

Antti Rautiainen

Conflicting Legitimations and
Pressures in Performance Measurement
Adoption, Use and Change in
Finnish Municipalities



Antti Rautiainen

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in Performance Measurement Adoption,
Use and Change in Finnish Municipalities

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ABSTRACT

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Finnish summary.

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The aim of this accounting dissertation is to contribute to our knowledge about the factors affecting performance measurement (PM) in the Finnish municipal context. This dissertation consists of an introductory essay and three published articles. It is argued that PM system adoption, use and change in municipalities are interrelated processes affected by several legitimations, normative, political and financial pressures and individual aspirations. Further, these legitimations and pressures – such as financial pressures and pressures for better professional services – conflict, and the conflicting pressures for municipal operations complicate PM changes and practices. Yet the pressures can align in suitable circumstances, such as during crises or in periods of improved co-operation, thereby facilitating actual municipal PM developments.

Because of the conflicting legitimations and pressures, accounting changes may actualize in different forms in different organizational levels – or not actualize at all. Further, conflicting pressures explicate some aspects of municipal PM developments. For example, differing professional backgrounds of the councilors in municipal councils can amplify conflicting pressures. The more the pressures conflict the more PM rules and routines become loosely coupled or even decoupled (unattached), thereby complicating financial management and PM in municipalities. Moreover, for example ‘rational’ (meaning here economic or currently often financial), institutional and individual rationales or logics for balanced scorecard (BSC) adoption were found.

Thus the results of this dissertation increase understanding of PM system adoption, use and change process, of the associated change pressures and of the rationales of PM related decision-making in municipalities. This dissertation also points out how accounting, budgeting, PM and reporting are closely intertwined in municipalities. The results of this dissertation facilitate management of PM and accounting change processes so that the factors and complexities of municipal accounting are better taken into account. Improved understanding of municipal PM also facilitates relevant analyses and management of some or all perspectives of municipal performance.

Keywords: Accounting, performance measurement, municipalities, institutions, change.

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- I The interrelations of decision-making rationales around BSC adoptions in Finnish municipalities.
International Journal of Productivity and Performance Management, IJPPM, (Emerald), 2009, Vol. 58, No 8, pp. 787-802.
- II Contending legitimations: performance measurement coupling and decoupling in two Finnish cities.
Accounting, Auditing & Accountability Journal, AAAJ, (Emerald), 2010, Vol. 23, No 3, pp. 373-391.
- III Distance and coupling: analyzing the pressures of accounting change in a city.
Journal of Accounting & Organizational Change, JAOC, (Emerald), 2008, Vol. 4, No 3, pp. 270-288.

PART I: INTRODUCTORY ESSAY

1 INTRODUCTION

1.1 Overview

This accounting dissertation consists of an introductory essay and three published research articles. The dissertation topic is municipal performance measurement (PM), an area with large potential for improving the operations and efficiency of public organizations (Lapsley 2008). For example in the Finnish municipal sector there are over 340 municipalities and their combined expenditures are about 30 billion euro. An improvement of only one percent in the cost-effectiveness of current services would thus lead to savings of 300 million euros in Finland only. Therefore PM systems and their development attract both academic and practical interest world-wide, and PM systems originally intended for private sector use have been adopted in public sector organizations. Nevertheless, the reasons for adopting or changing PM systems in the public sector are not self-evident (Järvinen 2006; Hyvönen et al. 2009). Most public organizations do not, for example, aim to make a profit as private companies do. However, in the wake of the New Public Management (NPM) trend, more emphasis has been placed on financial aspects of public performance, and private sector type PM tools have diffused into the public sector (e.g. Lapsley 2008; 2009).

I began this PhD thesis project in 2004, but I had already investigated the comparability of municipal PM in my licentiate thesis (Rautiainen 2004). Therefore it was natural to study municipal PM also in my PhD project. In the late 1990s public sector accounting research was largely concerned with the appropriateness of private sector PM in a public sector context (e.g. Olson et al. 1998; 2001). Since then however it has been noted that no accounting method guarantees the transparency and fairness of public sector accounting, but accounting practices and routines do shape the accounting outcomes (e.g.

Vinnari and Näsi 2008). Therefore the practices and routines of accounting deserve further study (ibid.; Scapens 1994).

Further, in this millennium the emphasis of much management accounting research has been directed towards explaining accounting change, its process, nature and the factors affecting it (Burns and Scapens 2000; Burns and Vaivio 2001; Granlund 2001; Lukka 2007; Quattrone and Hopper 2001; Ribeiro and Scapens 2006). Also the role of PM is an established research topic in public sector accounting research (Modell 2009). Nevertheless, the research interest in public sector accounting and PM change has persisted and even proliferated (e.g. Järvinen 2006; Hyvönen et al. 2009; Lapsley 2008).

Theoretically the so-called institutional research, especially New Institutional Sociology (NIS), has become the most substantial and coherent stream of public sector PM research (Modell 2009). Institutional research focuses on the established ways (routines) of doing things in an organization, on the pressures affecting those routines, and on the connection (coupling) between organizational rules and routines (DiMaggio and Powell 1983; Meyer and Rowan 1977). Recently, however, the focus of NIS based accounting research has moved to understanding the nuances of and conflicts between institutional pressures, legitimations and rationales for adopting PM systems as well as the logics of accounting changes in public organizations (Brignall and Modell 2000; Hyvönen et al. 2009; Järvinen 2006; Lapsley 2008; Modell 2009; Rautiainen 2008b; 2009a; 2010a; 2010b).

Meyer and Scott (1983) consider the complexity of the public sector by using interchangeably the concepts 'conflicting' (colliding) or 'contending' (competing) legitimations. Conflicting legitimations refer to the reasons for public services to exist, springing out of the various interests and needs of individuals and interest groups. For example, some public services may be considered financially beneficial or humane or just something demanded by the legislation, or all of these. Different emphasis on legitimation may lead, however, to different decisions concerning the quality or quantity of the service in question. Therefore in public sector PM research an important task is to find ways of developing and understanding performance and its measurement while taking into account, and balancing if necessary, the effects of conflicting interests and legitimations around public organizations (e.g. Lapsley 2008; 2009). This thesis adds to the body of NIS based management accounting research on the nuances and conflicts of legitimations and pressures related to public sector PM system adoption, use and change.

This dissertation consists of an introduction (Part I: Introductory essay) and three single-authored published refereed articles (Part II: Articles). In the articles (Papers, Rautiainen 2008b; 2009a; 2010a), quantitative or qualitative research methods have been used in order to obtain a rich view on municipal PM (as encouraged by Vaivio and Sirén, 2010). In addition to the findings in the Papers, the combination of Papers leads to specific findings and contributions for this thesis: a *process* of long-term municipal PM change, as well as the

legitimations and pressures and the relationships and conflicts between them in municipal PM system adoption, use and change are widely clarified.

1.2 Research topic and questions

Performance measurement (PM) principally means measuring the inputs and outputs of an organization, but PM is a multidimensional concept because both performance and its measurement are multifaceted issues especially in the public sector (e.g. Lapsley 1996; Lapsley and Mitchell 1996). PM is generally used to support the management of organizations in order to facilitate economy, efficiency and effectiveness in operations (ibid.). PM system use in the public sector is affected by fiscal pressures, the lack of a clear profit measure and the New Public Management (NPM) trend (see Hood 1995; Lapsley 1996; 2008).

Therefore the suitability of private sector PM to the public sector has been questioned (e.g. Olson et al. 1998). Many municipal circumstances can be taken into account, however, in assessing performance, and thus PM difficulties should not be used as excuses for avoiding PM and accountability (see Lapsley 1996; 2008; Oliver 1991; Rautiainen 2004). PM has high potential and legitimated status in the pursuit of public sector efficiency, and thus the nuances of PM remain an important albeit intricate area of public sector accounting research and practice (Lapsley 2008; Modell 2009). However, because of the multiple ideas, interest groups, and thus conflicting legitimations and pressures surrounding municipal organizations, PM system use may emerge in different forms in different organizations, or not really emerge at all (see the Papers in this thesis; Burchell et al. 1980; Järvinen 2006; Meyer and Scott 1983). *Little is known about the effects of conflicting legitimations and pressures on PM adoption, use and change in municipalities. Therefore this PhD thesis aims to clarify the rationales behind municipal PM adoptions, as well as the conflicting pressures and legitimations in municipal PM use and change.*

PM systems often incorporate financial and non-financial aspects of performance, i.e. multiple dimensions of performance (see Brignall and Modell 2000; Kaplan and Norton 1992). 'Multidimensional PM' in the public sector facilitates 'balancing' the importance of financial and non-financial measures, and coping with the pressures exerted for example by professional groups, purchasers and funding bodies (Brignall and Modell 2000; Nørreklit 2003). Because of the many interested bodies surrounding public work there are multiple, even conflicting values, legitimations and pressures for public operations (see Lapsley 2008; Meyer and Scott 1983, 210). The interplay (conflict or co-operation) and the effects of multiple legitimations and pressures exerted for example by various professional groups are not very well known in municipalities (see Abernethy and Chua 1996; Brignall and Modell 2000; Kurunmäki 2004; Lukka 2007). *Thus the pressures and legitimations involved in PM*

system adoption, use and change require further study in the public sector context – both generally and in particular case contexts.

There are several accounting and PM systems used in the public sector, but a prominent PM system is the Balanced Scorecard (BSC, see Brignall and Modell 2000; Kaplan and Norton 1992, 2000; Lapsley and Wright 2004; Nørreklit 2003). But not all public organizations use a 'standard BSC' (see Carmona and Grönlund 2003; Kaplan and Norton 1992; Rautiainen 2008a). Further, there are several legitimations and pressures for public operations (see Meyer and Scott 1983, 210). Thus it is not obvious how the adoption, use and change of PM are legitimated, or what the main pressures and rationales are behind accounting changes or stability in municipalities (see Kloot and Martin 2000; Lapsley and Pallot 2000). Therefore the focus of this dissertation is on the *legitimations* and *rationales* of PM adoption, use and change in Finnish municipalities. Also the *interplay of the institutional pressures related to PM* in municipal organizations is studied. Here institutional pressures include for example coercive pressures (e.g. demanded by legislation) and normative pressures (e.g. demanded by professional bodies), which affect organizational behavior (DiMaggio and Powell 1983; also Chapter 2.1 in this thesis).

The research questions of this dissertation are as follows. The overall question of interest is: *How are PM systems adopted, used and changed, and why are they adopted, used and changed in such a way in the municipal context?* Further, Paper 1 asks – testing the framework by Granlund (2001) – *How (if at all) do the rational, institutional and experimental rationales behind PM adoptions interrelate in municipalities?* In Paper 2 the research theme is the role of multiple conflicting institutional pressures in the coupling of accounting and PM and organizational action in two cities. The specific research question in Paper 2 is: *Why were the developments and the coupling of budget or PM rules and routines different in the relatively similar case cities?* Finally, in Paper 3 the questions are: *How can a voluntary PM change process be understood in the case municipality? How and why did budgeting and 'accounting PM' change occur?* Here the term 'accounting PM' emphasizes the inseparable nature of accounting and PM, i.e. PM entangled with municipal accounting systems and budgeting routines.

New institutional sociology (NIS) is the main theoretical perspective in this thesis. NIS focuses on topical themes such as institutional pressures, coupling of organizational rules and routines and legitimacy (see DiMaggio and Powell 1983; Meyer and Rowan 1977). This thesis mainly builds on the interpretive accounting tradition (see Chua 1986; also appendix of this thesis). However, several research methods and data sources are used in the articles allowing a thorough view of municipal PM in general and in case contexts (see e.g. Vaivio and Sirén 2010).

It is argued in this dissertation that PM adoption, use and change are interrelated processes shaped by legitimations and emergent institutional and other pressures, but PM tools also shape the perceived pressures and the behavior of organizational actors and accounting practices. Further, because of conflicting pressures, PM changes may emerge differently or not emerge at all, in spite of similar external (e.g. NPM) requirements.

In Paper 1, it is argued that *economic, institutional and individual pressures* or rationales not only exist in the municipal accounting field, but intertwine and are all needed in order to explain BSC (and generally PM) adoption (refining Granlund 2001; Malmi 1999). Further, in some instances multiple institutional pressures *explicate the ways of using and changing PM* (including similarity and variation) as well as the *behavior* of the municipal actors (Paper 2, refining Abernethy and Chua 1996; Granlund 2001; Ribeiro and Scapens 2006).

