, of the apparent best practices. This resulted in the adoption and reinforcement of these institutional practices. Institutionalization, being closely related to diffusion and institutionalization confers legitimacy, but also supports the dominant position of the state and its links with external agencies. This may prevent public organizations seriously challenging their institutionalized position (Pierson 2000) when tied to national economic and political objectives.

Accounting systems such as RBB and ERP, oriented to planning for and analyzing results, induce isomorphism in the organizational field, since "the diffusion of reforms seems to follow a similar pattern to that of other processes of imitation" (Barzelay and Gallego 2006: 536) based on mimicry of other organizations perceived to be more legitimate or successful. Beyond the pursuit of resources and legitimacy, the institutional dynamics of international bodies operate as the source of normative change. In the case of Jordan Customs, the RBB system emerged through normative isomorphism attributed to the influence of international professional bodies, especially USAID, and their consultants who have contributed to the implementation and diffusion of these systems inside the country’s political environment. Accounting change necessitated by the adoption of results-based public management arose from the coercive pressure of economic and political influence as well as from underlying social expectations.

These isomorphic pressures have filtered through to internal organizational practices in Jordan Customs which have resulted in structural initiatives at the organizational level to adapt to RBM principles. These accounting systems are tightly coupled to organizational configurations in a mutually influential relationship. The interaction between organizational settings (i.e. structure, strategy, culture, automation of processes, and leadership) and accounting systems helped to identify the dynamics of external adaption and internal integration. In this regard, the RBM approach was shorthand for accounting change that reflected a path-dependent evolutionary change in the organizational field. In response to the NPM credo of transforming government, Jordan Customs was required to reject process-oriented practices and become more measurably mission- and results-driven and its structure decentralized in order to maintain its institutional stability and legitimacy.

These insights have important implications for institutional research on accounting change and public sector reform, and speak to the need for a multi-level approach to analyzing organizational change that integrates external and internal perspectives.

While this case study has shown how external power imposes organizational change, it has equally demonstrated the importance of understanding how its meanings are interpreted at the internal and organizational field levels. Future research studies of organizations that radically

change their accounting systems can consider a multi-level approach to analyzing change within the broader social context and thus, contribute to a better understanding of public financial management more generally.

Acknowledgement

This paper won “Best Paper Award” in American Academic Research Conference on Global Business, Economics, Finance and Business Management (AAR17 Las Vegas Conference) in USA. The author would like to thank the conference for their award, and anonymous reviewers for their valuable feedback.

References

- Alsharari, N. M. and H. Abougamos (2017). "The Processes of Accounting Changes as Emerging from Public and Fiscal Reforms: An Interpretive Study." Asian Review of Accounting 25(1).
- Alsharari, N. M., R. Dixon and M. A. Youssef (2015). "Management accounting change: critical review and a new contextual framework." Journal of Accounting & Organizational Change 11(4): 476-502.
- Alsharari, N. M., R. Dixon and M. A. E.-A. Youssef (2015). "Management accounting change: critical review and a new contextual framework." Journal of Accounting & Organizational Change 11(4).
- Alsharari, N. M. and M. A. E.-A. Youssef (2017). "Management Accounting Change and the Implementation of GFMS: a Jordanian Case Study." Asian Review of Accounting 25(2).
- Andersson, S. K. (2001). "National, international and transnational constructions of new public management." New public management. The transformation of ideas and practice: Aldershot: Ashgate, 43-72.
- Barzelay, M. and R. Gallego (2006). "From “New institutionalism” to “institutional processualism”": Advancing knowledge about public management policy change." Governance 19(4): 531-557.
- Bergmann, A. (2009). Public sector financial management, Financial Times, Prentice Hall.
- Bhimani, A. (2001). Management Accounting Manual, Croucher CCH Group Ltd.
- Broadbent, J. and J. Guthrie (1992). "Changes in the public sector: A review of recent “alternative” accounting research." Accounting, Auditing & Accountability Journal 5(2).
- Broadbent, J. and J. Guthrie (2008). "Public sector to public services: 20 years of “contextual” accounting research." Accounting, Auditing & Accountability Journal 21(2): 129-169.
- Broadbent, J. and R. Laughlin (2005). "Organisational and accounting change: theoretical and empirical reflections and thoughts on a future research agenda." Journal of Accounting & Organizational Change 1(1): 7-25.
- Burns, J. (2001). Institutional theory in management accounting research: Towards more pluralistic dialogue in conceptualizing management accounting change, working paper, University of Manchester.
- Burns, J. and R. W. Scapens (2000). "Conceptualizing management accounting change: an institutional framework." Management Accounting Research 11(1): 3-25.

