

# Institutions, situated rationality and agency in management accounting

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**Institutions, Situated Rationality and Agency in Management Accounting: A research note extending the Burns and Scapens Framework**

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# Institutions, Situated Rationality and Agency in Management Accounting: A research note extending the Burns and Scapens Framework

## 1. Introduction

Recent work using the institutional logics perspective (see Thornton et al. 2012) has explored how multiple, and at times competing, institutional logics can lead to 'practice variations'. Such work sees social order as created through a network of interrelated logics, both at the level of society generally and at the level of particular organisational fields. Studies in organisations theory have tended to focus primarily on institutional logics at the organisational field level. However, there have been recent calls (Pache and Santos, 2010; Zilber, 2016; see also Besharov and Smith, 2014) for research to understand how institutional logics at the organisational field level interact with each other *within* individual organisations. Some recent management accounting studies (see for example, Amans et al. 2015 and Carlsson-Wall et al. 2017) have explored how institutional logics shape management accounting practices within specific organisations. In other words, these studies explore how 'broader', i.e. field level, institutional logics combine and/or interact within organisations. However, it has been argued that the institutional logics perspective underplays the extent to which institutions and logics<sup>1</sup> emerge through, *and are situated in*, the practices of individual organisations (see for instance Quattrone 2015). This suggests that we need to look more closely at the situated nature of the institutions which are embedded within organisational practices.

In contrast to the organisational field level focus of much of the research in organisational theory, the accounting research which draws on the Burns and Scapens (B&S) framework has, for some years, been studying how institutions *within* an organisation shape management accounting practices. We believe that the B&S framework still provides a useful starting point for studying how institutions interact within organisations. However, it has attracted some criticism and researchers who have used it to study management accounting practices have identified a number of issues which deserve greater attention. For instance, Dillard et al. (2004) criticised the B&S framework for its failure to explicitly recognise the impact of broader (field level) institutions, while others have pointed to issues of agency, power and the role of trust (see, for example, Burns, 2000; Johansson and Baldvinsdottir, 2003; Burns and Nielsen, 2006; Busco et al., 2006; Yazdifar et al., 2008; Burns and Quinn, 2011; and Van der Steen, 2011). In extending the B&S framework we address these criticisms and incorporate the issues which have been identified as deserving greater attention. In addition, as the B&S framework was published some years ago, the extended

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<sup>1</sup> Later in this research note we will distinguish institutions and institutional logics, but this is not essential for the time being.

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3 framework recognises the more recent developments in institutional economics and  
4 institutional sociology.  
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7 Although Giddens' (1984) duality of structure (which emphasises that agency and structure  
8 presuppose each other) informed the development of the B&S framework, much of the  
9 research which has used it has tended to adopt a rather structural perspective and to give  
10 relatively less attention to the role of agency (see Modell, 2007, p.351). Furthermore, Dillard  
11 et al. (2004) criticised Burns and Scapens (2000) for not explicitly recognising the influence  
12 of the organisational field on practices within individual organisations.<sup>2</sup> The extended  
13 framework incorporates both broader field-level institutions and institutions within the  
14 organisation. Furthermore, as will be illustrated below, it also provides a basis for discussing  
15 the issues identified by other researchers as requiring greater attention, specifically trust,  
16 power and the role of agency. In so doing, it explicitly recognises *both* the influence of  
17 institutions at the organisational field level and the role of situated actors.  
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23 By explicitly recognising the role of situated actors, the extended framework reflects the  
24 recent practice-turn (see Schatzki et al. 2001) in management, organisation and also  
25 accounting which has focused attention on the situated nature of practices, (for accounting  
26 examples, see Ahrens and Chapman, 2007; Jørgensen and Messner 2010), and also the  
27 research which combines structuration theory and institutional theory. For instance,  
28 drawing largely on Giddens' (1976; 1979; 1984) structuration theory to study the interplay  
29 between strategy and accounting, Englund et al. (2017) emphasise the need to bring to  
30 centre-stage the micro-level details of organisational life, which they refer to as "the  
31 situated activities of people" (p.9: *in press* version). In their earlier papers, they argue that  
32 "management accounting practices ... are always situated" (Englund and Gerdin, 2008,  
33 p.1131; see also 2014; and Englund et al., 2011). Furthermore, in developing the micro-  
34 foundations of institutional logics, Thornton et al. (2012) recognise "the influence of the  
35 immediate situation's characteristics – in time and place – on individual behaviour" (p.80),  
36 which they refer to as a central principle of social psychology, namely situationism.  
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44 In a somewhat similar vein, management accounting studies which draw on the institutional  
45 logics perspective have recently started to emphasise the importance of the micro-level, i.e.  
46 understanding the characteristics of situations in which multiple institutional logics interact.  
47 For example, in the context of performing arts, Amans et al. (2015) explore the artistic,  
48 managerial and political logics which shape the use of budgets in two French theatres. They  
49 study how the combination of these logics is shaped by 'situational factors', and conclude  
50 that situation specific factors can make an organisation "particularly sensitive to certain  
51 logics and less so to others" (2015, p.49). In a different context, that of a Swedish football  
52 organisation, Carlsson-Wall et al. (2017) study conflicting institutional logics and note the  
53 situation specific nature of the way in which the sports and business institutional logics  
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59 <sup>2</sup> However, Burns and Scapens (2000, p.22) did acknowledge the need to explore the influence that the  
60 organisational field has on institutions within an organisation.

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3 combine in specific decision situations. Other accounting studies have also looked at how  
4 conflicting institutional logics interact in other contexts/situations – see for example,  
5 Ezzamel et al. (2012), Covalleski et al. (2013) and Wiesel and Modell (2014).  
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8 Drawing on the practice theory of Schatzki (specifically, 2002), Ahrens and Chapman (2007)  
9 developed the notion of situated functionality in their study of day-to-day management  
10 accounting practices in a restaurant chain. They argue that, in specific situations, actions are  
11 taken for reasons and as such there is a form of functionality, but it is a *situated*  
12 *functionality*. Ahrens and Chapman (2007, p.4) define situated functionality as “the ways in  
13 which specific organisational members... use accounting to achieve, if not grand strategic  
14 missions, at least specific subsets of organisational objectives”. They illustrate their notion  
15 of situated functionality by tracing how the practices of situated social actors in a restaurant  
16 chain mobilise accounting to achieve the objectives of their organisational units (2007).  
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21 The extended framework proposed in this research note introduces the concept of situated  
22 rationality which is the form of rationality situated social actors adopt in a specific situation  
23 – i.e., how they think about and rationalise what they should do when faced with that  
24 situation. As such, situated rationality underpins the situated functionality of day-to-day  
25 practices. We will distinguish situated rationality from the more general forms of rationality  
26 which are embedded in institutional logics. Although institutional logics are likely to shape  
27 the situated rationality within organisations, situated rationality will also be shaped by the  
28 history and experiences of the organisation itself. As well as recognising that different  
29 forms of rationality may be applied in different situations, the extended framework  
30 recognises that various groups within an organisation may have different situated  
31 rationalities and these multiple rationalities can give rise to contradiction and conflict, but  
32 could also lead to institutional change.  
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39 Over the years, there have been many case studies of management accounting in a wide  
40 variety of contexts. In the vast majority of these studies, the context is simply the location  
41 in which management accounting is studied and the background against which the  
42 researchers seek to identify broader patterns from which theories of management  
43 accounting can be developed. However, the recent attention to the situation emphasises  
44 that it is the context or, more precisely, *the specifics of the situation* which need to be  
45 studied. In other words, the context is not simply the background or location of the study; it  
46 needs to be the focus of the study. We believe the extended framework provides a basis for  
47 studying the situated nature of management accounting practices, and more specifically for  
48 studying: (1) how situated rationalities evolve within an organisation, and how they are  
49 shaped by both local and broader institutions; and (2) how prevailing situated rationalities  
50 shape responses to management accounting change.  
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57 Recent studies, which use the institutional logics perspective to explore management  
58 accounting practices within organisations, look at how institutional logics at the  
59 organisational field level shape practices in the specific context of an organisation. This  
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3 seems to be in line with much of the existing research in institutional theory where,  
4 according to Zilber (2016, p.140)<sup>3</sup> “institutional logics are conceived as mainly given,  
5 predetermined, and hardly changing in their travel through organisations”. However,  
6 Quattrone (2015) questions the assumption of institutional theory that changes<sup>4</sup> in  
7 institutional logics come about as a result of conflicts and tensions between logics which are  
8 anchored at the organisation field level. Drawing on a study of the Jesuit religious order, he  
9 argues that institutional practices are “situated and flexible” (2015, p.436) and,  
10 furthermore, existing notions of institutional logics are “inattentive to the places and times  
11 in which order is formed and logics operate”(p.437). Although coming from a different  
12 direction, i.e. questioning whether institutional theory can be critical, Modell (2015) argues  
13 that existing institutional studies in accounting lack both a clear temporal distinction  
14 between emerging and existing structures and a methodological framework for  
15 understanding the way in which structures condition agents’ actions, while at the same time  
16 it is the agents who create those structures. Both Quattrone (2015) and Modell (2015)  
17 emphasise the emerging and situated way in which logics are formed and the role of the  
18 situated actor.  
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27 In contrast to studies such as Amans et al. (2015), Carlsson-Wall et al. (2017) and others  
28 cited above, which focus on how field level institutional logics interact when they are  
29 experienced within specific organisations, the studies which draw on the B&S framework<sup>5</sup>  
30 focus on institutions *within* the organisation, and how they shape management accounting  
31 practices. Although the extended framework proposed in this research note recognises that  
32 broader institutions can affect practices within an organisation, we would argue (along with  
33 Burns and Scapens, 2000) that management accounting practices are also shaped by the  
34 internal institutions which evolve as a result of the history of the organisation and the  
35 experiences of individuals and groups within it. While the extended framework focusses  
36 primarily on the institutions within the organisation, it explicitly recognises that broader  
37 (field-level) institutions can affect practices inside the organisation.<sup>6</sup> By introducing the  
38 notion of situated rationality (i.e., the taken-for-granted ways of thinking which actors adopt  
39 when taking actions in a specific situation), the extended framework can be used to study  
40 how a multiplicity of internal and broader institutions shape practices within an  
41 organisation, while at the same time recognising the agency of the individual actors who  
42 undertake the situated practices. Thus, the extended framework could be used to address  
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52 <sup>3</sup> Zilber (2016) challenges the tendency of recent work: (1) to study institutional logics at the macro (field  
53 organisation) or meso (intra-organisational) levels, rather than the micro (individual and interactional) level;  
54 and (2) to reify institutions by treating them as quite rigid social patterns. Zilber also notes that despite “the  
55 critical mass of criticism of the institutional logics perspective for its neglect of micro level, social-  
56 constructionist dynamics, ... there are surprisingly very little empirical studies that actually rose to the  
57 challenge” (2016, p.145).