In Paper 2 the professional backgrounds of municipal actors are analyzed. It is argued that the ‘coupling’ of organizational PM rules and routines is particularly loose if institutional pressures in city boards *conflict* (see also Lapsley 2008; Meyer and Scott 1983).

Paper 3 analyzes the effects of *individual and political aspects and crises* on municipal PM developments (refining Busco et al. 2006; Oliver 1992; Lukka 2007). It is argued in Papers 2 and 3 that if legitimations and conflicting pressures in the city boards align, the potential for actual developments increases – even *beyond the minimum external requirements* posed by the environment (clarifying Abernethy and Chua 1996). City councils and boards as well as other municipal *actors* are affected by many pressures from many stakeholders (see Brignall and Modell 2000). The actors can both promote and resist accounting system developments and the coupling of PM rules and routines in municipalities. The many potential responses to institutional pressures *allow for simultaneous change and stability* (see Granlund 2001; Ribeiro and Scapens 2006) *as well as variation* in PM use even within an organization (see Hyvönen et al. 2009; Lounsbury 2008).

Additionally, the combination of Papers leads to two main contributions in this thesis introduction: a long-term *process* of municipal PM change is illustrated (Chapter 6.2); and the municipal PM related *legitimations and pressures* are categorized (Chapter 2.3). Next, Table 1 presents the central findings and themes of the Papers.

TABLE 1 The central findings of the Papers in this dissertation.

Paper	Central findings
<i>Paper 1.</i> (survey, Rautiainen 2009a, IJPPM); theme: <i>PM adoption</i>	Rational, institutional and individual aspects of decision-making are intertwined and all needed to explain municipal BSC adoption process. This implies several conflicting or co-operating legitimations, pressures and rationales in PM adoption.
<i>Paper 2.</i> (comparative case, Rautiainen 2010a, AAAJ); theme: <i>PM use and change</i>	Multiple conflicting institutional pressures, in general ‘conflicting legitimations’ (see Meyer and Scott, 1983, 210), can explain loose coupling between organizational rules and routines as well as aspects of complexity in individual and municipal decision-making related to PM use in organizations and sub-units.
<i>Paper 3.</i> (case study, Rautiainen 2008b, JAOC); theme: <i>PM change</i>	Crises and strong individuals affect the alignment of pressures around accounting or PM. Co-operation (e.g. diminishing ‘distance’ between political groups) and the alignment of pressures are needed in order to realize actual developments.

In Table 1, the scope of the Papers becomes more focused (from general to specific). Together the Papers widely contribute to accounting knowledge of PM system adoption, use and change processes, and the pressures involved (see Abernethy and Chua 1996; Burns and Vaivio 2001; Granlund 2001; Lapsley and Pallot 2000; Lapsley and Wright 2004; Malmi 1999; Ribeiro and Scapens 2006).

Paper 1 (Rautiainen, 2009a) is a survey discussing the rationales (reasons, logics and institutional decision-making pressures) of PM system adoption, using for example factor analyses. Paper 2 (Rautiainen 2010a) proposes that multiple conflicting institutional pressures and contending legitimations (see Meyer and Scott, 1983, 210) can explain loose coupling between organizational rules and routines as well as aspects of complexity in individual and municipal decision-making related to PM use. Paper 2 also discusses PM and accounting practices in Finnish municipalities. Finally, Paper 3 (Rautiainen 2008b) is a qualitative case study which notes not only the importance of crises and individuals in change processes, but also the need to align pressures in and around PM changes in order to realize actual developments.

In Figure 1, the Papers of this dissertation are presented according to their place in the reciprocal process of PM change, where institutional pressures accentuate some, but not all organizational rules and affect the actors constructing the organization, its rules and its routines.

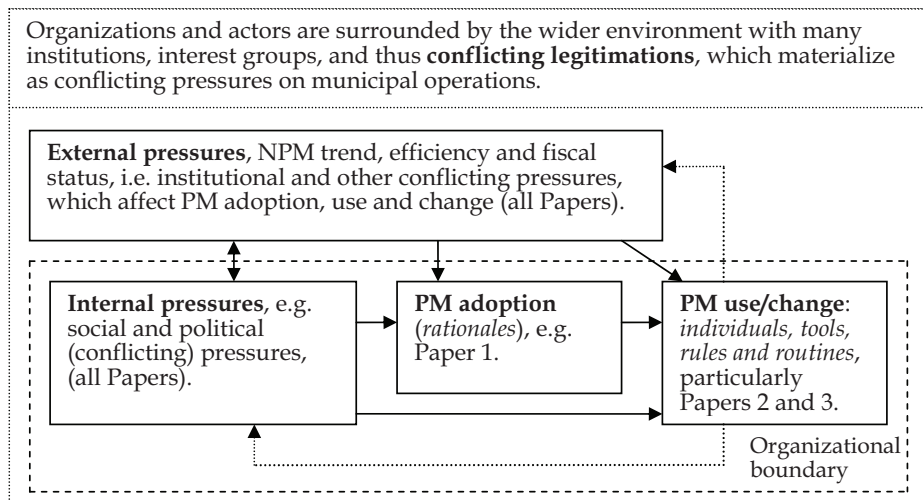


FIGURE 1 Pressures of PM adoption, use and change in municipal context.

Figure 1 also illustrates both the *research topic* and the NIS related *conceptual framework* of this study. The conceptual framework is based on the combination of the Papers in this thesis. The concepts are further clarified in Chapter 2 of this thesis. Figure 1 also points out that this study is about *PM tools, legitimations, pressures and individuals* using PM in municipalities, *PM rules and routines* and about changes in these. Individual actors are active, but are constrained and affected by internal and external pressures stemming from the wider

environment with its conflicting legitimations (Brignall and Modell 2000; Meyer and Scott 1983, 201–10; Meyer 1996, 243–4). Thus actors in PM related decision-making situations face multiple pressures. PM tools amplify some managerial (or NPM) pressures and affect organizational rules and routines, thereby gradually affecting the perceptions of individuals and reciprocally contributing to accounting developments – change or stability – in an organization (Papers 2 and 3). Also in Chapter 6.2 of this thesis a PM change process is illustrated.

In Figure 1, it is noted that several pressures affect PM system adoption and use (see Papers 1 and 2). The pressures may be considered external to the organization (DiMaggio and Powell 1983), or internal (Oliver 1992). Then, as feedback, the individuals using the tools (affected by policy decision-makers from varying backgrounds) shape the organizational routines and the perceived pressures reciprocally (especially Papers 2 and 3). Paper 3 additionally points out that some pressures may be *both* external *and* internal, for example from the point of view of a sub-unit. In addition to the overall NIS focus, organizational rules and routines are discussed in Paper 3 as a complementary aspect of the old institutional economics (OIE) strand of institutional theory.

The public sector characteristics (e.g. political decision-making, conflicting pressures, fuzzy customer-payer relationships, purchaser-provider arrangements etc.) can make the organizational boundary, and the pressures felt by decision-makers, unclear (see Papers 2 and 3). Figure 1 emphasizes the interrelations of the pressures affecting PM, PM use and PM users. For example, PM system adoption can usually be made only once, but there may be additional systems or updates to be adopted, and also the organizational pressures and routines may change. Further, the new accounting tools and routines and the perceived success of using the new tools may in turn affect how the pressures are perceived over time.

1.3 The Finnish municipal accounting context

Finnish municipalities are non-profit organizations serving their residents. The municipalities provide legislative and voluntary services, and they levy taxes to cover their expenditures, but they also get other revenues such as state subsidies and service fees (Rautiainen 2004, 10–16; Vinnari and Näsi 2008). In the non-profit context, the lack of clear profit measure is sometimes replaced by the aim for financial balance (zero-result, see Rautiainen 2004, 75, 102). According to the Finnish Municipalities Act (Act 365/1995), financial deficits are expected, in general, to be covered within a 3 year planning period. As a result of these pressures and the global NPM trend, PM systems such as BSCs have been introduced into Finnish municipalities in order to enhance measurability and accountability (Rautiainen 2008a; Hyvönen et al. 2009).

The Finnish Municipalities Act came into full effect in 1997. It requires Finnish municipalities to record transactions according to accrual accounting,

but the traditional budget accounting is also used (Rautiainen 2004, 12). For example, timely PM and accrual accounting information can improve the comparability and accountability of municipalities, and allow for improved focus of service provision (see Kloot and Martin 2000; Rautiainen 2004, 12, 87). However, accrual accounting, or any accounting method as such, does not guarantee the transparency or fairness of municipal accounting reports because the routines of accounting information use affect what is reported and how (Papers 2 and 3; Vinnari and Näsi 2008).

Also other ideas of “NPM agenda” such as privatisation, public-private partnerships and purchaser-provider contracts have been introduced to the Finnish public sector (Hyvönen et al. 2009). These ideas, although sometimes criticized for not being suitable for public sector operating circumstances, emphasize public sector finances, efficiency, and accountability, and thus can encourage focus on cost-effectiveness or “value-for-money” (see Monsen and Näsi 1998; Olson et al. 1998; Rautiainen 2004, 12, 35). However the backgrounds and rationales of PM adoption, use or change may be complicated because of the many stakeholders (voters, city officials, providers and contract partners) and their varying interests in the municipal accounting context (see Brignall and Modell 2000; Zimmerman 1977). Therefore the rationales and legitimations of PM adoption, use and change require study within municipalities.

The municipal council (or city council) is the supreme decision-making body in Finnish municipalities. The municipal council members (councillors) are elected in municipal elections once in every 4 years to serve the residents. They represent differing values and parties in a democratic way. This allows for conflicting legitimations and rationales in municipal operations. Paper 1 focuses on the decision-making rationales of BSC adoption. Paper 2 in this thesis focuses on the profession of councillors in order to illustrate the potential of conflicting normative legitimations in city decision-making. The councillors (about 60 persons in a city of about 100 000 inhabitants) elect the city board (about 12 councillors in a city of about 100 000 inhabitants). The board prepares matters for the council to decide, and has jurisdiction over routine administration. The councillors may receive a small fee for each meeting and an annual fee, but being a councillor is not usually a councillor’s main profession.

The concept of *conflicting legitimations* (by Meyer and Scott 1983, 210; see also Paper 2) is used in this dissertation to point out that public services may have several, even conflicting reasons to exist and face several conflicting pressures, which complicate decision-making. For example a councillor with a medical education or employment is likely to know the professional traditions and practices of the medical field, and moreover take them for granted. This may of course permit improved decision-making in many situations, but it may also slow down structural changes that may be needed during times of financial distress. If a decision conflicts directly with the interests of a councillor he or she may not vote on the issue because of the likelihood of bias. However, some influence on other councillors may be exerted for example via discussions and by being present. Many councillors have been in city councils for several terms,

indicating some stability in city board and council compositions and thus in the perceived legitimations and conflicts over time. Finally, Paper 3 discusses the PM change during perceived conflicts and crises. In sum, the specialities of municipal PM are not overlooked in the Papers of this thesis. However, measurement difficulties are not accepted as valid reasons to avoid PM activities and accountability relations. For detailed accounts of Finnish municipal context, see e.g. Vinnari and Näsi (2008).

1.4 The value of BSC and BSC research

Following Geuser et al. (2009), Kaplan and Norton (1992, 2000) and Speckbacher et al. (2003), BSC is a multidimensional framework for strategic PM combining financial and non-financial measures. It aims to portray strategic cause-and-effect relationships and can be used to facilitate strategy implementation and decision-making by defining objectives, measuring their attainment, and connecting incentives with the attainment of measured targets.

About 37 % of Finnish municipalities have adopted BSC, and most (67 %) only recently during 2001–2005 (Paper 1). About 52 % of the users agreed that BSC is useful (Paper 1). However, many BSCs in the private and public sector do not (or cannot) portray cause-and-effect relations in the Strategy Map style (cf. Kaplan and Norton 2000; see Speckbacher et al. 2003). Further, increasing PM may divert the interest of the organization away from core operations, thus diminishing actual operating efficiency (creating an ‘evaluatory trap’, see Olson et al. 2001).