- Chan, J. L. and X. Xiao (2009). "Financial management in public sector organizations." Public Management and Governance: 109.
- Chapman, C., D. J. Cooper and P. B. Miller (2009). "Linking accounting, organizations, and institutions." Accounting, organizations and institutions: Essay in Honour of Anthony Hopwood, Oxford University Press.
- Clarke, P. and I. Lapsley (2004). "Management accounting in the new public sector." Management Accounting Research 15(3): 243-245.
- Dawson, P. (1994). Organizational change: A processual approach, P. Chapman.
- Dawson, P. (1997). "In at the deep end: conducting processual research on organisational change." Scandinavian Journal of Management 13(4): 389-405.
- Dillard, J. F., J. T. Rigsby and C. Goodman (2004). "The making and remaking of organization context: duality and the institutionalization process." Accounting, Auditing & Accountability Journal 17(4): 506-542.
- EU (2007a). "European Neighbourhood and Partnership Instrument: Jordan." Strategy Paper: 2007-2013.
- Ezzamel, M., J. Smith and A. White (1999). "Accounting for new organisational forms: initial findings on sub-contracting and outsourcing in the UK." Organizing/Theorizing: Developments in Organization Theory and Practice: 54.
- Fligstein, N. (1993). The transformation of corporate control, Harvard University Press.
- Giddens, A. (1984). The constitution of society: Outline of the theory of structuration, Cambridge: Polity Press.
- Greening, D. W. and B. Gray (1994). "Testing a model of organizational response to social and political issues." Academy of Management Journal: 467-498.
- Greenwood, R. and C. R. Hinings (1996). "Understanding radical organizational change: Bringing together the old and the new institutionalism." The Academy of Management Review 21(4): 1022-1054.
- Greenwood, R., R. Suddaby and C. R. Hinings (2002). "Theorizing change: The role of professional associations in the transformation of institutionalized fields." Academy of Management Journal: 58-80.
- Guthrie, J., O. Olson and C. Humphrey (1999). "Debating developments in new public financial management: the limits of global theorising and some new ways forward." Financial Accountability & Management 15(34): 209-228.
- Hodge, M. M. and R. F. Piccolo (2005). "Funding source, board involvement techniques, and financial vulnerability in nonprofit organizations: A test of resource dependence." Nonprofit Management and Leadership 16(2): 171-190.
- Holmes, M. and D. Shand (1995). "Management reform: some practitioner perspectives on the past ten years." Governance 8(4): 551-578.
- Hong, H. K. (1991). "Management accounting in the public sector." International Journal of Public Sector Management 4(3): 5-17.
- Hood, C. (1995). "Contemporary public management: a new global paradigm?" Public policy and administration 10(2): 104-117.
- Hopper, T. and M. Major (2007). "Extending institutional analysis through theoretical triangulation: regulation and activity-based costing in Portuguese telecommunications." European Accounting Review 16(1): 59-97.
- Hudock, A. (2011). "Results-based financing: a governance tool that works for service delivery." Developing Alternatives: 42.