58 <sup>4</sup> Quattrone (2015) refers to the dynamism of institutional logics.

59 <sup>5</sup> These studies will be discussed and references cited in the next section.

60 <sup>6</sup> We also recognise that the institutions which emerge within individual organisations can ultimately, over  
time, influence the field-level institutions.



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3 the recent calls for research to understand how institutional logics travel through  
4 organisations and how they emerge within organisations (see Zilber, 2016 and Quattrone,  
5 2015). However, it is important to acknowledge that the framework will not explain how  
6 institutions are shaped and reshaped at the organisational field level – the focus of the  
7 extended framework is on what happens *within* individual organisations. Nevertheless it is  
8 recognised that what happens within organisations can have implications for institutions  
9 and logics at the organisational field level.  
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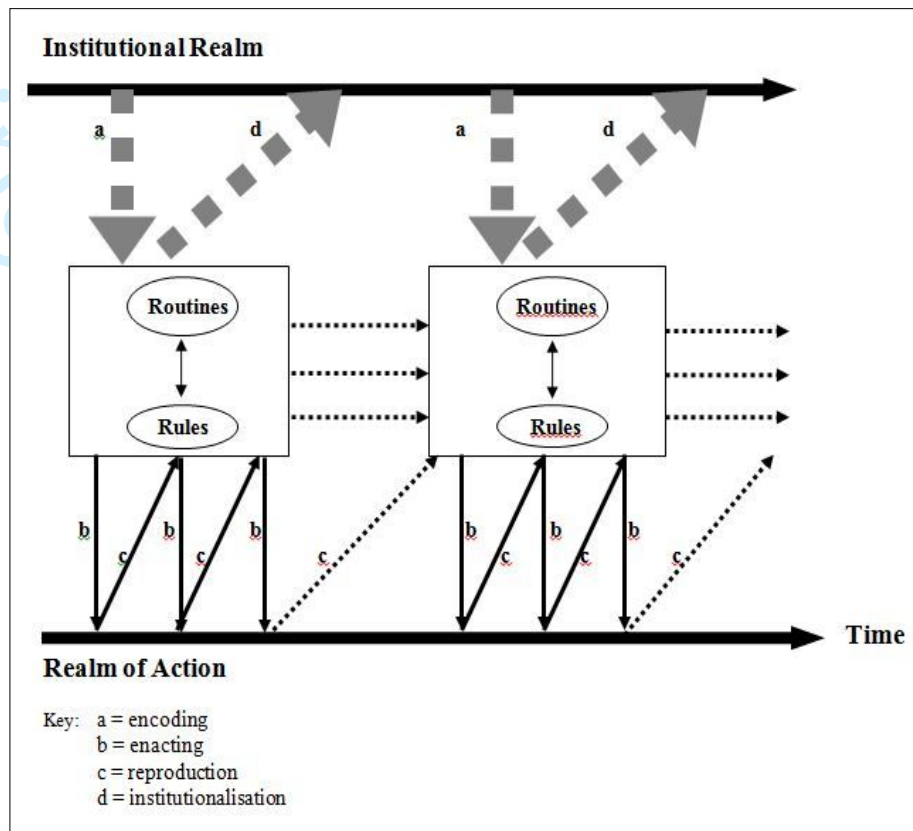
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14 Later in this research note performance measurement in the Accounting and Finance  
15 Groups in the Universities of Groningen and Manchester will be used to illustrate how  
16 multiple, and potentially conflicting, institutions and situated rationalities can influence how  
17 individuals perceive accounting change – specifically change in performance measurement  
18 systems. The extended framework will be drawn upon to understand how the tensions  
19 between the performance evaluations at the faculty and departmental levels can give rise to  
20 anxiety and stress in one situation (one Group), but not in another (the other Group). It will  
21 be suggested that the extended framework will be useful for studying the introduction of  
22 new management accounting practices and for better understanding why new accounting  
23 practices may be accepted in some situations, but are subject to resistance and conflict in  
24 others.  
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30 The subsequent sections are organised as follows. After discussing studies which use the  
31 B&S framework in section 2, section 3 will describe some recent developments in  
32 institutional economics and institutional sociology, which are relevant for the extended  
33 framework, and develop the notion of situated rationality. Section 4 then presents the  
34 extended framework and section 5 illustrates how it could be used to study performance  
35 measurement in universities. Finally, section 6 contains some concluding comments.  
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## 40 **2. Studies using the B&S framework**

41 The B&S framework is set out in figure 1. At the top there is the realm of institutions,  
42 defined as the “shared taken-for-granted assumptions” (2000, p.8), while at the bottom  
43 there is the realm of action, comprising actions carried out over time by individual  
44 organisational actors. Implicitly, the realm of institutions in this framework relates to what  
45 we referred to above as internal institutions. Rules and routines provide the link between  
46 the actions and the institutions. The rules and routines encode the institutions (i.e., the  
47 taken-for-granted assumptions) and are enacted through the actions. Although the actions  
48 follow, and thereby reproduce, the rules and routines, they may nevertheless lead to  
49 changes in those rules and routines. As the actors repeatedly undertake actions over time,  
50 the rules and routines can change relatively quickly, but institutions tend to be much slower  
51 to change as new rules and routines take time to become institutionalised. As can be seen  
52 in the figure, the framework maintains a clear separation between the institutional realm  
53 and the realm of action. This has a parallel with Giddens’ notion of structure which is  
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instantiated in practice, but exists only in memory traces – i.e., outside time and space (1984, p.25).



**Figure 1: B&S framework**

**Source: Burns and Scapens (2000, p.9)**

Researchers who have drawn on the B&S framework have identified a number of issues which deserve particular attention when studying management accounting change, some of which were mentioned by Burns and Scapens (2000), but not explicitly discussed within their framework (see also Scapens, 2006; Modell, 2007, 2015). For example, Johansson and Siverbo (2009), van der Steen (2011), and Quinn (2011, 2014) explore how rules and/or routines develop over time and the extent to which rules and routines are 'visible' in practice. In addition, several papers, such as Dillard et al. (2004), Burns and Baldvinsdottir (2005), Nor-Aziah and Scapens (2007), Yazdifar et al. (2008), Burns and Quinn (2011), Contrafatto and Burns (2013) and Quinn (2014), explicitly point to the role of external pressures and external institutional changes in bringing about accounting change within organisations. They also highlight the tensions which differences between the institutions within the organisation and the broader (field-level) institutions can play in processes of management accounting change (see Modell, 2015, p.778; and also Seo and Creed, 2002).

Johansson and Baldvinsdottir (2003) and Busco et al. (2006) showed that the acceptance of accounting change by the various actors within an organisation can become easier if there is trust in the accounting changes and, importantly, if there is trust in the individuals who are



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3 responsible for implementing the changes, and especially trust in their expertise. This  
4 indicates that trust can lessen resistance to change. However, other researchers have  
5 indicated that power can, to some extent at least, facilitate accounting change (see Burns,  
6 2000 and Yazdifar et al., 2008). For instance, powerful individuals or groups can use their  
7 resources to support a change process and/or give meaning to the changes; e.g., by  
8 influencing the perceptions and preferences of the various actors in the organisation (cf.  
9 Hardy, 1996). However, if power is used to prevent subordinates from participating in  
10 decision-making processes and/or to 'manipulate' them (Yazdifar et al., 2008, p.409), it (i.e.,  
11 power) can have a 'negative' effect on accounting change (by, for example, leading to  
12 diminished trust in superiors). Thus, although power can be a facilitator of accounting  
13 change, it can also be a barrier to change (see Burns, 2000 and Yazdifar et al., 2008). Ribeiro  
14 and Scapens (2006) concluded that powerful individuals (and power more generally) can  
15 play an important role in facilitating or resisting accounting change. So, whereas Burns and  
16 Scapens (2000) recognised that resistance can be due to following taken-for-granted  
17 assumptions (which others have called the power of the system – see Hardy, 1996 and  
18 Burns, 2000), later studies have highlighted how the more explicit exercise of power can  
19 either facilitate change or create resistance to it (see also Burns and Nielsen, 2006; Burns  
20 and Quinn, 2011; and Van der Steen, 2011).

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22 To summarise, some important issues have been raised by researchers who have started  
23 from the B&S framework. These issues include the roles of broader institutions and the  
24 tensions which can arise due to differences between institutions within organisations and  
25 the broader institutions, and the roles of trust, power and individual agency in processes of  
26 accounting change. Although these issues were to some extent implicit in the B&S  
27 framework, our intention in this research note is to show how they can be discussed more  
28 explicitly in an extended framework. But before developing this extended framework, we  
29 need to discuss some recent theoretical developments in institutional economics and  
30 institutional sociology.

### 3. Theoretical developments

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32 As the B&S framework draws explicitly on old institutional economics (OIE), whereas the  
33 institutional logics perspective emerged out of new institutional sociology (NIS), it is  
34 important to recognise some differences in terminology, not least in the definition of  
35 institutions. OIE has its origins in the work of Veblen (e.g., 1898; 1919) and other  
36 institutional economists at the beginning of the twentieth century (see Hodgson, 1989;  
37 Langlois, 1989). However, Burns and Scapens drew on the work in OIE in the late 20<sup>th</sup>  
38 century (see, for instance, Hodgson 1988, 1993a, 2004; Langlois 1989; Rutherford 1994).<sup>7</sup>  
39 Nevertheless, in defining institutions Burns and Scapens referred to the early institutional  
40 economists and, in particular, to Veblen who saw an institution as the "settled habits of  
41 thought common to the generality of man" (1919, p.239) and to the early institutional  
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<sup>7</sup> This later work is sometimes referred to as neo-OIE (Ribeiro and Scapens, 2006), but we will refer to it as OIE.