The potential value of BSC use emerges from translating strategy into operational terms, making strategizing a continuous process and aligning various processes, services, competencies and units of an organization (Geuser et al. 2009). This study (particularly Paper 3) emphasizes that the alignment of organizational pressures and action towards developments in performance can be encouraged by BSC which is a tool that is able to combine many interests, legitimations and perspectives. Further, when financial aspects are considered explicitly, but not exclusively, BSC is a potential tool for pursuing benefits, progressive changes and efficiency gains in municipalities and in the public sector in general. Additional details about public sector PM can be found for example in Brignall and Modell (2000), Carmona and Grönlund (2003) and Hyvönen et al. (2009). Practical tips for BSC use in the complex Finnish municipal context can also be found in Rautiainen (2004, in Finnish; and 2009b). However, the interest of this dissertation is on a more theoretical level, in the legitimations and pressures behind BSC adoption, use and change. Therefore detailed discussions, for example, about the individual measures used in city BSCs are largely out of the scope of this thesis.

The results of this BSC related thesis refine accounting research on PM system adoption and change (e.g. Granlund 2001; Malmi 1999). On a practical

level this thesis offers improved understanding of the complexities of public sector PM, the interplay of pressures surrounding municipal operations, and of the effects of contending legitimations in accounting developments (all Papers, also e.g. Rautiainen 2004; 2009b; 2010b). This can facilitate better management of public sector accounting developments and improve the practical value of management accounting theories as called for by Malmi and Granlund (2009).

1.5 Accounting change

Accounting change is a transition from one status of affairs to another, but the magnitude of change may vary from a 'non-phenomenon' (stability) to drastic, paradigmatic change (Burns and Scapens 2000; Burns and Vaivio 2001; Granlund 2001; Kuhn 1970, 10, 52; Quattrone and Hopper 2001). For example Burns and Vaivio (2001) note that accounting change can be an illusion or an organizational 'mirage', and the logic, the reasons and the outcomes of changes may differ. For example the adoption of an accounting system in the public sector can be affected by pressures and legitimation (Järvinen 2006). Granlund (2001) focuses on organizational stability, which means that things change, but so that for example organizational routines or power structures stay the same (also Burns and Scapens 2000). Quattrone and Hopper (2001) emphasize the roles of individuals in enacting changes and note that there is often drift, chance and indeterminacy of goals, involved in changes. In addition to stability, Burns and Vaivio (2001) differentiate between *progressive* and *regressive* changes, which can create a variety of possible outcomes during a long-term 'path' of PM developments, thus involving practice variation (Lounsbury 2008; Modell et al. 2007).

When considering what an accounting change is, changes in accounting *rules* and in the actual accounting *routines* of an organization have been differentiated (Burns and Scapens 2000). If an accounting or organizational rule is changed and the change has a direct effect on organizational routines it is said that the rules and routines are coupled; if the effect of rule change is only partial, the rules and routines are loosely coupled; and if there is no effect on routines, the rules and routines are decoupled (Lukka 2007; Meyer and Rowan 1977; Weick 1976).

If an organizational routine is institutionalized, i.e. it is taken-for-granted and reproduced in time, a change in that routine may require for example so called de-institutional pressures, where the functionality of the routine is questioned or political and social conflicts require the abandonment of that routine (Oliver 1992). Further, organizational agents have been seen active in making and changing for example the accounting routines in an organization (e.g. Paper 3; Burns and Scapens 2000; Quattrone and Hopper 2001; see also Oliver 1991). Sometimes, for example, conflicting political interest and

pressures present in municipalities may even 'mount' to perceived organizational crises, before an actual change occurs (Paper 3; Oliver 1992).

Some aspects of the interplay (conflict or co-operation) and the effects of multiple legitimations and pressures exerted by various professional groups have been studied, but not exhaustively or in the municipal context (see e.g. Abernethy and Chua 1996; Brignall and Modell 2000; Kurunmäki 2004). On the contrary, the interplay of rules and routines as well as other nuances of change processes continue to receive substantial accounting research interest (e.g. Burns and Scapens 2000; Lukka 2007; Modell 2009; Quattrone and Hopper 2001; Ribeiro and Scapens 2006). This thesis adds to this growing body of accounting change knowledge. For example, Ribeiro and Scapens (2006) call for analysis of factors affecting accounting change, which is made in Paper 1. Further, Abernethy and Chua (1996) wonder why PM changes sometimes exceed the external requirements. It was found that when the pressures align, significant changes can occur (Papers 2 and 3). Further, nuances of accounting change processes are present in all the research Papers of this thesis; for example an adoption of a system is a change compared to previous status of affairs, and in use there may be variation (see Hyvönen et al. 2009; Lounsbury 2008). A change can be triggered by competitive, institutional and individual pressures, but the pressures also constitute barriers for change in the municipal context where multiple legitimations and pressures exist (all Papers).

Further, when combining the time-frames of the individual Papers, a long-term dimension of PM and PM changes can be analyzed. This long-term view on PM and PM changes points out the entangled nature of accounting, budgeting and PM in the municipal context. Further, a PM change process model can be outlined consisting of several steps in the winding path of PM development. *This longitudinal view on PM change, combining many aspects of the three Papers of this thesis, is more fully outlined in Chapter 6 of this thesis and is a contribution of this thesis.* The longitudinal view also has implications considering BSC use in municipalities. The long-term and often path-dependent effects of municipal decisions on each BSC perspective need to be carefully considered over time instead of merely focusing on short-term power games and conflicts (see Chapter 6; all Papers; Rautiainen 2009b; also Modell et al. 2007).

Next, in Chapter 2, the NIS concepts are outlined in more detail. In Chapter 3 the methodological backgrounds for multiple method research as well as the data and methods are presented. In Chapter 4 the summaries of the articles are presented, and in Chapter 5 the validity and reliability of the articles is discussed. Finally discussion and conclusions will follow.

2 INSTITUTIONAL THEORY BACKGROUNDS

2.1 Basic concepts

Institutions are settled, taken-for-granted, but changeable habits forming the legitimated rules of conduct in a society (e.g. Meyer and Rowan 1977). Institutions are legitimized first by *regulative* elements exerting coercive pressures, which usually are external to the organization (e.g. rules and laws), secondly by *normative* elements of work roles (exerting normative pressures from external professional bodies), and thirdly by *cultural-cognitive* elements such as shared social meanings imposing mimetic pressures again external to an organization (see DiMaggio and Powell 1983; Järvenpää 2009; Scott 2001, 55–59). For example, in situations of uncertainty organizations tend to model themselves after (mimic) organizations which are perceived as legitimate and successful (DiMaggio and Powell 1983).

The institutional and competitive (economic) pressures cause ‘isomorphism’, meaning that organizations start to resemble each other (DiMaggio and Powell 1983; Meyer and Scott 1983, 214). Institutions are ‘carried’ by the organizational expectations, values, routines and culture, but also by artefacts such as BSC and other accounting tools, which can be perceived as objects meeting a standard or possessing symbolic value (see Järvenpää 2009; Mouritsen 1989; Nørreklit 2003; Rautiainen and Järvenpää 2009; Scott 2001, 77). As carriers of for example of the currently institutionalized NPM trend, PM tools can amplify some accounting and organizational changes; although the changes do not always affect organizational routines very much (see also Lapsley 2008).

In harmony with the stance that besides objective aspects also social and subjective aspects do matter in accounting phenomena (Chua 1986; Hines 1988; Kakkuri-Knuuttila et al. 2008), institutional theory offers a suitable framework for accounting research. In the institutional research two classic strands can be noted: new institutional sociology (NIS), and old institutional economics (OIE). NIS focuses on pressures and ideas surrounding organizational actors and

affecting their cognitive frames, belief systems and cultural frameworks through which meanings are made (cultural-cognitive aspects of institutions, see Meyer 1996, 241; Scott 2001, 39, 57). Further, NIS discusses the institutional or de-institutional pressures on organizational behavior: institutional pressures lead to the institutionalization of certain practices (DiMaggio and Powell 1983), and de-institutional pressures lead to erosion of some institutions and pave the way for new ones (Oliver 1992). In current NIS, however, organizational actors are considered pro-active and not only as passively complying with external pressures (Brignall and Modell 2000; Meyer 1996, 243; Oliver 1991).

OIE builds on economic aspects influenced by rules of conduct (habits, routines, social institutions) which affect the behavior of actors (Scott 2001, 3). Habits and routines reduce uncertainty by offering tested ways of conduct, and are used in coping with the complexity of everyday life (Scapens 1994). However, classic NIS works have also discussed the coupling of rules and routines (e.g. Meyer and Rowan 1977; Weick 1976). Therefore Scott (2001, 2) notes that OIE bears a strong “intellectual kinship with the ‘new’ institutional approaches”. This thesis and the articles build on NIS, but, if applicable, analyses may be enriched by aspects of OIE or other theories.

2.2 Earlier institutional accounting studies

Lapsley and Pallot (2000) summarize that NPM tools can firstly be perceived as instruments of public sector change, facilitating the realization of efficiency gains. Secondly, according to the “NIS strand of accounting”, NPM tools act as devices for legitimating organizational action (ibid.). The NIS strand in accounting research, particularly in the public sector context, mainly originates from Coaleski and Dirsmith (1983; 1988) and from Abernethy and Chua (1996). Newer representatives of the NIS research strand in public sector accounting research include for example Modell (2004), Järvinen (2006) and Hyvönen et al. (2009). However, Järvinen (2006) discusses accounting developments specifically in the Finnish hospital context and Hyvönen et al. (2009) in the context of the Finnish Defence Forces. PM system adoption, use and change in the municipal context have received slightly less institutionally informed accounting study, even though accounting in a city political context can be complex, or “baffling” (see already Zimmerman 1977).

Lapsley and Pallot (2000) study management accounting change in local governments with a comparative case approach, and they suggest that institutional isomorphism, quality of accounting information and personal user aspects can explain many differences in the use of accounting information. It was corroborated in this thesis that for example the professional backgrounds of organizational actors can explicate aspects of municipal PM related decision-making. Lapsley and Wright (2004) study the diffusion of accounting innovations in local governments, government agencies and in health care.

They find several possible explanations (e.g. government influence and fashions) for accounting system adoptions, but also room for studying PM adoption, use and change in municipalities and cities.

Covaleski and Dirsmith (1988) discuss institutional pressures and find that in a university budgeting context “accounting may be more of a social invention complicit in the construction of a social reality, than a ‘rational’ reflection of a technical reality”. Further, Järvinen (2006) noted that normative and economical pressures led to the adoption of an activity-based costing system in hospitals and that institutional and economical aspects were not necessarily conflicting. However the actual use took on different forms in the different organizational contexts depending on the degree of emphasis on legitimation in the adoption process (Järvinen 2006). In survey based accounting studies Malmi (1999) and Lapsley and Wright (2004) used institutional aspects. Lapsley and Wright (2004) evaluated various explanatory models of PM adoption (diffusion), but they were largely unsatisfied with the models they examined, indicating the need to analyze PM system adoption further. Hyvönen et al. (2009) found that under the varying military and managerial pressures and professional traditions varying responses to accounting changes (e.g. compromise and avoidance, see Oliver 1991) can be made in the units of a public organization. Hyvönen et al. (2009) also encourage further research around “the interaction between technical/rational and institutional pressures”. This call is answered in this thesis, particularly in Paper 1.

The proponents of OIE in accounting studies include for example Scapens (1994) as well as Burns and Scapens 2000. OIE based analysis is especially useful in studies of accounting and organizational change or stability (see Burns and Scapens 2000; Granlund 2001). The division of OIE and NIS is not exclusive, but complementary. For example Brignall and Modell (2000) and Ribeiro and Scapens (2006) used aspects of both OIE and NIS research strands in their analyses of performance measurement and management accounting change. A combination of methods and theories can be useful in explaining organizational events, although there is a risk of over-theorizing casual events involved (see also Kakkuri-Knuuttila et al. 2008; Ribeiro and Scapens 2006). However, the literature suggests that the relations between various rationales of PM use deserve further study in both quantitative and qualitative approaches. Ribeiro and Scapens (2006) in particular encourage analysis of the rationales and the relations between institutional pressures. Therefore a survey is suitable for revealing general aspects of PM use (Paper 1). Further, Granlund (2001) combined institutional aspects with rational and individual aspects of decision-making. Later Lounsbury (2008) suggested that the view where accounting system adoptions are either “rational” (first adopters) or “mindless imitation” (late adopters) is overly simplifying. A more complex view on the rationales is supported also in Paper 1 of this thesis, concerning BSC adoptions in Finnish municipalities. However, as PM use always happens in a context, case or field studies are also needed (see Papers 2 and 3). Wide perspectives in accounting studies instead of strict methodological dichotomies have been encouraged, for

example by Chua (1986), Kakkuri-Knuuttila et al. (2008), Lapsley and Wright (2004) and Vaivio and Sirén (2010).