- Hughes, O. E. (1998). Public management and administration, Macmillan London.
- Innes, J. and F. Mitchell (1990). "The process of change in management accounting: some field study evidence." Management Accounting Research 1(1): 3-19.
- Jarnagin, C. and J. Slocum (2007). "Creating corporate cultures through mythopoetic leadership." SMU Cox School of Business Research Paper Series No. 07-004, Organizational Dynamics, Vol. 36, No. 3, 2007.
- Knight, J. (2013). "The changing landscape of higher education internationalisation—for better or worse?" Perspectives: Policy and Practice in Higher Education 17(3): 84-90.
- Larbi, G. A. (1999). The New Public Management Approach and Crisis States. UNRISD Discussion Paper No. 112, September 1999.
- Ma, Y. and M. Tayles (2009). "On the emergence of strategic management accounting: an institutional perspective." Accounting and Business Research 39(5): 473-495.
- Meyer, J. (2008). Reflections on Institutional Theories of Organizations. R. Greenwood, C. Oliver, R. Suddaby & K. Sahlin (Eds.), The Sage Handbook of Organizational Institutionalism, Sage Publications Ltd.
- Meyer, J. W. and B. Rowan (1977). "Institutionalized organizations: Formal structure as myth and ceremony." The American journal of sociology 83(2): 340-363.
- Mintzberg, H. (1993). Structure in fives: Designing effective organizations, Prentice-Hall, Inc.
- Modell, S. (2003). "Goals versus institutions: the development of performance measurement in the Swedish university sector." Management Accounting Research 14(4): 333-359.
- Oliver, C. (1991). "Strategic responses to institutional processes." Academy of Management Review: 145-179.
- Osborne, D. and T. Gaebler (1992). "Reinventing government: How the entrepreneurial spirit is transforming government." Reading Mass. Adison Wesley Public Comp.
- Pettigrew, A. M. (1985a). "Contextualist research and the study of organizational change processes." Research methods in information systems: 53-78.
- Pettigrew, A. M., R. W. Woodman and K. S. Cameron (2001). "Studying organizational change and development: Challenges for future research." The Academy of Management Journal 44(4): 697-713.
- Poister, T. H. and G. Streib (2005). "Elements of strategic planning and management in municipal government: Status after two decades." Public Administration Review 65(1): 45-56.
- Polidano, C. (1999). "The new public management in developing countries." Institute for Development Policy and Management, University of Manchester.
- Salancik, G. R. and J. Pfeffer (1978). "A social information processing approach to job attitudes and task design." Administrative Science Quarterly: 224-253.
- Scapens, R. W. (1990). "Researching management accounting practice: the role of case study methods." The British Accounting Review 22(3): 259-281.
- Scapens, R. W. (2006). "Understanding management accounting practices: A personal journey." The British Accounting Review 38(1): 1-30.
- Schein, E. H. (1996). "Culture: The missing concept in organization studies." Administrative Science Quarterly: 229-240.
- Schick, A. (1988). "Micro-Budgeting Adaptations to Fiscal Stress in Industrial Democracies." Public Administration Review 48:523-533.
- Scott, W. R. (1987). "The adolescence of institutional theory." Administrative Science Quarterly 32(4): 493-511.

- Scott, W. R. (1994). "Conceptualizing organizational fields: Linking organizations and societal systems." Systemrationalitat und partialinteresse: 203-221.
- Scott, W. R. (1995). *Institutions and Organizations*, Thousand Oaks, CA: Sage.
- Scott, W. R. (2004). "Institutional theory." Encyclopedia of social theory: 408-414.
- Selznick, P. (1957). *Leadership in administration: a sociological interpretation* New York, Harper & Row.
- Siti-Nabiha, A. and R. W. Scapens (2005). "Stability and change: an institutionalist study of management accounting change." Accounting, Auditing & Accountability Journal 18(1): 44-73.
- Sulle, A. (2011). "Result-Based Management in the Public Sector: A Decade of Experience for the Tanzanian Executive Agencies." Journal of Service Science and Management 4(4): 499-506.
- Ter Bogt, H. J. (2008). "Management Accounting Change And New Public Management In Local Government: A Reassessment Of Ambitions And Results—An Institutional Approach To Accounting Change In The Dutch Public Sector." Financial Accountability & Management 24(3): 209-241.
- Tikk, J. and A. Almann (2011). "Developments in public sector financial management in Estonia." Business and Economic Horizons 5.
- Try, D. and Z. Radnor (2007). "Developing an understanding of results-based management through public value theory." International Journal of Public Sector Management 20(7): 655-673.
- USAID (2011). "Jordan Fiscal Reform Project II: Monthly Report." Jordan Economic Growth Office.
- USAID (2012). "Jordan Budget Manual: A Guide to Policy, Process, and Analytic Techniques." Jordan Economic Growth Office, FRP II.
- Von Hagen, J. (2006). "Political economy of fiscal institutions." The Oxford Handbook of Political Economy, Oxford University Press, Oxford.
- Wickramasinghe, D. and C. Alawattage (2007). Management accounting change: approaches and perspectives, Routledge.
- Wilson, J. Q. (1989). Bureaucracy: What government agencies do and why they do it, Basic Books (AZ).