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3 economists whose work was later summarised in an *Encyclopaedia of the Social Sciences*,  
4 which defined an institution as:

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6 “a way of thought or action of some prevalence and permanence, which is  
7 embedded in the habits of a group or the customs of a people” (Hamilton, 1932,  
8 p.84).  
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11 The more recent writers in OIE have a variety of definitions, but they do not deviate  
12 significantly from Hamilton’s definition and, interestingly, Hodgson (1993b) cites it in his  
13 Introduction to *The Economics of Institutions*. Burns and Scapens adopted a somewhat  
14 similar definition: “the shared taken-for-granted assumptions which identify categories of  
15 human actors and their appropriate activities and relationships” (2000, p.8). This is similar  
16 to Giddens’ notion of structure as existing in memory traces, and it maintains the separation  
17 of the institutional realm and the realm of action. Although institutions shape action and, as  
18 such, there can be institutionalised behaviour (i.e., behaviour shaped by institutions), action  
19 is conceptually distinct from institutions. Taken-for-granted assumptions underpin  
20 behaviour, but are not themselves a form of behaviour. This is rather different to NIS, where  
21 institutions are defined as self-reproducing recurrent patterns of behaviour (see for  
22 example, DiMaggio & Powell, 1991; Jepperson, 1991); i.e., as institutionalised behaviours.  
23 Such definitions blur the distinction between the institutional realm and the realm of action.  
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27 Lounsbury (2008: p.353) defined institutional logics as “socially constructed, historical  
28 patterns of material practices, assumptions, values, beliefs and rules” (see also Thornton,  
29 2004, p.69). This suggests that logics comprise both taken-for-granted-assumptions (such as  
30 values and beliefs) and behaviours (historical patterns of material practices). However,  
31 referring to the work of Thornton and Ocasio (2008), Thornton et al. (2012) define  
32 institutional logics as the “socially constructed, historical patterns of cultural symbols and  
33 material practices, including assumptions, values and beliefs, by which individuals and  
34 organizations provide meaning to their daily activity, organize time and space, and  
35 reproduce their lives and experiences” (2012, p.2). They go on to say that institutional logics  
36 provide the frames of reference that condition actors’ sense making and motivations for  
37 action. This appears quite similar to how Burns and Scapens understand institutions in OIE.  
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41 Thus, we need to be careful when talking about institutions and logics in NIS and in the B&S  
42 framework. In NIS the term institutional logics seems to be used to encapsulate the taken-  
43 for-granted assumptions which shape institutionalised behaviours, and it is these  
44 institutionalised behaviours which are conceptualised as institutions in NIS. However, in the  
45 B&S framework institutions are the taken-for-granted assumptions which are embedded in  
46 the rules and routines which shape appropriate courses of action. This may not be a  
47 fundamental difference between the two approaches, but the differences in terminology  
48 should be recognised, as they could be a source of misunderstanding. However, setting  
49 aside these differences in terminology, the OIE approach adopted by Burns and Scapens is  
50 similar to the institutional logics perspective in NIS.  
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3 In their 'integrative model of the microfoundations of institutional logics' Thornton et al.  
4 (2012: chapter 4) use identities, goals and schemas to provide the link between institutional  
5 logics and individual/group actions, whereas in their OIE-inspired framework, Burns and  
6 Scapens used rules and routines to provide the link between institutions and actions.  
7 However, in the OIE literature there has been debate over the linkage between institutions  
8 and action. In a review of this debate, Fleetwood (2008) claimed that institutional  
9 economists have never satisfactorily explained the way in which institutions shape agents'  
10 behaviour, instead they "take refuge in deliberately vague phrases like 'institutions and  
11 structures *condition, govern, influence, or shape* agency'" (2008, p.183; emphasis in  
12 original).

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18 Hodgson (2004) drew on the notion of habits and the process of habituation to address this  
19 problem (see also 1993a; 1993b). According to Hodgson, habits reflect the tacit knowledge  
20 embedded in the actions of individual human agents and it is this tacit knowledge which  
21 provides the mechanism that links institutions and agency. When institutions are drawn  
22 upon with sufficient regularity the process of habituation can lead to the adoption of a habit  
23 (or habits) of thought and action; in other words, habits are socially acquired (see Hodgson,  
24 2008, p.16). However, this raises a question as to whether habitual actions involve active  
25 deliberation or whether they are essentially unthinking, i.e. 'automatic', responses.  
26 Hodgson (2004) argues that in some circumstances, and especially in institutionalised  
27 behaviour, habits have priority over deliberation in shaping agents' intentions, but he  
28 acknowledges that there can also be instances in which deliberation takes priority over  
29 habits. However, he argues that if all actions "were necessarily the subject of conscious  
30 deliberation then the mind would be overwhelmed and paralysed by minutiae" (2008, p.17).  
31 Thus, "[t]he use of habit is largely unconscious" (2008, p.16). Nevertheless, he recognises  
32 that there can be circumstances in which deliberation can take precedence over habit; for  
33 example, "when habits conflict, or are insufficient to deal with the complex situation" (2004,  
34 p.172).

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43 In contrast, Archer (2003) advances "a concept of the internal conversation by which agents  
44 reflexively deliberate on the social circumstances that they confront... [and she explains  
45 that] [r]eflexive deliberations constitute the mediatory process between 'structure and  
46 agency'" (p.130). She argues that deliberation, in the form of internal conversations, is an  
47 essential feature of being human. Thus, for her, internal conversations provide the linkage  
48 between structure and agency, as agents "can deliberate about how to get the most out of  
49 propitious circumstances" (p.6). However, as Fleetwood (2008) points out, "Archer's notion  
50 of deliberation does *not* equate to making calculatively, rational, maximising decisions.... It  
51 simply means that agents often think about their concerns, what they need, what will  
52 enable and constrain them, and what action might be appropriate in the circumstances"  
53 (p.184, f/n.3, emphasis in original).

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3 Whilst we agree with Hodgson that habits can be a mechanism linking institutions and  
4 agency, we also go along with Archer in arguing that deliberation also plays an important  
5 role in human behaviour. In other words, although agents may habitually draw on routines  
6 and institutions, and thereby reproduce institutionalised behaviour, this may still involve  
7 more or less explicit forms of deliberation; deliberation which is shaped by the logic of the  
8 situation (or the circumstances) in which the agent finds himself or herself. So, when agents  
9 select particular management accounting practices, they might do it in an unthinking (i.e.,  
10 habitual) way. However, completely 'automatic' and unconscious behaviour is probably not  
11 what we would normally expect with respect to accounting practices. More likely, agents  
12 will deliberate on the most appropriate routines to use in a particular situation. This  
13 deliberation will be shaped by the logic of the situation, which will enable the agents to  
14 rationalise their choices. This 'situated logic' (or as we prefer to term it – situated  
15 rationality) provides the mechanisms by which the more abstract institutions (i.e., taken-for-  
16 granted assumptions) influence agents' deliberations over the rules and routines which  
17 provide the basis for their intentional behaviour - i.e. their actions.  
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25 As argued by Archer (2003), and also recognised by Hodgson (2004), where existing  
26 habits/routines conflict, and/or in complex situations, agents will deliberate (through  
27 internal conversations) on the appropriate action to take in that situation. However, even in  
28 a situation where a particular routine is likely to be appropriate, the actor needs to be able  
29 to recognise the appropriateness of that routine, rather than some other routine. In  
30 deliberating on the appropriateness of a particular routine, the actor will draw on 'taken-  
31 for-granted' (i.e., institutionalised) ways of thinking, and through such ways of thinking the  
32 agent will be able to rationalise his/her choice of action. As such, the taken-for-granted  
33 ways of thinking provide the form of rationality which an actor applies when deliberating in  
34 a specific situation, and consequently this can be referred to as 'situated rationality' – i.e.  
35 the particular form of rationality which the actor uses in his/her deliberation.  
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41 Within most organisations there are likely to be multiple forms of rationality. For example,  
42 the members of different professional groups (for instance, engineers or accountants) are  
43 likely to have different forms of professional rationality, which will have been shaped by  
44 their professional training and experience. However, the accountants and engineers  
45 working within a particular organisation may share a form of rationality which is grounded  
46 in their shared experiences in that organisation. As individuals can belong to more than one  
47 group, they may apply different forms of rationality in different situations. For example,  
48 critical accounting researchers may become much more managerialist when they are  
49 appointed Heads of Department or Deans. In addition, more powerful groups in an  
50 organisation may impose specific rules of action, based on their own forms of rationality, on  
51 less powerful groups who do not necessarily understand (let alone accept) that form of  
52 rationality. This imposition of a particular form of rationality, together with the potential for  
53 different forms of rationality in different situations, could be a source of confusion, and  
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3 even the cause of anxiety and stress, for individuals who do not belong to those particular  
4 groups.  
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7 As long ago as the 1950s, Karl Popper (1957) talked about the logic of the situation.  
8 Although it has not been widely taken up by other writers, the logic of the situation can be  
9 contrasted with the logic of consequences. The logic of consequences is what is generally  
10 meant when we talk about acting rationally. In that sense, if we are acting 'rationally' we  
11 ask ourselves: 'what are the consequences if we do A, B or C?' and then we select the  
12 course of action which has the preferred consequences. In contrast, the logic of the  
13 situation implies a different form of rationality. Here we ask ourselves: 'given that we are in  
14 this situation, what should we do?' In other words, 'what do we expect to do, or what are  
15 we expected to do, in this situation?' This distinction captures the essential nature of what  
16 we term situated rationality; i.e., the particular forms of rationality which are applied by  
17 individuals or groups of individuals in specific situations.  
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23 Incorporating the notion of situated rationality in the B&S framework will enable us to focus  
24 on the situated nature of management accounting practices, while simultaneously  
25 recognising the constraining influences of institutions within the organisation and the  
26 agency of the individual actors therein. In the next section we will discuss where situated  
27 rationality fits within the extended B&S framework and how it can be used to study the  
28 situated nature of management accounting practices.  
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#### 33 **4. Extended Framework**