In Paper 1 it is found that economic, institutional and individual aspects affect accounting and PM developments in the municipal sector, but in complex and intertwined ways (refining Granlund 2001). Further, individual aspects and motivations related to PM changes partly can be explained by *aligned* institutional and rational pressures (Paper 3), or by *conflicting* pressures and legitimations surrounding organizational actors (Paper 2; see also Busco et al. 2006; Kurunmäki 2004; Lounsbury 2008; Meyer and Scott 1983, 210).

2.3 Conflicting legitimations

Public sector organizations can be supported or opposed by several contending or conflicting legitimations (the words contending and conflicting are interchangeably used by Meyer and Scott 1983). Contending legitimations stem from different social values and from the multiplicity of interests surrounding public sector organizations (Lapsley 2008; Meyer and Scott 1983, 210). Legitimations and values materialize for example as social pressures on actors within organizations (Oliver 1992). Multiple conflicting legitimations are therefore represented by multiple conflicting pressures on organizational actors. The complexity of pressures and legitimations in municipalities has not been widely studied. Therefore this thesis with its clarification of the conflicting institutional and financial legitimations and pressures in municipalities (see categorization below) contributes to the explanation of organizational responses to institutional pressures (see Abernethy and Chua 1996; Hyvönen et al. 2009; Oliver 1991).

Meyer (1996, 244) noted that in traditional NIS research the focus of analysis is on the actors surrounded by ideas, pressures and other people “in the wider environments surrounding organizational life” (ibid.). Actors edit, translate and respond to ideas and pressures, promote some ideas, but not others, a process which allows for variation even in the use of a “standard” accounting tool such as the BSC (see Lounsbury 2008; Seo and Creed 2002). When there is practice variation in organizational behavior, rules and routines are not always tightly coupled, but may be loosely coupled or decoupled so that a rule change may occur without much impact on the organizational routines (see e.g. Meyer and Rowan 1977). Practice variation stems from natural dispersion in the human reproduction of rules and routines especially during perceived conflicts and crises (see Seo and Creed 2002; also Burns and Scapens 2000). However, practice variation also stems from variation in the control logics of the field (Lounsbury 2008). Control logic is a part of a general organizational decision-making logic or rationale and can be generally considered as the representation of the dominating legitimation (or *raison d'être*) for operating in the field, yet possibly affected by other, conflicting legitimations (see Meyer and Scott 1983, 210).

As a concept, organizational *legitimacy* refers to “the degree of cultural support for an organization – the extent to which the array of established cultural accounts provide explanations for its existence, functioning, and jurisdiction, and lack or deny alternatives” (Meyer and Scott 1983, 201). The lack of alternatives points out that if the cultural support for an organization is strong there are no alternatives or substitutes for it, and thus the organization will survive, be sovereign and prosper in the culture (ibid., 201–2). However, as there are several interest groups, there are also multiple values, cultures and multiple legitimations (ibid., 207; also Brignall and Modell 2000; Lapsley 2008). It was noted that the legitimations, particularly the ‘dominant legitimation’, i.e. what the prominent group of an organization ‘thinks is right at any given time’, count in accounting developments (all Papers; see also e.g. Latour, 1999, 7). As a synthesis of the three Papers in this thesis and the works by DiMaggio and Powell (1983), Granlund (2001), Malmi (1999) and Meyer and Scott (1983), it is categorized that the basic legitimations in current Finnish municipal accounting context, and consequently the PM change rationales and pressures, include:

- 1) *Financial legitimation* (sometimes also more general ‘rational’ view on legitimation).
- 2) *Institutional legitimations* consisting of
 - 2a) *Coercive legitimation* (e.g. legislative aspects);
 - 2b) *Normative legitimation* (e.g. views of professional bodies and interest groups)
 - 2c) *Political legitimation* (e.g. views of political parties); and
 - 2d) *Mimetic legitimation* (e.g. fashion and fad aspects).
- 3) *Individual legitimation* (e.g. individual will to experiment, cognitive aspects, personal associations and aspirations).

Financial legitimation basically is the ‘rational’ or ‘cost-effectiveness’ view on legitimation, where perceived benefits exceed costs considering organization, society, interest groups or individuals, but currently the emphasis is largely financial in Finnish municipalities. *Institutional legitimations* include *coercive* demands posed by legislation, *normative* professional views, *political* views and *fashion* aspects. Normative views, for example managerial (e.g. NPM) or the views of health care professionals, may also conflict (Paper 2). Political parties may have historical, even rigid, policy conflicts. *Individual legitimation* includes for example the desire for career progression and willingness to experiment with new practices.

The legitimations co-operate or conflict in a municipal context (Paper 1). In Paper 1, the main rationales found affecting non-legislative adoptions of BSC systems in Finnish municipalities were named: *rational*, *normative-experimental*, and *mimetic*. The rational and mimetic views conflicted, and the normative aspects and the individual will to experiment were entangled (Paper 1). Also, considering BSC adoptions only, the coercive legitimation was absent as the adoption of a BSC system is not required by Finnish law. Other individual and political aspects of legitimation and performance measurement use appear more in Papers 2 and 3.

Depending on the dominant and other legitimations and pressures around and within an organization, organizations are urged to respond to the pressures and thus to change or remain stable in order to maintain their legitimacy (also Järvenpää 2009; Oliver 1991). The interrelations of the legitimations, as represented by municipal decision-making rationales related to BSC adoption, are statistically modeled in Paper 1. Paper 2 focuses on conflicting legitimations and particularly on normative institutional pressures affecting PM change, portrayed by the professional backgrounds of municipal actors. Paper 3 focuses on the alignment of 'rational' and other, for example individual change pressures in a case context during crises. In Paper 3 it is noted that following others (the mimetic view) does not necessarily mean following similar organizations or neighboring organizations. Conflicts of normative pressures indicate conflicting legitimations which, it is argued, lead to a loose PM coupling¹ (see Paper 2). In sum, the institutional point of departure of this thesis is that municipal actors are affected by the pressures surrounding them, and this affects PM related decision-making in municipalities (see Meyer and Scott 1983, 210; Meyer 1996, 243).

Further, the complexity of the public sector context with multiple legitimations puts demands on PM (see Lapsley 2008; Meyer and Scott 1983). In order for the organization to be legitimate and accountable to the various interest groups BSC can be 'balanced' also considering the multiple legitimations outlined above. Thus *not only the classic BSC perspectives of financial, customer, processes and learning and growth should be balanced but also the content of PM so that rational, coercive, normative and fashion demands for PM are taken into account*. This wide emphasis on PM in order to fill various reporting needs should, however, be aimed at improving the overall municipal performance. Caution must be taken in order not to focus excessively on PM thus hampering the resources available for operative processes (Olson et al. 2001). However, the conflicting legitimations, rationales and pressures facilitate understanding municipal PM developments. Next, issues of mixed method research used in this dissertation are outlined.

¹ This idea is largely proved in Finnish municipal budgeting context by Rautiainen (2010b). The perceived large proportion of provider-unit employees in a city board significantly and negatively correlated with increasing budgeting accuracy, i.e. the larger the proportion of provider-unit employees, the greater the degree of inaccuracy in budgeting. This indicates that conflicting legitimations in the city board cause loose coupling of budgeting rules and routines, and also loose coupling of PM rules and routines. Weick (1976) called for a study of the reasons for loose coupling, and now contending legitimations have been identified in the public sector context (in this thesis, e.g. Paper 2, and by Rautiainen 2010b). However the implications of loose coupling can also be positive, such as increased organizational flexibility (see Lukka 2007; Weick 1976).

3 METHODOLOGY, DATA AND METHODS

3.1 Methodology and mixed methods research

According to Burrell and Morgan (1979), researcher usually chooses either an 'ideographic' or 'nomothetic' research methodology. In ideographic research the key issue is to understand the way in which the individual (the subject) "interprets the world in which he or she finds himself" (ibid., 3). In nomothetic research the main point is to find relationships and law-like patterns of the objective reality observed. Ideographic research is subjectivist, concerned about the views of the subject; whereas the nomothetic is more objectivist, trying to see reality in an objective way and trying to minimize the effect of the researcher in the results. For convenience, these two strands of research methodology are sometimes labeled as 'objective' and 'subjective' (ibid., 8). Nomothetic (mainstream) studies often are quantitative using numerical data; whereas subjective (ideographic, interpretive) studies use qualitative data (e.g. texts), in which the world view of the subject is captured (see also Chua 1986).

Increasingly, accounting research has encouraged using both quantitative and qualitative data and methods (see Kakkuri-Knuuttila et al. 2008; van Maanen 1998, xii; Vaivio 2008; Vaivio and Sirén 2010). Already Chua (1986) criticized harsh methodological divisions such as subjective-objective dichotomy. Hines (1988) in her notion "by naming it revenue, it becomes revenue" pointed out that institutionalized terminology or our experiences can add finesses (details, interpretations, background reasons etc.) to our view of accounting phenomena. Using both quantitative and qualitative data and methods may provide more focus, increased flexibility, balance and complementary insights into the research process and results (Lewis and Grimes 1999). Thus the distinction between quantitative and qualitative research should not be overemphasized, but both lines of study are needed (Van Maanen 1998, xii; also Yin 1984, 91).

Interpretive studies can (and in some occasions even should) include some objective aspects into analysis (Kakkuri-Knuuttila et al. 2008). Further, in

pragmatically focused management accounting research both subjective and objective aspects can co-exist because they complement each other – and because purely subjective or objective stances are rarely defensible (Kakkuri-Knuuttila et al. 2008; Modell 2008; van Maanen 1998). The recent accounting interest in methodological issues indicates that methodological discussions are not outdated. However a discussion of whether a scientific article is – or should be – purely subjective or objective may be an interesting exercise of methodological thinking, but not the primary feature for judging the quality of the article or methodology (Kakkuri-Knuuttila et al. 2008). This stance also allows for mixed methods research.

Mixed method research is not very common in accounting research papers, perhaps because of the limited space allowed for scientific articles. A larger research project, however, such as a PhD thesis provides an opportunity to explore the research topic using quantitative and qualitative methods to enrich our knowledge of the research area (Vaivio 2008; Vaivio and Sirén 2010). *This thesis mainly builds on the NIS based interpretive “paradigm” of analysis, but also employs some complementary methods and aspects of the functionalist paradigm such as statistical analysis of survey data.* This is considered as a feature that enriches this thesis (see Appendix; Burrell and Morgan 1979, 22; Chapman 2008; Chua 1986; Kakkuri-Knuuttila et al. 2008; Kuhn, 1970; Vaivio 2008). Therefore the articles in this thesis employ different methods. For example the general aspects of BSC adoption are studied with a survey and case-related aspects for example with interpretive analyses of e.g. interview data. Furthermore, it can be considered that a solution to bridging the objectivity–subjectivity divide (gap) is to accept that a thing is constructed, but “because it is constructed ... it is so very real, so autonomous, so independent of our own hands” (Latour 1999, 275).

It is noted in this thesis that in constructing accounting reality, multiple pressures simultaneously affect organizational decision-makers and may amplify or attenuate changes (all Papers). Accounting terms, the principles used in calculating accounting figures, and the interpretations of the figures vary across individuals, professional groups and organizations (Papers 2 and 3, see Hines 1988; Macintosh et al. 2000). Accounting figures can be standardized and ‘objectified’, but individuals make the interpretations based on them (see Hines 1988; Macintosh et al. 2000). Accounting tools may carry (amplify) some pressures, but not all (see Papers 2 and 3; Scott 2001, 77). Individuals, in their social context, enact the change, create the rules and routines, and transfer pressures to other actors, adding to the myriad of pressures in the public sector (see Meyer and Scott 1983, 210; Meyer 1996, 241–4). In sum, the methodological stance adopted in this interpretive mixed method thesis is that wide accounting phenomena are preferably studied using multiple research methods and data.

