How to make the case for change


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IN THE public sector, change has often been viewed as being triggered by external forces. However, how individuals talk about and legitimate possible changes affects the way they are implemented. In our research report, Central government accounting: arguing for and legitimating change, we argue that for accounting change to embed effectively, implementers should realise that those affected by, and ultimately involved in operating, new systems need to see change as rational and being promoted by those in authority.

Over a period of almost 35 years, accounting, budgeting and performance management systems in all parts of the UK central government have changed considerably. Initially, they featured: cash budgeting with strict annuality requirements (budget allocations that have to be spent by the financial year-end or be surrendered), cash accounting, and limited performance management. Since then, they have moved progressively along a continuum of modernisation in financial accounting, budgeting and performance management.

The earliest major changes were in performance management. The 1982 Financial Management Initiative called for managers in central government to have a clear view of their objectives and means to assess performance. Such focus came to the fore again in the 1990s with the introduction of Service Delivery Agreements and a range of subsequent changes. By 2001 financial accounting moved from its traditional cash base to a more commercial accruals (or resource) base. The position of accruals accounting was embedded further by the decision to produce consolidated Whole of Government Accounts and the adoption of International Financial Reporting Standards in the 2000s.

Major changes also occurred in budgeting. The move from cash budgeting to resource (accruals) budgeting was "live" by 2003. Annuality was abolished in 1997, with end-year flexibility being permitted (subsequently abolished in 2011 due to financial pressures).

RESEARCH FINDINGS
Since the late 1970s, many Western central governments have engaged in reform processes aimed at improving public-sector practices, often embracing the so-called New Public Management (NPM), with a main area of change involving radical adjustments to accounting systems. As a consequence, there has been a significant and progressive move away from traditional bureaucratic, public administration, systems, in favour of NPM-type accounting tools and ideas inspired by the private sector. More recently, a new focus on governance systems,

“Noel Hyndman and Mariannunziata Liguori explain how their latest research sets out to make sense of changes in government accounting

“There has been a significant move away from bureaucratic systems in favour of NPM-type accounting tools”
The research explored how public-sector accounting changes are discussed, made sense of and legitimised in the UK. How individuals react to possible changes affects the way they are interpreted and implemented. Accounting change requires modifications to be seen as both rational and promoted by those in authority. Changes perceived as being merely imposed by those in authority are likely to result in only cosmetic adjustments.

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under the banner public governance, to steer public services and influence key individuals, has emerged. These systems, each associated with its own accounting, budgeting and performance management tools, are often presented as mutually exclusive and competing.

Through analysing 2,455 pages of political discussion of accounting changes and 34 interviews with key individuals, our research explores how changes have been discussed and legitimised by politicians and public-sector managers in the UK central government over the past 20 years. The main findings include:

- **The UK embraces NPM-style accounting changes**
  In the UK NPM-style accounting, budgeting and performance management tools have been embraced relatively rapidly and intensely. There is also a clear alignment between the language of the political discussion and the accounting changes decided upon and introduced, with both clearly directed towards managerial, NPM-orientated reforms.

- **Changes are not necessarily replacements; “layering” often occurs**
  Public administration, NPM and public governance are often presented as mutually exclusive, competing systems of administration/management. This is not the case in the UK, though. Contestation is largely absent from political discussions, even from political debates. We suggest that the process of accounting change is achieved by a “layering” of different ideas, where ideas from certain administrative models complement, rather than supplant, each other over time.

- **Effective change requires both authorisation and rationalisation**
  As ideas leave the political arena and move towards the implementation stage, key individuals make sense of (or legitimate) them differently. We identify a combination of legitimisation strategies being used in the UK, with authorisation (changes being promoted/demanded by those in power) and rationalisation (changes being recognised as providing benefits) strategies dominating. The political debate suggests that changes are introduced to provide a more “rational” way of managing and taking decisions. However, individuals often perceive changes as being based mainly on “authority”. To embed change effectively requires those implementing it to see it in terms of both authorisation and rationalisation; changes seen as being legitimised merely or, mainly, through authorisation are likely to result in only cosmetic adjustments.

- **Scottish differences**
  In the devolved Scottish government, the joint reference to rational and authority-based elements when discussing accounting, budgeting and performance management changes showed a different pattern, with rational reasons much less present. This could be explained by the multiple levels of government with which Scotland has to interact as a devolved administration and that possibly contribute to feelings that non-Scottish solutions are imposed or do not adequately consider the Scottish dimension. This more limited justification of change as being both rational and authority-driven suggests that embedding change may be more difficult in Holyrood, compared with Westminster, particularly for changes viewed as “coming from Westminster”.

**POLICY IMPLICATIONS**

For meaningful change in public sector accounting to occur, training and education are key. The involvement of operationally focused managers in the development of the changes, as well as in the early process of change, is essential. To expect change via solely top-down, authority-based initiatives is shortsighted. From a policy perspective, recognition of this should impact on the planning and timeline relating to the introduction of accounting changes.

Our research also informs public policy makers regarding links between new and existing systems. Given that existing accounting approaches often have long-established validity, it is important to consider the interactions between new and old tools, that is, the layering of new on the old. Any proposed abandonment, or criticism, of valued techniques is likely to hamper implementation of new ones. To reduce resistance to change, integrating new ideas into existing frameworks should be handled carefully.