34 Rules and routines provide the link between actions and institutions in the B&S framework.  
35 Whereas rules are "the formalised statement of procedures", routines are "the procedures  
36 actually in use" (Burns and Scapens, 2000, p.7). While rules are normally set by senior  
37 members of an organisation (i.e., those with hierarchical power), various individuals and  
38 groups within the organisation can shape the routines which put those 'rules' into everyday  
39 practice. The rules may be expressed in formalised procedure manuals, or they may be  
40 expressed verbally by the senior members of the organisation. However, as these rules have  
41 to be made to work in specific situations in practice, routines will emerge and, in so doing,  
42 over time the routines may deviate from the rules, for example, when modifications are  
43 needed to adapt rules to specific local circumstances, or when certain rules are no longer  
44 appropriate in day-to-day practice. As such, routines emerge out of the application of rules,  
45 but in another way routines can influence the rules as established routines may be codified  
46 in new rules.  
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53 Rules and routines may be adopted 'habitually' (Hodgson, 2004), but they may also be  
54 selected following appropriate deliberation. Furthermore, there may be situations for  
55 which there are currently no appropriate routines, and so a course of action has to be  
56 selected through deliberation. This deliberation could encompass routines used elsewhere,  
57 either inside or outside the organisation, or it could lead to the creation of new routines.  
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3 The deliberation, itself, will be shaped by the situated rationality which, in turn, will be  
4 shaped by the multiplicity of institutions within the organisation. These local institutions,  
5 which will be shaped by the history of the organisation and the experiences of individuals  
6 and groups therein, may be widely shared across the organisation, or they may be shared by  
7 specific groups within the organisation, while other groups may have conflicting or simply  
8 different institutions. This multiplicity of institutions shapes the forms of rationality which  
9 the various groups of organisational actors apply in specific situations.  
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14 The extended framework is set out in figure 2. Although it retains the basic structure of the  
15 B&S framework, with the institutional realm at the top and the realm of action at the  
16 bottom, to avoid undue complexity explicit reference to time is omitted (cf. figure 1).  
17 Nevertheless, time remains an essential feature of the extended framework. For example,  
18 as routines evolve over time, the changing routines may eventually become institutionalised  
19 within the organisation, and potentially the routines and institutions within individual  
20 organisations may influence the broader institutions in the future. This is implicit in the  
21 recursive relationships expressed by the double-headed arrows in figure 2.  
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26 In any situation there are likely to be institutions which are located entirely within the  
27 organisations and institutions which extend beyond the organisation, and together these  
28 institutions shape the situated forms of rationality within the organisation. The local  
29 institutions will be shaped by broader institutions, and also by the history and experiences  
30 of the organisation, and individuals and groups within it. Past events and experiences, as  
31 well as education and training, can influence what is taken for granted by people within the  
32 organization. However, we do not see the broader and local institutions in some sort of  
33 hierarchy, with the broader, field-level institutions shaping the local institutions within the  
34 organisation. Instead, we see both as having the potential to shape behaviours within the  
35 organisation. They represent the multiplicity of taken-for-granted assumptions about 'how  
36 things are and how things should be done' in the organisation. Inevitably, there will be  
37 interconnections between the local and broader institutions, and potentially also conflicts,  
38 but *together* they shape the situated rationality within the organisation.<sup>8</sup> To represent this  
39 in figure 2, the box labelled Institutions reflects the multiplicity of institutions within the  
40 organisation (both the local and the broader institutions) but, to recognise that some of  
41 these extend beyond the boundaries of the organisation, we have placed a box containing  
42 the broader institutions outside the organisation.  
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59 <sup>8</sup> This is similar to the flat and local ontology to which Englund and Gerdin (2011) refer in their discussion of  
60 agency and structure.



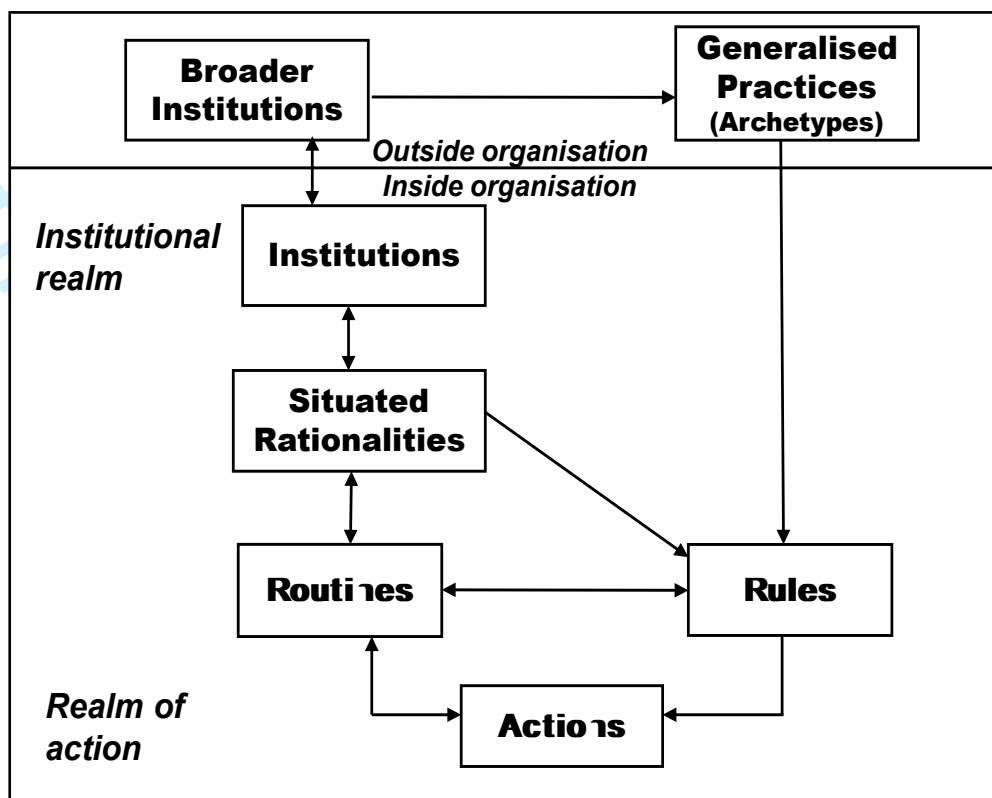


Figure 2 – Extended B&S framework

*Note: this figure sets out the main connections in the framework other possible connections will be illustrated later*

The B&S framework used dotted lines to indicate that institutions are encoded within the routines and rules, and that over time routines can become institutionalised. In figure 2 the double-headed arrows between *Institutions*, *Situated Rationalities* and *Routines* indicate the *recursive* nature of this linkage. In this research note we argue that the linkage between *Institutions* and *Routines* (in the B&S framework) works through the forms of rationality which are embedded in the institutions. These *Situated Rationalities* comprise both the rationalities embedded in the broader institutions, as well as the rationalities embedded in the local institutions. It is this multiplicity of institutions which shapes the situated rationalities within the organisation. Further, these forms of rationality shape the selection of routines to be used in specific situations, and also the deliberation which takes place when no appropriate routines are available. In figure 2 we have shown this by the lines linking *Institutions*, through *Situated Rationalities* to *Routines*. As indicated above, the double-headed arrows indicate that over time routines could become institutionalised, thereby modifying the situated rationalities and the existing local institutions or even creating new local institutions. Furthermore, at the organisational field level the routines and institutions within the organisation and other similar organisations could also over time influence the broader institutions. This is indicated by the double-headed arrows between *Institutions* within the organisation and the *Broader Institutions*.

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3 While the multiplicity of institutions can shape the forms of rationality within the  
4 organisation, the broader institutions will shape wider forms of rationality, which are  
5 embedded in the institutional logics, and also 'generalised' forms of practice which extend  
6 beyond the boundaries of the organisation. In the NIS literature the notion of archetypes is  
7 sometimes used to conceptualise these generalised forms of practice. In this sense,  
8 archetypes are sets of more or less coherent and concrete structures, ideas and practices  
9 (Miller and Friesen, 1984; Greenwood and Hinings, 1988) which influence the rules and  
10 routines which guide everyday practices. They are shaped by the forms of rationality  
11 embedded in the broader institutions, but are more specific about the types of actions to be  
12 taken. As such, archetypes can potentially exert an influence over the rules (and potentially  
13 also the routines) that develop within organisations. The notion of institutional logics in NIS  
14 would seem to include the broader institutions, the forms of rationality embedded in those  
15 institutions, and possibly also the generalised practices (Thornton *et al.*, 2012).

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22 These generalised forms of practice may affect routines within an organisation, as people  
23 inside the organisation seek to mimic the routines they see in other organisations.  
24 However, they are more likely to have an impact on rules which are imposed upon, or  
25 adopted within, the organisation. This is illustrated in figure 2 by the line between  
26 *Generalised Practices (Archetypes)* and *Rules* together with the line between *Rules* and  
27 *Routines*. As with the *Broader Institutions*, although these *Generalised Practices (Archetypes)*  
28 are located outside the organisation, they can have an influence within it. They could be  
29 imposed on the organisation by powerful external actors, or they could be taken up by  
30 powerful actors within the organisation who are in a position to set the rules to be followed  
31 by others. For example, specific performance measurement practices may be imposed on  
32 universities by the government (or other external funding agencies), or they may be  
33 introduced by senior university managers/administrators because they believe this is the  
34 appropriate thing to do, or because this is what they see other universities doing. In this  
35 way, these generalised practices may influence rules within the organisation. Furthermore,  
36 specific individuals and/or groups within the organisation, who have power to impose rules  
37 on the other members of the organisation, may draw on their situated rationality when  
38 imposing such rules. Consequently, for these powerful individuals and/or groups there  
39 could be a direct link between *Situated Rationality(ies)* and the *Rules* they impose on others  
40 in the organisation, as indicated by the line joining these boxes in figure 2. Although it is  
41 possible that the new *Rules* could influence *Situated Rationality(ies)*, we have not used a  
42 double-headed arrow as the influence of the new *Rules* is more likely to work through the  
43 *Routines* which become established, and over time institutionalised, thereby indirectly  
44 shaping the *Situated Rationality(ies)*.