3.2 Data and methods

In order to find out both the particular and general issues behind BSC use in Finnish municipalities, first the developments of a case city (see e.g. Paper 3, i.e. Rautiainen 2008b) were observed and 16 interviews were made starting November 2005. Secondly, a survey was conducted in Autumn 2006 for the municipalities in mainland Finland (415 at the time, 48 % response rate, see Paper 1). Thirdly, Paper 2 includes data from 20 interviews made in Autumn 2007 in two case cities (of which one is the same city as in Paper 3). Paper 2 also includes, in addition to the 20 interviews mentioned, other field data: the financial statements and the board compositions found from the internet pages of the two cities were analyzed. Thus a rich data (e.g. 36 transcribed interviews, documents and internet-data, financial statements and other notes) were gathered during the 2-year phase of field research (2005–2007).

In this thesis both quantitative and qualitative research methods are used in order to get a suitably rich – a wide and deep – view of PM in the municipal context. Using mixed research methods and data from various sources (methodological and data triangulation) has recently been advocated for accounting studies by Kakkuri-Knuuttila et al. (2008) and Modell (2008). The mixed approach facilitates comprehensive analysis where different research aspects complement each other (Greene et al. 1989; Modell 2005; Yin 1984). Further, in an academic work, the combination of methodological approaches demonstrates a wide understanding of methodological literature and foundations of research work, which is needed to facilitate research with methods that are suitable for the research problems.

Paper 1 uses survey data with a statistical approach. For example basic descriptive statistics, such as averages, correlations, and their significances were calculated for the survey data. Further, exploratory and confirmative factor analyses were used in analyzing the background decision-making rationales related to PM adoption in Finnish municipalities. On the other hand the interviews made during this research work were recorded and transcribed and analyzed based on the institutional pressures found affecting the case events. Paper 2 includes comparative case data and enriches interview data with the background financial data of the case cities and provides a numerical example of the city board compositions. Paper 3 is based on qualitative case study evidence, mostly interview data. Along with Paper 1, Paper 3 enriches NIS analysis by using some aspects of the interplay of organizational rules and routines discussed by accounting researchers influenced by OIE, particularly by Burns and Scapens (2000) and Granlund (2001). More details about the data and methods used can be found in the summaries of the research Papers as well as in the original Papers.

4 WIDE VIEW ON MUNICIPAL PM - SUMMARIES OF THE PAPERS

4.1 Backgrounds of the Papers

The focus of the articles moves from general (overall survey) to special (case). Chronologically Paper 3 and Paper 1 were first phases of this research process starting in Autumn 2005 already offering a wide view on Finnish municipalities. Paper 2 refines the view by analyzing the complexities of accounting change in two case cities, cities "East" and "West". City West is also the city studied in the case study of Paper 3. City East is another Finnish city of a similar population size than city West. Paper 2 (comparative case study) is chronologically based on the second interview phase of this research process in Autumn 2007.

The Papers contribute to our understanding of PM system adoption, use and change in the municipal context with several organizational levels and several organizational actors facing a myriad of normative and other institutional or de-institutional (e.g. social) pressures. In particular the co-existing and conflicting institutional pressures, the importance of the individuals involved in changes and the conflicting legitimations of municipal operations are analyzed and refined compared to previous accounting literature (see e.g. Abernethy and Chua 1996; Granlund 2001; Kurunmäki 2004; Lukka 2007; Malmi 1999; Ribeiro and Scapens 2006). All articles also contain literature reviews and can thus be read separately.

Additionally to the articles, in Chapter 2.3 a categorization of current municipal PM related legitimations is presented. Further, in Chapter 6 a longitudinal PM change process is illustrated as a synthesis based on the articles. Further, because different research methods are used in different articles the validity and reliability of mixed methods research and the Papers are discussed in Chapter 5 of this introduction.

4.2 Paper 1: the interrelations of decision-making rationales around BSC adoptions in Finnish municipalities

Paper 1 (Rautiainen 2009a) analyzes the interrelations of the decision-making rationales around PM adoptions in Finnish municipalities. Previous NIS based studies have tended to assume that PM adoptions occur because of either 'rational' or 'institutional' reasons. The accuracy of this 'polar' two-factor view is empirically analyzed in this Paper, as called for by Ribeiro and Scapens (2006).

The survey data collected (199 responses, 48 % response rate) were analyzed with factor analyses using for example SPSS and LISREL programs. The decision-making rationales (factors) around Balanced Scorecard (BSC) adoption were labeled 'mimetic', 'rational' and 'normative-experimental'. Mimetic rationale correlated negatively with the other factors. However, data was small and as the other Papers in this thesis and the LISREL diagnostics in Paper 1 suggest, there may be other forces involved in PM adoption related municipal decision-making.

The practical implications of this Paper include a better understanding of how the interplay of the various pressures may facilitate the management of PM development projects. The importance of institutional aspects was found. Further, 'rational' and institutional rationales were opposed also in the Finnish public sector (corroborating DiMaggio and Powell 1983). This 'polar' view needs to be amended, however, with individual or 'experimental' aspects, although experimental aspects are entangled with normative rationale (refining Granlund 2001). Acknowledging all three rationales enriches PM adoption literature, particularly in the public sector context (see e.g. Järvinen 2006; Lapsley and Pallot 2000; Lapsley and Wright 2004; Malmi 1999) because the complexity of the adoption process is better understood. Finally, the rationales were interrelated, i.e. able to interact or counteract in PM adoption related decision-making.

The results also indicate that 68.5 % of the respondents that answered BSC related questions (N=73) considered BSC to work well and fit municipal organizations. Further, small municipalities tend to follow the example of bigger ones (mimetic rationale correlated negatively with high population). Further, the normative rationale for adopting BSC was strongly felt in growing municipalities. Growing municipalities may need more elaborated PM systems and thus take a step towards a more sophisticated accounting and PM package according to NPM suggestions. The rational factor did not correlate significantly with unemployment or population. However, in municipalities with high unemployment, mimetic factor correlated negatively indicating that under high unemployment rational PM adoptions are needed. Further, large cities were the first-adopters of BSC in Finland, but the assumption by Malmi (1999) that high mimetic pressures are involved in late adoptions was not confirmed. However, many BSC adoptions were quite recent so the analysis of this aspect might benefit from future studies.

4.3 Paper 2: Contending legitimations: performance measurement coupling and decoupling in two Finnish cities

This Paper (Rautiainen 2010a) analyses contending legitimations (see Meyer and Scott, 1983, 210) and the effects of conflicting institutional pressures on decision-makers and on the PM practices of two Finnish cities. The research question is: why the developments and the coupling of budget or PM rules and routines were different in these relatively similar case cities. In this interpretive study, a comparative case setting (in cities East and West, including semi-structured interviews) was used. It was found that contending legitimations affect the coupling of city budgeting and PM rules and routines. It was found that a city is likely to experience decoupling of formal PM rules and routines if there are conflicting normative institutional pressures among decision-makers (especially among City Board members). Improved understanding of the contending legitimations and the potential effects of city board member backgrounds may facilitate better management of accounting change projects in cities.

For example, decision-making and consequently PM changes and also maintaining good municipal finances become more complex when there are multiple potential conflicts of interests among city board members. Therefore some change projects may require improved co-operation among city boards. This view was later largely corroborated also by Rautiainen (2010b) in a more general survey about municipal financial managers' perceptions about the financial status of municipality and the amount of employees in the municipal board.

Further, this Paper contributes to accounting literature by illustrating the multiple institutional pressures and their effects on PM developments and on PM coupling in the case cities. As a refinement to the works by Abernethy and Chua (1996), Granlund (2001), and Ribeiro and Scapens (2006) contending legitimations can explain complexities of PM related decision-making as well as the will of key actors to promote or postpone changes. Further, contending legitimations and strong pressures may be a reason for hybridization of accounting personnel (see Kurunmäki 2004). Further, it is suggested that budgeting, accounting or PM rules may be coupled at an overall level, but decoupled a more detailed level, for example regarding health care cost cuts. This differing coupling of PM rules and routines among organizational levels or regarding certain topics or areas of municipal service provision can explain aspects of simultaneous change and stability within an organization (refining Granlund 2001; Hyvönen et al. 2009; Ribeiro and Scapens 2006).

In addition, Paper 2 discusses accounting and group accounting practices of Finnish municipalities. In Finland, the financial position of the city needs to be 'balanced' (a long-term zero-result is required by the Municipal Act). However, viewing the true financial position of a parent city may be clouded by intra-group sales and with a debt policy where either the parent city or the sub-

units obtain more (or fewer) loans. Therefore group accounting and consolidated financial statements are basic requirements in the analysis and comparison of municipal performance, and can provide information for judging the financial position of a municipality that is additional to the parent municipality's financial statements alone. Further, it is explicitly argued that consolidated accounts are needed to assess the financial balance. Otherwise group accounting practices in Finnish municipalities and legislation can encourage financial statement manipulation (corroborating the finding by Vinnari and Näsi 2008). Further, as Rautiainen (2004, 102) suggests, the concept of "financial balance", operationalized as the average annual result without extraordinary items divided by the average tax income during the analysis period, is used empirically to compare the two cities.

4.4 Paper 3: Distance and coupling: analyzing the pressures of accounting change in a city

Paper 3 (Rautiainen 2008b) analyzes the process of change in accounting PM in a Finnish city using interpretive case study evidence. Term 'accounting PM' is used to emphasize the entangled and inseparable nature of accounting, budgeting and PM in Finnish municipalities. The data consisted of 16 semi-structured interviews. Analysis was based on institutional theory, particularly on 'new institutional sociology' (NIS) studies. It was found that budgeting and PM rules and routines became coupled when various intertwined (mostly institutional) pressures affecting change converged. Perceived crises were found to accelerate accounting changes by deinstitutionalization, i.e. by breaking (drastically) existing routines and myths. Further, accounting rules and routines changed somewhat independently. The notion of 'distance' between rules and routines clarifies the dynamic nature of the coupling of institutional rules and routines. Further, analysis of both internal and external institutional pressures facilitates understanding of the case events.

The case city faced many changes such as a city manager change, sale of Water Company, closing a small school, and adopting a new accounting system as part of the adoption of a new enterprise resource planning system (ERP). In these changes there were a myriad of both institutional and de-institutional pressures involved. For example there were political, even personal disputes involved in operations. Further, the coercive pressure to have financial balance encouraged economy and effectiveness in operations and paved the way for NPM style PM decisions such as BSC and later ERP which was considered a tool for reporting, although reporting did not improve "miraculously" immediately after the adoption of the ERP, but only later entangled with other accounting changes. However, the timeframe of a PM improvement process will be discussed in more detail in Chapter 6 of this thesis.

The revised organizational, personnel and accounting structures offered new trust and possibilities for continuing accounting and organizational developments. Indeed, new routines may create trust and flexibility, and reduce anxiety related to further changes (refining Busco et al. 2006; Lukka 2007). Furthermore, some changes in accounting or PM in the municipal field occur only when several non-dominant pressures align (refining e.g. Abernethy and Chua 1996; Järvinen 2006). Further, it is for example proposed in Paper 3 that the degree of coupling between rules and routines varies with perceived pressures and organizational myths. Further, when the distance between political parties and change pressures diminishes also the distance between organizational pressures rules and routines diminishes (rules and routines become more coupled), and hence rules may be more closely followed or at least the fit of rules and actual operating circumstances is more easily revealed.

Other implications of Paper 3 include improved understanding of the interplay of various organizational pressures, deinstitutionalization and institutionalization of routines which may facilitate management of PM change processes. Further, this analysis of the pressures and rationales of PM change in a Finnish city contributes to the accounting literature by noting the complexity of public sector change pressures, especially during perceived crises. Interestingly for example changes in PM rules were not necessary when changing routines, but other related changes and myths may amplify change pressures and thus facilitate new organizational routines.

5 VALIDITY AND RELIABILITY

5.1 On validity and reliability

Validity means that the measurement correctly measures what it is supposed to measure so that conclusions can be based on the results. Reliability means consistency or repeatability of results. However, reliability is estimated, not measured, because the next time something is studied there may be other, unprecedented aspects affecting the results. In qualitative case studies, in particular, the findings are linked to case circumstances and the results are interpretations made by the researcher. Therefore in qualitative studies validity and reliability are considered more in the sense of “convincingness”, i.e. in the sense of being credible or plausible in the explanation of events (Golden-Biddle and Locke 1993). The convincingness of qualitative works can be divided into dimensions of *authenticity, plausibility and criticality* (ibid.). Authenticity conveys the sense of “being there”, i.e. conveys the experiences and “the vitality of everyday life encountered by the researcher in the field setting” (ibid., also Heidegger 1927/1979, 11–13). Plausibility is concerned whether the written research text, the “story”, makes sense to the reader given where the reader comes from (ibid.). Criticality focuses on the ability of the text to “actively probe readers to reconsider their taken-for-granted ideas and beliefs” thus offering a critique, but also novel possibilities and aspects for research (ibid.).

Following Modell (2005), validity can be further categorized into *internal* validity (e.g. was there a connection between X and Y?), *construct* validity (do the concepts portray the real-life phenomena?), and *external* validity (can I generalize this?). Moreover, *internal validity* of a study refers to the “credibility of the causal relationships between independent and dependent variables inferred from data” (Modell 2005). Also several aligned case study results may infer some plausibility of causal explanations (ibid.). In the hermeneutic process of qualitative research the construct validity improves as the meanings and connotations of the concept become familiar. In any research, however, the

concept may be misunderstood by the researcher or the respondents wherefore good construct validity is a pre-requisite for external validity.

External validity portrays the extent to which the findings of a study can be generalized across populations, contexts and time (Birnberg et al. 1990; Modell 2005). In statistical studies generalizability may be assumed if results are significant and explain future events. In case studies external validity focuses on the logical accordance of theory and empirical findings as well as on the practical and managerial relevance of findings (Kaplan 1986; Kasanen et al. 1993; Modell 2005, Yin 1984). Case study findings may be important in managing change processes or in improving performance of a unit (Kasanen et al. 1993). Proving something right is difficult, but a theory aspect may be corroborated or refined by case findings, or refuted (proven false) in a particular context even because of a single case finding (see Popper, 1968; Wittgenstein 1969). This allows for scientific study to progress; to make new conjectures and to refute or corroborate old ones.

5.2 Validity and reliability of the thesis

This PhD thesis includes both quantitative and qualitative analyses. This mixture of methods has been encouraged for interpretive studies by Kakkuri-Knuuttila et al. (2008) in order to get a wide view of events. *The use of both survey and case study methods diminishes possible threats to reliability and validity* (see Modell 2005). Further, the use of survey and case study evidence *improves the convincingness* of the thesis, and allows aspects of theory refinement and testing (see Golden-Biddle and Locke 1993; Kakkuri-Knuuttila et al. 2008; Modell 2005; Vaivio and Sirén, 2010).

In the quantitative part of this study, acknowledged research methods such as factor analyses were used with esteemed statistical measures of validity and reliability (e.g. significances, loadings, model fit, and “alpha”, see Cronbach 1951; Shields et al. 2000). Further, a central idea of confirmatory factor analysis is to check if a model is valid or fits the data; for example if the factors or structures (latent theoretical constructions such as the three main rationales in Paper 1) are plausible in explaining the survey answers. Therefore confirmatory factor analysis is partially used to assess the construct validity of a factor model. Naturally conclusions based on a statistically good model (as in Paper 1) are more valid and generalizable (i.e. have a good conclusion validity) than conclusions based on a model that does not fit the data (see Modell 2005).

In Paper 1, the results are statistically significant and thus generalizable. However, the data in Paper 1 was small, a point which may constitute a validity threat. However, as discussed in Paper 1, the statistical methods used are quite robust also in small sample sizes. The survey for Paper 1 also mostly used well-known concepts (see Paper 1; Rautiainen 2008a). However, in any research,

there is a possibility that not all relevant aspects or factors are included in analyses. Therefore case studies were used to deepen the analyses made.

Statistical analysis can be generalized, but a certain case organization that is currently adopting BSC or its operating circumstances may differ from “the average” public sector organization or from the “average circumstances” best explained in quantitative studies. Therefore both quantitative and qualitative methods were useful during this research project. Further, even if the respondents state that they use the BSC, the system or the use may actually be quite different from other municipalities or from a “standard BSC system” (as noted by Carmona and Grönlund 2003). Therefore in Paper 1 also non-standard “BSC-like-systems” were analyzed as representations of institutionalized yet changeable concept of the BSC, see Nørreklit 2003). However, any result is not necessarily the absolute or ultimate truth across time and space, but more a well-reasoned conjecture about the state of affairs in a particular field at a certain time (see Popper 1968).

Paper 2 is a comparative case study which refines the picture given in Paper 1 by addressing the city administration, political decision-making level and unit level PM complexities. Theoretically the focus is on the conflict of institutional pressures and legitimations. The practical focus is on the independence of city board members using interview data, but also data from the internet. Here the view on the BSC use is deepened by illustrating the contending legitimations and the many institutional pressures surrounding municipal decision-making. In the event of conflicting pressures PM related decision-making becomes more complex and decoupled. This is also corroborated by Rautiainen (2010b). The illustration and clarification of NIS concepts such as legitimations, logics and pressures improves our understanding of the connection of these concepts and institutional theories thereby improving the construct validity of the research. Further, in Paper 2 the group accounting practices of Finnish municipalities are discussed indicating that financial comparisons of municipalities should be supplemented with consolidated financial statement and cash flow statement information as they lessen the incentives for parent company financial statement manipulation (e.g. with intra-group sales of property, see also Vinnari and Näsi 2008).

Paper 3 is a qualitative case study of a city where several pressures were aligned and together brought along the organizational and accounting change. The results of case studies cannot be generalized, but this Paper adds to the “sense of being there” (Golden-Biddle and Locke 1993), and refines the more general findings of other Papers. In particular, if the conflicts of institutional pressures (e.g. after a perceived crisis) diminish, and can be aligned towards actual change with co-operation, the change becomes inevitable. This Paper adds to the validity and reliability (convincingness, see Golden-Biddle and Locke 1993) of the thesis, because the individual and political aspects, crises and the multiple institutional and de-institutional pressures of PM changes are closely analyzed.

6 DISCUSSION, CONTRIBUTIONS & CONCLUSIONS

6.1 Contributions based on the articles

This study makes contributions at the general, field and case levels of the Finnish municipal context. The main contribution of this study is to clarify municipal PM system adoption, use and change processes as well as the contending legitimations surrounding municipal organizations. The legitimations are noticeable as different pressures, organizational logics or rationales of BSC adoption related decision-making (Paper 1; Lounsbury 2008). The main contribution in Paper 1 is the finding of three factors, or rationales, of BSC adoption, i.e. economic, institutional and individual aspects in an entangled myriad of pressures affecting municipal PM. The *three intertwined* factors of municipal BSC adoption corroborate, but also refine the works by Granlund (2001), Lapsley and Pallot (2000) and Malmi (1999) in the municipal context. Differences based on municipality size were also found, small municipalities tending to mimic the PM practices of larger ones.

In Paper 2, noting and portraying the contending legitimations (as represented by normative institutional pressures) in Finnish city PM refines the works by Abernethy and Chua (1996), Granlund (2001) and Ribeiro and Scapens (2006) by explaining complexities of the individual decision-making related to PM developments in municipalities. Further, differing board compositions and conflicts between pressures can explicate the differences in the PM developments of the case cities and more generally the coupling of rules and routines in PM use and change (cf. Abernethy and Chua 1996). This result suggests that independent municipal boards may be preferable in circumstances where actual operative and accounting changes without large disputes are hoped for.

In Paper 3, the individual aspects and political pressures of municipal PM were analyzed during a change phase in a case city. Aligned pressures are often needed for actual changes and crises create both threats and potential for aligning those pressures. However, BSC, as a tool, may amplify the normative

ideas of the NPM trend such as private sector style management and PM (see Lapsley 2008; 2009; Scott 2001, 77).

Noting the importance of aligned – or conflicting – pressures in explaining aspects of change and stability in municipal PM deepens our understanding of how actual changes and change beyond the minimum requirements of the environment can be achieved (all Papers, refining e.g. Abernethy and Chua 1996). Aligned pressures and PM tools together may even penetrate the activities and actions of well organized professional groups (cf. Lapsley 2008). For example, conflicting pressures may facilitate the birth of hybrid professionals if organizational actors cope with pressures by acquiring multiple expertises (see also Kurunmäki 2004). Further, it was noted that the division of internal and external pressures can be blurred in public sector circumstances (Paper 3). In addition, analysis of the (loose) coupling of rules and routines (or “distance”, i.e. the amount of conflict between rules and routines, Paper 3) offers an avenue for further research and knowledge about organizational practices as well as about crises and trust in accounting changes (see Busco et al. 2006; Oliver 1992). Further, the Papers also include analysis of the Finnish municipal PM field, particularly BSC use in Finnish municipalities. Finally, legitimations and pressures as NIS concepts were analyzed.

6.2 Contributions beyond the individual articles

Beyond the findings of the Papers, the legitimations and pressures surrounding municipal operations and performance measurement were categorized in Chapter 2.3, contributing to NIS based accounting research. The main categories are *financial, institutional and individual views on legitimation*. Here the current financial emphasis of municipal management that sometimes replaces considerations of cost-effectiveness is explicitly noted. Further, institutional legitimations include *coercive, normative, political and mimetic* views on legitimation. For example as a contribution to Granlund (2001) political aspects were emphasized in the municipal PM context. Also several aspects of individual legitimations such as the willingness to experiment (Paper 1) and personal disputes (Paper 3) can be considered, although some individual elements affecting municipal PM can be explicated with the professional backgrounds of municipal actors (Paper 2).

Additionally, the combination of Papers and the discussion presented in this thesis introduction additionally indicate that long-term PM developments include different phases and occur in a complex and slow, path-dependent, way. Path-dependence means that earlier choices affect the future choices (see e.g. Modell et al. 2007). Figure 2 outlines *longitudinal PM change in the public sector environment* as somewhat analogous to a paradigm shift (see Kuhn 1970, 68–71; Oliver 1992). In Figure 2, the level of organizational PM has eventually improved, i.e. a progressive PM change has occurred, although the

improvement did not reach the intended level (the dashed line) until several years after the crisis phase. This may be because several factors such as conflicting pressures affect the change process (see also Papers in this dissertation), change is a process involving other organizational and accounting developments (e.g. Paper 2), as well as crises, conflicts, active individuals and chance (e.g. Paper 3). Further, change may be reduced to an illusion of change (Papers 2 and 3, also Burns and Vaivio 2001; Quattrone and Hopper 2001). Accounting can be used as a tool in making and solving conflicts, but the institutional pressures related to the use of those tools facilitate further, actual accounting and operative changes and the resolution of conflicts and crises, though often very gradually (see e.g. Paper 3; refining e.g. Burchell et al. 1980).

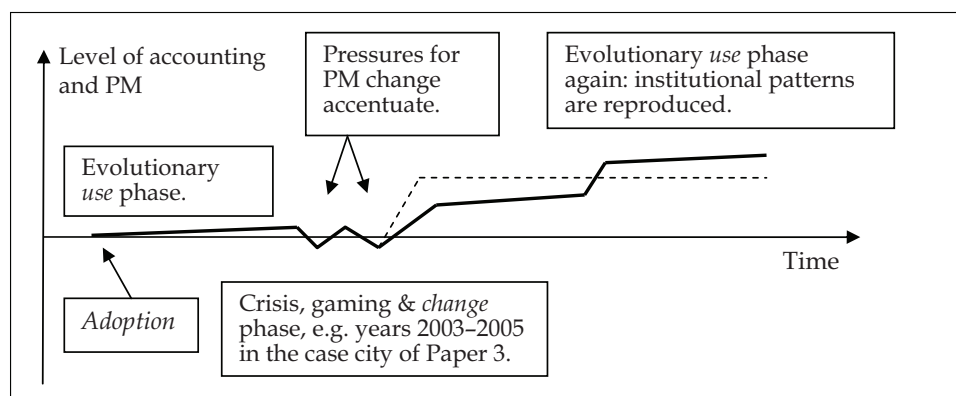


FIGURE 2 Longitudinal PM adoption, use and change process.