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56 Whereas rules are the formal statements of procedures, routines are the ways in which  
57 those rules are put into practice. In the extreme, the routines could include practices which  
58 resist the implementation of the rules, although it is more likely that the rules will be put  
59 into practice, possibly with some modifications along the way. As such, the broader

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3 institutions can affect the routines of the various groups within an organisation through the  
4 imposition of generalised practices as rules within the organisation. However, the broader  
5 institutions may also shape the institutions and situated rationalities of some or all groups  
6 within the organisation, and consequently the routines which are adopted (and also possibly  
7 the rules). Thus, in a given situation within a specific organisation, if the situated  
8 rationalities of the various groups within the organisation, which are shaped by the mix of  
9 local and broader institutions, are consistent with the form of rationality embedded in the  
10 generalised practices, the new rules are likely to become organisational routines. In this  
11 way, the generalised practices or archetypes will come to be used in the organisation.  
12 However, if there are incompatibilities between the situated rationalities of the different  
13 groups and the forms of rationality underpinning the generalised practices which are built  
14 into the new rules, there could be confusion, conflict and potentially resistance to the  
15 implementation of the imposed rules.  
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22 It is the interaction between the situated rationality and the rules and routines which  
23 shapes actions in the organisation. In figure 2 there is a two-way interaction between *Rules*  
24 and *Routines* (hence the double-headed arrows<sup>9</sup>) and together they shape *Actions*.  
25 Experience in implementing the rules (and existing routines) through current actions could  
26 also have an impact over time on the routines. The line with double-headed arrows  
27 connecting *Actions* and *Routines* in figure 2 is comparable to the encoding and reproduction  
28 in the B&S framework. However, although rules will have a direct effect on the actions, it is  
29 more likely that rules will be changed as a result of the impact that the actions have over  
30 time on the routines, and through the evolving routines the rules could come to be  
31 changed, rather than the actions having a direct effect on the rules themselves. Hence,  
32 figure 2 has only a single-directional arrow between *Rules* and *Actions*.  
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39 Figure 2 provides a starting point for discussing the concepts contained within the extended  
40 framework. For example, change may be introduced into the organisation through the  
41 imposition of new rules, either by powerful actors *outside* the organisation or by powerful  
42 actors *within* the organisation. However, change could also come through the agency of  
43 other actors within the organisation. Due to the multiplicity of institutions underpinning the  
44 situated rationalities of the different groups (or even of different individuals), there is  
45 always the possibility of contradictions. Whilst it may be possible to accommodate these  
46 contradictions in specific situations, even small changes either inside or outside the  
47 organisation could mean that some of the contradictions come to the fore and create  
48 conflict (Seo and Creed, 2002; see also Benson, 1977). For example, a particular  
49 performance measurement system could be adopted and used without any conflict or overt  
50 resistance, even though it might be underpinned by a different form of rationality which is  
51 not entirely compatible with the situated rationalities in the organisation. However, a simple  
52 restructuring of the organisation, for instance, could bring this incompatibility to the fore  
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<sup>9</sup> Double-headed arrows also connect rules and routines in the B&S framework reproduced in figure 1.

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3 and lead to resistance to the performance measurement system and possibly create conflict  
4 in the organisation. In this example, resistance/conflict stems from the situated rationalities  
5 of the different groups within the organisation and is not the *direct* result of a new  
6 performance measurement system being imposed by, say, a powerful group or groups.  
7 Rather, it is the result of an organisational change which exposes incompatibilities within  
8 the prevailing and/or new institutions which underpin the situated rationalities of the  
9 various groups. Thus, contradictions could lead to change in the organisation through the  
10 agency of individual actors therein. So, although not portrayed explicitly in figure 2, the  
11 extended framework provides the basis for discussing the role of contradictions in bringing  
12 about organisational change, and the agency of the individual actors.  
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18 As such, within this extended framework change can be due to either external  
19 pressures/changes/etc. or internal agency. However, agency is not unconstrained. Actors  
20 are constrained by their taken-for-granted assumptions, although these assumptions may  
21 be challenged when contradictions within the multiplicity of institutions come to the fore.  
22 Furthermore, agency can be restricted by the power of particular groups. There could be  
23 powerful groups within, or even outside, the organisation which can limit the agency of  
24 other groups in the organisation. Although power is not explicitly portrayed in figure 2,  
25 generalised practices, which are underpinned by broader institutions, could be imposed on  
26 the organisation by powerful external actors, or taken up within the organisation by groups  
27 who possess sufficient power to impose new rules. However, the new rules, whether  
28 imposed by outside actors or other groups within the organisation, could be resisted and  
29 this resistance could be successful if the resisting groups possess sufficient power. This need  
30 not be hierarchical power; if the actions of the resisting groups are sufficiently important in  
31 specific circumstances it could mean that they are able to effectively resist changes which  
32 are not compatible with their situated rationality. In this way the extended B&S framework  
33 can be used to discuss issues which have been identified as requiring greater attention, i.e.,  
34 identified by researchers who have used the original B&S framework (see section 2).  
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43 To summarise, the extended framework highlights the situated rationalities which are  
44 shaped by the multiplicity of local and broader institutions, and thereby it provides a basis  
45 for discussing how tensions between these different institutions can be a source of  
46 resistance to change or a driver of change. Furthermore, it also provides a basis for  
47 discussing how power can be used to impose new rules and the role of agency in resisting  
48 and/or facilitating change. The extended framework maintains the conceptual distinction  
49 between the institutional realm and the realm of action. Although figure 2 does not  
50 explicitly include the time dimension, it is implicit in the recursive nature of the relationships  
51 between institutions and routines, and between routines and action. Consequently, it is  
52 important to recognise that the relationships between all the elements in figure 2 are  
53 subject to evolution and change over time. Furthermore, figure 2 is intended to set out the  
54 essential elements of the framework, and only indicates the main connections between  
55 those elements. As we will see in the illustration in the next section, it can be helpful to  
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3 modify the boxes and/or the arrows to recognise other potential connections in discussing  
4 the specifics of a particular case. The illustration will draw on our previously reported study  
5 of performance measurement in the Accounting and Finance (A&F) groups in Groningen and  
6 Manchester (see ter Bogt and Scapens, 2012).<sup>10</sup>  
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## 10 **5. Illustration – Performance Measurement in Universities**

11 Although we will use our previous research on performance measurement in the A&F  
12 Groups in Groningen and Manchester to illustrate the extended framework, it is important  
13 to note that it is not our intention to provide in-depth case studies of the two universities or  
14 even of their A&F Groups.<sup>11</sup> Rather, we will use that research to illustrate how the elements  
15 of the extended framework could be applied in a specific context. Before doing so, we must  
16 emphasise that the elements in the framework are conceptual terms which are useful in  
17 thinking about and understanding, in this case, performance measurement in universities.<sup>12</sup>  
18 However, it may be very difficult to clearly identify and distinguish all the individual  
19 elements in each specific case. For example, as institutions are ‘shared taken-for-granted  
20 assumptions’ they exist in the minds of the individuals being researched and, as such,  
21 cannot be directly observed. It is only by discussing with those individuals how they take  
22 decisions, and how they rationalise their actions, that we can infer their institutions. This  
23 also implies that, as the forms of rationality are embedded within the institutions, it will be  
24 very difficult to separate the two elements, although it should be easier to identify the  
25 situated rationalities (by discussing with individual actors how they come to take particular  
26 actions), than to identify (directly) the underlying institutions. Nevertheless, as we will  
27 illustrate below, the concepts are useful for studying performance measurement in the A&F  
28 Groups in Groningen and Manchester. However, as local institutions and the situated  
29 rationalities are likely to have been shaped by history and experience, we need to briefly  
30 sketch the historical context of the two universities and their experiences with performance  
31 measurement systems (for more details see ter Bogt and Scapens, 2012).  
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### 42 **5.1 Background**

43 In both Manchester and Groningen there was increasing use of performance evaluations,  
44 and especially objective performance measures, at the time we conducted our research.  
45 This had given rise to anxiety and stress, as well as some dissatisfaction, with the new and  
46 more quantitative performance measurement systems, particularly in Groningen. In  
47 Manchester we can trace some of the dissatisfaction to changes following the merger in  
48 2005 which created the (new) University of Manchester and the (new) Manchester Business  
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54 <sup>10</sup> We wanted to use this particular illustration because it was our research into performance measurement in  
55 universities which subsequently led us to reflect on the B&S framework and to develop this extended  
56 framework.

57 <sup>11</sup> Details of the changes in the A&F Groups in Groningen and Manchester can be found in ter Bogt and  
58 Scapens (2012).

59 <sup>12</sup> As such, the framework could be said to be a sensitising device (see for example, Macintosh and Scapens,  
60 1990, p.469), rather than a model or theory of practice.



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3 School (MBS).<sup>13</sup> Prior to this merger, the largest part of the A&F Group in the new MBS was  
4 located in the Manchester School of Accounting and Finance (MSAF) – then part of the  
5 Faculty of Economic and Social Studies.<sup>14</sup> In Groningen there had also been a merger; this  
6 brought together the Faculty of Economics and the Faculty of Management and  
7 Organisation in 2007. Previously, there had been A&F Groups in both faculties, and these  
8 were combined into one A&F Group in the new Faculty of Economics and Business.  
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13 In the Netherlands, central government has traditionally had a direct role in the  
14 coordination and control of the university sector, and it allocates funding based largely on  
15 student numbers. In contrast, UK universities have traditionally had a relatively autonomous  
16 position, and over the past 30 years or so funding has been allocated based on a formula  
17 which deals separately with teaching and research. So, while funding for university research  
18 in the UK is based on the outcome of research assessments,<sup>15</sup> in the Netherlands, although  
19 there are audits of research performance, the proportion of university budgets allocated on  
20 the basis of research performance remains limited. Nevertheless, in both countries  
21 universities now face demands for greater accountability, and this has led to the increased  
22 use within universities of 'objective' measures to evaluate both teaching and research  
23 performance (for more details see ter Bogt and Scapens, 2012).  
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30 In the following sub-sections we will illustrate how the extended B&S framework could be  
31 used to understand the anxiety and stress we observed in the two A&F Groups. In our view,  
32 institutional changes are at the heart of the reforms in performance measurement systems  
33 in both universities. However, the extended framework recognises that there are local  
34 institutions, which derive from the specific history and experiences of the organisation or of  
35 individuals and groups within the organisation, and the broader institutions which relate to  
36 all, or to many, organisations in an organisational field or a country, or even in various  
37 countries. It is this multiplicity of institutions which underpins the situated rationalities  
38 within individual organisations – in this illustration within universities.  
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44 If we look at the broader institutional context of the changes affecting the Universities of  
45 Groningen and Manchester, we can see a shift from what has been called 'Old' Public  
46 Administration (OPA) to what is now generally referred to as 'New' Public Management  
47 (NPM).<sup>16</sup> In the past, the role of government in the Netherlands, and to a certain extent also  
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51 <sup>13</sup> Recently renamed the Alliance Manchester Business School (AMBS).

52 <sup>14</sup> As interviewees in our study said that the traditional attitudes and culture of MSAF now dominate the new  
53 A&F group, when we refer to the period before the merger in 2005 this generally concerns MSAF.

54 <sup>15</sup> These were called the Research Assessment Exercises (RAEs), although the most recent assessment (in 2014)  
55 was called the Research Excellence Framework (REF).

56 <sup>16</sup> Although there are differences from country to country, old public management, or old public  
57 administration, could be said to have been shaped by Weberian notions of bureaucracy together with ideas  
58 from scientific management (see, e.g., Hood, 2000; Gruening, 2001; Lynn, 2006), whereas new public  
59 management is shaped to a considerable extent by transaction cost economics and agency theory (for an  
60 overview see Hood, 1995)



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3 in the UK, was to set broad policies and the legal framework for the university sector. It was  
4 generally taken for granted that a well-regulated internal bureaucracy was needed within  
5 universities, and there was a major role for academics in managing their universities,  
6 faculties and departments. As such, in the past, the ideas of OPA shaped the institutions  
7 (and the forms of rationality) within universities. However, today it seems to be accepted,  
8 especially by politicians and senior administrators, that universities should be accountable  
9 for their performance through *external* reviews/audits of their teaching and research.<sup>17</sup> As a  
10 result, performance measurement has come to be regarded as the new 'norm' within  
11 universities. This would seem to reflect a shift in *broader* institutions, from the institutions  
12 of OPA to the institutions of NPM (see ter Bogt and Scapens, 2012). Although we cannot  
13 observe these institutions *per se*, as they are taken-for-granted, we can see them in the  
14 application of the associated forms of rationality and in the rules and routines used in  
15 universities. For example, in the A&F Groups in Groningen and Manchester this shift in  
16 institutions can be seen in the increased use of objective performance measures. However,  
17 the local institutions in both universities will have been shaped by their history and  
18 experiences. Furthermore, the influence of the past is likely to persist, at least in some  
19 groups, when there is an external shift, such as from OPA to NPM. So the local institutions,  
20 shaped in the past, are likely to continue to have a role in both A&F Groups. Furthermore, if  
21 new rules imposed on the A&F Groups by, for instance, senior administrators are  
22 underpinned by institutions which conflict with (or at least are different from) the local  
23 institutions shaped by the past, tensions could emerge.

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34 The institutions of OPA and NPM give rise to different *generalised* forms of performance  
35 evaluation (or archetypes) which have become accepted within the organisational field (in  
36 this instance, universities). In relation to performance evaluation, Townley (1997)  
37 distinguished developmental and judgemental archetypes in universities, and we can see  
38 elements of both in Groningen and Manchester in recent years. According to Townley  
39 (1997) the developmental archetype, which fits the institutions of OPA, is used primarily at  
40 the departmental level to identify an individual's strengths and weaknesses and *to develop*  
41 his/her competence. However, the judgemental archetype, which fits the institutions NPM,  
42 is usually implemented in a more centralised fashion and uses objective performance  
43 measures *to judge* individual performance as the basis for tenure, promotion, remuneration  
44 and also for disciplinary action, where necessary (Townley, 1997, p.267). In the following  
45 two subsections we will describe how these forms of performance evaluation have been  
46 used in the A&F groups in Groningen and Manchester, respectively.

## 5.2 Performance Measurement in Groningen

54 The way in which the performance of individual academics is evaluated in the A&F Group in  
55 Groningen has changed considerably over recent years. Traditionally, there was no  
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59 <sup>17</sup> This is not only in the Netherlands and the UK, but also in many other countries – see Whitley and Gläser  
60 (2007).

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3 structured or formal performance evaluation, although senior academics evaluated junior  
4 colleagues at the department level with the intention of helping them to improve their  
5 capabilities in both teaching and research. Such a form of performance evaluation seems to  
6 fit the institutions of OPA, as its aim was to help the individual to *develop* his/her capability  
7 to act autonomously. As such evaluations became routine in the A&F Group, they shaped  
8 the local institutions. However, with the introduction of quantitative performance  
9 measures in the late 1990s, the form of performance measurement seems to have shifted  
10 to fit the institutions of NPM as it *judges* the individual's research and teaching performance  
11 at the central (i.e., faculty) level. Nevertheless, within the A&F Group the traditional  
12 informal evaluations have continued alongside the new quantitative performance  
13 measurement system at the central level. As a result, the institutions, as well as the situated  
14 rationalities, are now shaped by both OPA and NPM. Particularly at the departmental level,  
15 the history and experience with the use of the developmental form of performance  
16 evaluation continued to play a role. The conflicting rationalities implicit in these two forms  
17 of performance evaluation have created anxiety and stress for individual academics in the  
18 A&F Group. This anxiety and stress seems to stem from uncertainty about the roles of the  
19 two forms of evaluation, especially in relation to promotion decisions and the allocation of  
20 time for research.  
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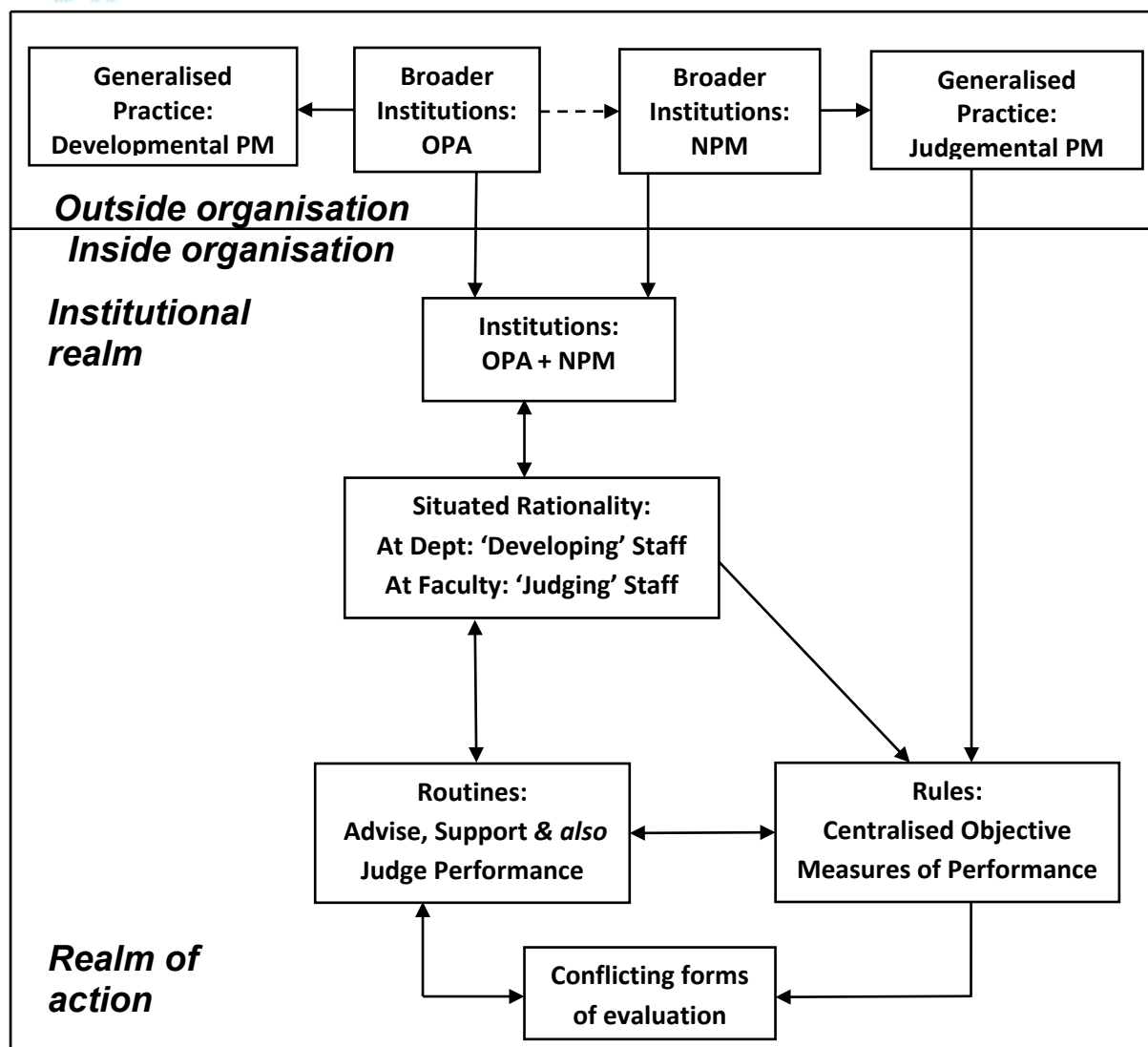
30 In terms of the extended framework (as set out in figure 3) we see the change in the  
31 broader institutions from OPA to NPM. However, over time, the broader institutions of OPA  
32 have shaped the institutions within the Groningen A&F Group.<sup>18</sup> Despite the rise of NPM,  
33 the broader institutions of OPA persist in the local institutions, particularly at the  
34 department level. Consequently, the local institutions now comprise both OPA and NPM,  
35 and both influence the situated rationality of performance evaluation within the A&F  
36 Group.<sup>19</sup> The OPA form of rationality, which is concerned with developing staff, underpins  
37 the departmental routines which involve professors using performance evaluation to give  
38 advice and support to junior colleagues. However, the shift to NPM and its generalised  
39 practice of judgemental performance measurement has introduced, at least at the faculty  
40 level, a form of rationality which is concerned with judging staff. Furthermore, university  
41 administrators, who have the situated rationality of 'judging' staff, have used their power to  
42 impose rules which are shaped by the generalised practice of judgemental performance  
43 measurement and involve the use of 'objective' (i.e., quantitative) measures of teaching  
44 and, especially, research performance. These rules have led to new routines through which  
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52 <sup>18</sup> This will probably have occurred through the rules and routines of OPA which have become institutionalised.  
53 To avoid over-complicating figure 3 (and to maintain this consistency with figure 2), we have not shown these  
54 historical influences. Nevertheless, the figure recognises that the institutions of OPA have shaped the routines  
55 of performance evaluation in the A&F Group and also the (local) institutions and situated rationality.