In Figure 2 (see also Paper 3), organizational PM reporting first deteriorates because of power games and disputes within the organization resulting in budgeting inaccuracies and thus inaccuracies in PM, for example reporting only the suitable performance figures. Then the change in PM was made, and the BSC was used as an explicit tool for planning and PM. Target setting trainings and emphasis on tight budget discipline facilitated returning to an acceptable PM level. However PM reporting did not improve to the expected or hoped-for level until several years after the BSC adoption. Further, the PM changes were entangled with later accounting improvements, for example the adoption of a new accounting and ERP system ("SAP"). The adoption of SAP, however, again momentarily caused reporting problems and delays (the second slump in the level of PM in Figure 2). Only after the new systems were fully in use did the combined level of PM and accounting surpass the original level and only then after adopting yet another reporting system, Cognos 8, did the level of PM surpass the hoped-for PM level.

It was noted that the level of PM reporting and the levels of operative or financial performance were often, but not always coupled. For example a sale of

property can affect the financial performance without affecting the level of operative performance or PM reporting. If the pressures for change align progressive changes beyond the targeted levels of PM reporting and changes in actual performance become more likely (also Papers 2 and 3). Accounting changes go step by step and do not usually change the organization or its strategy in an instant (also Lapsley and Clarke 2004). However, in the case of Paper 3, the metaphor of paradigm shift is applicable, because accounting changes were entangled within the overall process of change of the city. *This longitudinal view on PM changes, noticing the entangled nature of accounting, PM and operative action is a contribution of this thesis beyond the contributions of the individual Papers.*

The longitudinal view also has implications considering BSC use. The long-term effects of operative decisions on each BSC perspective can be even more explicitly considered, instead of short-term decision-making (see Paper 3; Rautiainen 2009b). Further, it was noted that the developments occurred in a path-dependent way (see Modell et al. 2007). Path-dependence means that the adoption of, say, accrual accounting leads to actors to accept normative NPM pressures and behavior. This again facilitates adopting private sector PM tools thus discarding other options or development paths. Adoption of one new system then paves the way for yet other accounting systems. New systems again amplify NPM style pressures, which change behavior in the organization, for example first in some organizational units, and then in other units. Therefore accounting changes have a path-dependent effect on future accounting choices and eventually also on operative action. However the long-term benefits of changes are not always clear in the public sector (Monsen and Näsi 1998; Rautiainen 2009b). This again calls for long-term planning and PM as well as for the consideration and prediction of the potential scenarios or evolutionary paths of municipal performance (also Rautiainen 2009b).

It is concluded that long-term PM and understanding changes in BSC indicators in time seem to require more attention in Finnish municipalities. PM oriented discussions about the paths of operational development and the measurement of for example social work have been scarce in accounting studies, and therefore the analysis of potential paths of development is encouraged in this dissertation (also Rautiainen 2009b). Further, wide research approaches are suitable for larger research projects (see also Kakkuri-Knuuttila et al. 2008). Further, in Paper 2 it is explicitly argued that consolidated financial statements are preferable in judging the financial position (statutory financial balance) of a municipality since consolidated statements reduce the possibility for group accounting and financial statement manipulation (refining Vinnari and Näsi 2008).

These contributions offer insight into the decision-making rationales and change pressures and thus facilitate the management of accounting change projects in the public sector. Knowledge of these aspects can also improve the practical value of management accounting research (as called for by Malmi and Granlund 2009) by facilitating PM and process developments, and by providing a critical and dispassionate view on the PM developments in the Finnish

municipality sector. An increase in PM should not be considered as an aim in itself, but as a means of improving the public sector processes and general well-being, while taking into account the global and local operating constraints, legitimations and pressures. For example the alignment of professional pressures and thus (strategic) goals in city boards can facilitate actual accounting developments. Further research is encouraged, however, in order to better understand the general and particular issues of accounting and PM developments and to improve our living conditions at this current time with its pressures (e.g. 'financial crises') as well as in the future. For example, the municipal context with its many political ideas, legitimations and pressures makes PM difficult, but not impossible. Therefore the complexity of the municipal context should not be used as an excuse for not attacking the actual problems in the cost-effectiveness of municipal operations. On the contrary, further PM research taking into account the differing municipal circumstances and supporting public sector cost-effectiveness is welcomed.

Finally, this introduction also analyzed the validity or convincingness in different types of accounting studies as well as methodological issues behind mixed methods research. The approach used in this PhD thesis project, interpretive mixed methods research, is a relatively novel approach in public sector accounting research. Methodologically the aim in this dissertation was not to focus too strictly on the abstract theoretical or methodological divisions of science, but to do good accounting research by employing for example the best aspects of both qualitative and quantitative research traditions. In line with Vaivio and Sirén (2010), mixed method research is considered advisable also for large future accounting research projects, also in the public sector context, in order to achieve convincing and rich accounts of accounting phenomena.

YHTEENVETO (Summary in Finnish)

Ristiriitaiset legitimaatiot ja paineet suoritusmittauksen käyttöönotossa, käytössä ja muutoksessa Suomen kunnissa

Tässä laskentatoimen väitöskirjassa tutkitaan suoritusmittausjärjestelmän käytön taustoja, muutospaineita ja muutosta kuntakentällä. Parempi ymmärrys muutoksen rakentumisesta eri olosuhteissa tukee kuntien toiminnan, laskentatoimen ja suoritusmittauksen kehittämistä, koska erilaiset paineet ja kuntien erityispiirteet voidaan paremmin huomioida. Esimerkiksi pienissä kunnissa eräänä päätöspäätösteena suoritusmittausjärjestelmien ja -käytäntöjen muutokselle korostuu toisten kuntien esimerkin seuraaminen. Etenkin kasvavissa kunnissa suoritusmittausjärjestelmien ja laskentatoimen kehittämistä ohjaavat puolestaan mm. nykyiset yksityisen sektorin käytäntöjä korostavat julkishallinnon johtamisopit. Uusien laskentatoimen järjestelmien käyttöönotto tukee yleensä tarkempaa taloudenpitoa ja toiminnan kehittämistä pitkällä aikavälillä, mutta ei kuitenkaan aina varmista raportoinnin tai toiminnan kehittymistä ristiriitaisten päätöspaineiden sävyttämällä kuntakentällä.

Ristiriitaiset päätöspaineet johtuvat esimerkiksi erilaisista kuntatoimintaa ympäröivistä taloudellisista realiteeteista sekä ammatillisista, poliittisista ja ideologisista näkemyksistä. Nämä vaikuttavat kuntatoimijoiden ja sidosryhmien näkemyksiin siitä, mikä on tietyn kuntapalvelun päätehtävä ja toiminnan oikeutus (legitimaatio). Ristiriitaisten päätöspaineiden vaikutuksista kuntien suoritusmittauskäytäntöihin ei kuitenkaan tiedetä vielä kovin paljon. Niinpä tämän väitöstutkimuksen aiheena ovat *ristiriitaiset legitimaatiot ja paineet suoritusmittauksen käyttöönotossa, käytössä ja muutoksessa Suomen kunnissa*. Tässä työssä tutkitaan etenkin tunnetun suoritusmittausjärjestelmän, tasapainotetun mittariston (balanced scorecard, BSC, Kaplan ja Norton 1992), käytön perusteita ja piirteitä Suomen kunnissa. Väitöskirja rakentuu johdannosta sekä kolmesta artikkelista, jotka on julkaistu tieteellisissä aikakauslehdissä. Artikkelit 1 (Rautiainen 2009a) käsittelee tasapainotetun mittariston käyttöönoton perusteita ja näiden yhteyksiä ja ristiriitaisuuksia yleisesti Suomen kunnissa. Artikkelit 2 (Rautiainen 2010a) vertailee ristiriitaisia toiminnan oikeutuksia eli legitimaatioita sekä suoritusmittausjärjestelmien käytön muutospaineita kahdessa suomalaisessa kaupungissa. Artikkelissa 3 (Rautiainen 2008b) tutkitaan suoritusmittaustapojen ja laskentajärjestelmien muutosta sekä ristiriitaisten paineiden lähentymistä toisiinsa osana kaupungin organisaatiomuutosta, jopa kriisivaihetta ja siitä selviytymistä. Väitöskirjan johdanto-osassa tarkastellaan lisäksi mm. suoritusmittausjärjestelmän *muutosprosessia* pidemmällä aikavälillä ja kuntatoiminnan *legitimaatioita*.

Tulkintateorianäkökulmasta tässä väitöskirjassa on institutionaalinen teoria, etenkin neo-institutionaalinen sosiologia (NIS). NIS tarkastelee mm. sääntöjen ja todellisten organisaatiotietojen yhteyttä sekä vakiintuneita, ”institutionaalisia” paineita ja vaatimuksia, jotka vaikuttavat organisaatioiden toimintaan ja joihin

reagoimalla organisaatio säilyttää oikeutuksen toiminnalleen eli legitimitietin (ks. esim. DiMaggio ja Powell 1983; Meyer ja Rowan 1977; Meyer ja Scott 1983). Esimerkiksi taloudelliset säästöpainet edistävät sinänsä kuntatoiminnan "rationaalisuutta" ja kustannusvaikuttavuutta, mutta johtavat nykyisin lähinnä taloudellisten seikkojen ylikorostumiseen. Toisaalta esimerkiksi lainsäädäntö voi luoda pakottavia eli koersiivisiä, usein jopa ristiriitaisia paineita toiminnalle; erilaiset ammatilliset tahot tai etujärjestöt voivat esittää omia normatiivisia vaatimuksiaan; ja oppia otetaan muilta kunnilta niin hyvässä kuin pahassakin (ns. mimeettiset institutionaaliset painet, ks. DiMaggio ja Powell 1983). Lisäksi kuntien alayksiköt ja yksilöt tekevät omia ratkaisujaan ja kokeiluja toiminnan ja sen tavoitteiden suhteen.

Tällaisessa ristipaineessa kuntien toiminta tai päätöksenteko ei suinkaan ole yksinkertaista: on useita ristiriitaisia ideologioita ja toiminnan oikeutuksia. Tässä työssä tutkitaan aiempaa laajemmin ja syvällisemmin sitä, miten nämä erilaiset ristiriitaiset legitimaatiot ja tekijät vaikuttavat kuntien suoritusmittausjärjestelmien käyttöönottoon, käyttöön ja käytön muutoksiin. Työssä todetaan, että taloudelliset seikat, institutionaaliset painet, yksilöiden intressit ja jopa yleinen kokeilunhalu vaikuttavat suoritusmittausjärjestelmien käyttöön kunnissa. Tämä väitöstyö tarkentaa näiden eri tekijöiden vuorovaikutusta yleisesti Suomessa, kahdessa case-kunnassa sekä erään organisaation muutostai jopa kriisivaiheen aikana.

Tämän väitöskirjan päätutkimuskysymys ja -tutkimusongelma on seuraava: *Kuinka suoritusmittausjärjestelmiä käytetään ja muutetaan kuntakontekstissa – ja miksi juuri niin?* Perusvastaus on, että vaiheittain, pitkäkestoisena prosessina osana muita laskentatoimen ja organisaation muutoksia sekä useiden kuntatoimintaan vaikuttavien, yleensä ristiriitaisten, päätös- ja muutospaineiden alla. Tätä vastausta kuitenkin tarkennetaan useista eri näkökulmista työn johdannossa ja artikkeleissa.

Metodologisesti tarkastellen tämä väitöskirja nojautuu etenkin tulkitsevan laskentatoimen tutkimuksen perinteeseen (ks. Chua 1986), mutta niin, että eri artikkeleissa käytetään *erilaisia aineistoja ja menetelmiä, millä saadaan aikaan laaja ja perusteellinen kuva* kunnalliseen suoritusmittaukseen liittyvistä päätöksentekoperusteista, päätöspaineista ja käytännöistä sekä käytäntöjen muuttumiseen vaikuttavista tekijöistä. Esimerkiksi artikkeli 1:ssä vastausta tutkimusongelmaan haetaan kyselyvastauksiin perustuvalla tilastollisella analyysillä, käyttäen mm. faktorianalyysia. Artikkeli 2:ssa tutkimusmenetelmänä on vertaileva case- eli tapaustutkimus. Artikkeli 3 on puolestaan haastatteluaineistoon pohjautuva yhden suomalaisen kaupungin laadullinen, tulkitseva case-tutkimus.