56 <sup>19</sup> In contrast to figure 2, figure 3 (and also figure 4) only have single-directional arrows linking the broader and  
57 internal institutions. Whilst we acknowledge that over time internal institutions within individual universities  
58 (such as Groningen and Manchester), could influence the broader institutions, we did not explore such wider  
59 issues in our research, as our focus was on the response to performance measurement in the individual  
60 universities.

the performance of individual academics is evaluated; the performance evaluation routines now involve *both* providing advice and support and judging staff.



**Figure 3 – Performance Measurement in Groningen**

Here we see two different forms of rationality – developing staff and judging staff. At the departmental level there continues to be the (longstanding) situated rationality that professors use performance evaluation to develop staff, while at the same time there is also the situated rationality which the new faculty rules have imposed on the department; namely, that objective measures are used to judge the performance of individual academics. These different forms of rationality give rise to two sets of routines which involve giving advice and support while at the same time judging individual performance. These routines need not necessarily be contradictory (as we will see in Manchester), but as they are underpinned by different forms of rationality in Groningen (one with its origins in the institutions of OPA and the other imposed due to the shift to the institutions of NPM), they

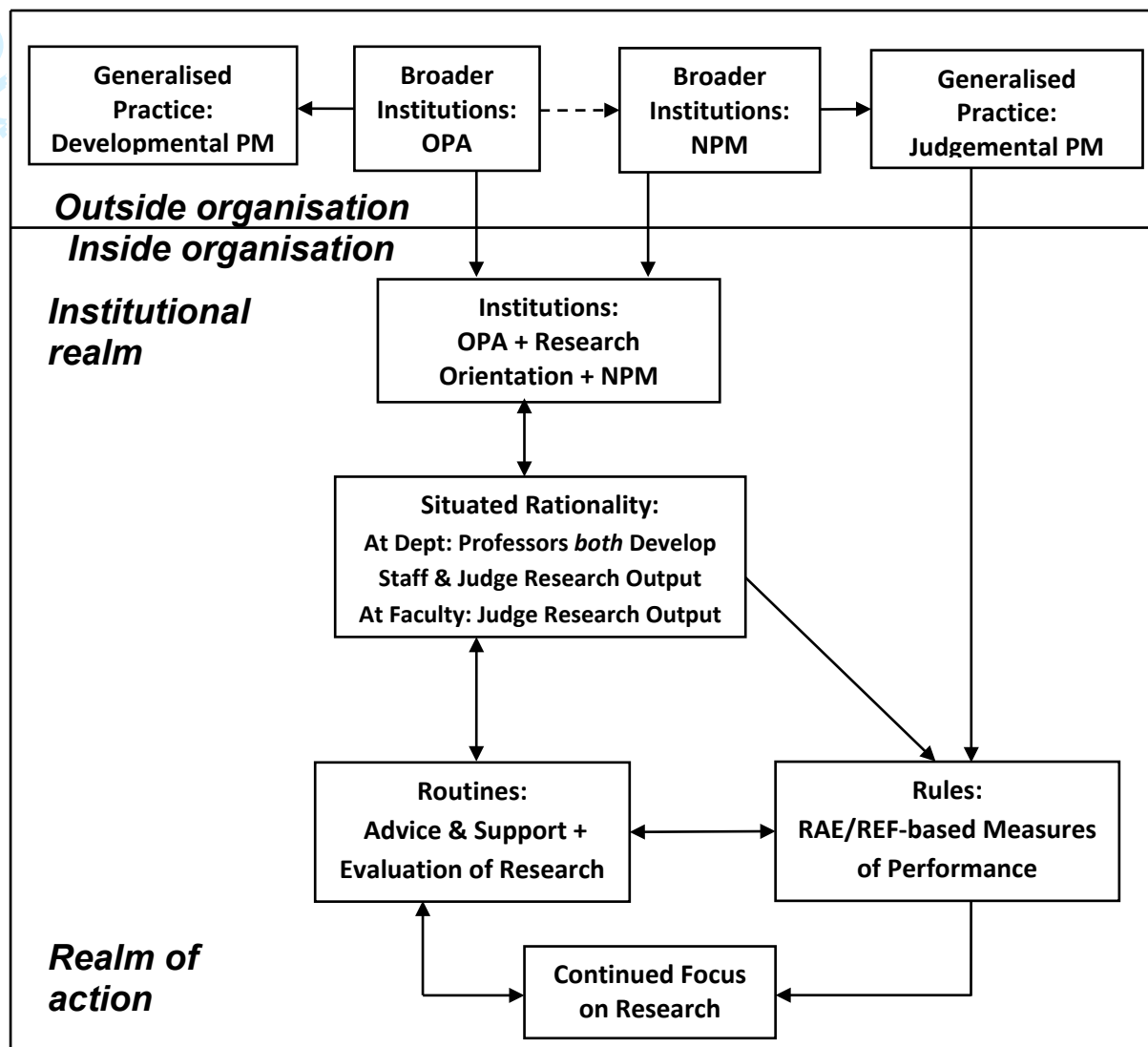
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3 create uncertainty about the purpose of, especially, the new performance measures.  
4 Furthermore, as the routines applied at the departmental level tend to focus on giving  
5 advice and support, while the imposed rules (and the emerging routines) use objective  
6 measures to evaluate/judge individual (and group) performance, these conflicting forms of  
7 evaluation create anxiety and stress within the A&F Group in Groningen.  
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11 In this case, we can see how the shift in the broader institutions has led to competing  
12 rationalities, and how these different *situated* rationalities (i.e., ways of thinking about  
13 performance measurement) can lead to contradictory sets of routines. As such, we can see  
14 the agency of the administrators who have imposed new rules on the department.  
15 Furthermore, in our earlier research, we also observed how some academics exercise their  
16 own agency by, for instance, being content with 'satisfactory' teaching performance  
17 (although they could potentially improve their teaching), so as to achieve better scores on  
18 the objective measures of research performance, or by withdrawing entirely from the  
19 'research' evaluation system and becoming full-time teachers (see ter Bogt and Scapens,  
20 2012).  
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27 While the above illustrates how the extended framework could be used to understand the  
28 sources of anxiety and stress in Groningen, it is enlightening to contrast Groningen and  
29 Manchester in terms of the extended framework.  
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### 32 **5.3 Performance Measurement in Manchester**

33 Within the A&F Group in Manchester there has been a longstanding emphasis on research,  
34 dating back to considerably before the introduction of the Research Assessment Exercises  
35 (RAEs) and the subsequent Research Excellence Framework (REF). As publications  
36 traditionally played a very important role in decisions about promotion within the A&F  
37 group, the RAE/REF reinforced the Group's emphasis on research, but it did not drive it.  
38 Nevertheless, at the time of our research the role of publications in promotion decisions  
39 was not entirely clear, particularly to newer academics, although this was not seen as a  
40 fundamental problem, compared to the problem we had observed in Groningen. Each year  
41 every academic below the professorial level is potentially considered for promotion, initially  
42 by a committee within the A&F Group and then, but only if appropriate, he/she is referred  
43 to a school and/or faculty committee. However, it is the faculty committee which ultimately  
44 makes promotion decisions. Although increasing use is made of quantitative 'objective'  
45 performance measures, our research indicated that younger members of the A&F Group  
46 were somewhat uncertain about how promotion decisions were actually taken (see ter Bogt  
47 and Scapens, 2012, p.145).  
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**Figure 4 – Performance Measurement in Manchester**

Figure 4 explains performance measurement in the Manchester A&F Group in terms of the extended framework. As in Groningen, there has been a shift in the broader institutions from OPA to NPM. Furthermore, again as in Groningen, the institutions of OPA shaped the local institutions of the A&F Group, but in contrast to Groningen this was alongside a strong research orientation. The first professor of accounting in Manchester, who was appointed in the late 1960s, was a professionally qualified accountant who became a lecturer at LSE and spent time in North America. He brought to Manchester an explicit focus on research, which over time became institutionalised as the A&F Group developed a strong research orientation. This, combined with a developmental form of performance evaluation, which was consistent with (although not explicitly driven by) the institutions of OPA, created in the A&F Group a form of situated rationality in which the professor (and subsequently the professors) used performance measurement to both develop staff and to judge their research output. As a result, performance evaluation in the Manchester A&F Group became a routine in which research output is particularly important in developing a career within

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3 the A&F Group and beyond.<sup>20</sup> Consequently, the judgemental form of performance  
4 evaluation, which accompanied the shift to the institutions of NPM, did not significantly  
5 challenge either the local institutions or the situated rationalities of the Manchester A&F  
6 Group. The existing routines which provided advice and support, while at the same time  
7 evaluating research output at the departmental level, were not greatly altered. This  
8 contrasts with Groningen where separate routines, whereby advice and support is provided  
9 by professors at the departmental level while research and teaching are quantitatively  
10 evaluated at the faculty level, have led to uncertainty and also to anxiety and stress. In other  
11 words, whereas in Groningen the situated rationalities of 'developing' and 'judging' were  
12 competing, in Manchester they were combined in the Group's long-standing research  
13 orientation.