Artikkelissa 1 tarkennettiin näkökulmaa väitöstyön päätutkimusongelmaan kysymällä Granlundin (2001) jaottelua mukailen, miten rationaaliset, institutionaaliset ja yksilölliset päätöspäerusteet vaikuttavat toisiinsa ja BSC-järjestelmän käyttöönottoon Suomen kunnissa. Sekä ristiriitaisia että samansuuntaisia päätöspäerusteita löytyi, ja esimerkiksi normatiivisten liikkeenjohdon oppien vaikutus ja kokeilunhalu olivat toisiinsa kietoutuneita.

Artikkelin 2 tutkimusongelma oli, miksi suoritusmittauksen ja taloushallinnon kehitys sekä sääntöjen ja rutiinien yhteys oli erilainen kahdessa vertailukaupungissa. Erilaiset kuntapäätäjien ammatilliset taustat ja potentiaaliset eturistiriidat nousivat esille suoritusmittaus-käytäntöjen taustavaikuttajina. Artikkelissa 3 keskityttiin siihen, miten ja miksi vapaaehtoinen, siis ei-lakisäätöinen, suoritusmittausmuutos tapahtui kohdekaupungissa, joka samaan aikaan kohtasi muita muutoksia, kuten uuden laskentajärjestelmän käyttöönoton ja organisaatiouudistuksia. Artikkelissa 3 nousi esille mm. yksilöiden ja poliittisten ristiriitaisten paineiden merkitys muutos-prosessissa. Aidot kehitysaskleet kuntatoiminnassa ovat kuitenkin mahdollisia, etenkin jos ristiriidat saadaan yhteistyöllä tai pakon edessä laantumaan, ts. saadaan paineiden välinen *etäisyys* pienenemään, ja siten luottamus palautumaan.

Kunnissa budjetointi, laskentajärjestelmät ja suoritusmittaus muodostavat kokonaisuuden, joiden kehitystä muokkaavat monet, osin yhteenkietoutuneet ja osin ristiriitaiset, päätöspaineet sekä aiemmat kehitysvaiheet, toiminnan resurssit ja toiminnassa mukana olevat yksilöt. Myös kuntatoimijoiden ammatilliset taustat ja siten ammatilliset näkemykset vaikuttavat myös suoritusmittausjärjestelmien kehitykseen. Artikkelin 2 ja myös työn johdannon eräänä keskeisenä väittämänä on, että esimerkiksi kunnanvaltuustoissa olevien kunnan omien työntekijöiden suuri määrä lisää ristiriitoja eri toimialojen ja taloudellisten paineiden välillä, mikä osaltaan vähentää paitsi budjetoinnin tarkkuutta, myös suoritusmittauksen relevanssia (ks. myös Rautiainen 2010b).

Artikkelien kontribuutioiden ohella väitöskirjan johdannossa kuvataan pitkäaikainen suoritusmittauksen ja laskentatoimen yhteenkietoutunut *muutosprosessi*, jossa ensin suoritusmittausraportoinnin taso laskee ja yleensäkin muutos suoritusmittauskäytännöissä on yhteydessä muihin organisaation ja laskentajärjestelmien muutoksiin. Nopeat suoritusmittauskäytäntöjen parannukset ovat tässä mallissa harvinaisia, mutta mahdollisia yhdessä muiden laskentatoimen muutosten kanssa tai esimerkiksi koetun kriisitilanteen aikana päätöspaineiden muuttuessa. Näin muotoutuu myös ajatus julkisen sektorin laskentajärjestelmien kehittymisen poluista, joissa yksi ratkaisu usein, joskus jopa väistämättä, johtaa tiettyihin seuraaviin ratkaisuihin. Kunnissa tarvitaan suoritusmittausta, jonka avulla esimerkiksi tasapainotetun mittariston eri näkökulmien kehitystä voidaan ennakoita. Tämä vaatii kuitenkin budjetointi-, laskenta- ja suoritusmittausjärjestelmien yhteistyötä, potentiaalisten toiminnan polkujen ja skenaarioiden tarkastelua sekä halua muuttaa vakiintuneita organisatorisia käytäntöjä (ks. Rautiainen 2009b).

Lisäksi johdannossa jaotellaan kuntien suoritusmittaukseen liittyvät *legitimaatiot* ja paineet *taloudellisiin, institutionaalisiin ja yksilöllisiin*. edelleen institutionaaliset paineet jaetaan *koersiivisiin, normatiivisiin, poliittisiin ja mimeettisiin*. Koersiivinen legitimaatio muodostuu esimerkiksi lakisäätöisestä velvoitteesta. Mimeettinen legitimaatio tarkoittaa esimerkiksi perustelua ”näinhän muutkin tekevät”. Silti eri ammattiryhmien normatiiviset näke-

mykset voivat poiketa toisistaan huomattavasti. Lisäksi poliittisten paineiden ja linjausten merkitys korostuu kuntakontekstissa (vrt. Granlund 2001).

Näin tämä väitöstutkimus tuo uutta tietoa mm.: 1) tasapainotetun mittariston käytöstä Suomen kunnissa, 2) suoritusmittausratkaisuihin liittyvistä legitimaatioista, päätöspäätteistä ja -paineista, 3) näiden vuorovaikutuksesta ja ristiriidoista, 4) laskentatoimen muutoksen aikaansaamisesta kunnissa sekä 5) tasapainotetusta mittaristosta pitkän aikavälin tai jopa jatkuvan laskentatoimen muutosprosessin osatekijänä ja korostajana (vrt. esim. Abernethy and Chua 1996; Granlund 2001; Järvinen 2006; Lapsley 2008; Scott 2001, 77).

Tässä tutkimuksessa väitetään, että kunnissa taloudelliset, poliittiset ja normatiiviset legitimaatiot ja päätöspaineet ovat usein vastakkaisia, mikä vaikeuttaa päätöksentekoa, suoritusmittausta ja taloushallintoa. Niinpä myös laskentatoimen muutos ja muuttumattomuus (ks. esim. Granlund 2001) voi olla samanaikaista tietyn kuntaorganisaation sisällä. Näin laskentajärjestelmän käyttö muotoutuu erilaiseksi eri yksiköissä tai erilaisissa professionaalisissa ympäristöissä. Jos erilaiset paineet esimerkiksi käsitetyssä kriisitilanteessa kuitenkin suuntautuvat tukemaan suoritusmittauksen muutosta, on muutos lopulta ilmeinen.

Suoritusmittareita voidaan käyttää kuntatoiminnan kehittämiseen, mutta muutoksen tapahtumiseen vaikuttavat kuitenkin taloudelliset, institutionaaliset ja yksilölliset paineet, esimerkiksi ammatilliset (normatiiviset) ohjeet sekä kuntatoimijoiden taustat. Institutionaaliset paineet selittävät kuitenkin kunnallista päätöksentekoa ja yksilöiden käyttäytymistä laskentatoimen muutostilanteissa. Muutosvaiheiden aikana suoritusmittausjärjestelmä osaltaan korostaa ja vahvistaa tiettyjä muutospaineita osana tiettyä professionaalista, esim. managerialistista, ajattelutapaa tai antaa ratkaisun koettuun kriisitilanteeseen. Ristiriitaisten legitimaatioiden ja erilaisten muutospainoiden tunnistaminen tukee mm. julkisten organisaatioiden laskentatoimen käyttöönotto- ja muutoshankkeiden johtamista.

Kuntien taloudelliset lähtökohdat ja väestökehityksen suunnat voivat olla hyvin erilaisia, joten edelleen tarvitaan tapauskohtaisesti toiminnan kehittämiseen tähtäävää kuntatutkimusta ja sopivien suoritusmittareiden kehittämistä jopa organisaatioyksikkökohtaisesti. Tässä työssä tarkennettiin suoritusmittauksen kehittämisen taustoja sekä mm. laskentatoimen muutosprosessien rakentumista kuntakentällä. Nämä tarkennukset luovat yhä parempia mahdollisuuksia kehittää kuntatoimintaa huomioiden kunnan erityispiirteet ja olosuhteet. Esimerkiksi artikkelissa 1 todetaan, että pienissä kunnissa päätöspäätteena muutokselle korostuu toisten esimerkin seuraaminen enemmän kuin suurissa kunnissa. Toisaalta kasvavissa kunnissa lähdetään usein suoritusmittauksen ja laskentatoimen kehittämisen suuntaan nykyisten ammatillisten julkishallinnon johtamisoppien mukaisesti, vaikka uusien järjestelmien käyttöönotto sinänsä ei aina varmista raportoinnin tai toiminnan kehittymistä (ks. myös Lapsley 2008; 2009; Olson ym. 2001; Vinnari and Näsi 2008). Näin tämän työn tulokset ja muutosmallit tukevat sekä julkisen sektorin laskentatoimen tutkimusta että käytäntöä.

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APPENDIX: On research paradigms

Methodology literature (e.g. Burrell and Morgan 1979/1989) focus largely on three assumptions made by a researcher: the assumptions about ontology, epistemology and human nature. The ontology debate concerns whether reality is external to the individual (objective, real) or largely a product of one's mind (subjective, nominal). Assumptions about epistemology refer to how one might obtain knowledge of phenomena: in extremity knowledge can be acquired through positivist observations and measurements (again objectively), or through human experience (subjectively). Assumptions about human nature deal with whether human action is passive, determined by objective outside forces (determinism), or whether a person is an active agent having a subjective free will to make decisions and having control over many of the outside circumstances (voluntarism).

In addition, the aim of the research may be broadly categorized as being either to explain the nature of social order (the regulation view), or to contradict existing views and bring about change (the radical change view, see Burrell and Morgan 1979, 10–19). Finally when the order–conflict and the subjective–objective aspects are combined, four *paradigms* for analysis of social theory may be categorized: the *functionalist*, *interpretive*, *radical humanist* and *radical structuralist* paradigms (ibid., 22; see also Kuhn 1970).

Functionalist research is for regulation and order (the status quo) and includes objectivist studies explaining the social order with realist ontology and a largely deterministic view of human nature. Interpretive research is also for regulation, but has a subjectivist approach to analysis of the social world with nominalistic ontology assumptions and a voluntarist view of human nature. In the radical humanist and radical structuralist strands of research a central aim of the research is to bring about change in current social practices. Radical humanists focus on developing consciousness and for example on emancipation from false or alienating practices so that human potentiality can flourish. Radical structuralists seek to provide explanations of the structures of the social world, but also to “emancipate” people from the “depriving” social structures of the world in which they live. (Burrell and Morgan 1979, 21–35.)

However, Kakkuri-Knuuttila et al. (2008; also Latour 1999, 295) argue that there is really no subjectivity or objectivity in their purest sense. This has the implication that we can be open to several methodological and method choices. Therefore in this thesis functionalist aspects of study are accepted in finding out the general issues of municipal PM, but an interpretive NIS emphasis is mainly used, especially in the case studies, in order to understand the details of PM use and “know the special characteristics of the groups that create and use” PM information (see Kuhn 1970, 210).

Accounting can be seen as a social construction in an organization (see Arnaboldi and Lapsley 2004; Brunsson and Sahlin-Andersson 2000). As accounting knowledge and accounting language become institutionalized they are increasingly taken for granted. Accounting figures are not always interpreted similarly, however. Some normative assumptions may be shared among professionals, but there may be subgroups and at least in other professions the emphasis may differ (all Papers; also Hyvönen et al. 2009). Further, not all research methods fit all research questions, a point which leads to the adoption of either quantitative or qualitative main method in the individual Papers of this thesis.

PART II: ARTICLES

ORIGINAL PAPERS

- I The interrelations of decision-making rationales around BSC adoptions in Finnish municipalities.
International Journal of Productivity and Performance Management, IJPPM, (Emerald), 2009, Vol. 58, No 8, pp. 787–802.

- II Contending legitimations: performance measurement coupling and decoupling in two Finnish cities.
Accounting, Auditing & Accountability Journal, AAAJ, (Emerald), 2010, Vol. 23, No 3, pp. 373–391.

- III Distance and coupling: analyzing the pressures of accounting change in a city.
Journal of Accounting & Organizational Change, JAOC, (Emerald), 2008, Vol. 4, No 3, pp. 270–288.

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