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20 Consequently, the shift in the broader institutions from OPA to NPM did not involve a  
21 substantial change in the situated rationalities of the Manchester A&F Group. Previously,  
22 the local institutions had comprised the institutions of OPA, together with the Group's  
23 research orientation, but these were not substantially affected by the shift to NPM. At the  
24 departmental level, the rationality underpinning performance measurement was that the  
25 professors both develop staff and judge research output, while at the faculty level  
26 performance measurement was only about judging research output. In Manchester these  
27 routines were not incompatible. Furthermore, the new judgemental archetype of  
28 performance evaluation, and especially the increased role of objective performance  
29 measures, which accompanied the shift to NPM, did not significantly conflict with the  
30 existing routines. Thus, the form of rationality underpinning the new performance measures  
31 could be accommodated within the existing situated rationality. Furthermore, when new  
32 rules which focused on the RAE/REF-based measures of performance were imposed by  
33 senior administrators, they did not challenge the existing routines which continued to  
34 reflect the A&F Group's research orientation. This is not to say that there were no  
35 problems; concerns were expressed, specifically about the use of journal rankings, but they  
36 were far weaker than the concerns voiced in the A&F Group in Groningen.

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45 Here we can see the agency of different actors in Groningen and Manchester. In  
46 Manchester we can see the agency of the first professor in promoting a research  
47 orientation. As he was newly appointed to establish and then expand an Accounting  
48 Department in the University of Manchester, he was in a powerful position to introduce  
49 new rules and practices, and to provide the context within which they became  
50 institutionalised and eventually led to a research orientation being central to the situated  
51 rationality of the Manchester A&F Group. As in Groningen, we also see the agency of senior

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56 <sup>20</sup> To be consistent with figures 2 and 3, we have not explicitly shown these historical influences in figure 4.  
57 However, the figure recognises that the routines of performance evaluation in Manchester comprise both the  
58 evaluation of research and the provision of advice and support. These routines have been shaped by the  
59 institutions of OPA and the strong research orientation of the A&F Group, and also by the situated rationality  
60 that professors both develop staff and judge their research output.



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3 administrators who imposed the new NPM-inspired rules, but in Manchester these rules  
4 reinforced, to some extent, the research orientation of the A&F Group and did not create  
5 the anxiety and stress which we had observed in Groningen.  
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9 In these two illustrations we have seen how differences in situated rationalities can explain  
10 different responses to accounting change – in this instance, to the introduction of new  
11 performance measures. In Groningen we saw different and conflicting forms of rationality at  
12 the department and faculty levels leading to anxiety and stress over the use of the new  
13 performance measures. In contrast, in Manchester the situated rationality of the A&F  
14 Group, which was shaped by its long-standing research orientation, did not lead to the same  
15 sort of response. Although there was some uncertainty about the way performance  
16 measures were used in the promotion process and also some concerns about the use of  
17 journal rankings, the use of performance measures to judge individuals was not seen as  
18 particularly problematic. Hence, we see similar types of accounting change in the two  
19 universities giving rise to different responses due to their different situated rationalities,  
20 which were in turn shaped by the local institutions which had developed over time and  
21 reflected the history and experiences of the respective groups.  
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28 In this section we have illustrated how the extended framework could be used to explore  
29 changes in performance measurement in the A&F Groups in Manchester and Groningen. In  
30 the following concluding section we will discuss how the extended framework could be used  
31 in studying management accounting change.  
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## 35 **6. Concluding comments**

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37 Although a number of the issues discussed in this research note were *implicit* within the  
38 original B&S framework, the extended framework makes them explicit. But more  
39 particularly, the extended framework provides a basis for studying the situated nature of  
40 management accounting change. By explicitly including 'rationality' in the framework we  
41 can explore the situated rationalities of different groups within the organisation and  
42 distinguish situated rationality from the more general forms of rationality embedded in the  
43 institutional logics discussed in the NIS literature. While both the original B&S framework  
44 and the extended framework seek to show how institutions can shape accounting change  
45 and/or create resistance to accounting change, the B&S framework has tended to be used  
46 mainly to study the 'power of institutions' to resist change (Scapens, 2006). Consequently, it  
47 has provided essentially structural explanations of resistance to accounting change,  
48 although agency has been discussed by some of the researchers who have used the B&S  
49 framework (see section 2 above).  
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56 The extended framework, however, provides more space for studying agency (i.e., situated  
57 actions) as it recognises that deliberation is involved in the selection of appropriate  
58 routines. It also recognises the possibility that powerful actors can impose rules on others in  
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3 the organisation. Such rules could also be imposed by powerful actors outside the  
4 organisation who can require the organisation to use the 'generalised practices' which are  
5 found in the broader environment. Thus, although the word 'power' does not appear in  
6 figure 2, the extended framework provides a basis for discussing the role of powerful actors  
7 within and outside the organisation, as well as the possibility of resistance due to  
8 contradictions in institutions and in the situated rationalities of the various groups within  
9 the organisation. The existence of such contradictions could provide explanations for  
10 'institutional' change; i.e., change which challenges existing institutions (defined as taken-  
11 for-granted assumptions). By introducing the concept of situated rationality, the extended  
12 framework gives an explicit role to the deliberation of human actors and to human agency.  
13 It is their situated rationality which explains why some changes become institutionalised in  
14 some situations, while they are resisted, not fully adopted, or accepted by only certain  
15 individuals/groups in other situations (see also ter Bogt and van Helden, 2011).

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23 In discussing the extended framework we explicitly recognised that different sets of  
24 institutions can exist simultaneously, both inside and outside the organisation. These  
25 multiple institutions can play a role at a specific time and/or in a specific context (i.e. in a  
26 specific situation), and they can be different for different actors within an organisation. As  
27 such, they shape the situated rationalities of the various groups within the organisation and,  
28 consequently, the routines that they follow. It is these multiple, and potentially conflicting,  
29 institutions and situated rationalities which influence how individuals perceive an  
30 accounting change (in our illustration, a new performance measurement system). In the  
31 illustration, tensions between performance evaluations at the faculty and departmental  
32 levels gave rise to anxiety and stress in Groningen. However, in other situations a similar  
33 accounting change might not give rise to such tensions, either because the new accounting  
34 system can be accommodated within the existing situated rationalities, or because the  
35 potentially conflicting rationalities can be accommodated within the prevailing routines (as  
36 in the Manchester A&F Group). Further research is needed to understand the ways in which  
37 the different, and potentially or actually conflicting, situated rationalities of various groups  
38 within an organisation are accommodated within existing routines, and how they shape  
39 responses to accounting change. In a large organisation there will be many different groups,  
40 e.g., operations, sales and marketing, research and development, finance, and so on, each  
41 with potentially different situated rationalities. How are these different rationalities  
42 accommodated within existing accounting practices? And where are conflicts more likely to  
43 arise if accounting changes are introduced? We believe the extended framework provides a  
44 basis for addressing such questions.

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55 Furthermore, the extended framework will be useful for studying: (1) how situated  
56 rationalities evolve within an organisation, more specifically how they are shaped by both  
57 local and broader institutions; and (2) how prevailing situated rationalities shape responses  
58 to accounting change.  
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5 In relation to (1), while existing studies focus on how institutional logics at the  
6 organisational field level interact when they are experienced within an organisation (Amans  
7 et al., 2015; Carlsson-Wall et al., 2017; Covalleski et al., 2013; Ezzamel et al., 2012; Wiesel  
8 and Modell, 2014), the extended framework also recognises the influence of local  
9 institutions which are shaped by the history of the organisation and experiences of  
10 individuals and groups within the organisation. As such, it can provide a basis for addressing  
11 recent calls for understanding how institutional logics travel through organisations (Zilber,  
12 2016) and how they emerge and develop within organisations (Quattrone, 2015). In  
13 relation to (2), as well as explaining different responses to accounting change across  
14 organisations, the extended framework will help researchers to explain why accounting  
15 change is resisted in some parts of an organisation, but not in other parts. Or why  
16 accounting change is implemented in different ways in different parts of the same  
17 organisation. As such, it recognises the situated nature of accounting practices and  
18 responses to accounting change (Englund et al., 2017 – see also Englund and Gerdin, 2008;  
19 2014; and Englund et al., 2011).

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27 The extended framework, with its focus on situated rationality, can be used to explain  
28 institutional change within an organisation and how broader institutions can be reshaped as  
29 they travel through an organisation. However, it has to be acknowledged that the  
30 framework does not explain how institutions are shaped and reshaped at the organisational  
31 field level. This is not its purpose. Instead, it focuses on how broader institutions, together  
32 with local institutions, shape and reshape over time the situated rationalities within the  
33 organisation. As such, we believe the extended framework allows us to gain a deeper  
34 understanding of the situated nature of both management accounting practices and  
35 management accounting change. It also allows us to explore the role of powerful groups,  
36 both outside and within the organisation, who can introduce new practices underpinned by  
37 broader institutions. In this process they could create contradictions with the local  
38 institutions and the situated rationalities. Hence, it will be insightful to study whether, and  
39 how, diverse institutions and situated rationalities can be accommodated within the  
40 prevailing routines and how, and why, in other cases the contradictions create conflict and  
41 potentially lead to institutional change.

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49 Although the B&S framework was published almost 20 years ago, we believe that the  
50 essential ideas contained therein are still useful. By integrating those ideas with insights  
51 gained from research which has used that framework, and also incorporating current  
52 thinking in OIE and NIS, we hope to have developed an extended framework which will help  
53 researchers to study management accounting change, especially given the emerging  
54 interest in the situated nature of accounting practices.

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